

City of Alpine

Special City Council Meeting, Monday, August 12th, 2013, 6:00 P.M.

Notice is hereby given that the City Council of the City of Alpine, Texas will hold a Regular meeting at **6:00 P.M. on Monday, August 12th, 2013 in the City Council Chambers, at 803 West Holland, in the City of Alpine, Texas** for the purpose of considering the attached agenda. This notice is posted pursuant to the Texas Open Meetings Act. (Section 551.043, Texas Government Code).

PUBLIC NOTICE – THE USE OF CELLULAR PHONES AND SOUND ACTIVATED PAGERS ARE PROHIBITED IN THE CITY COUNCIL CHAMBERS DURING MEETINGS OF THE CITY COUNCIL.

Members of the audience will be provided an opportunity to address the Council before agenda items are discussed. The audience is also allowed to comment during the discussion of the agenda items with the Council. Please speak into the microphone located at the podium and state your name and address. If you have a petition or other information pertaining to your subject, please present it to the City Secretary. State law generally prohibits the Council from discussing or taking any action on any issue not included on the agenda, but, if appropriate, the Council may schedule the topic for future discussion or refer the matter to staff. **NO PERSONAL ATTACKS ON COUNCIL MEMBERS OR CITY STAFF WILL BE ALLOWED.**

Agenda

1. Call to Order — Mayor Rangra called the meeting to order.
2. Determination of a quorum and proof of notice of the meeting – Mayor Rangra, Councilors Bermudez, Davidson, Fitzgerald, Gonzales and Castelli were present. The meeting notice was posted on August 9th, 2013 at 3:00 P.M.
3. Information or Discussion items –

A) BUDGET WORKSHOP -

1. Monday 8/12/13
 - a. Introduction/Overview – The City Manager said we are ready to start the budget. He said we are still struggling with a lot of information. He said on our conversion we still have some issues and we are still trying to move along. He said this weekend he and some of the staff worked both days, trying to get something done. He said it is coming along. He said what he would like to do is talk to the Council about some starting points, introduction and overview and talk about those and talk a little bit about ad valorem taxes and the hotel/motel tax fund and then in kind of reverse order, health and disability insurance and hopefully tonight may be a little bit shorter but it is important to talk to the Council about philosophies and the direction we are headed and try to show the council what has been going on. He said the issues that we have found in this year's budget are that the enterprise funds are not properly delineated. He said enterprise funds are separated out specifically because it operates more like a business and you look at those issues and try to understand how that business is doing, the revenues and expenses and trying to make changes to revenues and keep it operating as a positive business. He said in our situation, there were enterprise funds but typically you have these big transfers and those transfers were made and they were made in the general fund and then the general fund paid the expenses. He said you paid all the salaries for water and sewer out of the general fund and it really should have been set aside and the

checks written out of the water fund and sewer fund and gas fund for those expenses. He said typical office expenses were all buried into one. He said electrical was all put in the general fund and paid that way. He said you did not get a good true picture how those enterprise funds are operating. He said every city has to take some of that money because there are costs that are associated with operating the enterprise fund. He said it takes his time, it takes finance time, it takes audit expenses, attorney expenses and all of those are attributed to the enterprise fund. He said if you leave that to general fund but you take a designated overhead fee that the enterprise fund pays to the general fund. He said it is like paying for an outside consultant, basically, to the general fund. He said we read into some problems. He said the revenue estimates last year were a lot higher than the actual. He said what we typically found was there were some numbers in there for revenue and there was no way that we could ever reach. He said there was no way that the water, sewer, or gas could reach that. He said it was just too much. He said he does not know what they were based on, he was not here. He said that created an issue for us. He said in some cases we had actual expenditures seen in the budget in different areas. He said it was not like everyone was out there spending money. He said it was like some of the expenditures were actually under estimated, in terms of what we have seen in the previous two years compared to last year. He said those are some issues. He said in addition we had some expenses that were charged to unbudgeted accounts. He said we are not real sure how that happened. He said there were no matching revenues to go with it. He said another thing we came across in talking with our financial advisors concerned taxes. He said whenever you set up your taxes, you set up for two items. He said your first and primary one is your interest and sinking fund, INS. He said then after you have paid that, the remainder of your taxes go to your maintenance and operation. He said what we found in running the numbers was that we were actually putting more into the interest and sinking fund than we needed to. He said there was an additional amount of money that was available there, close to \$300,000, that could be used in another way in maintenance and operations. He said finally the grant budgets were not properly set up and coded correctly. He said typically there would be a grant fund that was set up but all the costs that were associated with the grants were never separated so that you got a clean picture of what you were doing with the grant money. He said that has been an issue that continued to nag at us to get it properly coded and it is important that you had that grant budget so that we could know what were doing with our grant money. He said you need to know where you are going, how much left you have to do and if there are issues financially you will be able to see them. He said the only way you can do that is to have your grant budget set up as a separate account, transfer that money in there and then you work from that. He said what we are proposing for FY 2014 is changing \$300,000 from the interest and sinking fund contribution. He said we want to reduce that and move it over to the maintenance and operating funding level. He said that would be an increase in that level. He said the money is there and we have plenty of money to take care of all of our indebtedness on a proper level. He said there is not use in putting in extra money with that when we can use it for maintenance and operations. He

