

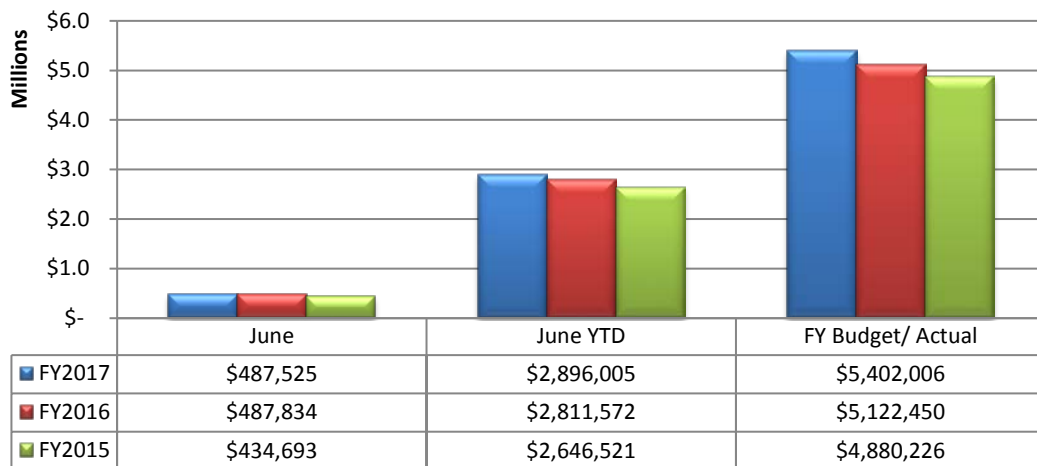


City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **June 2017** – We are just finalizing the June month-end entries, and are in the process of reconciling the account and fund balances. I would anticipate closing the month by early-next week, and I plan to have the monthly financial report prepared and distributed with the next Finance Director's Report to Council. At this point in time, however, I am able to update Council on the status of June's income tax collections.
 - **Income Tax Revenue** - Collections for the month of June were \$487,525 and are approximately equal to June 2016 collections. On a year to-date basis, total collections are \$2,896,005 and are \$84,433 (3.0%) higher than last year. This amount equates to 54.37% of the full-year budget, above the 50% straight-line rate if revenues were collected evenly throughout the year. In 2016, the June year to-date collections amount equated to 54.89% of full-year collections, and the rate was 54.22% in 2015. After reaching the mid-point of the budget year and based upon the current collections rate, it would appear that collections are maintaining a trend that is in line with expectations. We will continue monitor this trend closely over the next few months, however, to ensure that collections do not fall off as we go into the 2018 budget season.

Income Tax Collections - All Funds



- **Employee Health Insurance** – On Monday, June 26th the city's health insurance co-op (OPEC-HC) unilaterally voted to terminate its' relationship with the plan administrator, the Jefferson Health Plan (JHP) effective on July 1st. Benefits under the plan for the past 2-years was provided through the Medical Mutual of Ohio PPO network. In its' place they approved a network of 3rd parties which would effectively serve the same role. The new network approved by the OPEC-HC is not a comparable network, as it is a 'referenced-based pricing arrangement' which does not included

agreed-upon pricing for medical procedures and services. Instead, the plan would pay the Medicaid-reimbursement rate plus a factor (e.g., 20%, 25%, etc. – but currently unknown to us at this point), and the employees would then be ‘balance billed’ by their healthcare providers. Employees would then be responsible for submitting those balance bills to another 3rd provider who would negotiate them down directly with the providers. It is unclear what would happen to the employees in the event a provider was unwilling to negotiate. Even if the provider agreed to accept a reduced amount, it is quite likely the delay in receiving payment would cause many of these claims to be sent to collections for handling. Unlike the PPO plan, it appeared that the employee would ultimately be responsible for the outstanding amount – a situation that the city was unwilling to impose on our employees and their families.

We believe that this change was inappropriate, and in violation of our agreement with OPEC-HC, Ohio public meeting laws and Federal law. The board met in executive session just prior to the vote, and came out of executive session and proceeded to vote without any discussion on this significant change. A letter was then sent to the membership following the vote (see attached letter) notifying them of the last-minute change. Provisions of the Affordable Care Act (ACA) require a 60-day advance notice of material plan modification to the employees covered by the plan. I’ve attached a copy of an analysis of this requirement by Anthem Healthcare, although I found a large number of such notices. This requirement applies to any changes made during the plan year – not during open enrollment, and the employer can be subject to a \$1,000 fine for each failure. Of note, each covered individual would equate to a separate offense, which could potentially open up the city to a fine of up to \$50,000.

