

Budget Survey FY16-17

Budget Workshop #1



Top 3-5 Expectations for the 2016-17 Fiscal Year

- Ward 5
 - Continued strong fiscal management e.g. meet budgets, continued drive toward debt reduction
 - Continue to execute on road improvements, water/waste treatment/gas, and airport update strategy
 - With the increase of tax valuations from 85% to 95% of assessed value, and the additional revenue that will create, keep the tax rate the same
 - Step up the game plan on economic development and tourism. Great start with SBDC...more focus needed. Consider putting in place the structure to carry it out that takes advantage of all the resources the city has including HOT, visitor's center, SBDC plan that will be available late FY16
 - Pull together the documents between the City, County and any other organizations so that the city can make prudent decisions on areas where there are overlaps
- Ward 1
 - Roads
 - Waste water management
 - 100% on audit
 - Take over Volunteer Big Bend
 - Reduce number of parks

Expectations – cont.

- Ward 2
 - Budget allocated as needed to serve our community
 - Roads
 - EMS
 - Clean up our community
 - Fire hydrants
- Ward 3
 - Continue on the same path that we have been since Erik's arrival
 - Roads, Roads, Roads
 - Campaign to try and instill a pride of ownership in our City
 - Community involvement: The apathy in Alpine is high.

Expectations – cont.

- Ward 4
 - *Streets and Sewer Lines need to be fixed*
 - Fire Hydrants all need to be working. Does the city need more hydrants? Fire Hydrants need to be working properly because of insurance purposes for the home owner and their safety
 - Fire hydrants spaced at least to meet the department 500-1000 ft. fire hose access rule need to be working.
 - Does the Park, Water, Sewer & Police departments need more employees to take care of the cities day to day work?
 - We need to hire a City Attorney, with the stipulation that he be a resident in Alpine or nearby
 - The Scown law suit needs to be figured out by an attorney that knows how to deal with it because this is only costing the city money, let's see how much we are losing by keeping this lawsuit ongoing.
 - Leave property tax same as last year 2015-2016
 - Improve the relations with the county, how by setting two meetings every six months or more if the need arises to brainstorm about what is best for the county and the city residence
 - Hire a different auditor every year, let's get bids so we can see who has the best credentials and doesn't cost the city a lot of money. This process is important and should be done every year
 - Accounting books must be reconciled every month and attached with a copy of the bank statements so council has a clear view of check and balances
 - Good department head management & training if they need it to keep good employees and communications open
 - Restrooms at centennial need to be finished & restrooms at all parks should be working and opened to the public.
 - Does the city have a person who writes grants?

Water/Sewer - Utilities Department: This past fiscal year has provided ample challenges for the City regarding licensed staffing for our Water/Sewer teams. This is a challenge that permeates through the state in many rural communities. The Ordinance establishing the rates has also not been addressed since October 2010. What are your thoughts on the following two items: 1. Contemplation of an outside vendor to help facilitate the running of the department and 2. Going through a rate case study and potential adjustment of rates.

- Ward 5
 - Both options have merit. Pull together proposals so that we can assess the value. My sense is that given the lack of qualified individuals for the city to hire, there is no choice on #1...the question is cost.
- Ward 1
 - Q1. I think this is the best solution. We would have licensed individuals, be in compliance and save ourselves a lot of headaches. We haven't had any qualified people apply. I see this as a stopgap measure until we can get our people trained and licensed – perhaps a three year contract and then re-evaluate.
 - Q2. Absolutely. I understand our rates are below the state average. Six years is a long time without a study.

Water-Sewer Utilities – cont.

- Ward 2
 - Q1: Use outside help depending on cost (for temporary use)
 - Q2: Yes absolutely review the rate case study/rate
- Ward 3
 - Q1: In view of the difficult time we have in obtaining and retaining qualified personnel, it seems reasonable to seek outside help, especially management people. Besides being wrong to put people out of work, it would be a community relations nightmare.
 - Q2: As far as water rates go, six years is a long time to maintain the same rate. Everything goes up. Chemicals cannot cost the same as they did in 2010. We have no control over what the vendors charge and this is how we justified the rate increase last time. I want a glass of water, not a glass of typhoid or cholera!
- Ward 4
 - No, Prioritization. Good management is needed not an outside vendor why would we want the cities money spend on a vendor, hire locally so that the city's money is spend here and stays here with someone locally. Train city employees to move up the ladder.