said the enterprise funds will now be “stand alone” funds and you will see that as we get into it. He said you will see that set up as such and you will see all their salaries, operating expenses, electricity and everything else being properly set up in these accounts so you can evaluate where that business is and what we need to do. He said you will also see in there an overhead fee that is set and will be charged back to a general fund account to help cover the everyday expenses. He said it will not be transfer \$200,000 here or transfer this amount, he said this will be a set amount and we will do it monthly, so that it operates like it should. The City Manager said the revenues this year will reflect very conservative projections. He said we have analyzed those and reanalyzed those and we are being very conservative. He said we do not want to get in trouble. He said if the revenues come in and are more than what we said, we all look good. He said we are not going to put something out there that we have no possibility of attaining. He said we are very conservative about this. He said we are also doing a repricing of our electrical power. He said since he has been here, he has been very concerned. He said we have had a bunch of contracts expire. He said we have had contracts that we were paying 13 cents and in another case we were paying 6 cents. He said there is no rhyme or reason. He said we are trying to consolidate that and get a price review that will probably be better than what we have faced in the past. He said we hope to save quite a bit in the terms of the price of our electrical power. He said concerning Ad Valorem taxes, we have a public hearing coming up on this. He said our property values rose from \$301,282,110 this year to \$303,511,840, a little over \$2,000,000 total values. He said of that taxable value rose almost \$3,000,000, from \$268,636,401 to \$271,404,499.00 He said you have what is called an effective tax rate. He said last year’s effective tax rate was \$.5423, per \$100 of valuation. He said what happens in this process is that we bring those over and look at total dollar figure that we received in taxes last year and then we recalculate the effective tax rate for this year. He said the effective tax rate for this year actually drops to \$.5385 per \$100 of valuation. He said this means that if we drop back to the effective tax rate, it means about \$10,000 in difference, if we stayed at the \$.5423, which we certainly could have done. He said we felt like we should hold the line for the effective tax rate. He said what this amounts to right now is that on a \$100,000 home, after the homestead exemption is applied, between 2012 and 2013, the values rose, roughly \$700, to \$100,700. He said if you apply the 1.7% increase. He said if you calculate the price last year for a \$100,000 house at \$.5423 against the \$100,700 this year, the new effective tax rate will drop by 3 cents. He said this will give you a picture on how that looks to a homeowner. He said they will not really see any change in their taxes. He said the taxes due drop from \$542.30 to \$542.27. He said if you look at our effective tax rate between 2010 and 2011, it held very steady and it has dropped back a little bit on the top bar of the chart. He said if you look at what we did and what we are proposing to do, the other two bars on the chart show what effect it has in changing the funding for the maintenance and operation and from the interest and sinking fund. He said it gives you a general idea of what it is like. He said we are holding very steady on the effective tax rate. He said he thinks that is a good thing. He said concerning hotel tax funds, what we are