As you may recall, we previously notified OPEC-HC of our decision to leave the program as of January 1st which was after the satisfactory completion of our initial contract term with OPEC-HC. Shortly after the board meeting and in response to it, the JHP sent a letter to all members effected by this change (a copy is attached to this report). In the letter, they offered to allow any member who wished: (1) member employees would remain on the MMO network; (2) maintain their current deductibles and deductible monitoring; and (3) retain their group and member identification numbers – all at the current monthly premiums. On Friday, June 30th, we formally notified JHP of our acceptance of their offer through December 31, 2017 to which they confirmed acceptance. In the correspondence, we recognized that they (JHP) are free to offer new health insurance program alternatives for 2018 but that we were under no obligation to accept any offers and were free to leave JHP on or after January 1, 2018. Although not an easy decision, we believe that it was in the best interests of the city and its’ employees. At the same time, we also notified OPEC-HC through their broker, Frank Harmon (Ohio Insurance Services) of our decision to retain JHP as our plan administrator. Due to the late notice given by OPEC-HC of the change, we previously sent our July premium of \$59,657 to them, and requested a refund of our July premium. Mr. Harmon responded in the affirmative, and (hopefully) we’ll see those charges refunded. For now, we are planning to continue to use OIS as the broker/administrator for our dental, vision and life programs, but we’ll be evaluating those items as a part of the 2018 open enrollment program.

The events of last week were quite troubling for the Administrator and myself, and created a tremendous amount of upheaval and uncertainty for all member governments and their employees. Based upon all of the email correspondence going back and forth between all of the parties involved, this is most likely not the last we’ve heard of this issue. We would anticipate that legal action will likely be taken by either or both OPEC-HC and JHP in the future, and the city

may possibly be named as a defendant in the litigation.

- **2017-2020 Audit Contract** – The conclusion of the 2016 audit also concluded our initial contract with the city’s auditors, Julian & Grube. We have been very pleased with the level of support and communication received from J&G, and we requested that the Auditor of State’s office authorize the optional 3-year contract renewal. The AOS has agreed to our request, and we’ll be maintaining continuity of audit for the next three years. The significant benefit to a longer tenure is the reduced amount of time required by city staff to educate the front-line auditors on the city’s finances and fund structure. We have prepared Resolution 2017-047 requesting Council authorization to enter into the extension agreement.
- **Collective Bargaining** – We reached tentative agreement with the FOP on all issues, including wages and benefits. The FOP members have voted on the agreement, and approved it as presented. The proposal will be presented to Council (Res. 2017-050) at Monday’s Council meeting for ratification. Here are some of highlights of the proposed contract:
 - Calls for 3.25% wage increase in 2017, 3.25% in 2018 and 3.0% in 2018
 - Increases uniform allowance from \$700 in 2016 to \$1,000 by 2019.
 - Standardizes a number of payroll-related items that have been inconsistent between the city’s collectively-bargained employees and the non-union (e.g. minimum use of comp time, etc.)
 - Eliminates the ability of Police officers to advance unearned vacation leave into January for use prior to it being earned. This item has created a number of payroll and recordkeeping issues for the city.
 - Employee contributions toward the health care insurance premiums will remain at 10% for 2017 and 2018, but are subject to a reopener for 2019.
 - The grievance process has been streamlined, eliminating a verbal step in the process.
 - Expanded language has been added to the agreement which spells out how an injured employee is to be treated once they have exhausted all injury leave, sick leave, compensatory time and vacation leave.
 - Added language formally addressing the city’s K9 program. Previously, we recognized the designated handlers, and provided them with 4 hours of paid time, which they can convert to compensatory time. This has been the existing practice, although the contract did not explicitly discuss it.
 - Standardized definitions of ‘immediate family’ and ‘extended family’ when applying for bereavement leave.
- **Police Station Construction Project** – Bids on the construction of the new Police facility are scheduled to be opened on Thursday, July 6th. At that time, we’ll have a much clearer picture of the total funding required for the project. This will allow us to tailor the offering to eliminate the risk of any under- or over-funding. The city’s financial advisor and underwriter have distributed requests for bids to a number of banks, including Park National and the Pataskala Banking Company, to determine interest/appetite for our debt, as well as the pricing (e.g. interest rate) for the proposed \$5.0 million issuance. Proposals are due back to them on or before July 11th, and we have a conference call scheduled for July 13th to review the responses and select the

winning bidder for the project. The issuance is set to close on or before August 8th – well in time for contract award.

- **2018 Budget** - The instructions for the 2018 capital planning process have been prepared and distributed to all of the department heads, along with project printouts from the 2017 program and the planning worksheet templates. The next steps will be: (1) the analysis of 2016 revenue collections and the development of updated 2017-2021 revenue projections; (2) updating the cost-center budget models to include current wage and benefit expectations; and (3) developing the 2018 budget instructions and distribute to the departments along with the cost-center budget planning templates.