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CALL TO ORDER

[Time: 00:00:00]

Mayor Lane: Okay. We'll go ahead and convene our regular meeting. Actually a special meeting of March 22nd, 2016, and it's approximately 5:00. We'll start with a roll call for this meeting.

ROLL CALL

[Time: 00:00:13]

City Clerk City Clerk Carolyn Jagger: Mayor Jim Lane.

Mayor Lane: Present.

City Clerk Carolyn Jagger: Vice Mayor David Smith.

Vice Mayor Smith: Present.

City Clerk Carolyn Jagger: Councilmembers Suzanne Klapp.

Councilwoman Klapp: Here.

City Clerk Carolyn Jagger: Virginia Korte.

Councilmember Korte: Here.

City Clerk Carolyn Jagger: Kathy Littlefield.

Councilwoman Littlefield: Here.

City Clerk Carolyn Jagger: Linda Milhaven.

Councilwoman Milhaven: Here.

City Clerk Carolyn Jagger: Guy Phillips.

Councilman Phillips: Here.

City Clerk Carolyn Jagger: Acting City Manager Brian Biesemeyer.

Acting City Manager Brian Biesemeyer: Here.

City Clerk Carolyn Jagger: City Attorney Bruce Washburn.

City Attorney Bruce Washburn: Here.

City Clerk Carolyn Jagger: City Treasurer Jeff Nichols.

City Treasurer Jeff Nichols: Here.

City Clerk Carolyn Jagger: City Auditor Sharron Walker.

City Auditor Sharron Walker: Here.

City Clerk Carolyn Jagger: And the Clerk is present.

Mayor Lane: Thank you. We have a couple of items of business. We do have speaking cards or cards if you would like to speak on any of the items in this meeting, or for public comment. They are available to my right at the table with -- the white cards over Ms. Jagger's head right there, and we do have yellow cards if you would like to have written comments to any of the items on the agenda, which we will read through the proceedings.

This evening, we have Scottsdale police officer Jason Glenn and David Schurr directly in front of us here if you need their assistance and if there are any medical emergencies, please see our Scottsdale fire representative for assistance and he's right here about 1:00 and straight in front of me as well, if you have a need for that assistance. The areas behind the council dais are reserved for council and

staff. There are rest rooms over here under this exit sign over here to my left for your convenience.

ITEM 1 – EMPLOYEE MEDICAL PLANS AND PREMIUMS

[Time: 00:01:27]

Mayor Lane: We have two agenda items on this -- for this meeting, and we will start with item one, which is the employee medical plans and premiums and the presenter is Lauran Beebe, human resource manager. Lauran?

Lauran Beebe: Thank you. Good evening, Mayor and members of council.

On March 1st, city council directed staff to provide additional information regarding the number of health care providers and Cigna's LocalPlus network, surrounding benefits and costs and additional options including reallocation of employee and lowering out-of-pocket maximums on the OAP plan, along with conducting a survey. All of that information has been provided in your packet. Staff has continued to talk with employees through emails, various hotlines, the benefit wellness team meetings and other staff meetings, and we are coming back to you tonight with some additional items.

When comparing the other valley cities and percentages that cities pay for premiums we found that the city of Scottsdale is competitive. For the OAP and in-network plan, the city pays 80% for single coverage and 77% for family. For similar plans in the valley, other cities average 81% for single and 77% for family. For the OAP plan, the city pays 85% for single and 78% for family and for similar plans in the valley, 83% for single and 77% for family.

When comparing the other valley cities and plan designs, we have found that the city of Scottsdale is competitive. We have lower out-of-pocket maximums than some cities. Some cities are as high as \$6,000 or \$12,000. And on the OAP plan, we have higher out-of-pocket maximums with some cities as low as \$750 or \$2,200.

There is a map of all the doctors and the hospitals in your packet. In Maricopa County, LocalPlus network has 5,192 primary care and specialist providers and 25 hospitals. The OAP network has 11,982 primary care and specialist providers, and 56 hospitals.

On March 1st, you asked us to survey employees regarding cost sharing. We listed examples that included potential premium increases. We asked employees which philosophy they preferred, regarding how they choose their medical plans and 78% preferred more predictable out-of-pocket costs, knowing that they may pay for some healthcare services they may not use. We also asked when considering the budgetary constraints with potential premium increases which philosophy was more important. 50% chose the lower monthly premium with potentially higher out-of-pocket costs for health care that they do use. Our employees' philosophy continues to be risk adverse.

Tonight, we are bringing back the first two options that we presented on March 1st, along with additional new options. For option one, if we made no plan design or network changes. We

would experience an overall 10.5% increase, and have \$29.3 million in total expected costs for next year. The increase is \$2.8 million overall. The cost to employees would be approximately \$600,000, and \$2.2 million for the city. If rates increase by 10.5%, employee rates would increase by \$5 to \$39 per month, and employer rates would increase by \$40 to \$127 per month.

For option two that we also presented on March 1st, this option would shift the OAP network -- in-network plan to a narrower network, the LocalPlus network of Arizona. It would exclude Mayo and Phoenix Children's, however, on the OAP and HSA plans the employees would continue to have the same network that they have available today, and would include Mayo and Phoenix Children's Hospital. The total medical expected costs is \$27.2 million, approximately \$150,000 to employees and \$500,000 to the city. Employee rates would increase by \$3 to \$24 per month, and employer rates would increase by \$8 to \$98 per month.

Option three is a new option that will keep all the networks the same as they are today, however, pass along the majority of the \$2.8 million increase needed to cover next year's anticipated claims to employees on the OAP in-network plan. The total expected medical cost would be \$23.9 million with approximately \$2.1 million for employees and \$650,000 for the city. Employee rates would increase by \$3 to \$142 per month and employer rates would increase from \$8 to \$126 per month.

