



TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Tom Crawford, CFO
Derek Delacourt, Community Services Area Administrator
John Fournier, Assistant City Administrator
Raymond Hess, Transportation Manager
Craig Hupy, Public Services Area Administrator
Nick Hutchinson, City Engineer
Michael Kennedy, Fire Chief
Michael Pettigrew, Treasurer
Marti Praschan, Chief of Staff, Public Services
Colin Smith, Parks & Recreation Manager

SUBJECT: February 3 Council Agenda Responses

DATE: January 30, 2020

CA-1 – Resolution to Approve the Renewal of the City’s Agreement with Flores & Associates, LLC to Provide Flexible Spending, Health Reimbursement Account and COBRA Administration to City Employees and Their Dependents and Authorize the City Administrator to Execute the Necessary Documentation

Question: Q1. I recognize the rates going forward are fixed for five years and that’s good, but how do the rates (\$6.50 per employee per month + \$3.25 per employee per month) compare with the rates we were paying in FY19? (Councilmember Lumm)

Response: The proposed rates are the same as the rates in calendar year 2019.

Question: Q2. The cover memo indicates the partnership with Flores has been in place for many years and is at “market competitive pricing”? What does “market competitive pricing” mean and when was this service last competitively bid? (Councilmember Lumm)

Response: COBRA was bid for plan year 2017, Flores other services were bid in 2019. Market pricing is largely inelastic and consistent among similarly situated organizations for such basic record keeping services and is therefore not expected to vary materially. Our agent of record, MMA, has tested City pricing through Flores not only with the recent RFP, but also numerous similar marketing efforts that MMA undertakes on behalf of their other customers. Based on this data, benchmarking of City fees paid to Flores compare favorably.

Question: Q3. The cover memo also mentions “plan 76 limits” – what are those? (Councilmember Lumm)

Response: This refers to IRS regulations regarding Child and Dependent Care expenses and annual limits regarding the Flexible Spending Accounts are stipulated in annual guidance published by IRS as they relate to Section 129 and Section 125, respectively, and final regulations pertaining thereto which address non-discrimination requirements.

CA-5 - Resolution to Approve Riverside Park Parking Lot Land Lease with the University of Michigan (8 Votes Required)

Question: Q1. Regarding CA-5, can you please provide the rationale behind the proposed rate of \$739 per space per year? (Councilmember Lumm)

Response: The initial per space rate was established in 2010 and was \$611. The proposed rate is a result of approximately 3% average annual increases to the base since that time. The University leases the 18 parking spots Monday through Friday from 6:00 am to 5:00 pm for a total of 55 hours per week or roughly 33% of the total available weekly hours. One rationale that can be used to look at the per space fee is considering what the University charges their permit holders for the space. This location is signed for a Gold Permit, which costs the employees \$1,882. Since the University has access to the lot roughly one third of the week, staff compare the lease rate per spot compared to one third of the permit cost for Gold Pass permits or \$627 ($\$1,882/3$). As the per spot rate is well above this cost, staff believe that the rate is appropriate.

Question: Q2. Also on CA-5, the year two rates have a 3% increase built in which is reasonable – are the year one rates also 3% higher than the rates the UM is currently paying? (Councilmember Lumm)

Response: Yes, the year one rate is 3% higher than the current rate of \$12,918.

CA-6 - Resolution to Approve Amendment Number Two to the Agreement with Morris & McDaniel, Inc. for Fire Services Promotional Testing Services (\$26,605.00) (8 Votes Required)

Question: Regarding CA-6, the cover memo indicates the original contract was underspent by about \$19K and amendment #1 was underspent by about \$10K and those underruns are more than enough to pay for this \$26K amendment 2. I’m assuming the

8-vote requirement and use of fund balance is because those underruns flowed to GF fund balance and the budget didn't carry over – is that correct? (Councilmember Lumm)

Response: Correct, the 8-vote requirement and use of fund balance is because those underruns flowed to GF fund balance and the budget didn't carry over.

