

**MINUTES OF THE WORK SESSION OF THE CITY COUNCIL OF THE CITY OF  
LUFKIN, TEXAS HELD ON THE 19<sup>th</sup> DAY OF MARCH, 2013.**

On the 19<sup>th</sup> day of March, 2013, the City Council of the City of Lufkin, Texas convened in a work session in the Council Chambers of City Hall with the following members, thereof to wit:

Bob Brown	Mayor
Don Langston	Mayor Pro-Tem
Victor Travis	Councilmember, Ward No. 1
Robert Shankle	Councilmember, Ward No. 2
Lynn Torres	Councilmember, Ward No. 3
Rufus Duncan	Councilmember, Ward No. 5
Sarah Murray	Councilmember, Ward No. 6
Paul L. Parker	City Manager
Keith Wright	Deputy City Manager
Bruce Green	City Attorney
Kara Atwood	City Secretary
Rodney Ivy	Human Resources Director
Scott Marcotte	Police Chief
Gerald Williamson	Assistant Police Chief
Ted Lovett	Fire Chief
Duane Freeman	Assistant Fire Chief
Belinda Southern	Finance Director
Steve Floyd	Public Works Director
Chuck Walker	Public Utilities Director
Steve Poskey	Street Department Director
Dorothy Wilson	Planning Director
Mike Akridge	Parks & Recreation Director
Barbara Thompson	Main Street Director
Drew Squyres	Utility Collections Director
Lance Moore	Civic Center Director
Debra Cassidy	WWTP Director
Dale Allred	Inspection Services Director
Sid Munlin	Information Technology Director
Ramon Johnson	Water & Sewer Director
Lorraine Simoneau	Library Director
Gorden Henley	Ellen Trout Zoo Director
April Earley	Municipal Court Judge
Tara Watkins	LCVB Director

being present when the following business was transacted.

1. Mayor Bob Brown opened the meeting and thanked Staff for being present.
2. **DISCUSSION AND RECOMMENDATION REGARDING CITY OF LUFKIN  
EMPLOYEE HEALTH INSURANCE FUND.**

Mayor Bob Brown stated that the consultant had not yet arrived and called on Deputy City Manager Keith Wright to give a presentation regarding the City of Lufkin Employee Health Insurance Fund. Deputy City Manager Wright stated that recently the City had experienced issues with the Employee Health Insurance Fund that included overages and deficits in the plan. Deputy City Manager Wright stated the issues had been reviewed with the City Council Health Insurance Committee and based on the significance of the issues, the Committee suggested this item be reviewed before the entire City Council during a Work Session. Deputy City Manager Wright stated this was a three part presentation; with the first part being the past history, current status and future of the Health Plan, the second part being a presentation by Holmes Murphy, Inc., the City's consultant for the Employee Health Plan and the current financial reports of the City. Deputy City Manager Wright reviewed the current costs, infusions and revenue of the current Health Plan. Deputy City Manager Wright stated that the last increase in contribution by the City per employee was in 2008, when the contribution amount was increased to five thousand

