



City of Jonesboro

Municipal Center
300 S. Church Street
Jonesboro, AR 72401

Meeting Minutes Finance & Administration Council Committee

Thursday, November 1, 2018

4:00 PM

Municipal Center

1. Call To Order

2. Roll Call by City Clerk Donna Jackson

Councilmember Ann Williams joined the Finance & Administration Meeting at 4:08 p.m.

Present 5 - Charles Coleman; John Street; David McClain; LJ Bryant and Joe Hafner

Absent 1 - Ann Williams

3. Approval of minutes

[MIN-18:100](#)

Minutes for the Finance Committee meeting on October 9, 2018

Attachments: [Minutes](#)

A motion was made by Councilperson Charles Coleman, seconded by Councilperson David McClain, that this matter be Passed . The motion PASSED with the following vote.

Aye: 4 - Charles Coleman; John Street; David McClain and LJ Bryant

Absent: 1 - Ann Williams

4. New Business

ORDINANCES TO BE INTRODUCED

[ORD-18:071](#)

AN ORDINANCE TO WAIVE COMPETITIVE BIDDING AND AUTHORIZE A CONTRACT WITH ARKANSAS BLUE CROSS BLUE SHIELD TO PROVIDE INSURANCE COVERAGE FOR CITY EMPLOYEES FOR 2019

Attachments: [BCBS City of Jonesboro](#)
[BCBS City of Jonesboro Rx Only](#)
[BCBS Jonesboro Craighead Library](#)
[BCBS Jonesboro Municipal Airport](#)
[BCBS JURHA](#)
[Finance Presentation.pdf](#)

Councilmember David McClain said he had a question for Chief of Staff Bill Reznicek. Can you touch on this? Have we had anything in the past that is different from Blue Cross to make us want to stay? I think they are great, but I didn't know if there was something that made us not want to bid it out. Mr. Reznicek said we have been with Blue Cross about thirty years. When we looked at renewals this year, we met with Blue Cross and they shared with us our loss experience. In the summer months, Human Resources Director Dewayne Douglas and I had met on this numerous times and studied the situation and thought that we might be in a position to look at adopting a self-insured plan. But, when we had our first meeting with Blue Cross, and we found out that our loss ratio was 127%, we pretty much shelved that idea and we knew there was no way. One of the other options on this was to look at an alternative carrier. The issue with that though is typically what happens particularly when you are coming off the year with a loss ratio as high as we have is that a new carrier in the marketplace that we have, I believe that would either United or Cigna would be our options. They are going to possibly come in and try to buy the business, but then you are going to see typically, a dramatic increase the second year because they know what we know that to transition people to a different health plan is pretty cumbersome, pretty time consuming. You have to spend a lot of time educating employees letting them know what their new benefits are, how the network works, etc. The other issue that we have, although under the ACA you can remain grandfathered in and select a new carrier, you have to make sure that the new plan pretty much parallels your existing plan. So, going out to United or Cigna and saying that I need a plan that parallels what Blue Cross currently offers and I want to maintain my grandfathered status under the ACA, in itself is problematic. We looked at that and felt like you know we could go through that exercise, but it would probably be fairly futile and we would be taking the chance of someone coming in and probably meeting, possibly exceeding Blue Cross's number by maybe a point and then the following year saying well, based upon your loss ratio, now you are going to see a significant increase.

Blue Cross, when they came in, the discussion we initially had with them, we give them, kind of an expectation of where we thought we would like to see our premium in the following year. Their initial number to us was a 15% increase so we spent some time and we did tell them that for a bit of positioning, that we were looking at alternatives. In fact, we had them run some of the information that we would need to pursue that. Ultimately, they came back and said well we can give you a 7.6% increase and they are sharing some of the exposure because a 127% loss ratio means that our claims outstripped our actual premium dollars put into the plan as well as administrative costs on their part by 27%. They were underwater on the plan. We are underwater on the plan. So, we felt like 7.6% was a really reasonable increase. So you know, we did explore some other alternatives. We looked at trying to offer along side of our current plan, another plan that would be a high deductible health plan where people would have the opportunity to buy into a plan that had a higher deductible at a lower premium. The problem was with our loss ratio, that plan didn't yield enough savings for the individual and/or the city to fund a HSA (Health Savings Account) or a HRA (Health Reimbursement Arrangement). That is what you typically do in those cases, you fund an alternative way to source that spread between your existing deductible and the new deductible. In other words, we would go from \$600 to \$2,500 on a high deductible plan and give typically younger people, healthier people that option and they can save money, but the premium spread wasn't there with our loss ratio to give you enough money to fund an HSA or an HRA. It is a good idea because it is essentially a backdoor retirement plan as well because your HSA is portable. You can carry it with you. It grows tax free, etc., but it just didn't make sense. We didn't want to put anyone in that exposure level either of coming mid-year, next year and saying, hey, I am going deep into my deductible and I didn't realize this was going to cost me all of this money

out-of-pocket.