CA-10 - Resolution to Approve an Amendment to the Pharmacy Benefit Management Agreement with Express Scripts Inc. (\$8,580,812.00)

Question: Regarding CA-10, the cover memo indicates the city's annual prescription drug benefit cost is \$8.5M. I appreciate receiving that information, and can you also provide the administrative cost portion of that total paid to Express Scripts? (Councilmember Lumm)

Response: Total administrative costs paid to Express Scripts are \$24,563.

CA-11 – Resolution to Approve the Amendment and Renewal of the City's Contract with Blue Cross Blue Shield of Michigan to Provide Administrative Claims Processing Services and Related Stop-Loss Insurance Coverage for the City's Health Care Plan on Behalf of Employees and Retirees and Their Dependents, and to Authorize the City Administrator to Execute the Necessary Documentation (\$1,165,868.00) – deleted from agenda

Question: Q1. Can you please remind me at what claim level the city's stop loss kicks in, and how much of the \$1.16M payment is for the stop-loss coverage? (Councilmember Lumm)

Response: Note: Staff has removed item CA-11 from the agenda for further review and anticipates that it will return on the February 18th agenda.

The specific deductible level of the stop-loss insurance policy is \$350,000 per covered person. The stop loss insurance cost is approximately \$705,983 annually.

Question: Q2. How does the \$1.16M we're paying for CY2020 compare with what we paid BCBS in 2019? Also, similar to the \$8.5M annual benefit cost for prescription drugs that was provided in CA-10, what is the projected annual health care cost excluding prescription drugs (I recognize we're self-insured and it's a function of the claims, but I'm looking for a ball-park annual amount)? (Councilmember Lumm)

Response: Staff will provide an answer to this question after the resolution is redrafted and placed back on the agenda at a later date.

Question: Q3. Given we are self-insured, does it make sense to look at other potential providers for claims processing and administrative services or for stop-loss coverage or do our union contracts specify BCBS? (Councilmember Lumm)

Response: Public Act 106, requires the City to competitively bid our medical, dental and vision coverage every three years. MMA, our healthcare advisor, conducts the bidding on our behalf and recommends a service provider. We completed this bidding process in the fall of 2019 for plan year 2020. BCBS remains the best option for BCBS claims processing. As for stop loss insurance, MMA bids this annually. This year we are switching providers from BCBS to BCS because BCS was able to include prescription costs in our stop loss coverage at a competitive rate.

Question: Q4. The resolution requests council approval of two new employee-retiree benefits (1) autism benefits for children to the age of 18 and (2) unlimited mental health coverage for retirees in plans not ACA compliant. It's appropriate for council to approve benefit changes so I'm glad to see the 2nd resolved clause included. What is the projected ball-park cost for each of these new benefits and which of the city's retiree plans are not compliant with the ACA? (Councilmember Lumm)

Response: The annual projected costs for these benefits are as follows: \$25,000 for autism benefits and \$34,621 for retiree mental health benefits.

CA-12 - Resolution to Approve Amendment to Member Services Agreement with Keenan & Associates (\$88,000.00)

Question: Related to CA-10 through CA-12, when is the last time the city benchmarked its employee salaries and benefits with comparable cities and can you please share that analysis? Also, when would the city plan to update that benchmarking? (Councilmember Lumm)

Response: The City of Ann Arbor did a comprehensive salary study that was completed a year and a half ago. Additionally, the City's Human Resources unit completes salary surveys for individual positions and units on a rolling basis. So our study of salaries in the labor market is updated regularly. MMA also does market research of the prevailing quality value of benefits and incorporates that information into their analysis and recommendations to the City. The benchmarks used in the 2018 salary study were:

- Jackson County
- Ingham County
- Kalamazoo County
- Livingston County
- Oakland County
- Ottawa County
- Washtenaw County.
- Canton Township
- City of Dearborn
- City of Farmington Hills
- City of Grand Rapids
- City of Kalamazoo