Staff is recommending option four, which is a slight variation from what we recommended on March 1st. It still will shift the OAP in-network to a narrower network, LocalPlus of Arizona, but it will low the maximums for those who opt for the OAP for \$4,500 for individuals and \$8,000 for families. This will match the HSA plan. The total expected medical costs is \$27.3 million, approximately \$150,000 for employees and \$600,000 for the city. Employee rates would increase by \$3 to \$24 per month, and employer rates would increase by \$8 to \$121 per month.

Staff has continued to work throughout this process, as also showing the fifth option, not mentioned in the original council action report for next -- from last week. Option five will keep all the networks the same as they are today, however, it will split the \$2.8 million increase between the city and employees. Employees on the OAP in-network plan would experience a 26% increase, and employees on the OAP and HSA plan would experience a 10.5% increase. There is \$29.3 million in total expected costs, with approximately \$1.4 million for employees and \$1.36 million for the city. Employee rates would increase by \$4 to \$96 per month and employer rates would increase by \$27 to \$114 per month.

This slide shows all five options presented to you tonight, and show how the costs are split between the city and the employees. As you recall, the philosophy has been to have the city pick up 80% of premium for single employees on the OAP in-network plan and approximately 75% of the premium for families on the OAP and in-network plan. Option one, two, and four will stay on target, while option number three will reduce the city's premium share to 74% for single, and 71% for families. And option number five will reduce the city's premium share to 77% for single, and 73% for families.

Tonight's agenda item is to adopt resolution 10321 with staff's recommended option number four which will increase city's share of active employee premiums by 1.9 to 11%, increase employee

premiums by 6.5%, change the OAP in-network to the LocalPlus network and establish the dental premiums as shown in Exhibit C and implement medical design as shown in the Exhibit D, provide an incentive payment to those who participate in the H.R.A. and implement a tobacco surcharge of \$20 per month for those who use tobacco products. That is my presentation for you.

Mayor Lane: Well, thank you, Lauran for that. We probably will have some questions beyond, but we do have some requests to speak on the subject. We will go there first. I will start with David Getz.

[Time: 00:10:1]

David Getz: Hello, my name is David Getz. Thank you for this opportunity to speak to you tonight. This is -- my wife didn't think I would be up here speaking in front of you, because I'm not one to do this, so here we go. Our city's tag line is better service for a world-class community. That's our tag line. That's our motto, our goal. Every time we try to do anything, we try to hit that. I think we can be the best city to work for in the valley and one way to show it is the compensation package and healthcare coverage. By limiting our doctors to the LocalPlus plan, we would be receiving the lower compensation package.

I read through the -- something else I did is I read through the results. Survey and noticed how there's a sense of general frustration among the employees if they were to go to the LocalPlus plan. And, you know, unfortunately several employees said they would have to find other opportunities if that LocalPlus plan is approved. We don't want to demoralize and frustrate our workforce, and I think we can be the best. I think we can find a solution that's equitable and fair and financially smart for not only the employees but the citizens of Scottsdale.

The city council has an opportunity to hear the frustrations of the employees and, you know, see that they are willing to protect us. Ultimately, to be our heroes. You know, we need you guys to be our heroes. Be our heroes by choosing option one, and the 10% increase in premium to the employee. Thank you very much.

[Time: 00:12:07]

Mayor Lane: Thank you, Mr. Getz. Susan Williams.

Susan Williams: Thank you for this opportunity to speak to you again about some thoughts about the healthcare program. We have all, as staff, read through the materials that human resources as provided us, and I thank you for all of that. I think you all had to do a lot of work and thank you so much for kind of going that extra mile for us. It was so helpful to get that information out.

One thing I can tell from reading the comments and the survey results is that the plans and the provider networks that we have had for last two years are good. They are worth retaining. I think if you read the comments, you look at the survey, employees really appreciated the decisions that were made two years ago and have endorsed that by, I think, writing and putting forth their opinions that

they would like to retain the providers and the plans that they have. Having a predictable cost outlay, we see 73% from the survey. Having the same network of providers means enough to 373 employees who voted to keep the network of providers that they have. These plans have provided a healthy foundation that employees and their families have needed to provide for the medical care for their family.

If I may present just a personal example, this is an actual medical bill mailed to my house, it was for an M.R.I. that included contrast. The imaging company billed us \$4,684. If this was applied to the current -- to the new OAP plan, I would have a \$750 deductible. So subtract that out and then I would pay 10% of what was remaining. That ends up being \$1,143. That would be my share of a simple M.R.I. with contrast. What I was fortunate enough to pay was \$100. I could pay that \$100 copayment out of my checking account at the time of service. If I had to pay \$1,143, I can guarantee you, I would taking that out of my saving account. That's not sitting in my checking account to pay for this right now.

So there are three plans before you tonight that include the current plans and providers that we have. Options one, three, and now option five, are the same healthy plans we have now, just a differing price points, as far as the premiums and the cost share to the city. Of course I would ask you to favor option number one with a 10% increase to staff, however, whichever one that you do choose, I would ask that you allow these plans and providers to remain in place. They are good plans. They are good providers. The same plans, the same hospitals and the same doctors in options one, three or five. I thank you again for your time and your consideration.

[Time: 00:15:32]

Mayor Lane: Thank you, Ms. Williams. Next is Matt Heeren.

