

JULY 16, 2018

**A SPECIAL MEETING OF THE CITY OF KINGSVILLE CITY COMMISSION WAS HELD ON MONDAY, JULY 16, 2018 IN THE HELEN KLEBERG GROVES COMMUNITY ROOM, 400 WEST KING AVENUE, KINGSVILLE, TEXAS AT 4:00 P.M.**

**CITY COMMISSION PRESENT:**

Sam Fugate, Mayor  
Edna Lopez, Commissioner  
Hector Hinojosa, Commissioner  
Dianne Leubert, Commissioner  
Arturo Pecos, Commissioner

**CITY STAFF PRESENT:**

Jesus Garza, City Manager  
Courtney Alvarez, City Attorney  
Kyle Benson, IT Manager  
Tom Ginter, Director of Planning & Development Services  
Bill Donnell, Public Works Director  
Rudy Mora, City Engineer  
Deborah Balli, Finance Director  
Derek Williams, IT  
David Solis, Risk Manager  
Jennifer Bernal, Community Appearance Supervisor  
Robert Rodriguez, Library Director  
Pete Pina, Landfill Supervisor  
Diana Gonzales, Human Resources Director  
Richard Flores, Golf Course Manager  
Susan Ivy, Parks Manager  
Cynthia Martin, Downtown Manager  
Jeanine Reyes, Tourism Director  
Ricardo Torres, Chief of Police

**I. Preliminary Proceedings.**

**OPEN MEETING**

Mayor Fugate opened the meeting at 4:00 P.M. all five Commission members present.

**INVOCATION / PLEDGE OF ALLEGIANCE – (Mayor Fugate)**

The invocation was delivered by Mrs. Courtney Alvarez, City Attorney, followed by the Pledge of Allegiance and the Texas Pledge.

**MINUTES OF PREVIOUS MEETING(S)**

None.

**II. Public Hearing - (Required by Law).<sup>1</sup>**

None.

**III. Reports from Commission & Staff.<sup>2</sup>**

*“At this time, the City Commission and Staff will report/update on all committee assignments which may include, but is not limited to the following: Planning & Zoning Commission, Zoning Board of Adjustments, Historical Board, Housing Authority Board, Library Board, Health Board, Tourism, Chamber of Commerce, Coastal Bend Council of Governments, Conner Museum, Keep Kingsville Beautiful, and Texas Municipal League. Staff reports include the following: Building & Development, Code Enforcement, Proposed Development Report; Accounting & Finance – Financial & Investment Information, Investment Report, Quarterly Budget Report, Monthly Financial Reports, Utilities Billing Update; Police-Communications Update; Police & Fire Department – Grant Update, Police & Fire Reports; Streets Update; Public Works; Building Maintenance, Construction Updates; Park Services - grant(s) update, miscellaneous park projects, Emergency Management, Administration –Workshop Schedule, Interlocal Agreements, Public Information, Hotel Occupancy Report, Quiet Zone, SEP, Legislative Update, Proclamations, Health Plan Update, Tax Increment Zone Presentation, Main Street Downtown, Chapter 59 project, Financial Advisor, Landfill Update, Wastewater Treatment Plant, Water And Wastewater Rate Study Presentation, Demolition Update, Planning Development Update, Golf Course Update, Municipal Court Update, Monthly Performance Report. No formal action can be taken on these items at this time.”*

Mr. Garza commented that he will be out of the office for a couple of weeks, beginning on Thursday. During his absence, Mrs. Courtney Alvarez, City Attorney will be the main point of contact in case any emergency should arise. The City Commission should receive the

June Performance Staff Report. Staff is working on finalizing the 3<sup>rd</sup> Quarter Budget Report, which runs until the end of June. Garza commented that at the last meeting, there was an agenda item to redesign the Audit Committee. Now the Finance and Audit Committee would consist of the Jesús Garza City Manager, Courtney Alvarez City Attorney, Deborah Balli Finance Director and Commissioner Hector Hinojosa. This committee will be meeting tomorrow to review the third quarter budget report, which will be presented at the next regular commission meeting.

Mrs. Alvarez reminded everyone that the next regular scheduled meeting will be on Monday, July 30, 2018 at 6:00 p.m. She commented that she attended a TCAP Board meeting on Friday where they were handed a check for \$7,900 as there was an audit as they always monitor their bills and they found some meters that appear to be outside the city limits and they were getting charged gross receipts taxes as they were inside city limits. This was a refund from an audit that they did for free on our behalf as the city is a member.

Mayor Fugate wished Mr. Garza well on his upcoming wedding.

#### IV. Public Comment on Agenda Items.<sup>3</sup>

##### 1. Comments on all agenda and non-agenda items.

Mr. Filemon Esquivel commented that he has been designing health insurances for the past 30 years. He stated that he is here today to assist the City of Kingsville and the way that he can assist is by the City of Kingsville changing their agent of record, put on the agenda and put it out for bids to see who could provide the city with the best service. He stated that the city has had the same agent of record for quite some time, but he has brought in some ideas that have worked for the County, as he is their agent of record and has been able to work with Entrust and come in with solutions. He stated that they have saved \$1.5 million dollars this year and the year before they saved \$500,000. He stated that they get together once a quarter or once a month and shows them what is going on with the plan. Mr. Esquivel commented that his ultimate goal is prevention. He stated that they brought in the A&M Science Center as part of the plan itself. He stated that everyone gets checked once a quarter free of charge and they also have a medication assistance program that is free of charge. He further commented that all this gets brought in to the employees, not the employees going to them. He is doing this for the City of Driscoll and Bishop and has been working well. He stated that all they are doing is utilizing sources out there and wouldn't cost the city anything in order for them to bring in this wellness program to the city. This program can be integrated with management to reduce the city's claims. This would give the city some savings on health care that can be used on other things. Mr. Esquivel commented that he is a licensed health and life insurance consultant.