going to do this year, because it is a long drawn out process, and he wants to go through budget first, what we are proposing to do is to take this fund and go ahead and set up the total amount of dollars which we believe is \$380,000 and set that up later this month and we can redistribute it. He said we will set it up as one account until all the applications are reviewed. He said what we will do this year is staff will review it and give you all of our thoughts on it. He said the council will get a grading sheet and can make the decisions. He said what we are proposing this year is that some of the applicants may be removed from the hotel occupancy tax. He said the reason he is telling them this is we have some in there that are marginal in terms of qualifying. He said it is not saying they are not good projects. He said one is July 4th. He said it is not something that draws people in to Alpine but it is a very good festive event for the City of Alpine. He said what we really need to do is look at it for funding right here in the parks and recreation budget and fund it out of there. He said those people do not need to track surveys and see how many people came to town. He said the same thing with the Cinco De Mayo. He said they needed to be treated like local festivals because that is what they are. He said we need to take some of that burden off of them by not requiring them to do a lot of the stuff that is required by the hotel occupancy tax fund. He said that is what we are proposing this year, is to make that change. He said we have not gone through all the list. He said we will go through the list and see if there is any other candidate for the budget too that jumped out. He said what we are also proposing this year is to get kind of serious about what we do. He said as you know we are kind of responsible for that money. He said what we are proposing is that we are drafting up an agreement that we will have each one of these groups sign, that will require some things like a final report and we will require that, if we request it, they open their books for inspection, either by us or by our auditors. He said as a City Council, we need to tighten up on that. He said then we are going to ask them to certify that they are meeting all the city and state requirements. He said we think that is good for everybody. Councilor Gonzales said he had a question. He said a lot of the hotel/motel tax is for start up programs. He said a lot of times the programs we are looking at also have been going on for a long time and are established. He asked if we were still going to give them money. The City Manager said that was up to the City Council and the policy that they set. He said from his standpoint we probably ought to set up some kind of policy. He said we could fund a project for three years and tell them that they need to be on their own after that. He said he understands where Councilor Gonzales is coming from. He said it is for start-up and we need to give other people the opportunity of doing that. He said he has been here for three years and he has seen where we give them start-up money and the next year they come in and ask for even more money. Councilor Davidson said we have events that have been going on for 20 years and ask for more and more every year. Councilor Gonzales said he understood what Councilor Davidson was saying but two wrongs do not make a right. Councilor Davidson said no, he was saying that he also had a problem with that. He said he agreed with him. He said he thinks we need to get more details on how they advertise and have it be somehow coordinated. He said he saw a billboard for the Pirates of Penzance

between Junction and Kerrville, going toward Kerrville. He said he knew that the billboard was coming up and driving about 70 miles an hour and all he could see was the Pirates of Penzance. He said he could not see the word Alpine, Texas or any other wording. He said we have no idea on how much that cost. The City Manager said it is your money. Councilor Bermudez said maybe from now on we will have the money to buy more stuff, like we bought the tables for the Civic Center. She said we need to do that. The City Manager said we already have them, in fact, these are the tables. Mayor Rangra said we will be getting the money out of the general fund for the local festivals. The City Manager said yes, there is nothing wrong with supporting local festivals. Mayor Rangra asked if we ever had an event we rejected because we did not have the money. The City Manager said it is not done because we do not have money available, it is because we have looked at some really closely and cut back on the monies that they have requested. Mayor Rangra said we need to set up a criteria. The City Manager said we have a new application that we are going to be sending out. He said we told them we are going to start tightening up this year and looking close. He said he thinks we are on track and whenever the Council decides what parameters they want to set, we will work with those. Mayor Rangra suggested that we get a certified auditor to do the hotel tax fund. Councilor Castelli asked if our thoughts would be in writing to these recipients. He said think about art walk, that is two months away and they will say they did not know about the new information. The City Manager said in the letter they were told that we need to start fixing things. He said they want a better picture of what is taking place. He said there are some but not until we get a final policy or position, can we take too much action. Councilor Castelli said so they do not know that their funding could be changed. The City Manager said we did not talk about having a limit on a number of years. He said he talked to the Cinco De Mayo people and they were excited that they were being funded by the City. He said it is hard for them to keep up with the paperwork and from their standpoint, this is a lot better. Councilor Gonzales said we need to set up a rule that states that you need to clean up your own messes that you make. He said that is being left to the Parks people to clean up. The City Manager said he agrees with him. He said luckily Sheriff Dodson has offered some help. Councilor Fitzgerald said the park was a joke on Sunday morning. He said there was stuff all around. He said there were people all over Kokernot and this was horrible. The City Manager said he had talked to Councilor Gonzales and got to see "first hand", the problem. He said he talked to Hector. He said it worked out because Sheriff Dodson sent out the trustees. He said they should not have to do that. He said the vendors are making money and should have to clean up their own mess. Councilor Davidson said another issue that was brought up last year was that some of these events have a part of the budget from vendors, who pay a fee. He said he asked if they were registered to pay sales tax. He said if so, does the City of Alpine make a portion of the sales tax. He said that would require them to be pretty careful with their accounting process. He said he thinks it is really telling that now we are seeing two years of Viva Big Bend. He said he does not have any vendors that come in from out of town. He said in that way, all of our local restaurants and vendors have record nights. He said despite the fact that we have