dollars (\$5,000) from four thousand eight hundred dollars (\$4,800). Deputy City Manager Wright continued to highlight the expenditure history for the plan and explained how stop loss insurance payments were received. Deputy City Manager Wright stated that in recent years, the City had experienced a number of catastrophic claims, including several deaths and major medical claims and the stop loss reimbursement for last year was approximately seven hundred thousand dollars (\$700,000), which was a rather significant amount. Deputy City Manager Wright continued that in 2011, the City requested proposals for third party administrators for the City's Health Plan due to increased costs, claims and stop loss payments. Deputy City Manager Wright stated the City received a number of proposals and after review by Staff and the City Council Health Insurance Committee, the recommendation was made to use Texas Municipal League (TML). Deputy City Manager Wright stated there were three parts to the insurance cost for the City; administrative fees, stop loss insurance and the amount of discounts the carrier offered. Deputy City Manager Wright continued that TML was chosen due to lower administrative fees and stop loss insurance and proposed lower discounts that would average fifty-eight percent (58%). Deputy City Manager Wright stated that the City was receiving sixty-two to sixty-four percent (62-64%) from the previous provider, Blue Cross Blue Shield; however, Staff and the Committee felt that with lower administrative fees and stop loss cost, TML would be more cost effective for the Health Plan based on the proposal received. Deputy City Manager Wright stated that once the year was underway, it became apparent that costs had escalated and Staff reviewed the issue with the carrier, TML, and was assured that the Health Plan was in good shape and the cost increase was due to the high number of claims. Deputy City Manager Wright furthered that when the plan was reviewed at the end of the year, Staff realized there was a significant problem with the amount of discounts the City had received. Deputy City Manager Wright stated that TML had proposed an approximate discount rate of fifty-eight percent (58%); however, the average discount actually being received was forty-four percent (44%) or lower. Deputy City Manager Wright continued that our consultant, Holmes-Murphy, stated that the estimated loss to the plan as a result of the discount amount was approximately seven hundred forty thousand dollars (\$740,000). Deputy City Manager Wright highlighted the revenue and expenditures for the year 2012, which included administrative fees, claim overruns and claims history. Deputy City Manager Wright then highlighted the current report of the Health Fund, and concluded that through March, the Health Plan was currently over six hundred thousand dollars (\$600,000) in the negative. Deputy City Manager Wright stated that the data that was just presented was the data that Holmes Murphy used for their report and projections. Deputy City Manager Wright continued that the consultant identified that should the City have been proactive in staying current with the increase in health costs, the employer contribution should have been increased to approximately seven thousand dollars (\$7,000) per employee, which would have provided an additional estimated \$1.1 million dollars in revenue. Deputy City Manager Wright stated that the consultant also contributed the shortfall to abnormally large claims and the reduction in the amount of discounts received due to the change to TML. Deputy City Manager Wright then highlighted charts that showed the increase in both medical claims and prescription usage. Deputy City Manager then stated that Staff was currently preparing to send out requests for proposals for a new third party administrator for the Health Plan, effective October 1, 2013. Deputy City Manager Wright continued that should the City stay with TML, the projection for the deficit in the plan would be well over \$2 million dollars. Councilmember Rufus Duncan confirmed the projected deficit amount for the current year. Deputy City Manager Wright continued that should things continue as they were the deficit next year would be well over \$2.5 million dollars. Councilmember Robert Shankle questioned whether the City would be going to a different administrator. Deputy City Manager Wright stated yes, the City would request proposals as part of a four step process to correct the deficit, which included a vendor change, increased employer contribution, increased employee contribution and changes to the plan that ensured the City was proactive with their approach to the Health Plan. Deputy City Manager Wright stated that Staff would like to work with the City Council Health Insurance Committee to develop a recommendation for City Council approval.

Deputy City Manager Wright then introduced Mark Van Buscar, with Holmes Murphy, Inc., the City's consultant in regard to the City's Health Plan. Mr. Van Buscar gave a presentation regarding the City Health Plan that included the current and proposed state, along with the overall increases in health care costs in general and the impact of the Health Care Reform Law. Mr. Van Buscar reviewed the costs of providing coverage to spouses, due to history showing a larger amount of claims filed by spouses. Mr. Van Buscar reviewed the reasons for the Plan being over budget, which included abnormally large claims, lower than expected discounts and a lack of increase in employer contributions. Mr. Van Buscar continued that the large claims