EMS: We currently fund \$84K annually to EMS and contract runs through this fiscal year. What are your goals, objectives with this service contract? The funding for this comes from the General Fund. If the agreement with the County changed or the costs increased, how would you like to see this area funded?

- Ward 5

- Goal – Quality, cost effective service. While we could spend more \$, the question is what would we get for the additional cost. The only topic that seems to continue to come up is the cost for service to transport individuals for service outside of Alpine. EMS is only one item for consideration....the bigger picture is what are the healthcare needs of Alpine and what the long term strategy is. The city could play a role in facilitating that discussion.

- Ward 1

- I can't think of any other source for the funding other than the general fund.

EMS - cont.

- Ward 2
 - Goals: To provide more dedication and prompt services to our community. We should look at others companies and resources to see what they have to offer. More accountability, area from where funds come from, would leave to City Manager to advise/recommend.
- Ward 3
 - Ground transport to Odessa is essential. Carol provides that, but who knows how long they will be here. I think we should stand firm at \$84K. These guys know they get \$168K from us and the County before they even pull out of their driveway. We should also pursue other providers. Maybe we don't need to change providers, but I do not like to chose from a field of one. If more costs is inevitable, we probably just need to take more from the General Fund.
- Ward 4
 - I want to see it funded by the General Fund. A meeting between the county officials and city officials needs to occur so that we can all discuss the EMS and the Airport funding.

Paving - We continue to look at ways to increase our spending on Paving - with the goal of reaching the \$1.19M annual need (as identified in the April 2015 Paving Presentation). What are your thoughts on budget allocations for paving?

- Ward 5

- Put \$1M in the budget and see what the outcome of the road improvement plan is for FY16.

- Ward 1

- There has been real progress over the past year with paving. Bringing in additional help with a private paver will help bring us up to our goal with number of blocks repaired/paved. I would like to see us continue to increase the funding for paving. The condition of our roads is the number one complaint of our citizens.

Paving – cont.

- Ward 2
 - We need to allocate as much as we can to get the job done. Reviewing and looking at all revenues to see what options are available to us.
 - Joint purchasing of materials with the county would enable lower bulk purchases
- Ward 3
 - My hot button. Every dime we can spare should go to roads. I still think that my idea of allocating $\frac{1}{4}$ cent of sales tax money to roads (\$200K per year) is a painless way to get more funds. It is the primary concern of the overwhelming percentage of the population. Much as I do not want to do it, a tax increase is still on the table. We are never going to reach the \$1.19M without a tax increase, I am afraid.
- Ward 4
 - Council needs a list of the streets on a map of the city to show what streets are in need of repair by rank the most trouble at the top to the least at the bottom.

Airport: We do have an upcoming project on taxiway and apron enhancement. We are needing to put approximately \$250K in reserve to provide for our off-set. We are also needing to build new taxiways with continued growth and development at the airport. Some thoughts we have considered are: 1. Completing an equity transfer from the gas fund to provide the off-set for the large project 2. Creating an Ordinance requiring new hangar owners to pay for the taxiway in front of their hangers. Please offer up any thoughts, concerns, suggestions.

- Ward 5

- Comment – The airport provides tax base and revenue for the city. The County collects taxes on the airport, yet provide no support for maintaining the airport. We need a specific proposal to the county about taxes collected on airport property, or create an ordinance that says only the city collects the taxes. 1 – Complete the equity transfer. 2 – Get feedback from the airport board about #2

- Ward 1

- Q1. We have already moved funds from the gas fund. I would hate to see us deplete this source. It helps to provide a backup for emergencies.
- Q2. Yes. I think the hangar owners should pay for the taxiway in front of their hangars.

Airport – cont.

- Ward 2
 - Airport is important; one reason is for patients needing air transport to move to a higher level of care. 1. Transfer funds as allowable 2. Create ordinance for hanger owners
- Ward 3
 - I think both of the options mentioned should be considered. The airport is one of the three most important assets we have, in my opinion. We have to come up with the \$250K somehow. The gas department seems to be our cash cow, but that will not last forever.
- Ward 4
 - Equity is not real money so who is or where is the money coming from? Yes I am all for creating an ordinance that new and existing hangar owner pay for taxiway in the front of their hangars and the rest of existing hangars. Why were funds returned to DOT-Aviation? Prioritize the Airport or the Streets? Why would a Citizen of Alpine or Brewster County pay for anything having to do with the airport when they don't have an airplane or a hanger? Why doesn't the County help with cost, this is why we as officials need to meet with county officials? We must all work together for the better of the county and city. A transfer was already made for the streets, so this is where we need to decide what is our priority, the Streets or the Airport?

