

TAB 9

POINT PAPER

**RESOLUTION 08-33
HEALTH INSURANCE BUDGET AMENDMENT**

Problem: The Medical Insurance Reserve is projected to be in a deficit situation at the end of the fiscal year. Budget needs to be established for transfers into the Medical Reserve Fund (Fund 506) to fund the deficit.

Background:

The health insurance claims have been higher than expected during FY08 (see details on Attachment A). In total, our revenues are projected to be \$1,144,470 and our expenses are projected to be \$1,399,152. This leaves a deficit of \$254,682 which, when added to the FY07 end of year reserve, brings our projected deficit to \$165,487.

As has been previously discussed, the city now needs to fund this deficit through support from other funds. A budget of \$225,000 would be as follows:

General Fund	78%	\$175,000
Road and Bridge	9%	20,000
Water/Sewer	<u>13%</u>	<u>30,000</u>
Total	<u>100%</u>	<u>\$225,000</u>

The plan is to initially transfer \$175,000 from these funds into the Medical Reserve Fund in anticipation of the \$165,487 deficit. This transfer would bring the Medical Reserve into a positive position. In FY2009, we will be funding the health insurance at 100% and should remain in a positive position and rebuild the reserve. A budget of \$225,000 would provide an additional \$50,000 that may be transferred in the event that the claims to be paid through Nov. 10, 2008 are higher than expected. If these additional funds are not needed, they will not be transferred.

These transfers are intended to be a loan to the Medical Reserve Fund and will be paid back to the original funds once the reserve is re-established. The Medical Reserve Fund will be closely monitored to determine the timing and amounts of the pay-back. This pay-back may occur over a period of 1 – 3 years depending on the claims experience in future years.

Alternatives:

1. Do nothing.
2. Approve Resolution #08-33 approving the budget amendment totaling \$225,000.

Recommendation: Staff recommends alternative #2, Approve Resolution #08-33

Budget Impact: Transfers will be funded from the fund balances in the three aforementioned funds. Transfer accounts will be established in General Fund, Road and Bridge, Water and Sewer and the Medical Reserve Funds. The Medical Reserve Fund will repay these transfers over a period of 1-3 years.

ATTACHMENT A

Analysis of Medical Expenses and Reserve Account

Medical Reserve Account	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008	September 2008 (as projected)	Totals
Beginning Balance	89,195.26	125,409.64	95,722.83	65,677.09	96,672.39	128,920.39	10,228.94	(118,727.88)	(193,117.20)	(131,587.71)	(141,037.24)	(159,194.60)	89,195.26
+/- income/loss for month	36,214.38	(29,686.81)	(30,045.74)	30,995.30	32,248.00	(118,691.45)	(128,956.82)	(74,389.32)	61,529.49	(9,449.53)	(18,157.36)	(6,291.95)	(254,681.81)
Ending Balance	125,409.64	95,722.83	65,677.09	96,672.39	128,920.39	10,228.94	(118,727.88)	(193,117.20)	(131,587.71)	(141,037.24)	(159,194.60)	(165,486.55)	(165,486.55)
Revenues													
City Portion	71,561.40	71,591.44	73,536.82	73,268.70	71,612.80	72,656.98	72,672.00	70,220.72	72,420.58	71,588.62	71,592.26	71,552.33	864,274.65
Employee (includes retirees and cobra)	4,981.25	10,295.72	12,922.84	13,481.48	11,207.22	13,897.59	13,779.04	16,758.42	14,369.36	14,635.20	10,941.06	17,250.82	154,520.00
Re-insurance Refunds	-	-	-	5,460.71	1,524.38	-	-	-	65,643.95	-	7,267.12	-	125,675.35
Total Revenues	76,542.65	81,887.16	86,459.66	92,210.89	84,344.40	86,554.57	86,451.04	132,758.33	152,433.89	86,223.82	89,800.44	88,803.15	1,144,470.00
Expenses													
Fixed Cost	29,992.50	28,932.52	32,904.01	29,082.37	29,451.42	28,290.78	29,359.27	29,552.10	29,735.25	31,986.71	28,886.16	28,027.57	356,200.66
Claims	10,335.77	82,641.45	83,601.39	32,133.22	18,198.12	87,345.21	171,062.81	164,863.49	49,627.91	60,011.19	75,018.25	65,443.08	900,281.89
Run-in	-	-	-	-	4,446.86	89,610.03	14,985.78	12,732.06	11,541.24	3,675.45	4,053.39	1,624.45	142,669.26
Total Expenses	40,328.27	111,573.97	116,505.40	61,215.59	52,096.40	205,246.02	215,407.86	207,147.65	90,904.40	95,673.35	107,957.80	95,095.10	1,399,151.81
Income/Loss	36,214.38	(29,686.81)	(30,045.74)	30,995.30	32,248.00	(118,691.45)	(128,956.82)	(74,389.32)	61,529.49	(9,449.53)	(18,157.36)	(6,291.95)	(254,681.81)

Through claims received on 09/15/08 and projections of revenue and expenses through the end of the fiscal year (including IBNR).

Incurred but not recorded (IBNR) is the amount of claims paid from Oct. 1 through November 10 that have a service date before September 30. These claims are recorded, and funded, in FY08. Claims expenses are projected to be \$50,000 through November 10 and are included in the claims expenses shown above. With these projections, the Medical Reserve Account is projected to be (\$165,486.55) at the end of the year. It is anticipated that an initial transfer of \$175,000 into the Medical Reserve (Fund 506) will be sufficient, however, a budget of \$225,000 will allow and additional \$50,000 in the event that the claims are higher than expected. The additional \$50,000, or a portion thereof, will be transferred only in the case of a shortfall.

RESOLUTION NO. 08-33

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA, AMENDING RESOLUTION NO. 07-39, WHICH RESOLUTION ADOPTED THE BUDGET FOR FISCAL YEAR 2007-2008, AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, from time to time it is necessary to increase or decrease revenues and expenditures in certain accounts, and;

WHEREAS, it is necessary to provide budgetary authorization for the expenditure of these funds;

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA:

Section 1: That appropriate line items of the fiscal year ending September 30, 2008 be increased in the grand total of Two Hundred Twenty-Five Thousand Dollars (\$225,000), as evidenced in the listing below for the purpose of subsidizing the medical reserve.

Transfer From:		Amount of Transfer	Transfer To:	
<u>Account Number</u>	<u>Fund Name</u>		<u>Account Number</u>	<u>Fund Name</u>
001 512 9106	General Fund	175,000	506 382 7001	Medical Reserve Fund
307 541 9106	Road & Bridge	20,000	506 382 7307	Medical Reserve Fund
432 533 9106	Water/Sewer	30,000	506 382 7432	Medical Reserve Fund
	Total	225,000		

Section 4: That this increase to the budget be funded from the fund balance account of the General Fund, Road and Bridge, Water/Sewer Funds, and the Medical Reserve Fund.

Section 3: This Resolution shall become effective immediately upon its passage.

Section 4: All Resolutions and parts of Resolutions in conflict herewith are repealed.

Passed by the City Commission of the City of Palmetto, Florida in regular session with a quorum present and voting this 22nd day of September, 2008.

BY: _____
Lawrence E. Bustle, Jr., Mayor

ATTEST:

James R. Freeman, City Clerk