

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 31

DATE: December 2, 2003

STAFF: Rick DeLaCastro

SUBJECT

First Reading of Ordinance No. 175, 2003, Appropriating Unanticipated Revenue and Prior Year Reserves in the Benefits Fund to be Used to Cover Medical Claims and Other Expenses.

RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

This Ordinance is requested at this time, because the City has now received the most recent claims data available, namely through October 31, 2003. This Ordinance increases the 2003 Benefits Fund appropriations by \$3.4 million to cover benefit expenses. Funding for these appropriations is comprised of unanticipated revenue in the Benefits Fund and Benefits Fund reserves from prior years. Current budget projections indicate that actual revenues will exceed budgeted revenues by approximately \$300,000. The remaining \$3.1 million is requested from prior years' plan reserves. No additional funding is requested from outside of the Benefits Fund.

EXECUTIVE SUMMARY

Benefits Fund Reserves and Expenses for 2003 were projected in early 2001 and were based on enrollment and cost trend information available at that time. Actual revenues exceed budgeted projections due to increased plan enrollment. Expenses exceeded budgeted projections due to higher than expected claims activity and medical inflation trend. During 2003 to date, seventeen claims have incurred charges over \$40,000; three of these claims exceed the stop loss deductible of \$120,000. Total charges for these seventeen claims alone are \$1.45 million. Moreover, staff knows of one additional claim that will exceed the stop loss deductible of \$120,000. Catastrophic claims of this nature are difficult to project, and contribute significantly to unanticipated claims experience.

ORDINANCE NO. 175, 2003
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING UNANTICIPATED REVENUE AND
PRIOR YEAR RESERVES IN THE BENEFITS FUND
TO BE USED TO COVER MEDICAL CLAIMS AND OTHER EXPENSES

WHEREAS, the City of Fort Collins, through the Benefits Fund, provides employees with a full flexible benefit package including choices in insurance plans for health, life, vision, dental, long-term disability, and accidental death and dismemberment insurance; health care and dependent care reimbursement accounts; employee assistance program; and other employee benefits; and

WHEREAS, the City is self-insured for employee health care benefits, collecting revenues associated with providing medical, dental, and employee-paid vision benefits to employees and budgets for the payment of all medical insurance claims, including administration costs for claims processing; and

WHEREAS, the City's Benefits Fund is sufficiently funded to cover claims and administration costs, and adequate reserves are maintained for use in the event that fund expenditures exceed the revenues received in the fund; and

WHEREAS, staff projects that 2003 Benefits Fund expenditures could exceed budgeted appropriations in the Benefits Fund by \$3.4 million; and

WHEREAS, the aforementioned overages are due to higher than expected medical claims activity, including numerous catastrophic claims thus far in 2003, and significant increases in administrative expenses, that were not anticipated at the time the budget was adopted; and

WHEREAS, staff has identified unanticipated revenue, from fees, charges, and interest earnings, in the Benefits Fund that exceeds budget estimates (\$300,000), and prior year reserves in the Benefits Fund (\$3,100,000), to be used to fund the need for additional appropriations, totaling \$3.4 million; and

WHEREAS, an appropriation of \$3,100,000 from prior year reserves within the Benefits Fund still leaves reserves funded at a level within the guidelines recommended by the City's benefits consultant; and

WHEREAS, Article V, Section 9, of the Charter of the City of Fort Collins (the "Charter") permits the City Council to make supplemental appropriations by ordinance at any time during the fiscal year, provided that the total amount of such supplemental appropriations, in combination with all previous appropriations for that fiscal year, does not exceed the then current estimate of actual and anticipated revenues to be received during the fiscal year; and

WHEREAS, Article V, Section 9, of the Charter also permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, City staff has determined that the appropriation of funds from unanticipated revenue as described herein will not cause the total amount appropriated in the Benefits Fund to exceed the current estimate of actual and anticipated revenues to be received during any fiscal year; and

WHEREAS, it is the desire of the Council to appropriate the sum of \$300,000 in unanticipated Benefits Fund revenue, and the sum of \$3,100,000 from Benefits Fund prior year reserves to fund 2003 unanticipated Benefits Fund expenditures.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That there is hereby appropriated for expenditure from unanticipated revenue in the Benefits Fund, the sum of THREE HUNDRED THOUSAND DOLLARS (\$300,000), to fund 2003 unanticipated Benefits Fund expenditures.

Section 2. That there is hereby appropriated from prior year reserves in the Benefits Fund, the sum of THREE MILLION ONE HUNDRED THOUSAND DOLLARS (\$3,100,000) to fund 2003 unanticipated Benefits Fund expenditures.

Introduced and considered favorably on first reading and ordered published this 2nd day of December, A.D. 2003, and to be presented for final passage on the 16th day of December, A.D. 2003.

Mayor

ATTEST:

Chief Deputy City Clerk

Passed and adopted on final reading this 16th day of December, A.D. 2003.

Mayor

ATTEST:

City Clerk