#### V.

##### Consent Agenda

##### Notice to the Public

*The following items are of a routine or administrative nature. The Commission has been furnished with background and support material on each item, and/or it has been discussed at a previous meeting. All items will be acted upon by one vote without being discussed separately unless requested by a Commission Member in which event the item or items will immediately be withdrawn for individual consideration in its normal sequence after the items not requiring separate discussion have been acted upon. The remaining items will be adopted by one vote.*

##### CONSENT MOTIONS, RESOLUTIONS, ORDINANCES AND ORDINANCES FROM PREVIOUS MEETINGS:

*(At this point the Commission will vote on all motions, resolutions and ordinances not removed for individual consideration.)*

None.

##### REGULAR AGENDA

##### CONSIDERATION OF MOTIONS, RESOLUTIONS, AND ORDINANCES:

#### VI. Items for consideration by Commissioners.<sup>4</sup>

##### 1. Consider Health Insurance RFP#18-14 for Health Insurance Plan Services. (City Manager).

Ms. Sarah Parkey displayed an attachment, which is a longer version of the previous version that was given to the City Commission at a prior meeting.

A copy of the attachment is attached to these minutes labeled as "Exhibit A".

Ms. Parkey stated that on this list has the updated employee counts and in which tiers they fall in as of today. When the city goes out of RFP, the city budgets for the total number of employee slots they have including the vacant ones. This shows where the city sits today as where enrollment counts. She stated that the city current plan options and rates are listed on column 1 on Exhibit A, with TPA being Entrust, Christus Spohn being the network and Westport being the stop loss reinsure. Column 2 shows renewing with Entrust as TPA switching to Gerber as the stop loss carrier but staying with a 100 pay specific deductible; each individual has a \$100,000 specific deductible, that the plan pays for before reinsurance kicks in. Column 3 would also be staying with Entrust as the TPA, Gerber being the stop loss reinsure but drops the specific stop loss limit from \$100,000 to \$75,000. Parkey stated that based on the difference in premium between the \$75,000 and the \$100,000 spec and the fact that the city normally doesn't have that many people hit the specific stop loss amount, it probably would not make financial sense to move back down to a \$75,000 spec at this point. She further commented that the City has had two employees that have met their stop loss last year. The difference in premium is roughly about 4 people. Historically on average, the city does not have more 4 people as they looked back last year when we moved from the \$75,000 up to the \$100,000; they went back several years and the city has always averaged well under 4.

Commissioner Hinojosa asked if that the city would need to stay at \$100,000. Mrs. Parkey response was Yes, as this is what their recommendation is to the city. Parkey commented that the difference in premium is going to be roughly about \$100,000, so it would take 4 additional people to reach that specific level in order for it to make up the difference in that premium dollar.

Mr. Garza commented that one of the Commission had asked if anyone was within the \$75,000 to \$100,000, there wasn't anyone.

Commissioner Hinojosa commented that there is a difference in premium of \$248,000, which is why he asked the question. Hinojosa further commented that on the first handout that was given to them, they figured it on \$287,000 and now dropping it down to \$270,000, which is why there is a difference.

Ms. Parkey commented that this was correct.

Commissioner Hinojosa further asked if there are any other administrative cost that are buried in some other, as there is \$143,000 but on the budget there is \$571,000, which he doesn't know where the difference is at which is something that he would like to find out about. He further stated that if this is something from staff or from Ms. Parkey, there is \$427,000 buried in the budget for the administrative cost. He stated that on the spreadsheet it only shows \$143,000 and asked where is the difference.

Ms. Parkey responded that the difference is going to be in the stop loss premium, but is not sure if that was included in the budget item.

Commissioner Hinojosa commented that it is a different line item for the stop loss as according to the budget there is \$571,000.

Mr. Garza commented that staff would need to look into this as the number they are talking about here is for the \$143,000.

Commissioner Hinojosa commented that on the \$427,000, can staff negotiate that as he doesn't know if this is a professional service that the city is receiving from someone, but can it be negotiated, as this is also what is driving the city's claim cost; not just the employees but also the professional fees, as in his mind, this is what is driving the cost and at this time, he will be voting against it.

Mr. Garza asked for Mrs. Deborah Balli to run a detail for the current budget so that we can find out for sure what the total amount is that is being mentioned and see what it is inclusive of.

Ms. Parkey commented that there is also built-in to the current program a capitated generic ex-program. She knows that there has been some conversation during the last Commission meeting. That amount is listed on the spreadsheet. It has a monthly amount as well as annualized. She stated that this amount is also may be included in what the city budgeted for as admin fees as it is technically a claims cost because it is a way of paying for prescription drugs; although it is a set amount every month per individual. Parkey commented that at the bottom of the spreadsheet, it totals up the aggregate premium, stop loss premium, administrative services and what the city maximum claims liability is.

