

**MINUTES OF A BUDGET WORKSHOP OF THE ZION CITY COUNCIL HELD ON MONDAY, MAY 7, 2018, AT 10:03 A.M. IN THE CITY COUNCIL CHAMBERS, CITY HALL, 2828 SHERIDAN ROAD, ZION, ILLINOIS**

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Mayor Hill called the workshop meeting to order.

On call of the roll the following answered present: Commissioners McDowell, McKinney, Fischer, DeTienne, and Mayor Hill. A quorum was present.

Also present: Police Chief Steve Dumyahn, Fire/Rescue Chief John Lewis, Public Works Director Ray Roberts, City Administrator David Knabel, Building & Zoning Director Richard Ianson.

**SPECIAL PRESENTATION/FIRE INSURANCE POOL**

Rich Reich, President of the Zion Professional Fire Fighters Association IAFF Local 1999, stated he received a letter from the Associated Fire Fighters of Illinois (AFFI) advising him they have been selected to receive a G.I.S. study funded by the AFFI. The study serves as a critical early step in evaluating potential consolidation proposals. Mr. Reich stated representatives, Todd Hendricks and Brian Stumm from the AFFI were present to discuss a state organized insurance pool program that is available to Firefighters that can save everyone money.

Brian Stumm, Executive Vice President, Stumm Insurance manages healthcare plans for 400 employers in Illinois. He is proposing a plan for the Fire Department to leave the City's health insurance plan and go into a captive healthcare plan through Blue Cross Blue Shield. There would be no changes in facilities or providers. Currently the City plan has a 500 deductible with coverage being 90/10 with an out of pocket amount of \$1,000 at a cost of \$835,000 for Fire Department employees. The AFFI program could have a savings of 13% after employee contributions. Mr. Stumm stated he is looking for savings for both the employees and the City. The program is very comparable with a 500 deductible, coverage at 80/20 and an out of pocket of \$2,500. He stated he would like to look at Exhibit 2 which is the stronger plan. He stated it is a PPO plan that is HSA eligible. This allows employees to have an HSA account that would take from the savings and fund individual accounts and use the money to help with the out of pocket expenses. The amount of \$2,500 could be put in employee's accounts making the true out of pocket amount \$0. If an employee does not go to a doctor or spend the \$2,500 deductible, the money would remain in the employees account. Commissioner McDowell asked why the program cannot be offered to the entire City. Mr. Stumm stated the program was created by Fire Labor Union and is only available to Firefighters. Mayor Hill stated he would consider the plan if an employee gets \$2,500 and only uses \$1,000 of the deductible, the \$1,500 savings could go to the City not the employee. Mr. Stumm stated the City would still save \$100,000 over the current plan by using the HSA. He stated there is an option for the City to receive the savings using an RSA plan. The potential savings for this plan could be \$250,000. Either plan would save the City money. Mayor Hill asked if they have studied how many employees would have reached the \$2,500 deductible in the previous year. Mr. Stumm stated they cannot get that particular information from Blue Cross Blue Shield. Commissioner McDowell asked if the deductible could be raised to \$10,000. Mr. Stumm stated they could not go to a \$10,000 deductible as it was against the law. A family deductible would be \$5,000 and an individual deductible would be \$2,500. Commissioner McDowell asked if an RSA could be investigated. Mr. Reich stated the firemen were open to both plans. Mr. Stumm stated the RSA plan could save the City \$250,000, how the City would choose to use that savings could be another conversation. He stated each employer gives the savings differently. They currently offer twelve different plans. Commissioner Fischer stated with the HSA plan the employees would also have the option to contribute to their account. Mr. Stumm stated 78% of employers are making HSA accounts available to their employees. Commissioner Fischer asked who would manage the HAS account. Mr. Hendricks stated they have a preferred banking partner but the City may choose to use their own bank. He stated firefighters can accumulate money in their account and choose to retire earlier which may help with Workers Comp claim down the road. Commissioner McDowell asked what the next step would be. Mr. Stumm stated timing and communication would be necessary to make the transition. The City's health insurance policy is effective on a fiscal year and the union insurance policy would be effective on a calendar year. He stated if they can't put something together by July 1<sup>st</sup> then it would be best to wait until next year. Mayor Hill asked if there would be any ramifications with the union contract. Administrator Knabel stated it would be the same financial burden and the level of benefits are the same. Mr. Reich stated if the City agrees to go with this one of the options, they must formally adopt to add the plans. Mr. Hendricks stated it would take 60 days to get ID cards. Mr. Stumm stated if the City opted to do the HRA plan it would be easier to implement. The HSA plan would make more sense to do at the end of the year as it is funded on a calendar year.

## **BUDGET/FISCAL YEAR 2018/2019**

Director Knabel presented a proposed 2018/2019 draft budget. He stated the insurance proposal and projected savings may be the best piece of news. He stated insurance premiums have increased and there has been a drop in revenue.

Mayor Hill asked that Administrator Knabel point out the issues.

Administrator Knabel stated that the budget shows the expenses exceed the revenue resulting in a \$1,167,561 deficit. The proposed budget does not include salary increases but does include the step increases. There is an increase of the Transfer to Capital Projects due to the lease payments for capital equipment. There is a slight decrease in debt service.