all of these other events that are quite successful. He said that is fine. He said that money goes out of town and very likely when they pay the sales tax it goes out of town. The City Manager said he did not know how to solve that, but that is certainly an issue. He said he has never had that come up before. Councilor Fitzgerald said there were inspectors who come down and check for sales tax permits. Mayor Rangra asked about a list of vendors. He said what he would suggest we do is have someone come down and check everyone for sales tax permits. He said it is hard on local businesses. The City Manager said that is something we need to tighten up. Mayor Rangra said for example, the gun show coming up. He said everyone should have a sales tax permit and the City of Alpine should profit from that. Councilor Davidson said he asked his tax accountant and she mentioned that she did some taxes for surveyors. She said actually at the end of the year figures the sales tax for all the counties that the surveyors did work in and submitted it to the proper county or city. He said it may be hard for someone with a little booth but he could promise that if that booth was not there people would go and eat at one of our restaurants.

Health Insurance – The City Manager said there are a number of issues that are floating around about this. He said one that is on everybody's mind is the health care reform act, what impact it is going to have and how things are going to change. He said they pushed some of it back till next year but it is apropos to start looking at this issue and see what kind of impact it will have on our costs. He said right now all of you are aware that we have had increasing costs. He said we have had a number of hits and we have had some significant impact. He said insurance costs are running a little bit low. He said we are responsible for the first \$35,000 and catastrophic on top of that. He said it has had a big impact on us. He said of course, a lack of adequate funding for different reasons. He said we had a situation where we are paying quite a bit for dependent care, but he is not a health/hospitalization expert. He said we have Ken Roberts here tonight to talk about these big issues. He said this is an issue that affects us all the way down the line. He said we need to get a handle on this and look at option. He said we have had many discussions on this and we think there are some other options out there, but we need to get the Council's opinion. He said maybe we can offer a two or three step plan to keep it affordable, not just for us, but to keep it affordable for the employees. He said it is there for them. He said the healthcare reform act will have an impact on us if we don't take care of it, to a certain level. He said rather than confuse the issue, we will just have Ken come up and sit down and go over his portion of this. He said we will also have Mr. Glasscock here to talk about Aflac. Ken Roberts said he has been with the City about seven years. He said the healthcare reform act is a very big deal. He said it has been postponed a year so it should not have any impact on us this year. He said he hopes when he gets done that the City will have an idea where our problems are and potential ways to fix it. He said no matter how you buy health insurance, it is expensive. He said whether you do it partial self-funded, which is the way the City does it or fully insured, or TML. He said he can write with all three of those people so he has no preference on how the

insurance is done. He said even now, he thinks that partial self-funded is the best way for the City of Alpine. He said when he gets done he believes we will understand why. He said it is his job to give the City good information and he will give good information if the city will tell him what they want. He said the plan that we have, which is the plan that he wrote seven years ago, the deductible is \$500 and the out of pocket is \$2,000 and if you have a hospital stay your plan has 90% to pay and they are going to pay 10% until they pay \$2,000. He said the employee only has a \$2,500 maximum out of pocket, if there is a hospital stay. He said they have a \$15 office visit which is the lowest of any plan he has. He said prescription drugs are generic \$15 and brand name drugs \$30. He said there is not a third tier. He said most companies have a third tier and that third tier holds down the cost. He said that is the plan that we have. He said when he took over this plan seven years ago, the criteria that he was really given to focus on was that dependent cost should be affordable. He said with a partial self funded plan you have lots of room to negotiate things. He said there were less than five employees with less than five dependents that were insured seven years ago. He said we currently have twenty-one. He said the dependent cost is where there will be major cost factors here. He showed the Council a Blue Cross quote. He said the deductible is \$500 for your family, the out of pocket is \$2,000. Office visits are \$15. Prescriptions are \$10, \$30 and \$45. He said the \$45 medicines are what he calls "designer drugs". He said they are high cost items. He said he has no idea exactly how much it is running for us for prescriptions but having people buy a lesser expensive drug is a major cost factor. He said when he started in this business, prescription drugs were less than 5% of the cost. He said today they are running 25%. He said the employee costs with Blue Cross/Blue Shield is \$438. He said if you are doing it for your children, it is \$832, Employee and Spouse \$995, Employee and Family \$1389. He said partial self-funded is also listed. He said employee cost is \$208.04, Dependent fixed cost is \$253.62. He said the dependent cost is going to be your biggest concern. He said insurance companies make money. He said 8 out of 10 years you are going to save money with a partial self- funding policy. He said you will have lesser expenses. He said that was 2012. He said now we have the rates for 2013. He said the rates he has for the partial self-funding are last year's rates. He said he actually expects them to go down, since believe it or not for a change, we have had a very good year. He said the plan is still the same. He said Blue Cross/Blue Shield would be \$487 for employee cost, \$1,011.14 for employee and spouse, \$1,531 for family. He said the total monthly cost is would be \$45,374.00. He said that does not include dental where partial self-funded actually does. He said the dental is an additional \$35,987 if you were going to try to get this averaged out. He said if you were funding this thing properly, which you are not, not even close, your cost would be \$592,486.00. He said that is what the Blue Cross Plan would be. He said if you were to fund a 90/10 expense, and that is how you should do it, you have an additional of \$404 of funding, and if it is funded properly, you can't get in trouble, like you have been in trouble in the past. He said that gives you an employee cost of \$612.50. He said your dependent cost would be \$253. He said funding is \$598 and it does not matter how many people are on the plan. He said your maximum cost on a