Commissioner Hinojosa asked that on the maximum stop loss quote of \$3.14 Million Dollars that is listed on column 2, how was that arrived at? Was it based on previous history?

Ms. Parkey commented that this was correct. It is based on previous claims as well as claims that are ongoing now. She stated that for example there could be someone now

that has been diagnosed with a debilitating illness and now there claims are not going to hit until the next year. Ongoing treatments and members who may have and illness or a disease that may require ongoing treatment from year to year, is how they come up with on what the city's estimates may be. Stop loss in anything above and beyond what the maximum claims and liability is. Parkey commented that from the comparison that by keeping the plan as is, with the specific stop loss level of \$100,000 is roughly a 3%, \$105,000 to \$106,000 increase. Dropping it down to \$75,000, which is what already kind of been decided, for financial purposes, the difference in premium verses on how many people the city has that have already hit specific stop loss amount, is about a 6% increase. She stated that she did go back to both Blue Cross and UMR, asking for a best and final which she gave them updated claims through May and gave them a deadline of Friday for best and final rats, but did not receive anything from either of those carriers. She further commented that did also invite representative from Entrust, which is the city's current TPA who are present today to discuss with the Commission the questions that they had regarding the administration and the Spohn Network as well as the city's first health representative and also the capitated generic RX Program and how that works and how it helps both the employees as well as the city saving money on prescription drugs.

Commissioner Hinojosa asked that the information that Blue Cross, Blue Shield and UMR received, was it the same as there is a big discrepancy on the premiums. Ms. Parkey responded yes. Hinojosa further commented that in the past history, anytime that there is somebody that is already in charge, there not going to give those figures out. He stated that this has been his experience or history which is why he is asking. Did Blue Cross and UMR have the same information in order to give the city a good proposal?

Ms. Parkey responded Yes. She further stated that all of the claims information, the census, the plan design, and rates was posted on the city's website. Different carriers and TPA's went to the city's website to retrieve that information. This information was not sent directly to them, they went to pull it form the city's website. That information was given to city by Entrust and uploaded by a member of the city to the city's website. She further commented that anytime they were given questions by TPA's or carriers, that information was then posted on the site as an addendum was also posted to the site which they then would send a mass email out to all responding carriers and TPA's stating that the information had been posted on the site. Everyone had access to the same information.

Commissioner Hinojosa asked that if to Ms. Parkey's knowledge, this information is still posted on the city's website? Ms. Parkey responded yes.

Gentleman from Carilise Insurance commented that to answer the Commission's questions as to why there is such a large difference, the health insurance is different than home owner's or car insurance. Health insurance is utilized every day. This previous year, when you talk about claims, it is very personal information, but from a stop loss standpoint, there was significant reimbursement just this past year. What this means, is that this was money that the city did not pay in claims, but the stop loss carrier did pay. When it comes to information that Blue Cross, Blue Shield, and UMR are using to underwrite this, they are looking at this and showing a significant loss. He further stated that from a company standpoint, they are going to provide a proposal to take the liability of the city, they will look at that. When they are seeing a large reimbursement, there is not a level profitability that they are comfortable with, and so this is why they are going to propose something. He further stated that he and Ms. Parkey spend a lot of time looking at the claims and there is a rhyme or reason when you look into it. He stated that a lot of the proposals were not far off giving the reimbursements given and the loss ratio that the city had this previous year. He further stated that for the city to receive a renewal that the city received this past year, is pretty favorable given the claims experience as the city's health insurance is utilized by the employees every single day. There is a lot of data that Entrust will have access to, but it was a fair playing field.

Ms. Parkey stated that when they met with Entrust a couple of weeks ago, the year-to-date stop loss reimbursement was \$427,000, which is the amount the stop loss carrier paid for claims that were above and beyond the stop loss for the city.

Mr. Zack Gingrich, Broker commented that the city only pays about \$560,000 in stop loss premiums which makes it a good deal for the city. Should the city not have stop loss, the city would be an additional expense to the city.

Mr. Garza commented at the last meeting, there were a few items of concern from the Commission. One was the item related to the Network. Staff has had conversations with Entrust related on how we can improve the Network regionally, which would be forging a stronger partnership with the First Health Network. Garza stated that there will be some intricacies involved with the city's agreement with Christus Spohn, so it wouldn't work the same as the way that it currently does, but it would be better

coverage. Garza gave the example of an employee going to the Emergency Room and there being a visiting doctor and that visiting doctor not being covered by Christus Spohn. The way this would currently work is that this doctor would not be covered because the First Health Network is geographically prohibited from covering the local region area which is the Christus Spohn. Although, there might be a way for the city to eliminate that geographic barrier to have the First Health Network cover our local region as well, so that that doctor that was not covered by Christus Spohn maybe covered by First Health, which would apply but only at an 80/20 set, based on the city's agreement with Christus Spohn. This is a mechanism that is in the contract, that if an employee goes to a secondary provider, that coverage would be slightly different. Garza further commented that there is a way for the city to do this, but what he hasn't received is the cost implication for making that change. If the city did make the change to the network, it would come with a cost.