Parks: We currently have multiple parks across the City and maintenance intervals continue to be an issue. What type of action would you anticipate we take this year? (For example: should we add more staff, fund more equipment, minimize asset base, no change, etc...). The Parks Board has also worked through a survey polling the citizens and is currently working on a recommendation to Council.

- Ward 5
 - Look forward to hearing the recommendation of the parks board.
- Ward 1
 - I would like to see us do all of the above; although with fewer parks we could probably get by with our current staff. I am waiting to see the board's recommendation. I would like to see fewer parks and concentrate our funding on improving the parks we retain. We might as a good faith measure appropriate additional funding for the parks whose funding was used elsewhere if the board recommends keeping those parks.

Parks – cont.

- Ward 2
 - Reach out to probation dept. and county judge to use jail inmates and any probation people that need community services or setup to have the surroundings neighbors to take care of the park in the area.
- Ward 3
 - We have too many parks. Twelve parks for 6000 people is absurd. One park for every 500 citizens? The least used parks should be eliminated and houses put up there. This would make a nonperforming asset, which is actually an expense, into a performing asset. I do not know what the average ratio of parks to citizens is, but I will bet it is not 500 to 1.
- Ward 4
 - Kokernot and Baines Park have gotten a lot of attention with grant monies from the friends of the park, neglecting the other parks. I want to see grant money spent on Pueblo Nuevo & the American Legion parks, these two Parks need immediate work done to them. Management issues could be a problem as to why employees don't stay, are they not getting enough pay is there a conflict with head of the parks Dept. and employees. I have had citizens come to me and speak to me about situations about the parks department when I was on the parks board. To me and other citizens that I have talked to or have come to me feel that these two parks need to be a priority. Why should the children, teens and adults have to drive across town to go to a park when there is a park in their neighborhood? We don't have a skating ring, a game room, a water park etc.... to give our community something to do.

Ad Valorem Tax: Please feel free to voice any comments on Tax rate, property valuations, etc.

- Ward 5
 - Leave the rate the same.
- Ward 1
 - No one wants to raise taxes, but to accomplish what needs to be done as well as what we want to do requires more funding than we currently have. If I understand the property values, we are losing money because our property values are below what they should be. Perhaps alternating between raising taxes and raising property values every 2 years would be less upsetting and still provide us with additional funding.

Ad Valorem Tax – cont.

- Ward 3
 - It is my opinion that the way to increase taxes, with the least amount of fallout, is to do it gradually. Even if the increase is only one cent, people will gripe, but not as much as a big chunk. On the other hand, if we did a big chunk all at once, we would only incur the wrath of the citizens at one time. It is a no win situation.
- Ward 4
 - *Lower the tax rate to raise the revenues as last year 2015-2016.*
 - Ad Valorem taxes should be comparable to other Home Rule communities of comparable size and industrial ambition as Alpine. The city should provide the data on comparable communities with citations for verification. If Alpine is to attract the retired population as its citizens, revenue increases should be related to more efficient city operations management rather than increases in AV tax.
 - Training ambitious field staff to perform the work of outside contractors is the most successful way to save expenses and keep the expenses paid within the community. We should invest in training for the city employees and encourage training ambitious local staff.
 - There appears to be more individual homestead property for-sale signs. Is this related to the reduction of city services with the prospect of increased taxation?

Health Care: The City currently uses a partially self-funded health care program for our employee benefits. Each year we look at rates to continue the partially self-funded program or convert to a fully-funded program. Ken Roberts from RHA will be providing us new rate quotes by the end of June. Do you have any thoughts/concerns with this topic?

- Ward 5
 - Two challenges...quality healthcare for city employees and how best to provide cost effective service that they can afford. A suggestion is to line up one of the local healthcare providers to deliver the care to Alpine city employees and their families on a reduced rate.
- Ward 1
 - Want to see the new rates first before commenting more than what we need to provide health care.

Health Care – cont.

- Ward 2
 - We need to take care of our employees, We need to review numbers/cost on self funding vs fully funded. Then decide what options are available to us.
- Ward 3
 - I have a great deal of respect for Ken Roberts. He is well versed in the field and has saved some folks a fair amount of money. I listen to and take his advice. Let's see what he comes up with and go from there.
- Ward 4
 - Work with TML see if they have any ideas about insurance or maybe they can provide the City with one/we don't want to be self-funding it. Offer Vision through VSP (Guardian) and Dental through RHA
 - Every update of rates and company coverage should be an ongoing activity of the administration to provide the best available.