family right now is \$852.00. He said with a fully insured it is definitely going to go out the door. He said he does expect the partial self-funded to go down. He said one of the things that he knows was an issue a few months ago was the administrative costs for RH Administrators. He said it is \$19 and that is all they get. He said your biggest problem is dependent costs. He said as you can see that is a huge decrease from what blue cross would do. He said it is a huge increase for what you are paying. He said there has to be an interim officer that you will talk to about claims, since you have a lot more control with self-funded and that is Abel. He said Abel is a great guy but frankly he should not have been that officer. He said the people higher in the game did not want the job and they did not want to talk about it. He said we need someone with a little more authority. He said he likes Abel a lot and thinks he is a good guy but he thinks he was given a job that he should have not been handling. He said the ones above him, did not want to know. He said they literally did not want to know. He said the reason he brought that up is that he knows for three years or possibly longer that we needed to increase on the dependent costs since we were not even covering the fixed costs. Mayor Rangra asked if this was discussed with the Council. Ken said no. He said he has not met with the council except for a few weeks ago, since year one. He said he has never had that happen with anyone. He said it was a little strange, he will not deny it. Mayor Rangra asked if he asked for a meeting with the Council. Ken said he didn't. He said he met with a couple of City Council people independently to let them know that he thought there were some issues. He said he guessed he should have come to everyone and said it. Mayor Rangra said the reason he asked this is because this is workshop, to find out what went wrong and if there was anything wrong. Ken said he said his opinion of what happened. He said he was told by the City Council seven years ago that they wanted to add more dependents to the coverage and that they wanted to have some more funding. He said the cost at that time was \$179, he said he remembers it well. He said the cost factor of self-funded insurance is very firm. He said it is the claims that will control your cost. He said as you have big ones it will cost you more and if you don't you will save money. He said no one knows 12 months down the road. Mayor Rangra said he was on the Council seven years ago. Ken said he remembered. He said Mayor Rangra was the only one who did not like his plan. Mayor Rangra said maybe that is why he is asking these questions. He said he thought it was a good plan. He said this is not working. Ken said he agreed. Mayor Rangra said the Council has no idea about what is going on. He asked if Ken had asked the City Manager if he could talk to the Council. Ken said this has been very frustrating for a number of years. He said he needed to talk to the City Manager and the City Finance Director. He said they were supposed to talk to the Council and then he would come and talk to the Council. He said that is the way he does it everywhere else. He said he didn't realize that he needed to go straight to the City Council. Mayor Rangra said Ken said he spoke with a couple of council members. Ken said he talked with Councilor Asgeirsson and Councilor Lujan. He said he spoke with Councilor Asgeirsson several different times. He said again he was wanting someone to know how this works. He said it is different and you need to understand it. Mayor Rangra asked why Ken talked