The slide that we have shows what we did do so you know we were very sensitive to what this was going to cost the employee, as well as, the city. The overall increase runs about \$325,000 and what we did was split that up, maintaining the 71% and 29% contribution levels that we currently have because to remain grandfathered in ACA, you can only fluctuate those allocations on a small range. We wanted to keep the grandfathered status. We looked at the lowest grade employee and said, what is their annual step increase and if we pass on this increase to them, will they still have an excess of their salary increase over what the health plan is going to cost them. That was kind of our springboard or jumping off point, to make sure that nobody was under water, that we would pass some of this increase onto the employee, but at the end-of-the-day, their annual step increase would outstrip the cost of the health insurance increase. We were very sensitive to that. It was very important that we make sure the employee was in essence, whole, at the end-of-the-day or more than whole. The increase for a single individual annually is \$113. Again, the person in the lowest pay grade in the city, their annual step increase is \$616 so it almost doubles, outstrips the health increase cost. Then, on the family side, the cost increase is \$244 and the annual step increase is \$616 so it basically mirrored the single and they were still ahead by quite a bit. In looking at this, we didn't want to change allocation between the city and the employee because again, when you start doing that, you begin to lose or you close in on that range of losing your grandfathered status. At the end of the day, the city is picking up 2/3rd's of the cost of the increase and the employee's about 1/3rd of it. We felt like this was the best direction to go. We can reevaluate after this year. The interesting thing was this last year, I believe it was about 10 individual claims or 10 individuals in the plan accounted for about 30% of the losses. So, we had a very skewed year. We had 127% loss ratio, but given that it was concentrated in that small of a population of our total pool, it is possible that we could see a decline over the next year or two. If we do, then we can go back and look at the possibility of self-insurance maybe or doing a carve-out plan or something like that. I know that Chairman Joe Hafner is shaking his head on self-insured and I will qualify that. You have to get to a pretty significantly low loss ratio to do that. It would have to be 85% or somewhere in that range which is unlikely that would happen. But, if that happened, you would consider self-insurance. So, that is kind of a summary of why we decided to go this route. It is important, I think, to let you know that we did do some due diligence on this. We didn't just sit back and let Blue Cross come to us with an increase and go ok. I guess that is what it is and we will take it. We studied this pretty hard. We even brought in an outside consultant, if you will, who actually works with us in the Arkansas Municipal League (AML) on some other policies. He didn't charge us anything, but he gave us his read on it and his interpretation, his advice. So, I felt like we had a pretty good look at this this year.

Councilmember LJ Bryant asked if we were flat the previous year. Mr. Reznicek said we were flat last year and that also was negotiated last year because our loss ratio was 117% last year. Councilmember Bryant said that this was a long time coming. Mr. Reznicek said that this was a long time coming. Councilmember John Street said we have looked at this over the last sixteen years. We have looked at self-insured. We looked at a lot of different companies too. Like you said, some years you will have a higher loss ratio and other years you will have less, but the years that it has been less, the Mayor has successfully negotiated those prices back down and provided such same level insurance across the board. Mr. Reznicek said that is correct. Blue Cross Blue Shield, overall, we have always come back to them when you look at everything else. Mr. Reznicek said the service has been good. We haven't had issues with claims not being paid or delays in claim payment. I think our employees, for the most part,

are pretty happy with their plan and with what they are getting. They do have a really excellent benefit plan. It is a \$600 deductible and that is pretty good in today's world for most companies. Councilmember David McClain said he was just curious. I appreciate you explaining it. One thing, since we have Human Resources here, going forward to help, I don't know if we have thought about offering some type of wellness program to employees. Mr. Reznicek said that is a good point. We did actually do a health fair. I will let HR Director Dewayne Douglas talk about that. One of the impetus to doing that was to start having our employees think about preventative care. I will let Dewayne talk about that because it turned out to be a super event and there was really positive feedback that came out of that.