Commissioner Hinojosa commented that this could be negotiated.

Mr. Garza commented that on the network side, he feels that it is a good idea to look at that option, as in his personal experience and speaking with some employees one-on-one, this is a concern, whether it be visiting doctors or facilities, there is a serious concern from the employees about them being balanced billed. This may not happen quite often, but the few times that it has happened, it not the right thing. Garza feels that it would be good to explore that option. The cost implications are to be determined on. With the other issue being brought up relating to pharmaceutical and some of the restrictions that the program has, he would recommend staying with Southern scripts. There might ways to change some of the triggers associated with Southern scripts, but the idea of having a pharmaceutical program that shops for the best price of medicine which saves everyone money. The biggest issue with Southern Scripts was some of the preauthorization processes and the transition of what we had before when the city transitioned to Southern Scripts, it wasn't a smooth transition as everyone would have liked, but once people got through the preauthorization stage, now the lingering issue is that Southern Scripts has a level in there that tries to encourage employees to get the generic drug oppose to the name brand drug. While this may be inconvenient for some employees, this is a cost measure that he would recommend keeping. Garza commented that staff recommends still pursuing with Entrust once staff finalizes these details, because the cost differential with the others is greater. Garza stated that for example, even if the city's cost increase a bit by changing the network by trying to improve the First Health coverage regionally, that increase in cost would be minimal compare to the hundreds of thousands of dollars difference that the other carriers submitted. Even with the changes, Entrust would still be offering a better deal overall.

Mayor Fugate asked if this is what staff is recommending.

Mr. Garza responded that this was correct, It's what was recommended at the last meeting. Garza further commented that staff has invited them to give them an opportunity to answer questions from the Commission associated to with the two specific issues but know that staff, since the last meeting, staff has communicated with Carlisle and Entrust in order to try and find ways to better address the main concerns that were brought up by the Commission.

Commissioner Hinojosa asked if staff is having meetings with the employees on how to use the claim in order to lower the city's claims? Is this done on a quarterly basis or monthly basis and is it made mandatory for employees to attend?

Mr. Garza responded that staff doesn't make it mandatory.

Mrs. Diana Gonzales, Human Resources Director commented that it is not made mandatory, but staff does have someone from Entrust that comes in once a month which began late last year. This is announced to all the departments as to where they will be located and encourage anyone that has any issues with claims, prescriptions or whatever it may be, to come in and speak with the representative. Gonzales further commented that the Entrust representative has also given out her contact information for those who have an issue, may contact her to try to resolve the issue.

Mr. Garza commented that outside of that, recently staff has improved their presence for employees within HR, so that when the representative is not available, has the opportunity to go to HR and speak with staff, call the representative or even get online to retrieve answers to their questions. Garza stated that his Coffee with City Manager sessions that occur on a monthly basis, he also encourages staff to come into the HR office to have their issues addressed. Even with those efforts, sometimes employees are hesitant to reach out for assistance and it is after the fact that staff finds out that the employee went through a certain situation.

Commissioner Hinojosa asked if these are highly attended or is there low attendance.

Mrs. Gonzales commented that it is low attendance. There are times that you may see only two employees and sometimes you may see five, but the information is distributed. She further stated that her staff which consist of an HR Specialist and an Admin, where

employees don't have to go to her directly. The other staff members now have the information where they are able to assist anyone at any time.

Commissioner Hinojosa asked how this information is being filtered down to the employees? Is it the responsibility of the Supervisors to let their employees know about this?

Mrs. Gonzales responded that her office sends out emails to all City Employees. The information is also sent to all the Admins from the different departments for distribution. They receive a copy of the posting/flyer which gets distributed and posted within their departments. Gonzales further stated that if an employee does not have an email, they still receive the information from the Admin.

Mayor Fugate commented that the way it trickles down, is that when you need medical help, you ask for it.

Mr. Garza commented that every year when the city goes through the enrollment process, Entrust representatives visit all city facilities where they provide all types of information to the employees regarding Health Insurance.

Commissioner Leubert asked if representatives from Entrust has any additional information that they would like to report to the Commission. She stated that what she is hearing from staff is that the city needs to stay with Entrust as the city needs to afford insurance for its employees. Entrust are the ones that can provide that with options for the employees, which is what this is all about.

David from Entrust commented that he is underwriting for the city renewal. He stated to the Commission that he doesn't think that they will see a change in the numbers, even if they added First Health inside the area, but at a lower network level like it was indicated by the City Manager. He stated that he agrees with everything that has been said, although he just wanted to clarify that because right now the employees go to Spohn, the city gets 98% utilization at Spohn which is a huge discount. With claims at \$100,000, they are being repriced at \$10,000. He stated that occasionally it is at 2% might have to go out of Spohn. When they go outside of Spohn, they try an negotiate some price which if the network was added at 80/20 you would receive a discount of the 2%. At this time, the city is not receiving a discount on the 2%, but the city would start getting a discount on that.

Commissioner Leubert asked if the city is already giving everything to the employee but with better options.

Mayor Fugate asked City Manager what his recommendation is on this.

Mr. Garza commented that staff's recommendation is to select Entrust at the city's TPA, but he is aware that there are some outstanding questions and so....

Mayor Fugate asked if there was motion for this item from the Commission.

Commissioner Lopez asked if employees premiums going to increase?