contributed over three hundred thousand dollars (\$300,000), the reduced discounts contributed approximately seven hundred and forty thousand dollars (\$740,000) and the lack of increased employer contributions added an additional estimated \$1.1 million to the shortfall in the Health Plan. Mr. Van Buscar stated that due to those issues there would be an approximate \$2.1 million dollar shortfall in the plan for this year. Mr. Van Buscar then highlighted the last twelve (12) months of claims and prescription usage and stated that medical claims and costs had increased forty-three percent (43%), and it should be between nine and ten percent (9-10%). Mr. Van Buscar stated this increase was directly related to the switch from Blue Cross Blue Shield to TML. Mr. Van Buscar then highlighted the projected costs for the remainder of the current year and the upcoming year, which showed an approximate \$2.1 million dollar shortfall for this year and a deficit of \$2.5 million dollar for next year if changes were not made in the Health Plan. Mr. Van Buscar proposed that changes be made to the plan that could include increased employee and employer contributions and plan changes. Mr. Van Buscar continued that the first recommendation would be to seek another plan administrator that could offer better discounts, which would save a considerable amount of money. Mr. Van Buscar stated that TML was a great organization; however, they were not able to secure the larger discounts as the bigger insurance providers. Mr. Van Buscar stated that the TML administration fees were less; however, the loss of discounts was much greater. Deputy City Manager Wright thanked Mr. Van Buscar for his presentation and asked if City Council had any questions. Deputy City Manager Wright stated that he wished to discuss how the shortfall for the current year would be taken care of. Deputy City Manager Wright stated that Staff was preparing to make a change in administrators for next year, but that a switch this year was not possible. Deputy City Manager Wright stated that the City had three (3) major funds, the General Fund, Water and Wastewater Fund and the Solid Waste Fund. Deputy City Manager Wright then gave an overview of the financial reports and stated the current issues which included the decline in the collection of fines and forfeitures, and a drop in the collection of ambulance fees due to problems with collection company Emergidata. Deputy City Manager Wright stated that Emergidata was chosen based on their performance and reviews, however, the company has not fulfilled their proposal and Staff recommended that the ambulance billing be resumed by City Staff (Finance Department). Councilmember Victor Travis questioned how much savings would be realized by resuming the billing. Deputy City Manager Wright stated that the cost of billing would more than be covered. City Manager Paul Parker stated that even though Emergidata proposed their collection rate would be higher due to them having people trained in medical billing; the collection rate was actually lower than what City Staff had collected previously. City Manager Parker stated that Emergidata was billing correctly; however, they were not pursuing past due collections. City Manager Parker stated that the billing software that was being used was as promised; and Staff was pursuing keeping the software, but resuming the billing in house through the Finance Department. Councilmember Lynn Torres questioned whether there was enough staff to perform the billing. City Manager Parker stated that additional personnel would have to be hired and a Budget Amendment submitted for approval. City Manager Parker stated Staff was currently working on putting together a plan to end the contract and return the billing in house. Deputy City Manager Wright reviewed the expenditure reports and explained the overages in Animal Control, Fleet Maintenance and General Government. Deputy City Manager Wright stated that all fund balances were projected to be well above the required twenty-five percent (25%) reserve (General Fund - \$1.3 million; Water/Wastewater - \$2.4 million; and Solid Waste - \$3.2 million). Deputy City Manager Wright stated that Staff recommended that equal amounts be taken from each Fund to cover the shortfall in the Employee Health Insurance Fund and Staff requested to present this in the form of a Budget Amendment at a future Council meeting. Councilmember Rufus Duncan questioned whether it had to be taken equally from each fund. Deputy City Manager Wright stated it did not; it could be done either way. Councilmember Sarah Murray questioned why the City changed from Blue Cross Blue Shield to TML. Deputy City Manager Wright stated that TML's proposal was better than Blue Cross Blue Shield; however, they were not, and there was not a way to hold them accountable for their proposals regarding discounts. Deputy City Manager Wright stated that TML's stop loss and administration fee was significantly lower than Blue Cross Blue Shield. Councilmember Lynn Torres stated that there had been numerous problems with Blue Cross Blue Shield in the past, they were not administering the plan correctly and the City's representative was not meeting with City Staff. Councilmember Torres continued that should the City return to Blue Cross Blue Shield, a number of questions would have to be asked to ensure the same problems were not encountered. Councilmember Rufus Duncan stated that the City had insurance with TML for a number of years and this was the first time that the City had a negative experience with the company. Human Resources Director Rodney Ivy stated that Staff did not see the day-to-day billing of

insurance, so the City had to rely on their provider regarding discounts and billing. Director Ivy continued that this was the reason that a number of cities had begun hiring consultants to ensure that the City would be hiring the best administrator possible. Deputy City Manager Wright stated that Staff recommended a Budget Amendment from each fund to cover the current shortfall and then work with the Health Insurance Committee to move forward with making changes to the plan, selecting a new third party administrator, raising employee and employer contributions. Deputy City Manager Wright stated that Staff did not wish to reduce benefits or increase costs but changes would have to be made to ensure the plan was solvent in the future. Councilmember Rufus Duncan stated that the budget under Blue Cross Blue Shield was exceeded by \$1.5 million, so it was not entirely an issue with TML; it was the City not recognizing the changes and increases in health care. Councilmember Rufus Duncan stated that at the conclusion of this fiscal year, the City would have gone six (6) years without any employer contribution increase in the Health Plan. Councilmember Duncan stated the City had been blessed with some good years, but now had experienced a number of bad years and there was no way that both the taxpayers and employees would take a hit this year. Councilmember Duncan continued that the City needed to invest in their employees and commended Holmes Murphy for their work. Deputy City Manager Wright stated that he wished to highlight something City Manager Parker had previously stated; that in City Manager Parker's entire career as a City Manager, he had not experienced the death of an employee; however, he had now experienced the death of seven (7) in the last few years. Mayor Brown then asked for any questions or comments from City Council. Councilmember Don Langston stated that City Council absolutely recommended a Budget Amendment to correct the current shortfall and that when proposals are received; Staff and the City Council Health Insurance Committee collaborate with Holmes-Murphy to redesign a Health Plan that will benefit both the employees and the taxpayers. Councilmember Langston stated that City Council was aware that the employer contribution should have been increased and the plan needed to be affordable and beneficial. Councilmember Langston stated that he was looking forward to the design of a new plan with the assistance of Holmes-Murphy. Mayor Brown addressed the employees present and reiterated that the City Council would cover the shortfall in the Health Plan and stated the Council would now work to create a plan that would serve the employees. Mayor Brown also stated that the City of Lufkin valued its employees and cared about them and their families, and the Health Plan created would be for the benefit of all, including the taxpayers. Mayor Brown thanked the employees for their interest and assured them that the City Council had their best interests in mind.