Matt Heeren: Good evening, my name is Matt Heeren. I'm the president of the Fraternal Order of Police. First, I would like to thank you for your discussion on March 1st that I believe we got a lot of info out and it was a great discussion. Things I took away that you understood during that discussion was the risk adverse nature of our employee group as government employees and we definitely appreciate that. The importance of providing competitive benefits with our other cities and just being competitive in our marketplace, and the importance of keeping those relationships with the medical professionals that we currently use and have developed that over the years. What I took away from the last council meetings, the things that we were asked for is to develop other options that provided neutrality across the plans and get employee involvement in the process and determining what is best for employees and the city and to conduct a survey to see what the employees' thoughts were.

The survey as we have saw -- you know, we have seen the results. I feel like it was a very rushed survey and it was difficult because it was put out on Thursday at 2 p.m. and it ended on Monday at 5:00. It's only available from city computers. I'm sure everyone has seen the survey. My only other concern is it was very polarized, either you were for taking a substantial increase or taking the greatly diminished benefit of the number of doctors that would be available.

There was employee involvement in terms of city management did meet with us to hear our concerns and such. It was not until the first four options were developed, but I believe that's the fifth option came from some of the concerns and -- of the high costs, especially of option three.

Just to speak of the other options, as noted in the survey, the lower out-of-pocket option of option 4, I do not believe is our best option. Our best option based on the marketplace would be option one, I understand it's a substantial cost to the city, but, I just want to hit on that I'm definitely against options two and four, the LocalPlus. I don't find any positives to that, other than lowering costs. I go back to the 22% of doctors from the current plan would still be available. You get rid of P.C.H., barrows and St. Joe's and doctors are not included, including doctors from our city's own risk management, to do workers' compensation claims. That's kind of concerning that employees would not be afforded the ability to seek great medical care, that we would send employees to if they were hurt on the job.

If you look at the competitive marketplace, private and municipalities, we have seen a 10% increase roughly as it varies all the way. But that said, that's why I feel like option one is our best option, because that is -- we're going with the marketplace. We are not doing anything drastically different. We saw from the comparison of the other valley cities, our equitable breakdown of employees costs, versus the cities cost is directly on par with city leadership. You have done a great job in determining it and setting that.

Also I would just like to touch that, you know, we are committed to partner -- to a partnership to try to reduce some of these employee costs and the costs of the city in terms of the plan through education on the prescriptions, the health risk assessment, if we get above 65% is employee based. I understand we get a great incentive on that from Cigna. We hope to reduce those costs next year and I would like to reiterate option one is the one we would favor but if we had to go with another option, any option that does not include the local plus would be the employees preference. Thank you for your time.

[Ti me:

Mayor Lane: Thank you Mr. Heeren. Next it Darlene Cook.

Darlene Cook: Hello. Mayor Lane, Vice Mayor Smith, ladies and gentlemen of the council, thank you for allowing me this opportunity to speak with you today. My name is Darlene Cook. I am the vice president of the Police Officers of Scottsdale Association or POSA. You just heard from the FOP President Officer Mike Heron. POSA and FOP have been working very closely together. I won't squander my valuable time by repeating all of officer heron's fantastic points but I will tell you that POSA and FOP are in agreement as far as what this brings to our city.

We were concerned that there were not adequate comparisons and what's happening with other cities and their increases. We are also disappointed in the feedback solicited and allowed from employees and employee groups. The survey itself, the length of time the survey was available and the fact that employee groups were not solicited for any kind of feedback, until after the proposals

were complete with the exception of option five, which came out of some discussions that were had.

Along with the F.O.P., we are asking that you not consider any of the LocalPlus options. These represent a reduction not only in quantity of doctors, but the quality of care that we and our families will be receiving with the loss of Mayo, Phoenix children's, barrows, and all of those options, the LocalPlus options still come with an increase in our employee premiums. The employees that we represent have been with the city through the thick and the thin times, from the pay cut of '08, to the years when there were no increases in pay at all.

Although it's true that we are seeing merit increases again there still hasn't been a single year where a pay increase wasn't accompanied by an increase in our health care costs. So that has tempered anything that we are seeing in our pay checks after the fact. We are still here. We are still working hard for the city. We are doing more work with less bodies and less funding, less resources. We continue to keep Scottsdale citizens and visitors safe. We keep Scottsdale on the best of lists. The high quality workforce that we represent, know that healthcare costs are increasing and we are willing to share the burden of that increase with the city. We are not asking for a free ride here. We are willing to pull our weight.

What we are asking of you today, as you balance your fiduciary responsibility to your taxpayers with the trust that the employees place in you to take care of us is that, please, vote for option one, which represents an increase that is not only competitive with other agencies, but is also fair to the employees. And thank you much for your time.

[Time: 00:23:17]

Mayor Lane: Thank you, Ms. Cook. Next is Kathleen Corea.

Kathleen Corea: Good evening Mayor Lane, Vice Mayor Smith and members of the council. My name is Kathleen Corea. I work in the parks and recreation department, the facility booking office just across the street. I have been with the city of Scottsdale for 27 -- nearly 27 years and I have worked in the facility booking office for 24. We handle a lot of the park reservations. We deal with a lot of customers and patrons and citizens. We help them with whatever need they have for making reservations and doing activities besides other stuff that happens here.

But the reason I'm here tonight, because I'm here for a very personal reason. Ten years ago I was diagnosed with relapsing multiple sclerosis. It's a struggle for me to stay as healthy as possible and I really try. My family over in parks and recreation, they help me every day. All kinds of things we can do to keep me strong and moving.

