

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: July 6, 2010

Reviewed by: BP

SUBJECT: City Council health benefits

REPORT BY: Beth Pollard, City Administrator

SOCIAL & ECONOMIC JUSTICE COMMISSION RECOMMENDATION

That Council review the fact that their health benefit cap is higher than that for employees, and suggest that for the next Open Enrollment period, they have the same lower cap (Kaiser rate).

BACKGROUND/DISCUSSION

City Council members are eligible for enrollment in the City's health insurance programs. Currently these programs include Kaiser and Blue Shield. Council members may enroll in either program, and the premium is paid by the City.

The amount that the City has contributed to the employees' health insurance premiums has fluctuated over the years, but currently the maximum contribution is the cost of the Kaiser health care premium. Employees who are enrolled in Blue Shield pay the cost differential between the Kaiser rate and the Blue Shield rate.

The Social & Economic Justice Commission has raised the idea that the Council look at adjusting the City's contribution for Council member health care insurance premiums to be consistent with the cap on the contribution for employees. This adjustment would mean that Council members enrolled in Blue Shield would pay the differential in the cost of that premium and the cost of the Kaiser rate, or switch enrollment to Kaiser.

STAFF ANALYSIS

It is a common practice, although not universal, for cities to provide health insurance benefits to their City Council members. One of the principles behind this coverage is that the council members contribute a fair amount of time to their positions that might otherwise be spent in employment where health insurance would be offered.

If Council health insurance coverage were to become consistent with employee health insurance, elements to consider include timing and options.

Timing

The Council member salary has remained at \$5 a meeting for many decades. In 2008, Albany voters approved a salary adjustment for Council members to be consistent with the Council member salaries currently authorized by the California Government Code for general law cities (although Albany is a charter city), which is \$300 per month. This change goes into effect in mid-December 2010. Until this change goes into effect, there is not sufficient Council member salary from which to deduct the cost of the Blue Shield premium differential; therefore a different payment system would have to be established and administered. In addition, with Council members being paid significantly less than the going rate for their position, it calls into question the equity of implementing a compensation reduction in advance of the salary adjustment to within the median salary range.

If Council intends to change the health care cost coverage, staff recommends it make that decision in time for Council members to consider changing plans during the City's open enrollment period for health insurance. The change need not go into effect at that time, but it may be helpful for affected Council members to be presented with a provider option. The next open enrollment period is in October, 2010.

Options

If an employee can show proof of other health insurance coverage, such as through a spouse's employer, the employee is eligible to receive the equivalent of the single Kaiser rate contributed to his/her deferred compensation retirement account (aka 457 Plan); this is called an "in-lieu contribution." The business purpose of offering this option is to provide an incentive for employees to consider obtaining health care coverage that is less costly to the City. For example, if the employee's spouse provides family health insurance, but does not provide an in-lieu contribution, the employee is less likely to enroll his/her family in the City's plan and more likely to enroll the family in his/her spouse's plan. As a result, the City saves the equivalent of the cost between the single Kaiser rate and the family Kaiser rate.

If Council members were eligible to receive the same in-lieu" contribution option as employees, it could have a similar incentive and cost savings effect. Staff recommends that the City Council consider this option, or something similar, because of its anticipated financial benefit to the City.

SUSTAINABILITY IMPACT

N/A

FINANCIAL IMPACT

The City's cost for health insurance premiums depends on the particular situations and choices for each participant. A cap on Council member health insurance premiums at the Kaiser rate is currently estimated to save the City approximately \$3,000 annually. The cost to Council members currently would range from \$44.77 /month for single Blue Shield

coverage to \$116.40/month for family Blue Shield coverage. Offering Council members a deferred compensation in-lieu contribution, or similar option based on the single Kaiser rate of \$532.56 per month, is currently estimated to save more than \$20,000 annually.