

BENEFITS INSURANCE FUND

This internal service fund accounts for the receipts and disbursements to operate the City's self-funded health insurance program. The City contracts with a third-party administrator (TPA) to run this program, and advise it on how to determine premiums for both the employer and the employee. The premiums are set to cover three cost components of the plan: the third party administrator's fees; actual medical claims; and the premiums for stop/loss reinsurance.

This Budget is based upon a 0% increase in those premiums. Also, the City will change from paying 80% to 79% of both employee and dependent health insurance, and individual employees will pay the other 21% through payroll deduction from earnings. The City's portion of the premiums is budgeted within each budget that has personnel covered by the plan, so that the costs are allocated to the proper fund, department and division.

It is critical that adequate reserves be set aside in good claims years, so that when a bad claims year hits, the fund is financially strong. This removes the possibility of spikes in rates for both the City and its employees, or serious cuts in the level of benefits provided.

The new premiums to take effect July 1st are as follows:

<u>Monthly Premiums For Type of Coverage</u>	<u>Employee Share 21%</u>	<u>City Share 79%</u>	<u>Total Premiums</u>
Single Employee	\$ 115.50	\$ 434.52	\$ 550.02
Increase over Prior Year	\$ 5.51	\$ (5.51)	\$ -
Increase per Week	\$ 1.27	\$ (1.27)	\$ -
Family Coverage	\$ 266.51	\$ 1,002.55	\$ 1,269.06
Increase over Prior Year	\$ 12.70	\$ (12.70)	\$ -
Increase per Week	\$ 2.93	\$ (2.93)	\$ -

The City also offers a Flexible Benefits Plan whereby employees can deduct up to \$3,500 annually from their wages or salary to pay for medical expenses not covered by insurance. The benefit is that this money is considered pre-tax by the IRS, making it exempt from both federal and state income taxes. All money deducted by the employee during the plan year must be spent or it is forfeited to the plan and donated to a charitable purpose. Consequently, employees must carefully determine the deduction level each year.

Beginning in FY 2006, the City significantly changed its Workers' Compensation Insurance Program due to dramatically higher premiums. After comparing self-funding versus a higher deductible policy, the higher deductible was selected. The deductible per accident is now \$50,000. Some of the savings from the lower premium is then set aside in this fund as a reserve to pay any deductibles.

EXPENDITURES SUMMARY

	<u>FY 2006 Actual</u>	<u>FY 2007 Budgeted</u>	<u>FY 2008 Proposed</u>	<u>Percentage Increase</u>
Interfund/Dept. Charges	\$ 2,627,737	\$ 2,873,000	\$ 3,005,500	4.61%
Non-Operating Expenditures	\$ -	\$ -	\$ 300,000	
Total Expenditures	\$ 2,627,737	\$ 2,873,000	\$ 3,305,500	15.05%

PERFORMANCE MEASURES

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Projected
Number of Total Full Time Employee Positions	258	261	262
Number of Total Full Time Employee Vacancies	38	29	35
Number of Eligible Employees	256	257	257
Number of Retired Employees Covered	6	6	8
Number of Employees with Single Coverage	98	93	93
Number of Employees with Full Family Coverage	158	164	164
Percentage of Eligible Employees enrolled in the program	100%	100%	100%
Total Number of Covered Lives including dependents	609	629	629
Total Expenses	\$ 2,627,737	\$ 2,873,000	\$ 3,005,500
Average annual expense per covered life	\$ 4,315	\$ 4,568	\$ 4,778
Average annual expense per eligible employee	\$ 10,265	\$ 11,179	\$ 11,695
Average annual expense per covered employee	\$ 10,265	\$ 11,179	\$ 11,695

FUND 601 - BENEFITS INSURANCE FUND

DEPT - 1500 - GENERAL ADMINISTRATION

Account Number	Account Description or Title	FY 2006 Actual	FY 2007 Budget	FY 2008 Recommended
OPERATING REVENUES:				
34.9201	Health Premiums - Employer	\$ 1,988,016	\$ 2,061,135	\$ 2,023,862
34.9202	Health Premiums - Employee	\$ 567,084	\$ 650,891	\$ 665,854
34.9203	Flex Account	\$ 116,793	\$ 120,000	\$ 120,000
34.9204	Workers' Comp Premiums	\$ 111,045	\$ 269,343	\$ 150,627
TOTAL OPERATING REVENUES		\$ 2,782,937	\$ 3,101,369	\$ 2,960,343
OPERATING EXPENSES:				
55.2101	Health Administrative Fees	\$ 277,224	\$ 319,995	\$ 288,000
55.2102	Flex Account Fees	\$ 7,512	\$ 7,000	\$ 8,500
55.2103	Workers' Comp Premiums (GMA)	\$ -	\$ 100,000	\$ 129,000
55.2201	Health Insurance Claims	\$ 2,206,097	\$ 2,226,000	\$ 2,425,000
55.2202	Workers' Comp Claims	\$ 13,159	\$ 100,000	\$ 35,000
55.2301	Flex Account Expenses	\$ 123,745	\$ 120,000	\$ 120,000
57.4103	Bank Charges	\$ -	\$ 5	\$ -
TOTAL OPERATING EXPENSES		\$ 2,627,737	\$ 2,873,000	\$ 3,005,500
OPERATING INCOME		\$ 155,200	\$ 228,369	\$ (45,157)
NON-OPERATING REVENUE				
36.1001	Interest Income	\$ 40,057	\$ 40,000	\$ 60,000
38.9010	Misc Income	\$ 9	\$ -	\$ -
TOTAL NON-OPERATING REVENUES		\$ 40,066	\$ 40,000	\$ 60,000
NON-OPERATING EXPENDITURES				
9000-61.1001	Transfer to General Fund - Health	\$ -	\$ -	\$ 200,000
9000-61.1001	Transfer to General Fund - Workers Comp	\$ -	\$ -	\$ 100,000
TOTAL NON-OPERATING EXPENDITURES		\$ -	\$ -	\$ 300,000
NET INCOME		\$ 195,266	\$ 268,369	\$ (285,157)

BUDGETED CASH FLOW STATEMENT	
	BUDGETED
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income (loss)	\$ (45,157.00)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	
Amortization	
Loss (gain) on sale of assets	
(Increase) decrease in operating assets:	
Accounts receivable	
Unbilled accounts receivable	
Interest receivable	
Intergovernmental receivable	
Other receivables	
Due from General Fund	
Other assets (Inventory)	
Increase (decrease) in operating liabilities:	
Accounts payable	
Accrued payroll	
Accrued interest payable	
Compensated absences payable	
Sales tax payable	
Due to other funds	
Due to other governments	
Customer deposits	
Net cash provided (used) by operating activities	\$ (45,157.00)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in (out) to the General Fund	\$ (300,000.00)
Net cash provided (used) by noncapital financing activities	\$ (300,000.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
Net cash used by capital and related financing activities	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 60,000.00
Net cash provided by investing activities	\$ 60,000.00
NET INCREASE (DECREASE) IN CASH	\$ (285,157.00)
ESTIMATED CASH AT JUNE 30, 2006	\$ 1,440,287.00
PROJECTED CASH AT JUNE 30, 2007	\$ 1,155,130.00