I appreciate the healthcare that the city has given me over the years. I have seen a change. I don't mind when it changes. I don't mind paying my fair share. But what's happening now is we are seeing a recommendation for the LocalPlus network. I have three doctors that I visit regularly to help me keep healthy, not one of those doctors is on -- is in that LocalPlus network. Not one. I would have to change everything I am doing currently to stay healthy and switch to doctors I don't know

anything about. And I'm sure they are good doctors but the doctors I currently have, have kept me as healthy as possible for all of these years. So I'm really afraid of some of changes that will be made.

It's tough having this disease because I never know from one morning to the next how I will feel but I push through it. I push through every day and I come to work every day. And I love working for the city of Scottsdale. So all I'm asking you is to consider the employees because even though the employees that need that option one, there are reasons for that. There are children that need certain doctors or certain hospitals or an employee like me who wants to keep the doctors who are keeping me healthy. Thank you very much for your time.

Mayor Lane: Thank you, Ms. Corea. That completes the comments from the public with regard to this item. So now we would consider questions here from the council of Luran. We'll start with Vice Mayor Smith.

[Time: 00:26:25]

Vice Mayor Smith: Thank you, Mayor. The first thing I want to do is compliment all the people that spoke tonight. I know it is an act of courage just to stand up here and talk to the bosses, if you will. But we appreciate you sharing your thoughts and we appreciate all the study you have done on this, and I think that in spite of what any of us may say up here, we do consider the employees as our most valuable asset. It is collectively what makes the city work.

And healthcare is an important part of compensation and ideally it should be considered as a part of compensation. Oftentimes we look at it in isolation. When somebody makes a decision to work here, it's obviously a decision that includes compensation and as well as -- I mean, compensation in the form of pay, as well as compensation in the form of benefits.

I think I was surprised as many maybe people were up here tonight to see option number five displayed, not that it's a bad option, but it's kind of late to be seeing another option, and I couldn't help but wonder what the vote would have been if people would have seen option five. We are talking about how people voted on four options, but now we are looking at a fifth one, and it kind of taints the numbers of how people voted.

I think Matt's the one that made point, the vote was a bit polarized in the sense that people had a voice. Could you either take a big increase or you could take a great big decrease in benefits. And it's not surprising that -- well, maybe it is surprising but anyway, people came down 50/50, basically on that question. And I -- I would love to know what they would have said if the increase was not so big, and the -- and the benefits were still there, but we'll never know that.

I respect the fact that our employees are risk adverse and I also respect what I think the H.R. folks are trying to do. We gave them an assignment a number of years ago that employees should pay 20% of the basic plan premiums, 15% of the intermediate plan premiums and 10% of the premiums for the HSA -- HSA plan. And that -- and we also said that the dependents should be -- the city should pay no more than 75% of dependent healthcare. And I think that's probably what H.R. was trying to fit the

new cost structure into.

The dilemma we face is the fact that the three plans have not sort of moved in tandem in terms of costs and we're stuck with the situation if we had an objective that the city's health subsidy would be about the same number of dollars regardless of which plan you chose, that would be a pretty good objective. We would say, pick which ever plan you want, and we'll kick in \$400 a month or whatever the number turns out to be, but the problem is, it's like telling somebody I will give you \$400 toward a car but we didn't say that. We said we would pay 80% of the premiums for the first plan and if those go up dramatically, then the number of dollars that we are spending on the participants in man one goes up a whole bunch. And we're out of whack.

I'm not -- I'm not keen on trying to get things back into whack by dramatically reducing the underlying benefits, the so-called option one or variations of it later on -- or the -- I'm sorry, not option one, option two, I guess it was. But I can't get to the point on option one of saying that the city should pick up all the difference in this premium increase for the plan that is going up in price more rapidly than the others. Of all the things that we have seen up here, my current inclination is probably for the newest thing that we have seen, option five which kind of splits the difference. It keeps the coverage the same as we have now in all three plans. And it says to the participants in that basic plan, if you want to stay there, it is getting more expensive, and the city will split those costs with you. We can't -- we can't absorb everything above your 10.5% increase but we will split the cost with you.

[Time: 00:31:46]

Vice Mayor Smith: I have some questions and they are fairly mechanical and I don't mean to burden anybody with a lot of details that are not understandable but I spent a lot of time going through the options that you gave us, options one, two, three, four, and I don't know, Charlie, whether you are the one that can answer the questions or Lauran or who will answer the questions, but there's some things I just don't understand. I don't understand -- well, maybe I do.

When you proposed option two, and said that you were going to switch the in-network to LocalPlus, in other words reduce significantly the number of providers, the premiums that were expected for the other two plans to which no change was made, the premiums there went down a modest amount. And my question is: Was that because you expected migration, people would come from the basic plan into the other two plans and with a greater base of coverage, those costs would go down? Why did the total premiums for the other two plans go down when the only thing that you changed was to plan number one, switching to the local plus network?

Human Resources Manager Lauran Beebe: Vice Mayor Smith, I'm not sure if I understand your question. The premiums are still going to go up on option two or four by either 6.5% but --

Vice Mayor Smith: You are right. I was perhaps confusing when I said it went down. It went down from option number one. It obviously went up from last year, but to give you an example, in option number one, which kept everything the same, the premiums on the -- let's say the HSA plan was \$470 for a single individual and it went down to \$463 when you looked at option number two. There was

no change to the HSA. So I'm assuming that was because of migration.

Human Resources Manager Lauran Beebe: Vice Mayor Smith, for option one, we needed an overall 10.5% increase to get to the budget number of 29.3 million. We only needed a budget number of \$27 million with a change to the LocalPlus network due to a combination of things, the contracted amount rate that we will get with the local plus doctors and some migration that we are expecting to move to the other two plans. So we were able to do only a 6.5% increase on the OAP and HSA plan, which is less than the 10.5 proposed on option number one and that's the cause for the reduction in premiums.