5-Year Capital Plan: Department Heads will be updating their lists as part of the budget process process. If you need a copy of last years 5-year plan, please let Megan or myself know.. One item we discussed at a City Council meeting earlier this year was the percentage of total asset dollars we spend on maintenance for our water/sewer/gas infrastructure. Currently, we spend around 1% of our total asset valuations in water/sewer on annual maintenance and a little less than 5% of our total asset valuation in gas on annual maintenance. Please provide any thoughts or comments on Capital spending related to both physical and infrastructure related assets.

- Ward 5
 - We should spend time during the budget workshop on this. Either we liquidate city assets that we don't use, or increase the budget to maintain them.
- Ward 1
 - These figures seem awfully low for water. With the number of water leaks recently perhaps we need to spend more here.

5-Year Capital Plan – cont.

- Ward 2
 - Is this working at 1% and 5% ??? If not lets review options/recommendations
- Ward 3
 - First of all, it is great to have a long term plan. It was sorely needed. I fully support the way the CM has run the City so far, like a business! Last year's version of the capital plan only had 3 items listed for 2017 and 2 items for 2018. I would like to see what the new Capital Plan looks like.
- Ward 4
 - *Council should review and verify all transactions at or above \$5,000.* While maintenance ratios are usually considered in annual operations costs, for which there are industry standards to consider as base lines, both the age of our utility infrastructure and the past history of maintenance, repair and replacement, carefully, honestly and verifiably documented is of prime necessity for management to provide to the council for proper decision making. The change in the annual maintenance cost ratios with time is both a necessary and worthwhile indicator. The annual maintenance ratios with asset value is only useful when a consistent evaluation of assets is available, otherwise it becomes an easily manipulated tool for deception.

Building Asset Management: Currently the City has multiple facilities that we charge \$0 rent. Directionally, would you like to see us drive up rental fees, sell those assets, or do something different?

- Ward 5
 - Same comment as previous question.
- Ward 1
 - A combination of rent and sales – sell those that need extensive repairs as we can't afford the repairs particularly when we are not collecting rent. There needs to be at least a token rent, perhaps enough to cover insurance on the building.

Building Asset Mgmt – cont.

- Ward 2
 - First , what, who ,where are our facilities? Possibly consider rental fee to use for maintenance of the buildings or don't charge rent but let the business that is utilizing property maintain the building
- Ward 3
 - My opinion is that if they are viable assets, they should be charged a little so they become performing assets. If they have outlived their usefulness, then get rid of them and put any monies received into the road budget.
- Ward 4
 - Reports from other non-profit Agencies should also be submitted to the Mayor & Council. What do these agencies provide for the City of Alpine and do we have proof that they are doing something for the City of Alpine and its residence?
 - Do they pay rent, who pays the utilities, who pays for the maintenance, who buys the supplies, building Insurance?
 - Sunshine House
 - Library
 - Children's Advocacy Center
 - Alpine Chamber of Commerce
 - Neighborhood Center-Big Bend Community Action Center & CASA-the City of Ft Stockton/Pecos County has and is willing to provide to CASA a building for them since 90% of cases there.
 - Cemetery Association needs help a good used working riding lawn mower etc....

HOT Fund: Do you have any thoughts on driving spend out of this fund further towards advertising versus specific event offset spending as we've done in the past? What expectations do you have towards Visitor Center Funding? We also used approximately \$80K this year to handle the majority of renovations to the Civic Center. Would you like to see us target additional dollars to complete a few other activities like: finish the floor, remove fixed stage and add portable one, etc....)

- Ward 5
 - See comment under 1D (fourth item of response)
- Ward 1
 - The Civic Center is very visible during a number of events and needs to look its best. Let's finish the floor and the staging.

HOT Fund – cont.

- Ward 2
 - Advertise, letting every event to fund for themselves. If outdoors, provide usage of electricity if need.
 - Civic centers needs work, finish floors, new chairs, renovate bar, etc...
- Ward 3
 - We should spend the money needed to do the new Convention Center up right. The better it looks, the more attractive it will be to the prospective renters. There needs to be a mix of advertising and support for the events. Some may have a great idea but need a little help making it happen. For instance, the kite festival and jazz festival that Tushar put on. I noticed that Alpine did not have much at the welcome center in Texarkana.
- Ward 4
 - *The city under the law is obligated to spend 50% of the revenues on advertisement.*
 - I want to see what can be done to improve both the advertising and tourism that really remains Alpine's income asset. I also think a small article from the Mayor and councilmember on the newspaper of what is going on with the City is important to let Alpine and county residence know what we as elected officials are doing for them. One topic each Thursday and we can ask the citizens what they want us to explain to them.