to these people. Ken said Diana's office used to be right down the road and he saw it. He said last year, after the fact, it came up that you wanted to do health insurance. He said he was here and said he would meet with any Council member that would meet with him. He said Councilor Lujan was the only one that showed up. He said he went through all the figures. He said he told Councilor Lujan then that the City was not locked into anything. He said we could have reopened the bid right then. He said it bothered him and at the very least the City Council would have known what it was. He said the thing is that health insurance is expensive, no matter where you get it from. He said the City has been underfunding it by at least \$200,000. The City Manager said the dependent cost is way under what this is actually costing. He said it is not being funded at proper levels to protect ourselves basically. He said in all fairness to Ken, they have worked hard. He said Ken has saved us a \$2,000,000 claim within the last 10 days. Mayor Rangra said from day one this plan has been underfunded – seven years ago, but the first year they knew it. The City Manager said we do not have to jump in here and fund the whole thing, but he thinks we need to be a whole lot more responsible and say what level of risk we really want to take. He asked how we do that. Mayor Rangra said we do that by having the right information come to the Council. He said we need to get all the information. Ken said he thought self-funded was the best for the city. He said we would have had a huge rate increase if we had paid a \$2,000,000 claim. Mayor Rangra asked if the two million dollar claim was one claim. Ken said it was one claim and the largest claim that he had in his career. Councilor Bermudez said back then the Council said we were going to go with the self-funded. She said as time went on, they never did it? Ken said he saw numbers every single year and he assumed that they paid everything. The City Manager said this is underfunded and it was not set up properly for us to do that. He said the Council should have been looking at this every year, so that it would be properly funded and reduce our risk. The City Manager said that will not happen again. He said it is the Council's decision and not his decision. Ken said our cost will go up but he does not know what will happen with Obamacare. Councilor Gonzales said with the amount of money that the dependents and the employees are paying is a lot less because they asked for it seven years ago. Ken said you pay a fee to the insurance carrier to pay claims in excess of \$35,000. He said your funding occurs under \$35,000. He said the way that he sees this and is understanding it now, the City has never funded its claims adequately. He said at the beginning you actually funded the employee costs. He said he does not think they are doing that anymore. He said he does not believe that they have changed the cost on anybody since we first did it. Councilor Gonzales said if we are going to try to make this system work, the employees are going to get an increase in the amount of money that they are paying. Ken said they should but if he is correct the dependants are paying \$250. He said they may have gone up. He said he would not be surprised if they have not. He said that is all that they are collecting on the dependent costs and you are not collecting anything on the employee costs. He said that is the way most cities do. He said if it were him, he would change the plan and go up on the deductible and go up on the co-pay and change the prescription drug card and change the plan. He said the problem is

that every change that you make is cost shifting. He said the second thing is you have to change what you are paying for dependents. He said if you are at \$250 and you go to \$800 you are going to go right back to what it was 7 years ago. You will not have anybody who will take it because they cannot afford it. He said our expenses this year are doing extremely well. He said he would recommend that employees help with the cost. He said most cities pay 100% of the cost but if you were to change all of your dependents all at once you will lose them all. He said maybe that is okay because that would solve your problem. He said he does not think that is really what you want to do. He said what he is looking at is for employees to pay 25% of their cost. He said that will make their cost be about \$100 but then you can help fund several dependents. He said if they had been going up on this thing for 7 years, it would be better, but they have not. He said he would do it where the employees could have other plans, if anyone wanted to pay the difference. He said he likes the insured to contribute to the plan. He said he thinks it helps. Mayor Rangra asked if the employees were paying anything for this plan. Ken said they are not paying anything but they are paying for their dependents. He said it is important that your employees do things to cut costs. He said the prescription drugs and emergency room make a huge difference in the cost. It was discussed that we could buy every employee a life flight insurance and save money. Ken said he had numbers that he could bring the Council. Mayor Rangra said the Council needs to have those numbers. The City Manager said we do have numbers of what we thought and those are figured in the budget. Ken said last year the City's expenses were over \$600,000. He said this year through ten months, our expenses are \$388,000. He said it is a significant difference. He said we got killed last year but this year we are doing a lot better. Councilor Gonzales asked where the \$600,000 came from, General Fund? The City Manager said it was not split out before but it is split out now. He said this year we will be able to give a breakdown about workman's comp and what the true costs are. Mayor Rangra said we need to have a break down to look at. He said if you were doing the fully insured under Blue Cross/Blue Shield it would be \$592,000. He said that is an expense for sure. He said if you do it self-insured this year you will be saving \$100,000 and that is what happens most years. He said you still need to change your program and that will make it even more cost saving. Mayor Rangra said he would like to know, for the past seven years, where we lost revenue. He said he would like to have those figures. Ken said he had those and he would get them for the City. The City Manager said the City needs to be thinking two or three years down the road and not just this year. He asked for Ken to talk about Obamacare. Ken said with Obamacare you can ask three question. He said those are 1) where you are geographically 2) how old you are and 3) if you smoke or not. He said that is it. He said you do not get to ask if you are male or female. He said you do not get to ask health questions or anything else. He said to him that means that your claims are going to go up. He said someone has to fund them either through premium or taxes. He said those are the only questions that you can ask. He said it will not matter if you are healthy or not healthy. He said it does not matter how old you are. He said before Obamacare, your