Vice Mayor Smith: Let's try to simplify this. We are talking about the HSA. Option one for a single employee, the number was \$470, total premium. For option two, where you made no change to HSA, but you only made the change to the basic plan, the premium for a single individual went down to \$473. For option number three, where there was no programmatic change in the plan, the only thing is you moved all the costs to the employees, that same individual in the HSA plan, his premium, total premium went up to \$470.

Is there something I'm missing here? Why does it -- option number one, as \$470. Option number two, it goes down to \$463. Option number three, it goes up to \$470. And Charlie has got the answer.

Charlie Broucek: Mayor and members of council, so when we originally started looking at the local end -- or the local in-plus option, one of the other things we were looking at at the time were some potential changes to the pharmacy plans. So with those changes to the pharmacy plans and the local in, those pharmacy changes would have been made to all of -- all three plans. When we started to kind of peel back and look at how that might impact employees, we decided ultimately not to go forward with the R.X. changes but because we felt we had been a little bit conservative on the local in calculation as well as the calculation of potential R.X. rebates, we felt that we could keep some of the savings that we originally had thought would be borne by those R.X. changes in that particular option. With the options where there's no change to the local in we do, in fact, need the full 10.5 per our calculation.

[Time: 00:37:05]

Vice Mayor Smith: Let me switch to a different question that was confusing to me when I went through these schedules. When you looked at the option number one, which is basically 10.5% everywhere for everybody, in every subsequent option, you granted a decrease in cost, if you will to the premiums that would be paid by employees on the -- the two plans other than the basic plan. They went from paying 10.5% to paying 6 or 7% numbers like that. Is there some reason why you did that?

Charlie Broucek: Mayor and members of council, when we looked at distributing those costs ultimately we blended the increase in order to drive that 6.5% or the other option that you were speaking of.

Vice Mayor Smith: Well, it just seems confusing to me and maybe it was confusing to everybody else, what we were talking about was a problem, was a rising in the basic plan, to which most of the employees subscribed and yet every time we fixed it, it seemed to -- as we imposed a burden on them, either by reducing the benefits or by increasing their premium, at least in part, we gave that benefit to the members of the other two plans by taking their contributed premium share down from where it was. They no longer paid 10.5% increase, they paid 6 or 7%. And I'm not sure I understand the underlying logic if there was any.

Human Resources Manager Lauran Beebe: Well, Vice Mayor Smith, those that had the OAP, we will in theory pay less. Instead of paying 29.3 million on the 10.5% overall increase, that option number one, we needed 29.3 million. By switching to the LocalPlus network, we only need to get 27.2 million. So that reduces the amount that we needed to pass along and we made it a flat 6.5%, for example, for option two for all employees.

[Time: 00:39:46]

Vice Mayor Smith: Well, I guess I -- I'm not -- I can't even say I guess I understand because in option three, when you ask the employees how would you like to take a 45% increase, you kept the other two categories at 6%. You didn't take them to 45. You didn't even take them back to 10.5. You left them at 6.

Enough of the numbers. Let me tell you my thinking here. I don't get -- I don't get much value out of the survey that you did. I think somebody made the point and correctly so that it was polarized. You got two ugly options which one would you like? I think the survey, nobody has even talked about the fact that the survey was only among employees. And the people who actually are covered by the city's insurance are a good deal, the employees versus total covered lives.

Human Resources Manager Lauran Beebe: Vice Mayor Smith, we have a total of 5,500 members on the plan. 4,741 are in the OAP in I have OAP network and 124 members on the HSA plan.

Vice Mayor Smith: I think the only number I wanted to hear was the 5500. 5500 people are covered by the city insurance. That's almost twice the number of employees that we have. The only people who voted here were employees, many who did not have spouse or dependents but the person with spouse or dependents just got one vote, just like everyone else. I'm not even sure that the survey has any particular validity. I do know and I respect the fact that our employees are risk adverse. And I do also respect the fact that, you know, they are not choosing to be sick, obviously.

My inclination is to -- is to favor the newest kid on the block, the newest package you gave us. I know it does what you displayed on the screen. It changes the 80% city contribution, and I guess I -- you know, in my opinion, so be it. I think the more important thing, it comes closer to establishing parity for what the insurance programs will be in a dollar amount. So the city is getting closer to saying, I will put X number of dollars into whatever insurance plan you propose. And that kind of parity is maybe a better guidance for us to have in the future, but we're not here to make new policy on what

the guidance are. We are just trying to figure out the program for next year, and my recommendation would be option number five. Thank you, Mayor.

[Time: 00:42:59]

Mayor Lane: Thank you, Mr. Vice Mayor. Mr. Biesemeyer, I'm sorry, did you have some comment on that?

Acting City Manager Brian Biesemeyer: I did and I wanted to just defend Lauran on the survey. The thought was we had two options and it was a given that option one was the employees' choice. I don't think there was an argument there. It was between the other options that we wanted to see if there was a distinguishing difference. I don't think there any argument as to the question of option one in anyone's mind, and that was the reason for that logic, flawed as you may find it. I just want to give that reason for that, and also just to state that with the two-week turnaround, there's a limited amount of stuff that we can do and we can certainly provide many options but in Lauran's defense and in H.R.'s defense, we had a limited time to turn this around. So be that what it may, if there's a fault on that, I will take that.

Mayor Lane: Thank you, Mr. Biesemeyer. Councilwoman Littlefield.

Councilwoman Littlefield: Thank you, Mayor. Before I start, perhaps could you answer just a basic question, which I think understand, and I want to make sure that it's as I understand it. Regarding the 6% dental increase, the urgent care with no deductible or coinsurance, the Cigna H.R.A. program, and the \$20 surcharge for smokers, those are all included and are identical in all of these packages; is that correct.