Mr. Garza commented that the next agenda item specifically is to talk about the contribution for employees and for the city.

Commissioner Lopez commented that this is important to her in order for her to make a decision on which way she would like to vote.

**Motion made by Commissioner Pecos to accept the City Manager's recommendation, seconded by Commissioner Leubert.**

Ms. Parkey commented in the background, that no decision on plan design or contribution by selecting a TPA.

**The motion was passed and approved by the following vote: Leubert, Pecos, Fugate voting "YES". Hinojosa voting "NO". Lopez "ABSTAINED".**

**2. Discuss options for City of Kingsville employee Health Insurance Plan design benefits, including but not limited to employee contributions and deductibles. (City Manager).**

Mr. Garza commented staff has distributed some options for the Commission to review.

Copies of the Health Insurance Plan design benefits are attached to the end of the minutes as "Exhibit B"

Mr. Garza commented that he would like to focus on the \$100,000 stop loss. As indicated by Ms. Parkey, this would be the best financial options for the city, stay at \$100,000. The city was at the \$75,000 a couple of years ago, but staff made the conscious decision to change to \$100,000, as staff felt that it was a good financial decision to make.

Ms. Parkey commented on the handouts, "Exhibit B". She stated that the one she will be talking about is the handout that states \$100,000 stop loss. She stated that the City's current plan design is \$250 family monthly deductible with a 100% co-insurance after. It will show how many people are enrolled in each category, what tier of coverage they have. This will show the total monthly cost in the red column which includes, claims, admin, and stop loss. The green column is what the employee contributes each month, depending on what tier of coverage they have. The yellow column is the cost to the City of Kingsville.

Mr. Garza commented that in the current, some of the total cost, as some of the times there is confusion on how much the city contributes to these expenses. The total annual cost for the premiums is \$3.5 million dollars, of which the city contributes \$3.2 million dollars with the employees contributing \$291,000. It is clear that the city invest more than 90% of the cost towards these premiums.

Commissioner Hinojosa asked if this is a separate fund, fund 138. Mr. Garza responded yes. Hinojosa further asked for the fund balance in this particular fund? Hinojosa commented that in the past, they use fund balance for everything else, so he is just wondering how much is in the fund balance and can that the city use some of that fund balance.

Mrs. Alvarez commented that the Health Insurance is setup as a Trust. So monies that go into that, can only exclusively for the Health Insurance Plan and for no other purpose.

Commissioner Hinojosa further asked if the city was over funded in there.

Mr. Garza commented that it would depend on how it is looked at. For example, staff went through the budget cycle last year staff shared a five year history of the fund balance as well as contributions that the city was making and an additional transfers from operational funds to the insurance fund. There were years where the fund balance had dropped to \$200,000 with years where it was at \$600,000, so it fluctuates as claims vary across the board. He stated that the city doesn't always receive the same amount of stop loss reimbursements, so this is an inconsistent figure. This varies as staff doesn't budget for stop loss reimbursements. Garza stated that for example, for the current fiscal year staff estimates fund balance ending at around \$400,000 more or less. He stated that the city could always receive stop loss reimbursements that alter that number and increase it by the time the figure gets audited. He stated that at the last meeting, it was discussed how the city is on a 12/15 plan, so for staff, they don't get true figures until the Spring of the year that the city is going through the audit. When the audit was completed for fiscal year 2017, the city ended up with a healthier fund balance due to stop loss reimbursements, which ended up being a \$1.1 million dollar fund balance in the insurance fund after the stop loss reimbursement that the city received that staff wasn't aware they were going to receive and second, this is how it ended it up after the 15 months was over. He further commented that the position that the city was in last summer and not knowing what was going to happen six months later, was that the fund balance would drop down to \$300,000, which was what staff had originally thought. This is the reason that during that year, staff was trying to make push changes as staff was concerned that the fund balance was not as a secure place to be. Garza further commented that as time went on, the city started to receive the stop loss reimbursements and staff paused at making changes and stop having conversation about making severe changes as there was also a time period when staff was discussing having \$2,500 annual deductibles with the task force as well as much heavier contributions from the employees, due to staff thinking that the fund balance was going to be in a poor condition. He stated that once the numbers were audited with stop loss reimbursements, it exceeded \$1 million dollars. He stated that because staff is not aware of how much the city will receive this year, staff anticipates the fund balance dropping down to around \$400,000. Last year, staff budgeted \$4.1 million dollars in expenditures and \$3.5 million dollars in revenues for the insurance fund, so there was a \$600,000 gap between revenues and expenditures. It was staff's concern that if the city didn't have a healthy fund balance, where would the money come from. Historically, the money came from transfers of operational funds. Last year staff presented an analysis that showed that over a five year period the city had transferred about \$852,000 from a combination of General Fund, Utility Fund, Tourism fund, and Task Force fund, when the Task Force was with the City, to the insurance fund to help keep that variance at ease. Garza commented that the current fiscal year that we are on now, is the first year that staff budgeted it exceeding \$4 million dollars in expenditures. Whether this happens or not is still to be determined, but this is how it was budgeted. Garza further commented that the situation that the city is in today is that even though the city ends up with \$400,000 it is not a healthy fund balance for this fund, as just in this year's budget, there was difference of \$600,000. Garza went on to comment that staff is trying to find a solution that can create credits that can make the fund balance stronger.

