

BUDGET REVIEW MEETING MINUTES

Monday, October 21, 2024 4:30pm

Council Chambers

The Newark City Budget Review Committee met at Newark City Council Chambers, located at 40 W Main Street, Newark, Ohio.

Present Members:

Mayor Jeff Hall	Member
Auditor Ryan Bubb	Member
Treasurer Brad Feightner	Member
Service Director David Rhodes	Member
Majority Leader Doug Marmie	Member
Minority Leader Bill Cost	Member
Mayor Admin Assist Jennifer Bubb	Secretary

Present:

Kurt Harden, MedBen
HR Director Bill Spurgeon
HR Assistant Director Christina Barth
Law Director Tricia Moore
Law Admin Assist Cindy Campbell
Councilman Spencer Barker
Councilman Michael Houser
Council President Jeff Harris
Deputy Auditor Jim Weisent
Aud Accounting Mgr Jackie Williams
Fire Chief Brandon Metzger
Fire Deputy Chief Doug Vermaaten
Water Administrator Brandon Fox
Safety Director Tim Hickman
Development Director Mark Mauter

CALL TO ORDER- 4:30 PM Mayor Jeff Hall called the meeting to order.

Discuss the 2024 City of Newark Budget and upcoming 2025 budget.

Mayor Hall: Administration, Department Heads and Council approach the budget from different angles. This is a good avenue here to bring it all together. I'd like to cover health insurance first. Kurt Harden is here from MedBen, we certainly want to make sure we have enough time to talk about that and anything after that that sticks out on the EOM report Jackie is here and can give us some input. We can talk about any challenges we've had in 2024 budget that might lead in to 2025. Turn it over to Kurt.

Mr. Harden: (Passed out books) I can talk about what is going on with the plan and then talk about what we see happening. This document is a brief overview. Page 1 is a multiyear look at what's going on with health plan. So back in 2020 your net plan cost per employee per month was 15,197.57 and we project after September is 17,615.00 which is 12.9% higher than 2020. That averages out to 3.1 % per year and I will tell you that is a fraction of what health care inflation is. When I spoke to council I said your plan functions well. You've had a rough year from a large claim's stand point but 3.1% on average per year is really good. You are 43% below on pharmacy because you put programs in place to manage those costs. There's another thing I will point out, something called a specific deductible, you see that 150,000.00 all the way across. That 150,000.00 is the amount of exposure that the city of Newark has per claimant on plan too so you pick up the first 150,000.00 and then a stop loss carrier, you have an insurance that picks it up. you have been able to maintain that exact same coverage at fairly competitive rates this entire time. We've had other groups that have had to move that up because costs have gone up and they've had risks and so I want to make sure I point out obviously it's a painful subject because of the rate increase that you've had to vote on for next year but the underlying plan has actually run pretty well. Another page I want to direct your attention to is pages 7 and 8. Page 7 is this year and page 8 is last year.

You have a direct contract with Licking Memorial where in exchange for copays at Licking Memorial with their providers instead of “inaudible” they give you the best deal. Our goal is to get as much care as possible, not everything can be done at Licking Memorial, but the goal is to get as much care as possible taken care of there because that is the best starting rate and then they give you a discount on top of that. You went from 64.9% of hospital claim costs last year to 77.1% this year. That’s really good. That’s what we want. The more we see that, the less we see of some of those Nationwide Children’s, The James, and so forth, that usually is good numbers. So that’s another good number in here. Page 13 and I’ll show you what has happened this year that has caused the call for cash. Page 13 is large claims, we define large claims by 50% of that 150,000, any claim over 75,000.00.

This year you have 1.06 million in large claims, last year you had 622,000.00. You have had a 71% increase in claims above 75,000.00, 444,000.00 increase in large claim activities. What that has created is some of those cash calls to pay before you get that reimbursement that has created the consternation. Pages 17 & 18 overview wellness program. You made the decision that is to increase the incentive for your participants to see their physician and get those checkups. The result is your compliance rate is really high, one of the better ones that we have. The result of that is that we catch diagnosis earlier, imagine the higher percentage of employees you get to go get a colonoscopy, 93.4% of your employee’s vs a commercial bench mark of 60-70% the earlier you catch many of these diseases, the lower the cost and the better the outcome for the participant. What I mean by that, let’s take colon cancer, the gold standard for catching colon cancer in stage one or stage two is a colonoscopy. It’s not these tests, these other tests, those typically will catch it in stage three, where you’ve already developed that cancer. The result is the cost is significantly lower for the plan, our well living business operates runs about 8.2% better than our others. But the other result of that is that the member doesn’t end up with that treatment that’s much more complex and painful when these things are further along. Same goes for mammography’s, same thing goes for all these other diagnoses that we are looking for. So that’s another positive result. The only thing negative has been the large claims activity. One final thing to touch on the last page. The number the stop loss carrier puts out there for protection from all claims, not just large claims, is the one that says monthly loss fund that totals 5.273 million dollars. They will give you a trend increase and then tack on the difference. Thru the bidding process your projection got a little bit better. Kurt will email council the electronic version of the handout.

