

Budget & Finance Committee
August 28, 2012
Summary

CM Lane chaired the meeting calling it to order at 1:00 pm. All committee members present except CM Ellinger & CM Lawless.

Monthly Financial Report

Commissioner Driskell along with Directors O'Mara and Barrow presented the monthly report.

Mr. O'Mara reviewed the revenue information. He stated that General Fund revenue was approximately \$ 1.9 million ahead of the budgeted amount.

Mr. O'Mara noted that economic indicators, including unemployment rate, totals employment, building permit issued and home sales were slightly improved for Fayette County.

Mr. Barrow stated that expenses in the General Fund were running about \$ 500,000 over budget but that those were timing issues.

CM Myers asked if the unemployment data could be generated by census track. In response Mr. O'Mara displayed unemployment by zip code for Fayette County.

CM Lane asked about the revenue increases in the "services" category. In response Mr. O'Mara stated that that increase was a result in increases in both golf revenue and detention bed revenue.

VM Gorton asked about the revenue increases in the "Fines & Forfeitures" category.

FY 12 Financial Audit Timetable

Commissioner Driskell discussed the audit timetable. She noted the auditors have completed their preliminary testing and will be finished with on site work by Oct 15. She noted that the completion target date is Nov 28, 2012.

VM Gorton asked about work being completed between the completion of the preliminary testing on July 23 and the start of the on site field work on September 17. VM Gorton stated that she was concerned that the audit will not be completed until November 28 which is after the final Budget & Finance Committee meeting of the year. She noted that Budget & Finance was charged with reviewing the audit. The timetable as proposed will require that a new Council seated in January will review the audit.

In response Commissioner Driskell stated that a preliminary report can be provided to the Budget & Finance Committee in October or November.

CM Farmer stated that he was disappointed that the audit would not be completed within the time prescribed by the Charter. He asked if the audit process has changed substantially over the past 10 years.

In response Commissioner Driskell stated that Governmental Accounting Standards Board (GASB) requirements have substantially changed the audit process.

CM Lane stated that he understood that the process has been changed but noted that our accounting system was not consistent with either CAFR nor GASB requirements.

CM Lane also asked about the unemployment spreadsheet.

Commissioner Driskell commented on the Lexmark lay off announcement. She stated that the layoffs would adversely affect LFUCG revenue by about \$ 1 million; \$ 800,000 in employee withholding and \$ 200,000 in net profits.

CM Beard asked if the severance packages were subject to employee withholding. In response Commissioner Driskell stated yes.

Employee Medical Insurance Financials

Benji Marrs with Benefit Insurance Marketing presented financial information on the employee Medical Insurance Fund- Fund 6002.

Mr. Marrs indicated that he wanted the data to be meaningful and transparent. Mr. Marrs stated that before 2012 the health plan was unmanaged and therefore the true costs of the services were not reflected in the insurance premiums. He stated that the actual costs increased from \$ 31.3 million to \$ 36.8 from 2009 to 2011. Mr. Marrs stated that in 2012 LFUCG transitioned to a truer cost of services model incorporating all components of the costs.

Mr. Marrs stated that the premium components include fixed costs, HSA contributions, medical costs and pharmacy costs. He stated that the fixed costs include administrative fees and reinsurance premiums. He stated that 2012 YTD costs were just over \$ 1 million.

Mr. Marrs stated that the HSA contributions were \$ 601,500 YTD. He stated that the medical costs include the Marathon fees and rent and incurred medical claims. He stated that the 2012 YTD costs were \$ 9.6 million. Finally the pharmacy costs 2012 YTD are \$ 3.35 million.

Mr. Marrs stated that based on annualized costs the Employee Medical Insurance Fund costs are estimated to be \$ 24.6 million for 2012 compared to \$ 36.75 million for 2011.

Mr. Marrs stated that the savings were generated by employee enrollment migration - \$ 3.6 million savings; reinsurance for high cost claimants - \$ 1.2 million; prescription benefit manager negotiations - \$ 2.5 million; Humana contract negotiations - \$ 250,000; and the on site clinic and pharmacy.

CM Myers asked how long LFUCG plans to have BIM manage our employee health care plan rather than being managed by Human Resources. In response CAO Moloney stated that the contract with Benefit Insurance Marketing is for 3 years.

CM Myers asked for information on the BIM contract terms. He also asked about future wellness plans including wellness incentives for employees. In response Briggs Cochran with BIM stated that the incentives were planned for the 2nd year and they weren't started earlier because LFUCG wanted to realize savings first.

CM Myers stated that the incentive program should have started earlier and a well run incentive program tied with clinic screenings would have increased savings to LFUCG, increased utilization of the Wellness Clinic and most importantly would have improved the health of our employees.

Issues in Committee

VM Gorton asked about the "Local Vendor Preference" issue. She stated that the Procurement Task Force was to re convene and examine local vendor preference and minority/women business recruitment. CM Lane directed staff to examine this issue.

Meeting adjourned at 2:25 p.m.