### **3. DISCUSSION REGARDING PROPOSED CITY OF LUFKIN SMOKE FREE ORDINANCE.**

Mayor Brown stated the next item was to hold a discussion regarding the proposed Smoke Free Ordinance. Deputy City Manager Wright stated that on March 5<sup>th</sup>, City Council discussed a proposed model ordinance and received several suggestions during that discussion. Deputy City Manager Wright stated that Councilmember Rufus Duncan had made several requests for modifications that were now included in the proposed Ordinance. Deputy City Manager Wright stated these modifications were to allow hotels/motels to have twenty-five percent (25%) of their rooms be designated for smoking; to allow for a twenty-five foot (25') reasonable distance from doorways or entrances and to delete Section 20. City Attorney Bruce Green stated that the changes had caused the ordinance to be rearranged and that some of the wording had been consolidated and reworked. Deputy City Manager Wright stated that Staff requested that City Council review and suggest any other changes they wished to see so that Staff could present the Ordinance for First Reading at a future Council meeting. Councilmember Don Langston stated he had a number of items that he wanted to see changed that included the following: Section 11.1 - wished to see a provision for a designated smoking area for outdoor employees; Section 14.1 (Non-Retaliation/ Non-Waiver of Rights), asked that this be removed (retaliation clause) due to Section 14.2 addressing this issue; Section 16.2 (Violations and Penalties), stated that one hundred dollars (\$100) per violation was a large enough fine; Section 16.3 should be reworded to remove the burden of violations from the business owner; Section 17 (Public Education) and Section 18 (Governmental Agency Cooperation) should be removed and Section 15 (Enforcement) should be altered so that the City Manager was not charged with the enforcement of the ordinance. Councilmember Langston stated he did not feel a violation should require criminal enforcement, but should be enforced as a Public Nuisance by citizen complaints through the court system. Councilmember Robert Shankle asked if the percentage of allowable smoking rooms at hotels be lowered to fifteen percent (15%). Councilmember Duncan concurred that would be acceptable. Mayor Brown asked if it could be lowered to ten percent (10%). Council


concurred with that recommendation. Councilmember Rufus Duncan stated that he just wanted to ensure that those smokers traveling through Lufkin were not deterred from stopping and staying due to there being no smoking hotel rooms available. Councilmember Langston stated that City Council was being more proactive than the State government by passing this Ordinance; however, the City did not need to penalize local business. Councilmember Langston stated that if the City Council interfered with a business's rights, then the City Council had overstepped. Deputy City Manager Wright confirmed all the changes requested by City Councilmembers to the proposed ordinance. Mayor Brown asked for any other comments from City Council. Councilmember Lynn Torres questioned what effect the proposed ordinance would have on tobacco shops. City Attorney Green stated the ordinance provided an exception for retail tobacco stores and explained some of the revisions that had been made to the ordinance. Councilmember Langston stated that there was at least one (1) designated smoking business in the City currently and questioned the effect it would have on this business. City Attorney Green stated it would not allow that business to continue to be designated as smoking. Councilmember Torres stated that it was good that the ordinance would have two (2) Public Hearings so that if there were comments from those opposed, they could be heard. Councilmember Torres continued that she was surprised that there had been no opposition voiced to the proposed ordinance. Councilmember Duncan stated that he had not received any opposition to the ordinance. Councilmember Langston stated that he had received a few comments from non-smokers that the City was overstepping their bounds. Deputy City Manager Wright stated that he had one citizen state he would be writing a letter; however, he had not received one. Mayor Brown stated that he had received one concern from a citizen. Councilmember Torres stated that she was still concerned that this ordinance would not reduce smoking. Mayor Brown asked how the ordinance would affect smoking in company vehicles. Deputy City Manager Wright stated that the ordinance restricted smoking in City vehicles, but other companies would be allowed to determine whether they allowed smoking in their vehicles. Deputy City Manager Wright stated that Staff would submit an Ordinance with the changes for approval at the next City Council meeting. City Attorney Bruce Green stated that a red lined draft would be submitted so that Council could see the changes that had been made. Mayor Brown then asked for further questions or comments.

4. There being no further items for discussion, the work session adjourned at 3:20 p.m.



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Bob F. Brown, Mayor



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Kara Atwood, City Secretary



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