

Minutes of the Work Session held February 6, 2012 at 6:05 p.m. in the Council Chambers.

MEMBERS PRESENT

Mayor Lopez Rogers and Council Members

Stephanie Karlin, Vice Mayor
(participated telephonically)

Jim Buster

Jim McDonald

Charles Vierhout

Ken Weise

ABSENT/EXCUSED

Frank Scott

ALSO PRESENT

Charlie McClendon, City Manager

David Fitzhugh, Assistant City Manager,

Kathy Reyes, Benefits Administrator

Andrew McGuire, City Attorney

Carmen Martinez, City Clerk

1) ROLL CALL BY THE CITY CLERK

2) HEALTH INSURANCE CONSORTIUM

Ms. Kathy Reyes, Benefits Administrator, introduced Michael Schionning with Buck Consultants who has been working with the participating cities to gather and analyze information. She indicated that in 2011, the City of El Mirage invited 14 cities to discuss the viability of developing a municipal benefits pool in order to efficiently maintain the value of employee benefits. On November 16, 2011, six of those cities reviewed and modified a draft benefits schedule. The Town of Florence later walked away from the agreement citing timing issues. The municipalities of Apache Junction, Avondale, El Mirage, Maricopa, and Youngtown remained to develop a feasibility study, and on January 19, 2012, issued a draft report. These five municipalities will decide on February 9, 2012 whether or not to move forward with the proposal.

Ms. Reyes reviewed the benefits of pooling. Self-funding makes more money available to pay claims. Traditional administration charges typically range from 18% to 24%, while administrative charges for a combined pool would only be about 8.4%. Larger pools spread the risk over a larger base. Instead of using an off the shelf product, the pool members can design their own benefits and choose which contracted vendors to use.

Ms. Reyes said the plan was presented to the City's departments who reviewed it and submitted feedback. At every meeting, staff made it clear that the product would result in a rate increase. Development Services and Engineering, Public Works, the Fire Department, Neighborhood and Family Services and Code Enforcement, and both union and non-union members of the Police Department agreed by consensus to move forward with the proposal. The Finance and Budget Department preferred not to move forward at this time.

Ms. Reyes reported that when the feasibility study was first proposed in October of 2011, Avondale had approximately 396 members, with 990 dependents, for a total of 1,386 people. The proposed pool would contain about 940 members, assuming all cities stay in,

with approximately 2,350 dependents, for a total of 3,390 people. Approximately 14 different plan designs were brought forward by the cities. The Health Care Committee reviewed the plans. The Committee was adamant about providing a unified vision of the future and not simply looking out for what was in the best interest of individual cities. Four plan designs were accepted by the Committee. Each plan preserves employee benefits while remaining fiscally responsible to cities:

- A higher priced plan provided by an Exclusive Preferred Organization (EPO) that offers the benefits similar to an HMO.
- A PPO similar to Avondale's current plan, but one that offers a \$500 deductible and a \$20 co-pay.
- A high deductible Health Savings Plan that looks and feels like a PPO.
- A Health Savings Plan that offers 100% coverage after a \$3,000 deductible, with no co-pay arrangement.

Ms. Reyes said wellness programs were built into the rates. These programs keep people well and give them the resources they need to get better, which is critical to keeping the program self-funded. An actuarial team determined that leasing the Blue Cross/Blue Shield network would be in the best interest of the pool. Members would receive an ID card with the BC/BS logo on it, and the pool would remain virtually invisible. Avondale members would continue to go to their current providers without interruption.

The total of premiums budgeted for 2011/2012 is \$3,368,373. The proposal requires a 2.34% increase for Avondale to get the rates for July 1, 2012, which would mean a \$78,761 increase to current premiums. The pool could move forward so long as either Avondale or Maricopa remain in the pool. Other cities have expressed interest in joining, but at this point the pool is closed. In the future, municipalities could join the pool provided they have more than 100 members and are solvent. Rates for the original cities that started the pool will be grandfathered. The cities need to make a decision on moving ahead with the pool soon, since considerable time is needed to do all the associated paperwork by July 1, 2012.

Ms. Reyes stated that this proposal makes good fiscal sense for the City over the long term. The methodology used in pricing considered census data, the age and sex mixture, current benefits and rates for the five cities, adjustments for network discounts, administration charges, and inflation trends. The pool is subject to Department of Insurance examination every five years. It would have trustee governance, and meetings would be run in accordance with every other public entity. The funding structure would work similar to the risk management structure for high-dollar claims. Insurance is purchased to stop the liability and protect the pool. If cash runs short, each city is liable for their share of the deficit, however the pool is funded to the level that shortages are actuarially unlikely. Pooling options for dental, vision, and life benefits are being considered as well.