Conference and Travel: We budgeted \$4K per elected official this past year. Do you want to increase/decrease for this next year?

- Ward 5
 - No increase!
- Ward 1
 - I didn't spend near this. I'll try to do better next year! Let's leave it at that. I haven't heard any complaints about not enough travel funding.

Conference & Travel – cont.

- Ward 2
 - If council member terming out within that year, not allowing to spend funds. Funds should be available for incoming council members.
- Ward 3
 - We survived this year with \$4K. However, I would like to see it go back to \$5K since the abuse seems to have ceased. I think our group now will be more responsible. I like the idea of reporting what you learned at these sessions at Council. Some of us actually get something out of it.
- Ward 4
 - *Elected officials require more funds as needed.* Comparable data should be made available on this expenditure.

Non-Department Subsidies: We currently fund the library \$40K annually, Family Crisis Center \$8K and Children's Advocacy Center \$5K. Do you want to continue at those levels? Are there other entities you feel the City should consider?

- Ward 5

- Continue the funding as is.

- Ward 1

- I would like to see us help with the food pantry. The food pantry supplies food for hundreds of hungry citizens each month and all the work is done by unpaid volunteers.

Non-Department Subsidies – cont.

- Ward 2
 - Find out what each entity is using funding to provide services to our community. Family Crisis Center spends a lot for luncheons to city police, DPS, etc.... funding should be used to help our citizens. Consider allocating funds to the new nursing home trying to open in our City
- Ward 3
 - Family Crisis and Child Advocacy looks ok. The library, even with our stipend, ran so short of money they are now closed an additional day each week. If it were possible I would like to see them get a little bit more. Perhaps something to bring up to the County. I do not know if they kick in any, but a lot of County residents use it.
- Ward 4
 - *Yes give us a list of potential users.* The council should be provided data on how much present and anticipated participation exists in these services for council to make intelligent decisions.

Waste Removal By Dumpsters

Non-Survey Item

- Last Years Thoughts
- Cost Structure



Other Considerations: Please use this space to identify additional thoughts/concerns/suggestions not identified previously.

- Ward 5
 - The City has a solid game plan on day to day operations and infrastructure improvement. Stay the course and take actions to document agreements with the county so that we can make prudent decisions.
- Ward 1
 - Also I think we should take over the Volunteer Big Bend luncheon. Alpine runs on volunteerism and we need to continue recognizing our volunteers. We may fund the library, but without the additional work done by volunteers, the library would not be able to function. This is true for much of what is done around Alpine. The luncheon as done by the Pilot Club broke even and often made a profit what with sponsors' fees and ticket sales. And we have a place to hold it at the Civic Center although SRSU might consider continuing to offer their facilities.

Other Considerations – cont.

- Ward 3
 - Do we know how much money and manpower would be saved if we de-annexed Country Club Estates?
- Ward 4
 - Council needs to meet with each department director and employees to discuss their present needs and aspirations of the future.
 - Council receives monthly operational reports, including financial operations, from each Department Director. I want this in a very simplified manner where any citizen can walk in to the city office and be able to read it as well as council.
 - List of All Dept. heads and who is under them and their pay. Is the pay below or above the state average in other towns in Texas that work for the City of their town? Do we need to make adjustments?
 - Give at least 5% raise to hourly employees working on the streets, water, sewage and police.
 - Do the departments have the adequate equipment they need, like Camera's for the Police Dept. to use for investigations, or lawns mowers for the sewer dept. etc....? Are the company cars in good working conditions? Do they need to be replaced or just buy new engines?
 - *When Bids are sought the Mayor & Council Members should get a copy of who submitted a bid and a check list of the requirements/criteria.*
 - *What is the Salary for Councilmembers & Mayor in the State of Texas, this need to be research and the city charter should be amended. Just like County Commissioners are paid a reasonable rate so should the Mayor and the Council. Do Councilmembers & Mayor have liability errors & omissions if not why not? The money for Councilmembers & Mayor that is allocated for training can it be used for other things if so what? Do we need to add another meeting in order to be more efficient and receive our board packets on Wed instead of Friday to have more time to review the materials?*
 - *Why can't we use a program that has been put into place like in Odessa and Midland where the prisoners are used for picking up trash? This has worked well in Odessa & Midland. Here is another instance where the County and City should be working together.*
 - The mark of a community is in how it services its most vulnerable citizens rather than how much money it can accumulate. To accompany Alpine's natural beauty and healthful environment, City Management should be focused on preserving its natural assets including its water supply. While utilizing and developing local educational resources to help develop the talents of its youth.
 - As past history has taught us, we must remain vigilant of those who exploit our community for their own personal gain, especially when that personal gain takes away more than it provides the community.