difference in prices is one to eight. He said a younger person can buy insurance for \$100 and an older person that has health issues can get it for \$800.00. He said when Obamacare goes into effect, it will be one to three. He said of these people that are uninsured, the vast majority are aged 20 to 35 and they quite frankly choose not right now because it is expensive. He said he could get them a decent policy for \$100. He said they would not have a copay or a prescription drug card but they do not go anyway. He said in that way if they have a big claim it is paid and it costs them \$100. He said when Obamacare goes into effect, it will be approximately \$250 dollars to get an insurance program under Obamacare. He said your older people's insurance will actually go down a little bit. He said theoretically if you spend government money they have to know where you are spending it. He said there are separate fees for prescription drugs and administration fees. He said he would guess \$150 a year. He said partial self-funded plans will not have those fees. He said a partial self-funded plan will not have to obey Obamacare. He said you cannot give a person financial incentive to leave your health insurance plan. He said anyone can get on any insurance plan. He said if you look at things and play both ends against the middle, you can actually keep your insurance costs down. He said if they chose to get under Obamacare and there could be reasons to do that, it may save you money. He said he thinks there is a lot of good in Obamacare but the cost of doing it is exhorbantly high and it keeps going up. He said there are subsidies if you take the plan. He said not a single plan has been sold yet and the government is already asking for 100% increase in subsidies. He said somewhere, sometime or the other, that is going to have to be paid for. He said California is the only place right now that has a rates out there right now for Obamacare. He said for a 50 year old couple the price will be \$822, but after you apply the subsidy there will be \$400 and their premium will be about \$400. He said the cost is high but not after the subsidies. He said rules going into effect as we speak on Obamacare. He said partial self-funded does not have to follow that. He said there are now four large insurance carriers that have put together a partially self-funded plan and they have like a \$25,000 deductible, but they also have it set up where you only pay a flat amount every month. He said Blue Cross/Blue Shield is not included in these companies. He said you are going to pay your maximum exposure, no matter what, on a monthly basis. He said at the end of the year, if there is money left, you get some back. He said he promised that this would be a little higher than what we are paying right now but it also will also completely do away with the volatility of it. Councilor Gonzales said as far as the City is concerned we can still do partial funding when Obamacare comes in. Ken said that was right, unless they change the rules. Councilor Gonzales said that will not be a problem for the City of Alpine, right? Ken said that was right. He said you can still ask tough questions and you are not going to be paying any fees. He said they have one fee that he is aware of in partial self-funding and only one, and it costs \$63 per year per person. Ken said he was planning on being in Alpine tomorrow, if anyone wanted to meet with him and ask him some questions about the City's insurance. Mayor Rangra said this company has been with us for seven years. He said it is time to take a look at insurance. The City Manager asked if the Council wanted to take a look at two tier insurance

where each person could make a choice. He said personally as an employee, he would like an option, a higher plan or a lower plan. Councilor Gonzales said he thought that we should do a two tier and bring it to the employees Councilor Davidson said most people have their insurance rates double in seven years and it is unfortunate that it hits them all at once and maybe it is something we have to do over in two or three years. He said he also questions, if we raise the office copay to \$25 or \$30, it will not break anybody's back but we can plug in some new numbers, like a \$1,000 deductible. Ken said on the copay you can pretty much change it and it will not affect the cost of the planning. He said it will be a dollar per dollar savings to the City. He said if you raise it \$15 you are saving the City, a wild guess, \$10,000 per year. He said he does not have a \$15 copay anywhere. Councilor Davidson said with the hospital business, he has a very large deductible. He said he gets in and they do whatever it takes and then he owes them some money. He said if he fiddles around for two or three months, they will make him an offer and it is less than what the bill was. He said they will still be insured. Ken said the majority of the millions of people that they have, will be going under Medicaid. He said Medicaid is paid by the states, which is why the state of Texas will not go there because they cannot afford it. He said his personal opinion is that no state can afford it. He said that there are 26 states that have opted out. He said if he was not mistaken, they are reducing the cost of Medicaid by 20%. He said you will see lots of doctors get out of Medicaid. He said the vast majority of doctors take Medicaid right now. He said if you take it you must take what they pay you. He said the better doctors will say this is not worth it and that they are not going to pay it so the people who have Medicaid and Medicare policies are going to go to one set of doctors and people who have insurance or self-pay will go to another set of doctors. He said chronically sick people are not going to get as good of a coverage. He said you cannot get the planning controls even if you have the money to pay for it. He said it may take ten years but he firmly believes that the shifts will get shorter for surgeries, like they used to. Councilor Fitzgerald asked if the \$2,000 still applied to the Medicare/Medicaid. Ken said he did not know about what Councilor Fitzgerald just said. He said that possibly can be because Medicaid is where the vast majority of all of these people will go. The City Manager said he will work with Mr. Roberts, with Council's blessings, and they will come back with some sort of a tier program and maybe look into reducing our cost by going three tier on the pharmacy and see if they can give the Council a better picture. Mayor Rangra said not to forget the information they need. He said they need exact numbers and not approximate numbers, year by year. The City Manager said they are going to give the Council good solid numbers. Mr. Glasscock with Aflac insurance gave a presentation. He said the first thing an employer asks is what this plan will cost them. He said it costs zero to the company, because the employees pay for it. He said they have eleven different policies, everything from Cancer to accident. He said they are cash benefit policies. He said the employee owns the policy and the money when they have a claim is paid directly to them. He said when they have costs out of pocket for medical, if they have an Aflac policy, they are going to have the money provided by Aflac to pay these out of pocket