Councilman Marmie: 260,000.00 cushion for the year city offers and that’s not a cash flow thing so it’s not like we can take from some where else if we have a cash flow issue on two check runs so that’s what’s scary as finance chair because the only place to get it is the city coffers.

Mr. Harden: Look at the bottom number that says 598,267. You have what’s called the check book dollars that are available and those will fluctuate throughout the year. Then you have a targeted reserve that you have available that can cover some of those fluctuations, to cover if claims are up.

Councilman Marmie: we need to be looking at a whole 6-month period every month because cash flow is a concern until we get half way thru the year, 1st half of the year is usually the roughest.

Councilman Houser: the 10% reserve standard maintained regardless of the checking account balance?

Kurt: typically, you should have a cushion in the check book at the end of the year and then have the reserve on top of that.

Mayor Hall: Shifting over to 2024 budget. We have challenges outside of healthcare. We are coming off of ARP money and we used a fair amount of ARP money internally as we needed and could. We are going to ween off of that obviously, so you have to understand that impact. I got feedback from the State of Ohio that they’re experiencing the same a little bit, I mean everyone probably will. We are still experiencing increased costs, sometimes we are in contractual obligations, the lending rate what percent is that is not terrible but how fast it got there. it’s the same with some of our expense costs. A 3-year contract, quite a difference from 3 years ago and this upcoming year.

Auditor Bubb: We are about 50% there for 2025. The budget is definitely going to be tighter next year. Revenue hasn’t gone up, no tax increases, expenses have gone up. We’ll have a better idea here in a few weeks. Each department that has been in so far, their lists are pretty healthy.

Mr. Weisent: As we have the last 2 years, we have accelerated the budget cycle an additional week. We have gone thru department head meetings, nearly all expenses are in the system. Our goal, last year we passed the budget December 18, so we are right on that schedule again, there won’t be an interim budget. Overall process is working.

Mrs. Williams: Revenue looking good for this year. Property tax estimates changed, extra we get in will probably cover the health insurance.

Mayor Hall: Departments have done a great job, they are being fiscally savvy.

Councilman Marmie: some of the major increases are our highest priorities: health care costs, personnel costs, increase cost in asphalt – it means less roads to pave. The administration and council are willing to look at all avenues for cost savings and look at the things that must be done and we've done a good job the last couple of years with the ARP monies going out. Intel will be lagging results, a year or two before you see results of that. I think the next couple of years we'll see an increase in tax collections and we'll be on the cusp of another property tax increase, optimistic future.

Mayor Hall: We're always working for tomorrow or next year but also years out. if you want .75% from someone who works at Intel, they have to live in Newark. We have some apartments, the administration talks to developers, they're calling our phone, we're trying to filter out the right ones and the right places. We don't want to explode and have challenging infrastructure costs associated with that, we have to balance that out. Always thinking about how can we raise the revenue in the future. Costs will never quit going up, at the end of the day you have to work to stabilize an increase revenue. There's a lot of parts of Ohio, or around, that are increasing revenues, increasing populations, and we're fortunate in Central Ohio here but also, we've got to maintain it, as we talk with developers I say we can grow but I want it to be recognized as Newark in 10 years from now and that's important because those attributes are why people want to live in this town. We're constantly looking to develop the future too and try to spend some dollars in ways that will generate dollars. As Doug said it may not be tomorrow, but if you don't worry about 3 years from now all of a sudden 3 years is here and you're behind. You've got to balance all of those things.

Director Rhodes: When you say budget, there's multiple budgets: water budget, street and traffic budget, parks and cemetery budget, my budget. One thing that jumps out there is the utility bills. We are currently on an energy aggregate program, we're going to contact with another to see if we can repackage our kilowatt hours.

Mayor Hall: we've had some pretty hefty electric increases. We have more street lights to provide more safety for our neighborhoods but there's a cost associated with those. Everyone's paying a little more for their electric but it's quantity so it's quit a bit more.

