



**Request for City Council Committee Action
From the Department of Community Planning and Economic
Development**

Date: October 18, 2004

To: Council Member Barbara Johnson, Ways & Means/Budget Committee

Referral to: None

Prepared by: Chuck Lutz, Deputy CPED Director, 673-5196

Approved by: Lee Sheehy, CPED Director _____

Presenters in Committee: Chuck Lutz, Deputy CPED Director

Subject: Amendment to incentive program for eligible CPED employees who elect to separate voluntarily by December 31, 2004

Recommendation:

Approve the amendment to the incentive program as outlined in this report.

Previous Directives:

On September 24, 2004, the City Council approved an incentive program for eligible CPED employees who separate voluntarily by December 31, 2004. The program, as approved, provided two options, both of which entailed payments to employee's health care savings account and payment for the City's portion of the employee's health care premiums.

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain):

Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

Neighborhood Notification:	NA
City Goals:	NA
Comprehensive Plan:	NA
Zoning Code:	NA
Other:	NA

Background/Supporting Information

On September 24, 2004, the City Council approved an incentive program for eligible employees who are members of AFSCME Local 3419 (including those employees who pay fair share) or General Laborers Local 563 (including those employees who pay fair share). The program as approved allowed eligible employees to select one of two options:

Option 1

- A payment of \$25,000.00 into a health care savings account
- Payment of twenty-four (24) months of the City's portion of health care premiums to Blue Cross/Blue Shield (or other City sponsored group health care plan) paid by beginning on the date of retirement, up to a maximum amount of \$22,393.00. Employees would be required to pay the employee's share of the premium. The City would not pay for dental care or other health care-related costs.

Option 2

- A payment of \$15,000.00 into a health care savings account
- Payment of thirty-six (36) months of the City's portion of health care premiums to Blue Cross/Blue Shield (or other City sponsored group health care plan) paid by beginning on the date of retirement, up to a maximum amount of \$36,696.00. Employees would be required to pay the employee's share of the premium. The City would not pay for dental care or other health care-related costs.

Since the program was approved, two primary concerns raised by eligible employees:

- Some eligible employees are already covered under another person's health care plan, meaning that the payment of the City's portion of health care premiums had little value to them.
- Other employees are 65 years of age or older, meaning that the City's current medical plan cannot be continued. These employees, provided they have enough Social Security/Medicare quarters built up, are automatically enrolled in Medicare Part A. If they don't have enough quarters, they must purchase Part A (hospitalization type coverage). They also have to purchase Part B (physician services, lab work, etc.) Therefore, the payment of the City's portion of health care premiums had no value to them.

Because of these situations, staff is recommending an amendment to the program as follows. Under either option, an eligible employee can elect: (1) To not receive payment of the City's portion of health care premiums as described above; and (2) To deposit an amount equal to the City's health care premiums as described above into the health care savings account. This election will not increase the costs of the program. It will, however, give greater flexibility to employees as they decide whether or not to participate.

The election period began on October 1, 2004 and will run until November 15, 2004. This proposed amendment would not extend the election period.