



AGENDA ITEM SUMMARY

City Council

STAFF

Teresa Roche, Human Resources Executive
Kelley Vodden, Director of Compensation, Benefits, and Wellbeing
Chris Martinez, IES Financial Planning and Analysis Manager

SUBJECT

First Reading of Ordinance No. 206, 2025, Making a Supplemental Appropriation from Benefits Fund Prior Year Reserves for Unanticipated Expenditures.

EXECUTIVE SUMMARY

The purpose of this item is to request supplemental appropriations of \$1,000,000 from the Benefits Fund to cover unanticipated medical claims expenses that could potentially exceed 2025 budgeted appropriations.

The City's Benefits Plan is a self-funded health plan in which premiums from both the employee and employer are recorded as revenue in the Benefits fund to pay for plan administration, medical/dental claims, and insurance premiums.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

As the City operates under a self-funded health plan, the Benefits team must project out and budget for all benefit plan expenditures based on market cost trends of medical, dental, pharmaceutical (Rx), insurance premiums and the projected number of subscribers to the plan. Forecasting these projections is a partnered effort with the City's Benefits consultant who provides trend analysis and plan utilization models to define the resources needed to support the City's Benefits Plan (the "Plan").

Through August 2025, the Medical plan was demonstrating a positive year-to-date claims trend and forecasts projected the Plan would finish 2025 under budget. However, beginning in mid-3rd Quarter, some claims began to incur higher medical costs, which are now forecasted to continue through the remainder of the 2025 fiscal year, ending December 31, 2025.

The City is covered under a stop loss insurance provision for high dollar claims where the City is reimbursed funds for claims that exceed \$250,000. However, the timing of these expense reimbursements back to the City may not be recognized and processed in time for closeout of the 2025 fiscal year. This could result in required claims expenses exceeding previously budgeted appropriations in the Benefits Fund.

Given the impact of these high-cost claims and the indeterminate timing of stop loss reimbursements of these claims before the 2025 year-end closeout, the Benefits team has recommended an additional appropriation of \$1,000,000 from the Benefits Fund reserves to authorize payment of additional and

unanticipated expenditure, in compliance with Article V, Section 8 of the City Charter. Staff analyzed revenues in the Benefits Fund and have concluded that this supplemental appropriation from Fund reserves will not impact the City's 2026 budget for these functions and that balance of Fund reserves will remain within policy guidelines.

CITY FINANCIAL IMPACTS

This Ordinance will appropriate \$1,000,000 from reserves in the Benefit Fund for additional, unanticipated claims expenses incurred in the remainder of the 2025 fiscal year. Any amount appropriated above the actual expenditures will revert to the Fund reserves balance at the end of the fiscal year.

The City Manager has determined that these appropriations are available and previously unappropriated from their designated City Fund, the Benefits Fund, and will not cause the total amount appropriated in that Fund to exceed the current estimate of actual and anticipated revenues.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance No. 206, 2025