expenses. He said he has been with Aflac for 35 1/2 years and any agent worth his salt must be two things, he must know what to do and be a professional and be above board with the employer and with the employees so they know without a doubt what they have. He said number two, he has got to give the service. He said in the City of Alpine he has at least 500 policyholders. He said he also has surrounding counties. He said the policyholders and employers are his responsibility. He said the other thing they do is handle claims, where the check with come to him and he will keep a file itemizing hospital bills, doctor's bills, transportation, etc. He said he makes sure the check is right and it gives it to the policy holder. He said these policies are geared to be a supplement to your other insurance. Mayor Rangra asked how many city employees Aflac had. Mr. Glasscock said they have about 60% of the employees in the City. The City Manager said it does cost us a little bit since we have to process that check, but it is a good benefit. He said we have a good relationship with Mr. Glasscock. Mr. Glasscock said they also put in a cafeteria plan, which is basically a person making \$1,000 a month in salary and they have \$100 to pay in. He said before the section 125, they would take the \$1,000 gross and taxes would be on the \$1,000, He said with the cafeteria plan, it allows the employer to deduct off the \$100 insurance premium first on the \$1,000 reducing the taxable amount to \$900. He said the taxes saved by that employee add to the take home amount of their paycheck and the City has to match the FICA which is the medicare and social security, so it saves the city 10%. He said they have to see every employee each year so that they can make any changes they want to. He said their responsibility is to make sure the city stays in compliance. He said if the City is out of compliance, the IRS can come in and audit and if they find out it is out of compliance, the penalties are momentous. He said that is why they have the burden of keeping the city in compliance. Councilor Castelli asked about making changes and Mr. Glasscock explained qualifying events. Deborah gave a budget draft to the Council. She said this had been through a lot of graphs. She said you would see the budget a lot more broken down than it was last year with a lot more detail. She said there was a lot of cutting in the budget as well. The City Manager said it is a long drawn out process with a lot of issues and we are still not where we want to be but we think we can get to where we want to be. He said we will be discussing this tomorrow night and the following night. He said this year they are trying to make things work and keep things on track. He said they are looking a severe slashes and we just have to do what we can do. He said as Council you have something good to look at and you will be able to feel confident in this document. Mayor Rangra said he liked that there were numbers for 2011 and 2012. The City Manager said we have tried. Deborah said she wanted to commend her staff because that had to be hand entered from the audits. The City Manager said the staff had worked hard and diligently and he cannot say enough about the finance people who have put in some long hours.

4. Adjournment – There being no further business, meeting was adjourned upon a motion by Councilor Davidson and seconded by Councilor Bermudez. Motion unanimously carried..

I certify that this notice was posted at 3:00 P.M. on August 9th, 2013, pursuant to Texas Open Meetings Act (Texas Government Code Section 51.043). This facility is Wheel Chair accessible and accessible parking space is available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary's Office at (432)837-3301 or fax (432)837-2044 for further information.

Dr. Avinash Rangra, Mayor

Attest:

Margaret "Molly" Taylor, City Secretary

I, Margaret "Molly" Taylor, City Secretary, do certify that this notice was posted at 3:00 P.M. on August 9th, 2013, and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.

Margaret "Molly" Taylor, City Secretary