SELF-FUNDED

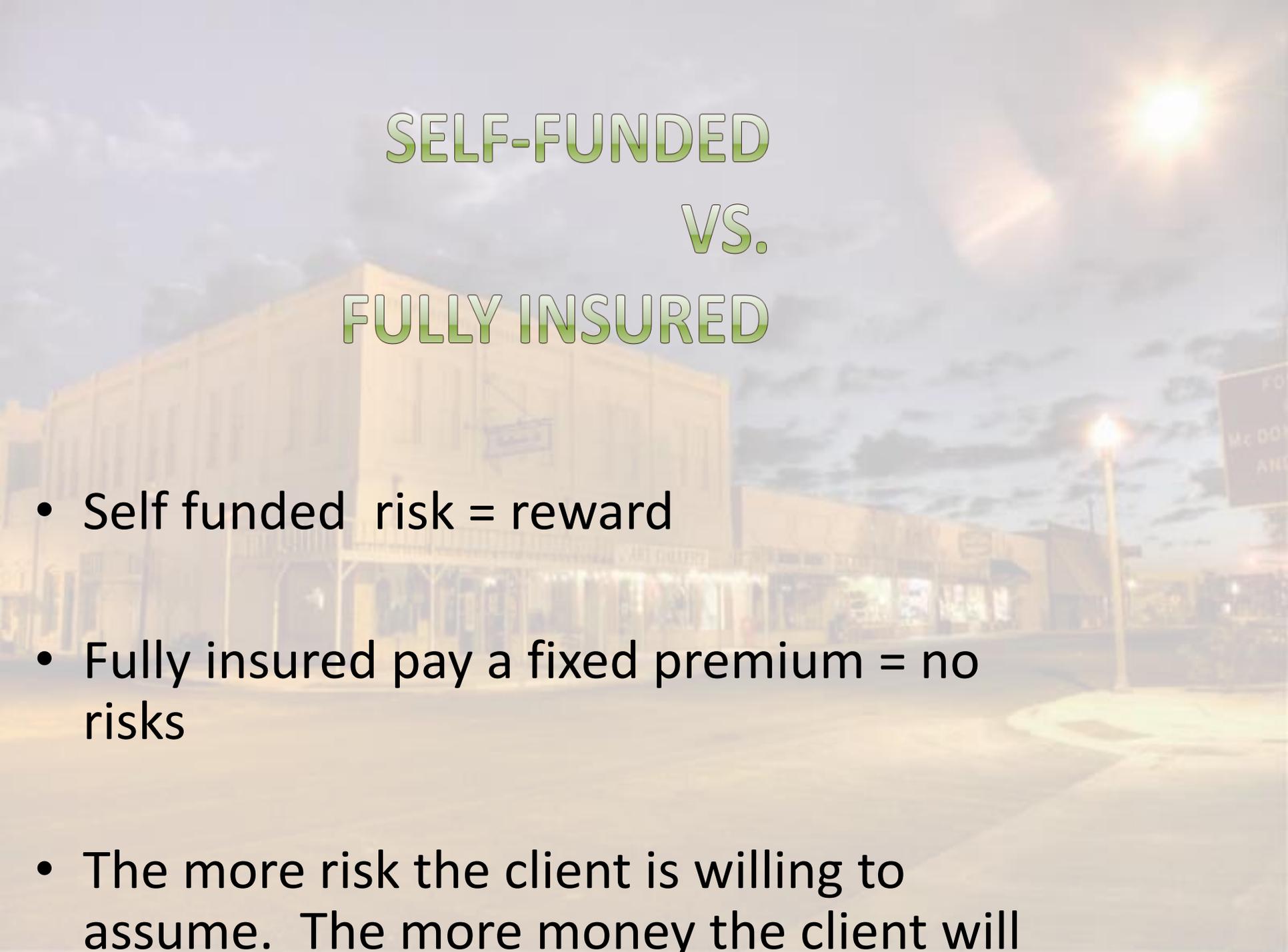
VS.