Commissioner Hinojosa commented that whatever is funded to whatever fund it is, is that regardless if the employee is here or not. For example of that employee leaves, does the city continue to fund that or does the city only fund currently employees.

Mr. Garza commented that we fund based on the number of employees that the city has. So if there is vacancies, the city is not making those contributions.

Commissioner Hinojosa commented that he is trying to see the whole picture as this is his first time, which is why he is asking all the questions. He stated that he is getting a snapshot and getting the whole picture which makes it difficult for him to visualize this.

Mrs. Deborah Balli, Finance Director, commented that as far as the budget goes, staff budgets for every position the city has, whether it's filled or not. For the employee side, they contribute based on if they are here. Even though staff budgets for employee contributions for every position, if they are not here and the city has vacancies, the city doesn't get the employee portion towards the 138 fund. As for the employer contribution, staff budgets based on the number of positions that we have.

Mr. Garza commented that staff makes that transfer regardless.

Commissioner Hinojosa commented that he was looking at the budget and it only says insurance contributions and asked if the employee contribution within this line item. Mrs. Balli's response was yes. Hinojosa further asked if in the future, can this be separated?

Mrs. Balli commented that the budget can have all the line items that the Commission wishes to have, but it's in the detail of the budget which shows how much is employee, how much is employer, which is all in the details. She further stated that if it's the Commission wish, staff can separate it if they want them to.

Commissioner Hinojosa commented that maybe once they go through the budget process. He further stated that this is why he is not seeing the whole picture, therefore he can't agree with the increase of employee contribution. He further asked if the city was planning on giving the employees an increase in pay to offset the insurance increase.

Mrs. Parkey stated that if the Commission is curious as to currently how much the employees contribute, that amount based on the numbers of employees here, would be listed on the green section of Exhibit B. As the numbers fluctuate throughout the year, as the city has employees come and go, the total would fluctuate as well. She stated that the first page of Exhibit B, shows the city keeping the \$250.00 family monthly deductible and 100% coinsurance, which the plan design stays as it. Nothing changes other than the employee contribution amount. In the middle section of the Exhibit B, the contribution is going up to \$46.00 from \$30.00 a month. It will have the difference in cost to the employee which is listed on the right hand side of the document. In this scenario, cost for employee and children coverage decreases. Anyone with employee and children coverage paid \$32.00 will now pay \$28.00.

Mr. Garza commented that the reason for the decrease is that insuring an adult and insuring a child is less costly than insuring two adults or two adults and several children. By shifting to more appropriate tiers you will see a more consistent theme of employee and children option being cheaper than the adult option.

Ms. Parkey commented that this was one of the things they went through in the task force and the survey that was done with employees. Most employees agreed and recognized that there should be a difference in the cost between employee spouse, employee, child verses employee family.

Commissioner Lopez asked if that was only employee and child, meaning one child.

Ms. Parkey responded that the cost was the same whether you have one child or have ten; the rate is the rate.

Commissioner Hinojosa asked if there was a maximum? Ms. Parkey responded that there is no maximum. She further stated that there is some places where they will do employee plus one, and that plus one can either be a spouse or a dependent, then it's employee plus one or more. Parkey stated that a spouse would normally is going to be more risky or costly than a child would.

Ms. Parkey continued with her presentation of "Exhibit B" stating that the bottom of the document shows the employee only contribution increasing to \$56 and the different



tiers following suit. In this scenario, the employee contribution goes up \$26.00 per month, employee and child decreases. Parkey commented that by doing this, changing nothing about the plan design and enforcing these payroll contributions, it is about a \$17,000 credit towards the claim fund for the city. On page 2 of "Exhibit B" uses the scenario way of converting to a \$750 annual deductible. With this, there is no longer a \$250 per family monthly deductible, but its \$750 annually, per individual and \$1,500 family. This does not state that each individual would pay \$750 annually, if an employee, spouse and three children they would have a \$1,500 combined annually. This would increase payroll contributions to \$46 for employee only. By doing this plan design change, it would be about a \$117,000 credit towards the claims fund. With the employee only paying \$56, it would be about a \$172,000 credit. Parkey went on to the last page of "Exhibit B" and stated that this will show the higher deductible that was looked at, \$1,350 individual deductible, this would make the family deductible \$2,700. Same payroll contributions amounts, either \$46 from employee only or \$56, whether they are covering their dependents or not. Making this plan design change and these payroll contribution changes would be around a \$272,000 credit or it being the highest around \$326,000 credit.

Mr. Garza commented that this is not something that the Commission will need to take action on during tonight's meeting. It is simply information that the Commission will need to take into consideration, for when the item comes back to them for a vote.

Mrs. Alvarez commented that she would like for the Commission to be aware that this is something that the Commission will be asked to vote on at the end of the month at the July 30<sup>th</sup> meeting.

Commissioner Leubert asked if the Commission will be making this decision on their own, or will they be able to speak with the employees to get their input on this.

Mr. Garza responded that staff has already been talking to employees for a while, both formally and informally. When staff met formally with the task force last year, there was some serious concerns about an annual deductible going up to \$2,500 or \$3,000. There was some extreme hesitation to the idea of employee contributions going up by hundreds of dollars, which at the time it was something that was being discussed. Employees that were formally part of the task force and those that were not, were not in favor about those changes occurring to that magnitude. Everyone understood that there would be some type of change would be coming, but obviously each person's opinion can differ.