Human Resources Manager Lauran Beebe: Mayor members of council, that is correct, except for option four -- option four, if you chose to do that, we were going to reduce out-of-pocket maximums on the OAP plan but what you just stated was correct for all the other options.

Councilwoman Littlefield: Could you briefly go over option five again? I did not, for some reason have that in front of me before, and I would like to review that.

Human Resources Lauran Beebe: Mayor members of council. This is option five, we will keep all the networks the same on this plan. So there will be no changes. The increase will be partially borne by the city, about 50%, and 50% by the employees. However, the increase that's higher on those on the OAP in-network plan, it will increase by 26%. I have the exhibits available if you would like me to put them on the Elmo to show you what those employee rates would look like on the plan. The other two plans, the OAP and HSA plan, the employee premiums would increase by 10.5%.

[Time: 00:46:01]

Councilwoman Littlefield: That's fine. Thank you.

Well, I studied this rather conscientiously. I'm a plotter person. I like to check my numbers and make sure they are good and made my own spreadsheet. It looks to me, basically, we have two questions to answer tonight. One, do we want to change the OAP in-network program to the LocalPlus of Arizona program and then after we make that decision, how do we want to spread the increasing costs of one that we choose between the employees and the city and that basically is what we have to decide.

Personally from what I had been studying, options one through four, I support option one. Keeping the plan that we currently have and increasing the rate by 10.5%. I also support increasing -- spreading the increasing costs between the city and the employees by the same ratios that we are currently using and which seem to be very competitive to our surrounding cities.

We have repeatedly said here on the dais that our employees are our greatest asset and that the council values their service and their dedication to Scottsdale. The healthcare plan we offer to them is a very important part of their compensation, both to the employees themselves and to their families. When you or a loved one is ill, it's becomes extremely important to call the best doctor around for the help that you want and that you need at that point to help you or your family and it's not beneficial to offer a medical plan to people that do not -- that does not serve their needs and that is not beneficial to them. I think that the concerns that the employees have been sharing with us over the past week or two weeks are very legitimate concerns with themselves and for their families. I think if we truly believe that our employees our biggest asset, we need to take care of them.

Just like as councilman -- or Vice Mayor Smith says, we need to take care of our brick and mortar city, our streets, our buildings, all of those things, yes, but our employees first. They are most important. I believe it's not only our job on this council to do that, it's our requirement and our obligation of all of these options, I cannot accept number two, number three, or number four. Two and four are the LocalPlus of Arizona, and it does not give the coverage that our employees need. Not only is the Mayo clinic and the children's hospital not covered, but St. Joseph's and Barrow's isn't covered. And that's huge to me.

I think that -- I could possibly go with option five. It sounds on the surface okay, but I would prefer option one. I think it's fair. I think it's right.

And I therefore make a motion. I move that we adopt option one, keeping the plan we currently have, making no plan design changes and including a 10.5% increase in cost to be charged between the city and the employees at the city's current ratios. I further move we accept the additional four items, increased dental premium and contribution rates by 6%, remove the deductible and coinsurance from the urgent care facility on the Cigna OAP plan and increase the deductible to \$1,300 for individuals and \$2,600 for families on the OAP plus HSA plan. Providing incentive payment of \$120 per employee or \$240 for employee and spouse to those active employees covered under the city's medical benefit plans who participate in Cigna's H.R.A. And implement a tobacco surcharge of \$20 per month for employees or family members who self-report the use of tobacco products.

Mayor Lane: The motion has been made and dies for a second. Thank you, Councilwoman.

Councilman Phillips.

[Time: 00:50:55]

Councilmember Phillips: Thank you, Mayor. So, you know, the last meeting that we had, we directed staff to come back and let's hear what the employees had to say and to our city manager's comment that he only had two weeks to do it. I agree with that. It's a short time to come one the survey and I feel the survey is flawed also. I don't think I could have done much better in the time that you had to do it. So I think as far as staff goes, they did the best they could with what they had.

I don't think that was really a problem here. But I do feel that what we ended up with is pretty much what we had the last time. I read through all the options, I read through all the comments of the employees who did make the comments and at the end of the day, I felt like I don't really like any of these. I feel like option one maybe was the best, and it was best of four evils.

And, you know, it's -- it's painful to all of us. It's painful to me. It's painful to the employees that we live in this time when costs are exceeding our wages. It's just getting tougher and tougher. I don't feel good about it either. At the same time, we have the taxpayers who look at us and say we keep paying more and more out in taxes, for city employees when at the same time I'm working and I'm not getting that benefit or I have to work two jobs to get that same benefit. So it's a tough position for us here on the council to decide who is better, the taxpayer or the employees. As the city, as everybody says and everybody believes, you know, the employees what are makes the city. And to try to reduce coverage or try to reduce quality of your health care to keep a premium the same, it's just -- it's unacceptable to me.

And so I really came here tonight thinking I didn't want any of them. I really wanted to say let's go back and find something else, even if we have to go find another health employer, instead of Cigna or something, because this just isn't working. But lo and behold, we come here and we sit down and Vice Mayor Smith shows me this and says, oh, look there's option five. I didn't even know about it until I sat down here this evening. So I look at option five and to me, option five would have been the one I would have said because it distributes the costs of the taxpayers and the employees equally and I think if costs have to go up and if this is the reason we are doing this it's because costs have gone up and we have no choice but to do this then it should be distributed equally between the employees and the taxpayers. I don't know if that's the reason why we are doing, this but if that is the reason, that's what I would go for.

