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Council Audit & Finance Committee
Minutes
1/23/12
10:00 to 12:00

Council Attendees: Mayor Karen Weitkunat, Mayor Pro Tem Kelly Ohlson
City Staff Attendees: Darin Atteberry, John Voss, Mike Beckstead, Steve Mason, Kelly DiMartino, Janet Miller, Amy Sharkey, Heather Shepherd
Others: John Knezovich. Citizen

Approval of the December 19, 2010 Minutes.

Kelly Ohlson moved to approve the minutes and Karen Weitkunat seconded the motions. The minutes were approved unanimously.

The Committee decided to change the order of agenda topics. Outside Entity Loans will be discussed first, and then the Health benefits overview will be presented.

Outside Entity Loan Interest Rates

The purpose of this discussion is to gain guidance from the Council Finance Committee. The current City Investment Policy assigns the interest rate for outside entity loans based upon the Treasury note rate of similar duration to the loan. At present, interest rates are at historically low levels. The current Treasury note rate would set interest rates on a 10 year loan at approximately 2.0% and adversely impact future interest earnings when interest rates return to more normal levels.

Kelly Ohlson asked if there are some main entities that the City currently lends to, and Mike stated that the URA and DDA are the primary groups.

Mike Beckstead advised that the City currently has a cash investment policy which provides liquidity and interest earnings consistent with a rolling 5 year view of rates.

- Maximum of 5 years investment term
- Average portfolio term of 3 years.
- When rates are low there is ability to roll the portfolio over to gain improved interest earnings as rates improve.

The City Investment Policy could be modified in the following ways:

- Maintain current interest rate policy. No change.
- Modify policy:
 - Higher of municipal or t-bill rate
 - Add .5% to the current rate
 - Set a floor by term range to establish the minimum interest rate.
- Modify Policy:
 - Set the rate of each loan at the mid point between city borrowing cost and the recipient's borrowing cost
- Financial Officer evaluates each loan based on the project and repayment risk and recommends an interest rate to the Council.

Finance staff recommends, and the Committee generally supports option 2, which would modify the current policy to include terms outlined above. Mike Beckstead will draft an update to the policy and bring it back to this Committee in the next couple months.

Health Benefits Summary

Amy Sharkey presented information on the City's Health Benefits plan for City employees in response to Kelly Ohlson's request for data.

Information is available online at: <http://www.fcgov.com/council/finance.php>

Some considerations for the Medical plan in the 2012 to 2014 time frame include:

- Work with Benefits Consultant, Hays Companies, to evaluate premiums and plan design
- Offer a more aggressive data analysis
- Take a different approach to setting premiums (factors applied to single coverage vs. family coverage).
- Ability to review how the plan is used and where the main costs come from.
- W-2 reporting - "value" of medical benefits added to employee's W-2 (Healthcare Reform)
- Following any upcoming federal Healthcare Reform decisions, etc.

Kelly Ohlson asked if there is data projecting future costs.

Very preliminary data projections would include:

\$14 million spent on health

\$ 1 million spent on dental

\$15 million total.

This data will be completed and ready before the Budgeting for Outcomes (BFO) process this year.

Karen Weitkunat suggested that it would be helpful to know the breakdown of participation in the City's Wellness program by department, as well as statistics on the most and least participation, etc. She would also like to know if there is a correlation between participation, and what Health Benefit plans employees choose.

Darin Atteberry said that the City's Benefits policy is Compared and analyzed yearly with the help of outside consultants, and changes are made if needed. He is that the City's benefits policy is very competitive.

Darin asked Amy Sharkey if there are any indicators of what things may be coming for the City benefits plan whether good or bad. Amy said that the upcoming Healthcare Reform will eventually cost the City more for benefits, as it will everywhere else.