Council Member Weise noted that average insurance rates across the U.S. this year are expected to rise between 5.4% and 5.7%. The increase under the pool option would be about half that. He also noted that 13 cities in Tompkins County, New York pioneered this pooling approach several years ago. He suggested studying the long-term impacts of the policy to see how those cities have benefited, and to discover what pitfalls to avoid. He is

open to anything that cuts costs and helps employees. Some cities require that employees undergo health assessments, so insurance companies can subsequently assess higher or lower rates depending on the results. He would be opposed to health assessments, even if they result in lower rates, because they penalize employees unfairly.

Charlie McClendon explained that health assessments are not part of the plan. There is a wellness component that offers resources to people to help them get a handle on health problems before they become expensive to deal with. Council Member Weise agreed that a wellness component is important but would oppose health assessments.

Council Member McDonald inquired whether the requirement that cities stay in the plan for three years comes with a price ceiling. Ms. Reyes explained that there is no rate guarantee, but rate increases should be minimal considering that risk is spread over a larger pool. Mr. Schionning added that prices are set conservatively to minimize the chance of a rate increase, but there is no guarantee. It could happen. Council Member McDonald suggested that the City retain the option of backing out of the three-year commitment, should rates increase too much in one year. Ms. Reyes explained that the Committee's top priority was to ensure that rates would either hold or see a minimal increase.

Council Member McDonald inquired whether Avondale would realize further benefits should more cities join the pool in the future. Ms. Reyes responded that as risk is shared over a broader pool, the benefits should increase, so long as the added cities are healthy and fiscally responsible.

Council Member McDonald asked whether Avondale could theoretically pay more if one of the cities in the pool has a high rate of claims. Mr. Schionning explained that the purpose of the pool is to not isolate one group of members from another. Likewise, if the pool realizes a surplus at the end, all the cities share the surplus pro rata, regardless of what their experience was.

Council Member Buster inquired about the ability to opt out of Federal benefits. Ms. Reyes explained that trust participants, under certain circumstances, might not have to follow certain provisions of the Affordable Care Act as they are implemented over the next two years, whereas fully insured entities would. Council Member Buster asked about the other cities that are interested in pooling. Ms. Reyes responded that the State of Arizona is considering a pool, and more people are expressing interest in the idea. Council Member Buster asked whether this idea was possible years ago. Ms. Reyes explained that it probably could have been done earlier, and was considered in 2010. As fully insured rates become more unstable, more small cities are running out of alternatives and the timing is right for a new option. Council Member Buster said he supports the plan since it holds health care costs to about 2% for the year.

Council Member Vierhout said he supports the plan and recommends that the City participate in it. Mayor Lopez Rogers inquired why the Committee's Budget and Finance representative did not like the plan. Mr. McClendon explained that the City had to prepare two different options because it was not clear that the pool would work in time to meet the deadline. Budget and Finance felt it would be better to wait a few weeks so employees

could have two options to pick from. Unfortunately, because it will take so long to prepare the necessary documentation for the pool option, a decision is needed by February 9. The alternative plan will not be ready by then.

Council Member Weise said the City of Avondale has been at the forefront of forging agreements with other cities. The point of no return is rapidly approaching, and Avondale would cause a lot of mistrust were it to pull out so late in the process. He requested a comparison between the two plans once they are both ready. Mr. McClendon explained that Avondale will not legally be committed until the intergovernmental agreements are made available, but the City will be morally committed by February 9. If other cities drop out and the pool fails, Avondale still has a backup plan.

Vice Mayor Karlin said it is very important to institute a wellness program. Insurance costs should be reduced if the program effectively fosters healthier lifestyles. Ms. Reyes responded that the wellness program would work similarly to Kronos. The Committee and the trustees would decide how to apply savings in the future, including potentially lowering claim dollars. Vice Mayor Karlin said California's Healthy Eating Active Living (HEAL) campaign features employee wellness, and she suggested that those features be incorporated into this plan.

3) ADJOURNMENT

With no further business before the Council, Council Member Weise moved to adjourn the work session. Council Member Vierhout seconded the motion. The motion carried 6-0.

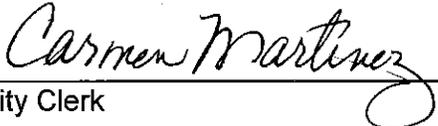
Meeting adjourned at 6:49 p.m.