Vice Mayor Smith said he can't understand certain aspects of this. If he can't understand it, who can? So that's why I'm thinking this is -- this almost should go back to staff. So I don't know if this is a do or die situation that we have to vote on. If we had to vote on something, I think I would vote on option five, I think it's the only fair and equitable one for everybody. I'm not happy with any of this and I would consider directing staff to -- we go with option five to start looking at other options, or other insurance companies in the future because this just doesn't seem to be working out, and it's unfortunate. I guess that's about all I've got to say.

I won't make a motion for option five, but I want to hear what everybody else on the council has to say about it. I didn't second option one for that same reason. So let's hear what everybody else has to say, and then we'll go from there. Thank you.

[Time: 00:55:04]

Mayor Lane: Thank you, Councilman. I think really the only question that we have is a single question, as far as the available funds and the costs that we have here. I don't think anyone on this council would dispute the fact that our employees are very, very important to us and frankly, it's a very important aspect in how the city gets operated and at the quality of service that we receive from a great staff. But that doesn't mean that we don't still represent the taxpayers here and we have to be careful about what we do, and particularly under situations of limited funds. So it's always a Matter of a balance on this. This isn't to marginalize anyone on staff, but the city is made up of its citizens more than anything else. The rest of us are here to serve the citizens on the basis of taxes that we extract and work for them.

The only thing is we came to the tie as with whether or not -- if option two was last time eliminated, I don't know why we had all of this conversation about the changes in almost two and three and maybe even four. And frankly, five came to us late. There's no disputing that. But the one thing that we are -- the only thing that we are really concerned about, we want to have the best of services to our employees at the best possible price, with the fairest distribution of some of these costs.

We are going to be struggling with increased costs in health care from here on out. There's no doubt about that. So we all have to get ready for different terms and different situations to develop, and so I would only say that from my reckoning, it's a question for this council as to whether or not -- since option five is essentially option one with a redistribution of the additional costs.

So we are talking about a difference of \$836,000 between what option one would cost us and what it would cost us under this redistribution of the additional costs. Now is that \$836,000, is that -- is that something we can muscle through with all of the other constraints that we have upon ourselves and frankly the things we want to buy and pay for and prioritize and otherwise? Well, that's something we have to figure out. But as it goes with contribution for staff increases, a redistribution of sharing of that additional cost, I'm sure on a more equal basis --

[Time: 00:57:46]

Mayor Lane: You know, my motion would be and it will be that we go with option five. Now, I know we do not have the wording for that, as we do with option four, but I would ask if we have that some place that I have not yet located, if it's some place on the screen, if I wanted to make the motion properly, if I could have that language.

City Attorney Bruce Washburn: Mayor, these are all set up so that the motion just basically has to be to adopt resolution number 10321 with the use of the exhibits a through d of option -- and then whichever option it is that you want. And if it's option five, we will -- since those exhibits aren't

attached to the council report, we'll put those exhibits up on the screen so that the council will have seen the exhibits that they are voting on and will be able to identify them properly, if that's the option.

Mayor Lane: Then my motion would be to adopt resolution 10321 for option 5.

Councilwoman Klapp/Vice Mayor Smith: Second.

City Attorney Bruce Washburn: And including exhibits a through d.

Mayor Lane: Including exhibits a through e?

City Attorney Bruce Washburn: D.

Mayor Lane: Who accepted that second?

Councilwoman Klapp: I haven't spoken.

Vice Mayor Smith: I think we were tied, but I will let her --

Mayor Lane: Councilwoman Klapp seconded it and would like to speak.

[Time: 00:59:08]

Councilwoman Klapp: Your assessment of the five options is the same as mine. In option five, we are sharing the burden of the additional cost between the employees and the city or the taxpayers. When we heard the employees that talked to us last time, they said that they would like to have more certainty. This would keep the -- it would not have local plus network in it as an option and it would allow people to stay with the OAP in-network plan. They will need to pay an additional amount for that or go to the other plans that are 10.5%. So unfortunately, those that have a lot of medical issues, I know will want to stay in the OAP in-network but that was something that they said they wanted, that they wanted the option of paying an additional premium in order to have that potential option.

And I respect that. That would probably be including me. I don't really have any health problems so I will probably go to the OAP plan and pay 10.5% at a higher deductible and that's okay. You know? That's okay with me. But it seems that this is the way to -- to help resolve the issue that came up of we don't like LocalPlus. We don't like giving up our doctors. We want to keep our doctors as they are.

And so that would be the reason why I believe option 5 is probably the only option that's going to work here. And it does recognize the fact, though, that the city will have to pay, as the Mayor said an additional \$800,000 or more cost and we're going to have to find a way to find that money in our budget, but at least this option is available because two and four are not acceptable to the employees at all and three would -- it -- for a variety of reasons it would not be acceptable either. So it's either

do we as a city spend 2.2 million additional or do we spend 1.4 million and it would seem to me to solve the issue and increase the premiums, about the only answer that we have here, I wouldn't disagree with Councilman Phillips that none of these options seem really good to me.

Over the course of the next year, we need to do some shopping and see what costs are out there with perhaps some other companies because none of these seem to make a lot of sense to some of us, as far as why premiums are as they are, but for the -- for the options that we have today, it seems that five is the best, and it resolves some issues for the employees that they don't have to give up their doctors and are willing to pay some additional money if they need to stay in that -- in that OAP in-network plan.

Mayor Lane: Thank you, Councilwoman Klapp. Councilwoman Milhaven.

[Time: 01:02:07]

Councilwoman Milhaven: Thank you, Mayor. I feel a great deal like my colleagues do. I feel ill prepared to make a choice here tonight, although that's what we are being forced to do. I also agree with my colleagues that let's get to work tomorrow on figuring out what the plan is going to look like for next year. Let's also make a commitment to communicate with our employees better, early and often. Tell them what we know when we know it and work for a solution.