Human Resources Director Dewayne Douglas said we are working on having a health and wellness program that is tied to some type of incentive. If we can make that happen for the January enrollment period or start date, we will try that. Again, the consultant that we are using from the Municipal League is helping us come up with that plan as well. If we can make it and put some teeth into it to reward those employees who are doing the right thing, that is what we will try to do. In the Health Fair that we did, was, I thought very successful. We had a little over 100 employees come through to get some type of vaccine or a flu shot. We had some cardio optics there that was doing some screening. We had an employee that had 100% blockage and they sent him to the doctor immediately. He is now being treated. I think with the last update, he is going to the hospital to have that corrected. That one case alone I think was worth it. The employees that attended I think really liked it. Councilmember McClain said good and thank you. Mr. Reznicek said one other comment that I failed to mention is that in the document that we put into Legistar, it has 7.06% and it was a transposition. It should be 7.60% as the increase so we will need to change that before it goes to council.

A motion was made by Councilperson John Street, seconded by Councilperson Charles Coleman, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

RESOLUTIONS TO BE INTRODUCED

[RES-18:165](#)

A RESOLUTION TO ENTER INTO AN AGREEMENT WITH AMERICAN FIDELITY ASSURANCE COMPANY TO PROVIDE SHORT TERM AND LONG TERM DISABILITY INSURANCE TO CITY OF JONESBORO EMPLOYEES

Attachments: [Exhibit A](#)

A motion was made by Councilperson John Street, seconded by Councilperson Ann Williams, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

[RES-18:173](#)

A RESOLUTION TO ENTER INTO AN AGREEMENT WITH AMERICAN FIDELITY ASSURANCE COMPANY TO PROVIDE A FLEXIBLE COMPENSATION PLAN TO CITY OF JONESBORO EMPLOYEES

Attachments: [Exhibit A](#)

Chairman Joe Hafner said the only question he had was is a flexible compensation

plan the same thing as a flexible spending plan? Human Resources Director Dewayne Douglas said it should be a flexible spending plan. Chairman Hafner asked if the record needs to be changed to a say provide a flexible spending account? Mr. Douglas said it should read flexible spending account. Chairman Hafner said I think, even in exhibit A, it said, employee's plan name, flexible compensation plan for City of Jonesboro, if you look at exhibit A. Mr. Douglas said it needs to be flexible spending account. Councilmember Hafner asked if we could update that for Council to reflect that. I didn't have any other questions or comments.

A motion was made by Councilperson John Street, seconded by Councilperson Ann Williams, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

[RES-18:174](#)

A RESOLUTION TO CONTRACT WITH ZAXBY'S FOR SPONSORSHIP OF ONE OUTFIELD SIGN AT SOUTHSIDE SOFTBALL COMPLEX

Attachments: [Exhibit A](#)

A motion was made by Councilperson John Street, seconded by Councilperson Ann Williams, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

[RES-18:175](#)

RESOLUTION BY THE CITY COUNCIL OF THE CITY OF JONESBORO, ARKANSAS TO LEVY A 2 MILL TAX ON ALL REAL AND PERSONAL PROPERTY FOR THE PUBLIC LIBRARY TAX

Chairman Joe Hafner said I would like to comment that I think these next three are just regular, yearly resolutions. I mean it is not anything new. Councilmember David McClain asked if Chairman Hafner was just going to read the title. Chairman Hafner said I will go ahead and read them, but I didn't want anyone to think this was something new before we got started.

Councilmember Hafner said he did have one more comment. As a rule, any tax, personal property or real estate tax that the city receives are used for these purposes, right? I mean there is not any personal taxes that we receive from the county that are used for operations, right? Chief of Staff Bill Reznicek said right. These are just used for the library and LOPFI for Police and Fire. Chairman Hafner said that is what I thought.

A motion was made by Councilperson John Street, seconded by Councilperson Ann Williams, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

[RES-18:177](#)

RESOLUTION BY THE CITY COUNCIL OF THE CITY OF JONESBORO, ARKANSAS TO LEVY A ONE-HALF (.5) MILL TAX ON ALL REAL AND PERSONAL PROPERTY FOR THE JONESBORO POLICE PENSION PLANS

A motion was made by Councilperson John Street, seconded by Councilperson Ann Williams, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

[RES-18:178](#)

RESOLUTION BY THE CITY COUNCIL OF THE CITY OF JONESBORO, ARKANSAS TO LEVY A ONE-HALF (.5) MILL TAX ON ALL REAL AND PERSONAL PROPERTY FOR THE LOCAL FIREMENS PENSION PLANS

Councilmember John Street said that would be the County Clerk because they are the ones that assess and place the tax on it. Chairman Hafner said ok. Councilmember Dr. Charles Coleman asked if we had any firewomen? Councilmember Street said I believe we have one. Chairman Hafner said one. Councilmember Coleman asked if that should be firepersons instead of firemen? Chairman Hafner said I don't know if that is the official name of it. Councilmember Street said I don't know either. That would be one for the Chief when he is here. Councilmember Coleman said it needs to be asked. I've asked the question and someone needs to check on that. Chairman Hafner said he thinks Human Resource Director Dewayne Douglas is going to check on it. Councilmember Coleman said, as a matter of fact, the same thing with the Police. Is the Chief out there? Do we have the same issues with the Police Department? Chairman Hafner said I think on this one, it said the Police Officer. Councilmember Coleman said, yeah, I see that. Ok. I think that is a lot better. Councilmember Ann Williams said I think elsewhere it is referred to as firefighters as opposed to firemen. Chairman Hafner said that those are great questions and great comments.