Auditor Bubb: Auditor's office tracking electric bills and monitoring them.

Mayor Hall: there's about 14 different versions of street lights.

Auditor Bubb: there's a lot of electric bills.

Director Rhodes: the only other thing I would say is get your budgets in early so everyone can get an opportunity to look at them, and get them to the Finance Chair so he can look at them too. That way if questions arise questions can get answered.

Councilman Cost: Having been off 4 years, interesting to come back and see how much stronger the economy was in, appears to be.

Mayor Hall: there's a balance of strength but also, as I say to people in the public, we have a lot of commas and digits, it can turn pretty quick, it has some strength but some fragileness to it. Certainly a 1.75% income tax in the city, that's very affordable for the residents, I don't want anyone to overlook that. Usually there's desperation out there when you try to raise income taxes and as the town prospers visually I don't know that anyone understands the tightness of the money. On the other side of that, I look at Columbus gets about 2 dollars per capita versus our one dollar in income tax, so trying to break it down by population that's because they have 2.5 % income tax. I want to thank everyone, departments and everybody that cares about the budget, that worries about it is efficient and works tight. It is a uniqueness and the citizens do appreciate a 1.75% income tax.

Auditor Bubb: The long-term debt that we took on this year high 4's percent interest rate we don't have much more short-term debt out there Brian has a few more projects but most of it in long term, parking garage.

Mayor Hall: on points like that, that would be one development type project, the Arcade will anticipate 100 employees working there, those employees will be paying taxes in the city of Newark and that's a good thing but they need a place to park and the residents up there too. You don't want them placed in shoppers parking hence the discussion on the parking garage.

Director Mauter: I would like to share with all of you the development projects that are going on throughout the city. That's a lot of construction jobs and that's a lot of payroll as well, we don't want to discount that. There's a lot of construction in the downtown area revitalization. Everywhere you look you've got something going on; Newark Station, the Arcade project, we now have a 10-million-dollar parking garage project going on. The residential developments that we're seeing out on River Road, out on Horns Hill Road, West Main Street, Cherry Valley Road. A lot of those construction jobs are coming from out of town workers but they are contributing to our economy. So, the fact that we are healthy, we have a very viable community, people want to work in, live in, we have a lot of developer interest in the city of Newark, we are on everybody's radar. Our general revenue account has continued to grow and I think a lot of it is because of the construction and the good development taking place in the city of Newark, so I just wanted to share that.

Auditor Bubb: one other item that pertains to the 2024 budget, Michael put a line item in there for alley paving and I will compliment you David, and compliment Prince, street department, I've seen more alleys paved this year than I have, we've done that inhouse and I think we've done 55,000.00 worth of material, that's a good job done inhouse and I applaud you there.

Director Rhodes: thank you for one and for two with the help of Council we get the right equipment to be able to grind the alley's and things like that, it's worked.

Auditor Bubb: it is part of our infrastructure

Mayor Hall: we have 89 bridges in this city and there's about 6 cities in Ohio that have more bridges but they're about a quarter million population above so we're a smaller city with a whole lot of bridges and bridges don't last forever so there's cost what you're made up of is what your costs are associated with sometimes. But the one thing we are doing is projecting ahead and looking at supporting engineering department I think when we came in 13 years ago there wasn't a good funding stream for some different things vehicle replacements police and fire bridge replacements so when they would close down they might sit awhile because getting the funding together takes some time.

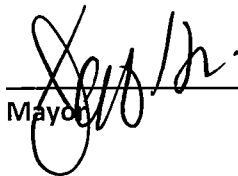
Treasurer Feightner: I'll just add that income tax collections are growing they're strong and I think we've funded a couple of positions over the last few years that's allowed us to continue to grow those collections there's still a lot of low hanging fruit I think that is out there as Mark mentioned there's a lot of development and making sure those contractors and vendors that we're using pay the city, are registering with the city, no one likes that tax especially when they're out of towners that are doing the work here but that help keeps our tax rate at 1.75 percent.

Mayor Hall: kudos to you Brad and your team you got to get the mail open and you have to have bodies to do that and a lot of processing

Mr. Fox: water, sewer, storm got with Jackie today trying to make ends meet with the healthcare increase, chemical costs, bio salts lines all our materials for the water plants that have gone up 35% so we've again had 3 year contracts that have renewed and we were paying lower so this hit you pretty hard when they're 30% of your budget costs so I think we're pretty good so if you have any questions as your going through it look me up.

Mayor Hall: I appreciate everyone's time today.

ADJOURNMENT 5:18PM

 11.15.24

Mayor date