Marie Lopez Rogers


Carmen Martinez, CMC
City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Session of the Council of the City of Avondale held on the 6th day of February 2012. I further certify that the meeting was duly called and held and that the quorum was present.


Carmen Martinez
City Clerk

Minutes of the Regular Meeting held February 6, 2012 at 7:00 p.m. in the Council Chambers.

MEMBERS PRESENT

Mayor Lopez Rogers and Council Members

Stephanie Karlin Vice Mayor
(participated telephonically)
Jim Buster
Jim McDonald
Charles Vierhout
Ken Weise

EXCUSED ABSENCE

Council Member Frank Scott

ALSO PRESENT

Charlie McClendon, City Manager
David Fitzhugh, Assistant City Manager
Andrew McGuire, City Attorney
Carmen Martinez, City Clerk

1 ROLL CALL AND STATEMENT OF PARTICIPATION BY THE CITY CLERK

Carmen Martinez, City Clerk, read a statement of participation regarding public appearances.

2 UNSCHEDULED PUBLIC APPEARANCES

Susan Cox, Avondale resident played a recorded telephone conversation. She indicated she would like to schedule a meeting with the Mayor.

Larry Allen, Winners Companies wanted to confirm that Council had received packages that were hand delivered earlier today.

3 CONSENT AGENDA

Items on the consent agenda are of a routine nature or have been previously studied by the City Council at a work session. They are intended to be acted upon in one motion. Council members may pull items from consent if they would like them considered separately.

a. APPROVAL OF MINUTES

1. Special Meeting of January 5, 2012
2. Work Session of January 9, 2012
3. Regular Meeting of January 9, 2012
4. Regular Meeting of January 17, 2012

b. COOPERATIVE PURCHASING AGREEMENT - AJP ELECTRIC, INC

A request to approve a Cooperative Purchasing Agreement with AJP Electric, Inc. to perform electrical service and construction site work in a total aggregate amount not to exceed \$300,000 and to authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

c. CONSTRUCTION CONTRACT AWARD - NESBITT CONTRACTING CO., INC. - ROOSEVELT STREET IMPROVEMENTS

A request to approve a construction contract with Nesbitt Contracting Co., Inc. to provide construction services for the Roosevelt Street Improvements in the amount of

\$501,297.35 and authorize the Mayor, or City Manager and City Clerk to execute the necessary documents.

d. CONTRACT AWARD - JOSEPH PAINTING COMPANY, INC.

A request to award a contract to Joseph Painting Company, Inc for the purpose of a manhole rehabilitation project for an amount not to exceed \$88,338.16, and to authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

e. RESOLUTION 3028-212 - ADOPTION OF COUNCIL GOALS FY 2012-2013

A resolution establishing Council goals for fiscal year 2012 2013.

Council Member McDonald moved to approve the consent agenda as presented including Resolution 3028-212. Council Member Weise seconded the motion.

ROLL CALL VOTE AS FOLLOWS:

Mayor Lopez Rogers	Aye
Vice Mayor Karlin	Aye
Council Member Buster	Aye
Council Member McDonald	Aye
Council Member Scott	Excused
Council Member Vierhout	Aye
Council Member Weise	Aye

Motion carried 6-0.

4 EXECUTIVE SESSION

An executive session pursuant to Ariz. Rev. Stat. § 38-431.03 (A)(4) for discussion or consultation with the City Attorney in order to consider its position and instruct the City Attorney regarding (i) Doerflein v. City of Avondale litigation, (ii) threatened personnel-related litigation, and (iii) threatened litigation from Winners Companies.

Council Member McDonald moved to adjourn into executive session; Council Member Weise seconded the motion.

ROLL CALL VOTE AS FOLLOWS:

Mayor Lopez Rogers	Aye
Vice Mayor Karlin	Aye
Council Member Buster	Aye
Council Member McDonald	Aye
Council Member Scott	Excused
Council Member Vierhout	Aye
Council Member Weise	Aye

Motion carried 6-0.

5 ADJOURNMENT

There being no further business before the Council, Council Member Buster moved to adjourn the meeting; Council Member Vierhout seconded the motion.

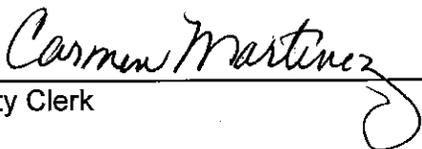
Meeting adjourned at 8:23 p.m.


Mayor Lopez Rogers


Carmen Martinez, CMC
City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Council of the City of Avondale held on the 6th day of February of 2012. I further certify that the meeting was duly called and held and that the quorum was present.


City Clerk