- City of Lansing
- City of Novi
- City of Southfield
- City of Sterling Heights
- City of Troy.
- City of Asheville, NC
- City of Athens, GA
- City of Bloomington, IN
- City of Boulder, CO
- City of Columbia, SC
- City of Eugene, OR
- City of Fort Collins, CO
- City of Gainesville, FL
- City of Lawrence, KS
- City of Madison, WI
- City of Tallahassee, FL
- City of Tempe, AZ.
- Genesee County Road Commission
- Kalamazoo County Road Commission
- Kent County Road Commission
- Oakland County Road Commission
- Ottawa County Road Commission
- Washtenaw County Road Commission.
- Plymouth Housing Commission
- Housing Authority of Chester, PA
- Portage Metro Housing Authority of Ravenna, OH
- City of Detroit
- Louisville Metropolitan Government
- University of Michigan – Ann Arbor
- University of Michigan – Flint
- Southeastern Oakland County Water Authority
- Pittsfield Township
- City of Wyoming
- City of East Lansing
- Great Lakes Water Authority.

Question: Also related to CA-10 through CA-12, can you please provide us an update on the search for a new HR Director? (Councilmember Lumm)

Response: An RFP has been advertised seeking an executive recruitment firm to aid in the recruitment of a new Human Resources Director. We hope to have a firm under contract in March and a search underway shortly thereafter.

C-1 - An Ordinance Authorizing the Issuance and Sale of Water Supply System Revenue Bonds, Series 2020 to the Michigan Finance Authority (Roll Call Vote Required - One Reading Only)

Question: Regarding C-1, the cover memo indicates the interest rate paid will be below market rate and that's always a benefit cited when we finance projects through the state's Drinking Water Revolving Fund. Approximately how much lower are the rates than if the city simply issued the water revenue bonds ourselves? (Councilmember Lumm)

Response: Based on initial indications from our financial advisors, rates could be up to 0.50% lower than if we issued the water revenue bonds ourselves depending on market conditions at the time of closing which is slated for late March.

DC-3 - Resolution to Establish City Council Mobility Committee

Question: Regarding DC-3, what does staff see as the overlap and differences in scope between this committee and the Transportation Committee? (Councilmember Lumm)

Response: This matter was not presented to the Transportation Commission or staff for consideration and input, and should be deferred as the following concerns exist:

The mission of the Transportation Commission is "to foster excellence in the planning, design, construction and maintenance of a sustainable and resilient multimodal transportation network for the City of Ann Arbor. The Commission serves as an advisory body to the City Council and the City Administrator on transportation policy with a focus on accessibility, mobility, equity and safety for all."

There does appear to be substantial overlap between the Commission and the proposed Council Committee, and additional clarification from the resolution sponsors would be helpful. The resolution should be modified to address how the two entities will provide recommendations to Council as a whole in a coordinated and collaborative manner. The resolution does not address the additional staff burden necessary to support the proposed committee so that any additional effort required would best be addressed through the budgetary process.

The second and third RESOLVED clauses appear to preclude staff from placing items on Council's agenda without first going through the committee. Is that the intent? Further, the resolution drafters should be mindful that Council provides direction to the City Administrator, who then directs staff.

The fourth RESOLVED clause appears to supplant staff's role in coordinating with external entities and could significantly affect staff's ability to coordinate with these agencies. Is it the intent of the committee to be involved in the development of plans, projects and operations beyond the policy level?

With regard to the fifth RESOLVED clause, staff currently provides a monthly updates to the Transportation Commission and City Council. Does this report meet the envisioned requirement? If not, what additional information or format changes are envisioned?

With regard to the sixth RESOLVED cause, staff currently provides notice of all community engagement meetings via existing communications methods and provides direct notice to the Councilmembers representing the impacted community members. What are the deficiencies in this process? Further, the requirement to copy committee members on “all” constituent communications is infeasible and inefficient and could be construed as Council directing the operational needs of staff to develop options and solutions for Council’s consideration. It can also have the unintended consequence of restricting communications and circumventing the established rules for Council communications with staff.