A motion was made by Councilperson John Street, seconded by Councilperson Ann Williams, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

[RES-18:179](#)

A RESOLUTION OF THE CITY OF JONESBORO, ARKANSAS AUTHORIZING THE MAYOR TO ENTER INTO AN AGREEMENT WITH VECTOR DISEASE CONTROL INTERNATIONAL, LLC

Attachments: [Vector Disease Control Agreement](#)

Chairman Joe Hafner said his first comment or question would be, is there anything that changed in this agreement compared to previous ones? Chief of Staff Bill Reznicek said the one thing that did change is that when we were talking with them and negotiating the renewal, it indicated that they have a new product called Delta Guard that they have tested in Greenville, Mississippi and found some success at better abatement and control. They are going to incorporate one, possibly two trials of that here next year. They cannot do an aerial spraying with that because of the viscosity of it, but they are going to do it via trucks. That is really the only change and then the escalation in price that we agreed to. It steps up \$6,000 until the last three years and then it plateaus. Other than that, basically, all of the other terms of the contract are identical to what we had before.

Councilmember John Street said he was talking to Jim Starks and he told me they are going to base the aircraft in Jonesboro too once they find a pilot they are going to base the plane here so they can be more reactive when we have bad outbreaks instead of waiting because that thing flies in from Greenville. If the weather is not good, then it can't. So, if they put that plane here when we need it, that will make our aerial spraying a little more effective too. Councilmember David McClain asked, if it has been in the past to whenever a contract renews, is the max six years? I didn't know if it was a thing where we could or if they were open or if it was a good practice to maybe look at maybe accepting bids. Are they the only people who do this? Chairman Hafner said I know a few years ago, they brought in another company to do it and it

wasn't good. Councilmember Ann Williams said it was a bad mistake. I think it was determined that it is not always a good idea to go with the low bid on something like this. Councilmember McClain said I totally agree.

Mr. Reznicek said there is a clause in the contract that says we can terminate for lack of performance and they can terminate for basically insolvency on the part of the city. There is some escape clause in there if we don't think they are performing up to the standard that we feel they should. Chairman Hafner said it wasn't a good situation a few years ago. When was that? Councilmember Street said when we hired that firm from Chicago everybody thought we were saving a lot of money, but that company had no idea how to abate mosquitoes. They didn't treat any of the water outside of the city. Vector provided us with a lot better service. They treated rice fields for a five-mile radius. They also treat our ditches with standing water that you can't always get the water out of. It was bad with the other company. Councilmember Williams said they don't have mosquitoes in Chicago so they don't know. Councilmember Street said it was a tough year this year. People call and complain. I live out to the south and mosquitoes just about carry you off when you are outside. But, just think how it would be if we had that company from Chicago. It was tough. It was just a bad year for mosquitoes. Vector really does a good job.

A motion was made by Councilperson John Street, seconded by Councilperson Charles Coleman, that this matter be Recommended to Council . The motion PASSED with the following vote.

Aye: 5 - Charles Coleman;Ann Williams;John Street;David McClain and LJ Bryant

5. Pending Items

Chairman Joe Hafner said I am not aware of any pending items. However, I do know that the budget is still being worked on. I guess that will be given out probably in the next two-three weeks. Chief of Staff Bill Reznicek said we are probably in about round three of the budget right now. The way we are doing it this year, we have got some follow-up meetings with some of the departments in the next day or two. I would guess that probably in about a week and half from now, we will have what I would call a draft version of the budget and I will be able to sit down with Finance Chairman Joe Hafner and Mayor Perrin and go through that. Our plan is, as we have done in the past, to have the budget in the hands of the council before Thanksgiving so you can review it. I don't see any reason why we would not be on target to have an approved budget by the end of the year. Although our deadline by law is February 1st, the Mayor likes to have it completed during the current year so we don't have to do any type of continuing appropriation for January. I think we are very well on target to do that. Everybody should have the complete budget book before they go on Thanksgiving break. Again, Joe, probably in about a week and a half, I think we will be ready to sit down and meet with you and go through line by line detail. We will probably have some high level summaries to give you possibly at the end of next week to look at.