Commissioner Leubert asked Mrs. Gonzalez, HR Director if this is something that can be shown to the employees so that they can see that they have options. Leubert further commented that they don't have a choice tonight. They have to pick a health care plan, as it wasn't done last year, so now it is time for them to decide where to do better on the prescriptions. Leubert also commented that if the employees see this document (Exhibit B), would they want to do the \$250? She commented that the thing is that she could not vote for the last page of the exhibit, as she know some of the employees. She also commented that they need to understand that the Commission is not making the fund choices, they have to make the tough choices, and they are fixing to on the Wastewater and water rates. If they don't make these choices and pick these companies and let these guys understand that this is what it cost, and still getting a really good deal by paying this amount, whichever they choose per month, and put them as part of this. Leubert commented not to give the employee a ton of options as they can't do that, but show them what's here and this is why. Leubert commented that the Commission can't run a city if they don't make the tough choices up there and raise rates, until they get a bigger tax base to help. She also stated that the city residents are the tax base.

Mrs. Gonzalez responded that when staff had their group meetings, there were some meetings during the evenings and during the day to inform the employees as well as sending out surveys, which Ms. Parkey has information on the surveys, which was presented before. Some employees are interested in having more money in their pocket and some are interested in having the better coverage. There isn't one plan that is going to fit all. The city can offer a couple of different options. They can offer the \$750 deductible and the \$1,350 deductible.

Commissioner Leubert commented that these are good options and everyone that she has talked to, they know that the city has to increase the monthly rates. She further commented that as it was mentioned earlier, is it fair to an employee/spouse to pay the same as an employee and six children. This is the problem that she has heard. Leubert commented that what she is talking about is showing the employees the different options on the deductible.

Mrs. Gonzales commented that the information is now available.

Mr. Garza commented that staff can distribute the information whether it's through email. Staff can't make commitments as they don't know what the Commission is going to decide, but if what the Commission's request is/concern is simply showing the information to employees, staff can better find ways to disseminate the information as much as possible.

Mrs. Gonzalez commented that the information is on the city's website and its part of the agenda packet. She further commented that the employees, even with any of these changes, the premiums are still some of the best in the area. With the coverage and the networks that the city has and the things that staff is going to try and do with, secondary network, it still makes it the best in the area. Gonzalez commented that staff still has a long way to go before the city gets to another plan.

Commissioner Leubert commented that her concern is more the deductibles/yearly deductibles.

Ms. Parkey commented that one of the questions that they asked in the employee survey that were sent out, which they had 150 responses; about 25 to 30 employees attended either the day or evening meetings, 150 employees responded to the survey's questions. The question was, the current deductible is a \$250 family monthly deductible, which equates to a \$3,000 annual deductible. Would you be willing to move to an annual deductible between \$1,500 and \$3,000 if it meant keeping your level of coverage to as close as to what you are receiving now? Parkey stated that 104 employees said yes with 48 responding no.

Commissioner Leubert commented that staff has basically already done it.

Mr. Garza commented that another scenario that is realistic is that currently there are some employees that are paying the \$250 per month, they are paying \$3,000 a year. There are some employees, if shifted to an annual, would maybe pay more up front, because they are not paying \$250 per month, would see an annual savings. If the city went to a \$750 individual annual deductible and a \$1,500 family annual deductible, they would only pay \$1,500 as oppose to the \$3,000 that they are paying now, by paying the \$250 every month. Garza commented that every employee situation is completely different which makes it hard to find a one size fits all.

Mayor Fugate commented that it will help the person that has a continuing medical issue.

Commissioner Lopez asked that if on the survey, was there a question about premiums or willing to go up on premiums?

Ms. Parkey commented yes. Cost of health care premiums per pay check was the number one most important thing that employees answered. There other choices were total maximum out of pocket, cost of visiting a doctor's office, cost of prescription drugs and network access to doctor's and facilities. Premiums coming out of their paycheck was number one, which makes sense, as it is an absolute change in premiums that is going to affect every single employee that the city has. Parkey further commented that health care cost are unforeseen. Nobody will know if they will be using their \$250 family deductible per month. No one will know if they will be using their deductible or not. Making plan design changes are going to affect those people that utilize the plan design right now. Payroll deduction changes will affect everyone.

Commissioner Lopez asked, if this was one of the questions on the survey. Ms. Parkey responded yes. Parke also commented that this was one of the most important thing to the employees, was to keep the premium low than keeping their deductible low, when given that option.

Commissioner Leubert commented that on the premiums, they are very good prices.

Commissioner Hinojosa asked that on the deductibles, can a list be provided on each individual that has been at \$250 in the last three years or at \$750 or \$1,500.

Mayor Fugate commented that this could be a HIPA violation.

Commissioner Hinojosa commented that he is not asking for names, he is asking for individuals.

Mrs. Gonzales responded that a report can be generated to show how many have hit the \$250 deductible. Mayor Fugate commented that he misunderstood and thought that Commissioner Hinojosa was asking for names.