FULLY INSURED

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SELF-FUNDED VS. FULLY INSURED

- Self funded risk = reward
- Fully insured pay a fixed premium = no risks
- The more risk the client is willing to assume. The more money the client will

SELF-FUNDED

- Employer assumes all or a portion of the risk for health benefits
- Administrative options available to employers choosing self-funding:
 - Third Party Administration (TPA)
 - Fixed Costs
 - Variable/Claims Costs



SELF-FUNDED TERMS

Administrative Fee:

- Fee charged for claims adjudication, billing, eligibility, customer service, plan document maintenance, access fees, managed care fees

Expected Claim:

- Total claims underwriter expects you to have in one policy year, actuarially determined from your past claims experience

SELF-FUNDED TERMS

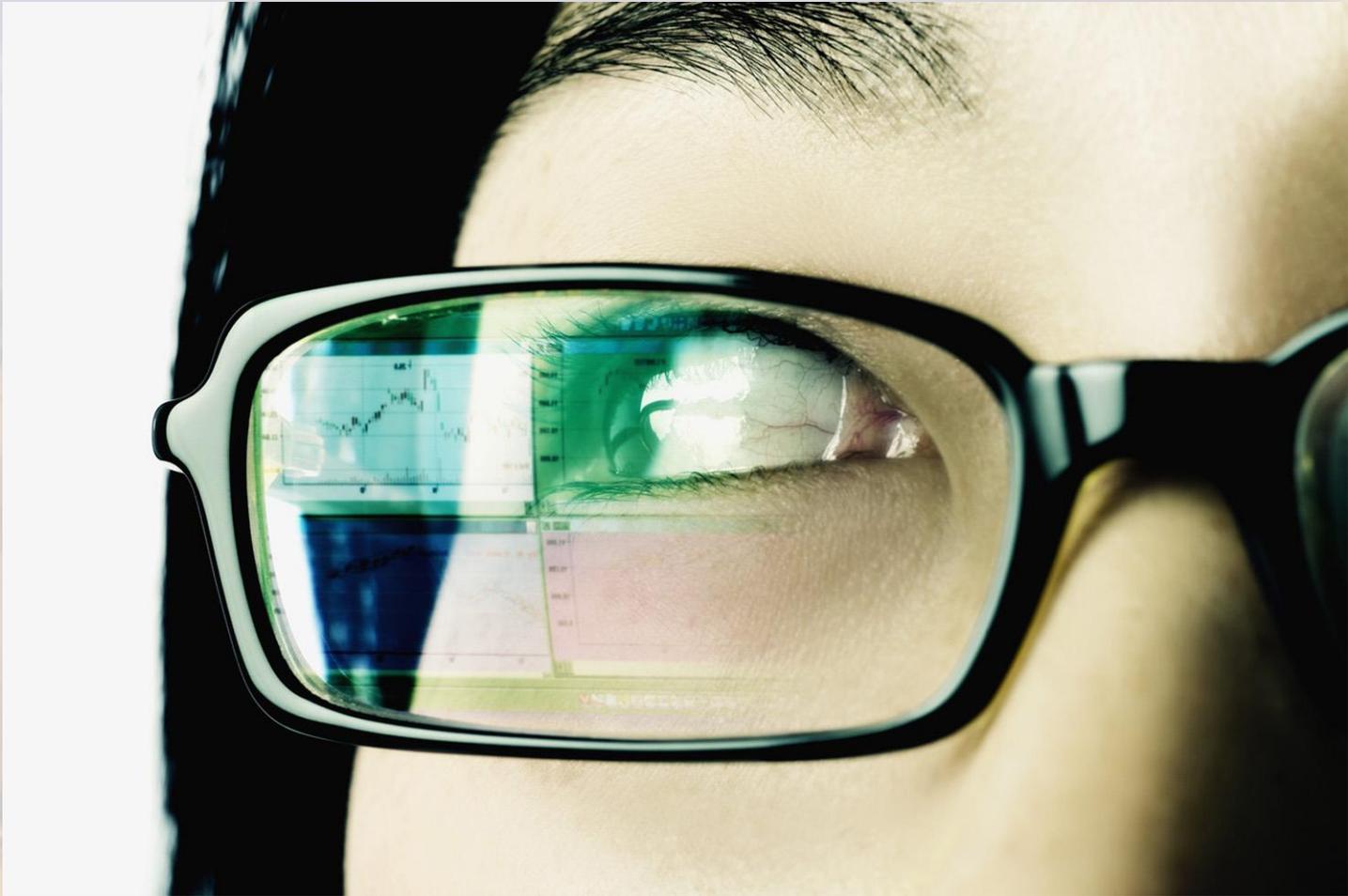
Specific Stop Loss Insurance:

- Purchased to protect you when eligible claims during the policy year on any one individual exceed the specific liability limit
 - When this does occur, you are reimbursed by the insurance company

SELF-FUNDED TERMS

Aggregate Stop Loss Insurance:

- Protects you from eligible claims for the entire group that exceed the annual aggregate liability limit
 - If eligible claims for entire group exceed the aggregate liability limit, insurance company will reimburse you for those claims at end of policy year
 - Many insurance companies offer “accommodation agreement” for monthly fee
 - Special contract provision provides monthly reimbursement of aggregate claims



STOP LOSS INSURANCE

PROTECTION AGAINST UNEXPECTED CLAIMS

Aggregate Stop Loss: The Ultimate Protection!

- The expected claims of any given group can usually be predicted with a fair amount of accuracy and thus become budgetable.
 - But, when these expected claims are incurred by a surprisingly high number of insureds, an unforeseeable fluctuation occurs.
- The impact of any unpredictable fluctuation could jeopardize the financial stability of a company.
 - Aggregate Stop Loss Insurance is a precautionary measure designed to protect you from the unknown, guarding your assets and preserving cash flow.

AGGREGATE COST (WALL)

Maximum:

- This is 125% above your expected claims level
 - Claims that exceed this level are reimbursed by Stop Loss carrier
 - 125% = Aggregate Attachment Factor; percentage can vary, but 125% is most common

INDIVIDUAL & AGGREGATE STOP LOSS

Example of how a \$127,000 claim would be handled:

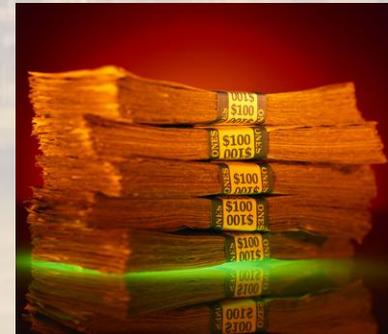
Employer pays the deductible amount:
\$35,000



If the individual
**Stop Loss
Deductible** is
\$35,000...



...the Insurance
Company reimburses
over the deductible
amount: **\$92,000**



The amount funded but not reimbursed (\$35,000 in this example) will apply toward the **Annual Aggregate Deductible**.



SELF-FUNDED ADVANTAGES & DISADVANTAGES

SELF-FUNDING: ADVANTAGES

- Flexibility in Plan Design
 - Self-funded plan not bound by state mandates
- Risk Management effectiveness through Stop Loss Insurance
 - Employer may choose the amount of risk to retain and the amount to be covered under stop loss protection. Under an insured arrangement, insurance company sets the pooling level.
 - Protection from monthly swings can be controlled through a Monthly Aggregate.

SELF-FUNDING: ADVANTAGES

- Tax Savings
 - No premium tax for the self-funded claim fund; thus, an immediate savings equal to the amount of premium tax is realized. (Texas tax rate 1.75%)
 - Assuming annual premium ON A FULLY INSURED of \$434,528.04, \$15,208.44 is taxes and fees.
- Retention
 - Administration of the plan IS less expensive under a self-funded arrangement without sacrificing a reduction in services

SELF-FUNDING: ADVANTAGES

- Margin
 - Insurance companies typically charge 3-10% for margin (for fluctuations in claims)
 - Under self-funded arrangement, this component is eliminated

SELF-FUNDING: DISADVANTAGES

- Risk Assumption
 - Employer assumes risk between the normally anticipated claim level and Stop Loss Coverage level
- Asset Exposure
 - Employer's assets are exposed to any liability created by legal action against the self-funded plan
- Fiduciary Responsibility
 - Employer is responsible

2015 COST COMPARISON BCBS VS RHA/TPA

- \$1500/\$4500 \$30 copay 80% coinsurance

	BCBS	RHA	
	\$10/\$35/\$75/\$150		\$15/\$30
	actual cost	funding cost	
• EO	\$421.54	\$138.93	\$301.52
• EC	\$758.78	\$247.01	\$576.58
• ES	\$969.55	\$314.55	\$748.52
• EF	\$1306.79	\$436.13	\$1058.99

PPO NETWORKS





Thanks for your attention

QUESTIONS?