I thought that we -- I was so pleased with the model that we used to decide on police and fire compensation, salaries, I think our employees recognized costs are going up that, we want to be fair and equitable but let's include them in the discussion. At the end of the day, it's certainly our decision but our decisions will be better informed if we had a rich conversation.

I'm really disappointed to hear stories from employees about meetings that were canceled, or meetings that were refused and that's just disappointing. I don't think that's the kind of organization that we want to be. Everyone's opinion seems to council and at the end of the day, the council can weigh that and make it a decision, but I'm sorry that -- I apologize to all the employees whose opinions were not heard or expressed or the meetings where you were told what we were going to do rather than asked what you thought the options should be.

So what I would also like to see as we move forward is this is a very complicated subject and if our former treasurer says I don't understand the numbers then there's something wrong with the process. And so I might suggest that we consider if we don't have an employee group working on this perhaps a council subcommittee could look at this because this has been really bad process.

And so feeling uncomfortable that I have the right information, that I completely understand all the nuances, I go with option five, because it sort of splits the difference. It's probably only half bad. So let's do a lot better next year. Thank you.

Mayor Lane: Thank you, Councilwoman. Councilmember Korte?

[Time: 01:04:11]

Councilmember Korte: Thank you, Mayor. I will be supporting option five also with reluctance. I believe the process was poor. The employee's survey was inadequate. The outreach to employees was inadequate.

And one of my biggest concerns as I look through comparative health costs across our eight valley cities, and comparison of premiums and cost ratios, with option five, we're moving to a cost ratio of 77% for city and 23-point for employee for single coverage and 73 and 27 for family coverage and the valley average is 81% for single and 77% for family and so we're getting off kilter. So we know it is very hard to compare plan to plan, you know, deductibles and out of pocket and in network versus out of network, and all of those different types of costs that make comparative plans complicated. But when you look at a cost ratio that we're moving to 77 versus an average of 81, something is askew, and I see where most of our valley cities are using another provider.

I'm not sure before our contract is with Cigna, but I would -- I would like and echoing Councilwoman Milhaven's statement regarding let's start tomorrow to figure this out for next year, because our employees worth that. Thank you.

Mayor Lane: Thank you, Councilwoman. Vice Mayor Smith?

[Time: 01:06:23]

Vice Mayor Smith: Thank you, Mayor. I do think it would be instructive for you to put up on the Elmo, the schedule of what the premiums would be, just so if anybody is watching or cares they will know what we are agreeing to do. And this does not show obviously, what these ratios were. I think several people have made the comment, and it's true, that for the OAP and in-network program, the city's portion. Total premium is 77%. I think that was your number.

I think it may be well to -- I'm not sure that we can actually compare that to other cities because they may be paying 81% of an entirely different program design and without knowing what program design is, it may be more instructive in the future to look at ourselves versus other cities of really how many dollars is the city contributing to this program and, for example, in the -- what you have on the Elmo there, that's the second column. And without looking at all of the numbers, just the top line for employees only, the city in column two is going to pay \$435 for that particular program of coverage. If you look at the bottom schedule, the HSA plan, employee only, the city is paying \$424.

It may be better in the future to simply look at how much is the city contributing to the insurance coverage regardless of which package someone is buying, and leave it to the employees choice of which one of those three they want to buy. But that's the number that I think is most instructive, and probably in the end would achieve the greatest parity for us. Thank you.

Mayor Lane: Thank you, Vice Mayor. Councilwoman Littlefield.

[Time: 01:08:34]

Councilwoman Littlefield: Thank you. I agree with what my fellow councilmen are saying. I don't think this has been adequately vetted either to the employees or to the council to have an option like this pop up at a council meeting is a little bit outlandish. I think we need to start tomorrow as Councilwoman Milhaven said, start planning again, start putting together what the issues are going to be. I realize you won't have next year's costs available, but, you know, maybe we ought to look a little built outside the box and say, hey, what other policies are out there? What other options are out there and can we best utilize our city's resources in doing that going forward? Thank you.

Mayor Lane: Thank you, Councilwoman. It appears we have no further comments from the council. Thank you very much, again, Luran and Charlie for your input on that. And all the members of our charter officers group that's here. And for all the input from our employees. So thank you very much.

I think we are then ready to vote for the motion that's been offered and seconded. I would ask you now to please register your vote as aye if you approve and nay if you disapprove. Aye. It's unanimous then, it carries 7-0. Again, thanks very much for all the participation.

ITEM 2 – HUNAPI FARMS CONDITIONAL USE PERMIT (2-UP-2015)

[Time: 01:10:02]

Mayor Lane: Next order of business is the Hunkapi conditional use permit and at the request of the applicant, there is a request for a motion to continue. Since this is one that we need to vote on. So I would ask for a motion to continue this item to May 3rd, 2016.

Councilwoman Milhaven: Mayor, I move we continue this to May 3rd, 2016.

Councilman Phillips: Second.

Mayor Lane: The motion has been made and seconded. I think we are then ready to vote. All those in favor, please indicate aye. Those opposed with a nay. Aye. It's unanimous to continue it and will be such to May 3rd, 2016.

No Mayor or council items.

ADJOURNMENT

[Time: 01:10:47]

Mayor Lane: I would accept a motion to adjourn.

Councilwoman Milhaven: Move to adjourn.

Councilmembers: Second.

Mayor Lane: The motion has been made and seconded. All of those in favor of adjournment, please indicate by aye. Aye. We are adjourned.

Thank you very much.