Chairman Hafner said I don't want to catch you off guard with this question. I know one thing, it seems like when we were at the Arkansas Municipal League Summer Conference, there was talk in different workshops about how a lot of cities adopt budgets by resolution rather than by ordinance. Is that something that is being looked at and what are the advantages of doing it by resolution versus ordinance? Mr. Reznicek said that is a good question and I will be happy to address that. We have talked about that and I actually talked with Marti Steele who gave the presentation by Legislative Audit at the summer conference. After the meeting, I went up and spoke with her about that. I asked and got her opinion and she said the law says you can

pass it by resolution or by ordinance. It is up to you. It is your choice. She said from the Legislative Audit standpoint, they really don't have a preference. We have talked with some other cities that have passed it by resolution. AML encourages you to do it by resolution. So, that is the route we are planning on going this year. It does make for a smoother process. Also, if there is any changes during the year, it makes for an easier process in updating and amending the budget. Chairman Hafner said if we did it by resolution and there were changes like in the past where we do amendments, how would the council and the public still be aware of those types of changes? Mr. Reznicek said they would still come onto Finance as a resolution for a budget amendment and then it would go onto council. Chairman Hafner said I want to make sure we still are transparent. Mr. Reznicek said there would still be the transparency. With the ordinance, you have the three readings process.

Councilmember David McClain said I guess this goes back to my question. The first thing we had on tonight's agenda was an ordinance so should it have been a resolution since it is an agreement with Blue Cross? Mr. Reznicek said it would still be an ordinance to waive competitive bidding. If we were coming to the council or to the committee and saying that we need an additional funding for something or another benefit that we were going to adopt, some other thing that we were going to spend that was outside of the approved appropriation, then we would be coming to the committee with a resolution for that in 2019. Chairman Hafner said it would be a little less time consuming. Councilmember McClain said ok.

6. Other Business

7. Public Comments

Harold Carter, 902 Tony, said this was a little hard for me, the difference between a resolution and an ordinance. I am not sure that I was even aware that you could do that. The question is what is the substantial difference and what are the advantages and disadvantages without going into infinite detail? What difference is it going to make? Chairman Joe Hafner said I may not be the best one to answer that. But, really, a resolution is adopted immediately where an ordinance has to have three readings and then 30 days to go into effect. So, I guess it is just less paperwork or less readings that would have to be done by the council. That is a great question. That is kind of why I wanted Mr. Reznicek to touch it so questions could come up. Mr. Carter said I am not really against it since I know the options. I find this budget process for the individual citizen to be almost impenetrable. It is not going to make any difference to me. I just wondered if there was a substantial difference that would really make me think about it a little more. Chairman Hafner said not really that I am aware of. As you know, I don't know if the general public knows this, the budget is on the website. So, if there is any time where anybody ever has a question about the budget, they can reach out to Chief of Staff Bill Reznicek, Director of Finance Trever Harvey, or the finance staff. They can ask a question during the right time during the meetings. Mr. Carter said I don't have any real problems of bringing up any questions if I got one. As everyone seems to be aware, these budgets are sort of on a fast track. You can slow it down. It is better to have some real good reasons to do so than to just start asking a bunch of questions. There are a lot of questions that could be asked about the budget and just go line by line by individuals or anyone else. I can look at the budget and I am not against it. I just really want to know if this was a major departure going from a resolution as opposed to an ordinance. It seems like it would be. But, I don't perceive it as being much different. Chairman Hafner said I am sure before that happens, there will be more discussions about it. Like I said, the last thing

we want to do as a council is say we are trying to fast track it where there can't be questions asked or be less transparent. That is not the goal of council. The goal would be to make it less burdensome on whomever is having to keep up with the paperwork. Mr. Carter said the last input or observation I had on this was the police raise situation which was some of the most impenetrable stuff. I didn't like it at all. It's not that I minded that the police get a raise. It was because the changes and that was part of the budget of some sort. Expecting the public to take part in that in any informed way is just expecting what you are not going to get unless we get up here and start yelling and hollering. I don't consider that very productive. But, anyway, thanks. Chairman Hafner said thanks for your comments.

8. Adjournment

A motion was made by Councilperson LJ Bryant, seconded by Councilperson John Street, that this meeting be Adjourned. The motion PASSED with the following vote.

Aye: 5 - Charles Coleman; Ann Williams; John Street; David McClain and LJ Bryant