The total expenses are up \$1.2 million from last year.

### **Expenses by Department**

ESDA has a decrease of \$4,447

Fire Department has an increase of \$647,508. Three firefighters were hired under the SAFER Grant for which the City receives a reimbursement of \$195,000. The pension contribution is up \$262,013 from last year. Worker's Comp is up \$37,957 and health insurance is up \$43,933.

Public Property has basically stayed flat.

The Building Department has gone up \$12,922.

The Public Service Program is up \$3,677.

Public Works is up \$3,941 due to the reorganization but there is a significant savings in salaries. There will be an increase in one salary due to additional support in administration.

Police Department has an increase of \$582,000. This is due to \$188,000 in step increases and the percent increase that was not budgeted for last year. The expense of dispatch is gone but the contractual is up \$153,833. The pension contribution is up \$223,412. Liability and Worker's Comp insurance has increased \$55,000. The addition of body cameras and equipment results in an additional \$70,000 in expenses.

Accounts & Finance has a decrease of \$66,000 due to the allocation of the Administrator's salary between Accounts & Finance and City Administration. The retirement of one individual and another employee moving internally leaves the replacements with a lower starting salary.

There has been a creation of a City Administration and Human Resources Department.

Public Affairs Department has a decrease of \$66,396 due to an internal move to City Clerk and not replacing the Deputy Clerk. The legal fees are budgeted less due to the amounts paid out for pending cases which are now closed. Results of discussions with Ancel, Glink reduced prosecution fees by \$18,000 a year.

### **Revenues**

The funds from the increased levy for Fire/Rescue went to pensions and liability insurance.

The Cal Pine funds along with the pay-off of the road bonds combine for \$277,000 of extra revenue. Combined transfers total \$368,000.

The \$485,000 from the increase in levy for the pension funds will help offset some of the pension increases. There was a big decrease of \$88,000 in property taxes. The TIF closure netted the City \$90,000. Utility taxes are down \$141,390 due to rates going down and prices going down which results in less percentage for the City. State Income

tax is down and businesses are leaving the City. The City lost \$80,000 in sales tax when Grand Appliance left. Sales tax City wide is down. The Gaming tax came in higher than expected with \$52,000 more than last year. Vehicle license revenues are down due to stickers being sold every two years and this will be an off year. Permits fees are down. Murphy Oil, the Dialysis Center and O'Reilly Auto Parts were combined for \$375,000 in permit fees which is till \$75,000 less than last year. Hospital activity has also slowed down. Franchise fees are dropping. Comcast is a big decrease due to people dropping cable. Veolia host fees are down. Last year the City received five payments in lieu of the standard four payments. This budget year the City will only receive four. Mayor Hill asked about the rental inspections. Director Ianson stated the Building Department issued a lot more two year permits than were anticipated. Mayor Hill stated the program must sustain itself to pay for the program. Administrator Knabel stated traffic fines are up but adjudication expenses are up. The Safer Grant funds will be moved to the Capital Fund to pay for the new ambulance. He stated the plan is to privatize the board-up service. They will be looking at other communities ordinances. Mayor Hill asked the process for board-ups. Dispatch is called who will then call the board-up service at no cost to the City. Commissioner McDowell asked about the possible savings in insurance by going with the AFFI insurance. Administrator Knabel stated there could be a potential savings of \$200,000 in insurance costs.

Administrator Knabel asked the Council for recommendations. He stated the revenue issues are out of the City's control. The only control they have is the levy. The increase of tax revenue from the closing of the TIF is a one-time revenue source. The pension funds continue to increase. The City is at the bare minimum as it stands now. Eighty percent of the budget is salaries, benefits and insurance. Commissioner McDowell stated the budget has no wage increases and reflects insurance increases of \$400,000. He asked about the possibility of meeting with Blue Cross Blue Shield to discuss renegotiating the policy. Administrator Knabel stated he has reached out to the Insurance broker but has not heard back. He stated he would like to look at an HRA option similar to the Fire plan. Mayor Hill stated at some point they will need to look at employees paying more out of pocket for insurance. Mayor Hill asked if they could get an underwriters explanation on why the City's rates are so high. Administrator Knabel suggested going over coverages in the current plan. Mayor Hill stated they need to talk about union contracts and deductibles. He stated the City has a very good insurance plan.

Mayor Hill suggested going back to each Department Head to see if they can find cuts to their budgets. Commissioner McDowell stated savings are needed in the insurance. He suggested cutting operational costs and possibly personnel. He stated next time they look at the budget, they can look at departments individually. Mayor Hill asked what the details of the Water Fund budget. Administrator Knabel stated there is \$1.2 million in the fund but it is also hurting. He stated it has been tapped into more than it should have been. Mayor Hill asked Administrator Knabel to get exact numbers for a reimbursement health fund and for changing the plan to the highest deductible possible. An increase in employee contributions for insurance and no pay raises were suggested options. The next budge meeting was set for May 15, 2018 at 5:30 p.m.

### **ADJOURN**

There being no further business to come before the Council at this time, it was moved by Commissioner Fischer, seconded by Commissioner McKinney and unanimously approved the workshop meeting be adjourned at 11:38 a.m. Motion carried.

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City Clerk

Approved June 5, 2018