**3. Consider introduction of an ordinance amending the City of Kingsville Code of Ordinances Chapter V, Article 3, Water, providing for an increase in water rates, repealing all ordinances in conflict herewith and providing for an effective date and publication. (City Manager).**

Mr. Garza commented that he would like to convey that this is an introduction item. Mr. Gardy Reed from HDR is present to answer questions. Garza commented that this item is specifically for water. From the meeting last week, the recommendation was 2% for water and 18% for wastewater. Garza further commented that this is just a water item. In total, both would bring in an additional \$706,000. A list of various maintenance items that this money would address is attached to the agenda packet. In terms of staff's expectation, was to get a sense from the Commission as to whether we need to changes to the ordinance, by the time the second reading comes around. He stated that staff would like some direction from the Commission on whether to keep the ordinances, as presented, as is for the second reading or make any adjustments the Commission may request.

Commissioner Hinojosa asked how many accounts, business and residential that outside the city? And, what is the city charging them, time in a half on them. He commented that he would like to see this.

Mr. Garza commented that they do pay more but not sure if it's at time in a half. He stated that for sure it is more and its always been a little more for those that live outside the city limits. It is not a lot of people, but there is a handful. Garza commented that this information will be sent to the Commission.

Commissioner Hinojosa commented that he does not know why the city is doing this, as to him it would be better for it to be done during the budget process, so that they can see the big picture. He stated that again, they are only seeing a snapshot, and he needs to see the whole picture as this is his first year which is the reason he is asking. He further stated that this is his take on this.

Mayor Fugate commented that they want to know what the numbers are so that they can prepare the budget, which is why this is being done.

Commissioner Hinojosa asked if they couldn't prepare the numbers while doing the budget?

Mrs. Alvarez responded no.

Mayor Fugate commented that it needed to be done now, which is why they are doing this.

Commissioner Hinojosa commented that he is sure that there is some software that can do it.

Mr. Garza asked for a clarification on Commissioner Hinojosa's comment.

Commissioner Hinojosa commented that if they are looking at a certain department, and the Commission is agreeing to adjusting to the proposed, you can go ahead and make that adjustment right there and then, which will give you an overall picture as to what the bottom line is.

Mr. Garza commented that what staff can do, which there are couple of options, is that per staffs schedule, he is scheduled to provide the community and the Commission a draft of the City Manager's proposed budget by Friday, August 10, 2018. If you work yourself backwards from that date, staff has been working on preparing that proposed budget. Garza also commented that at the end of August, there are workshops where staff goes through the budget, with Commission, as proposed by the City Manager, and through that workshop there may be some minor changes and so staff makes those changes, then propose for the adoption of the budget. Garza stated that this is being said in order to convey, that by trying to accomplish these discussions now, both for insurance and the rates, is that the product he would like to provide to the Commission on Friday, August 10<sup>th</sup>, he wants it to have all these items in it, already addressed, so that the conversation that would occur later in August can focus on the budget as a whole and not get caught up on these singular items. Garza commented that in his opinion, he assumed that it would be best to do these in isolation as oppose to part of the bigger budget in fear that we wouldn't necessarily give the overall budget its worth

attention, if it was jumbled all together. Garza commented that a second option is, that one thing that staff can do, if the Commission as a whole is hesitant to make the decision on the rates is that, what staff can do pull the \$706,000 from the proposed budget, so the product that the Commission will receive on August 10<sup>th</sup> would not include any of the projects that were on the list that was distributed at the last meeting. Garza commented that he is trying to get away from given the Commission a product that shows a deficit budget. The sense that he has received from the new Commission is that this is something that they want staff to get away from. This is the reason for the conversations now so that the product that is given to the Commission doesn't show the deficit budget as it has in years past.

Commissioner Leubert made some comments that were not picked up on the audio.

Mr. Garza commented that what they are trying to do is close the gap. In years prior, as commented by Commission Hinojosa, not in reference to utility fund, but in reference to insurance fund, about what whether there is fund balance there that the insurance fund could use. Taking that same rationale and applying it to utility fund, the city has been doing this, going into fund balance in the utility fund, since 2013 and drawing it down as there was a discrepancy between expenditures and revenues. Therefore, he is trying to close that gap. This is why the conversation for the \$706,000.

Commissioner Hinojosa commented that he understands what is being said, but he is just trying to close the gap with expenditures within the utility fund, which is why he wants to see the overall picture.

Mr. Garza commented that staff will gladly do it either one of those ways.

Mayor Fugate commented to Mr. Garza to leave it as is and bring it up at the next meeting.

**4. Consider introduction of an ordinance amending the City of Kingsville Code of Ordinances Chapter V, Article 2, Sewers, providing for an increase in sewer rates, repealing all ordinances in conflict herewith and providing for an effective date and publication. (City Manager).**

Mayor Fugate commented to do the same with this.

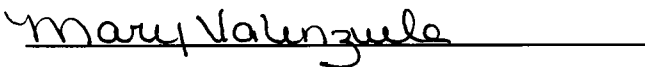
Mr. Garza asked same item as the water. Mayor Fugate commented same item.

**VI. Adjournment.**

There being no further business to come before the City Commission, the meeting was adjourned at 5:15 P.M.

  
Sam R. Fugate, Mayor

**ATTEST:**

  
Mary Valenzuela, TRMC, CMC, City Secretary