Ellinger
Lane
Gorton
Kay
Farmer
Stinnett
Myers
Beard
Lawless
Blues

AGENDA
Budget & Finance Committee
August 28, 2012
1:00 P.M.

1.	**Monthly Financial Report**	(1-10)
2.	**FY 12 Financial Audit Timeline**	(8, 11)
3.	**Employee Medical Insurance Financials**	(12-27)
4.	**Items Referred to Committee**	(28)

"Budget & Finance Committee, to which shall be referred matters relating to the Department of Finance and Administration and its divisions, and any related partner agencies, the urban county courts and constitutional officers, fiscal operations of the government, revenues and expenditures of the government, and organization changers which affect the fiscal operations of the government. Additionally, this committee shall review the final audit report and management letter of the accounting firm recommended by the Mayor and selected by the Council to conduct the annual financial audit of the Urban County Government and shall report its findings concerning the same to the Mayor and Council for appropriate action." Council Rules & Procedures, Section 2.102 (1)
Effective January 1, 2011. Adopted by Urban County Council October 14, 2010

Future Meeting Schedule

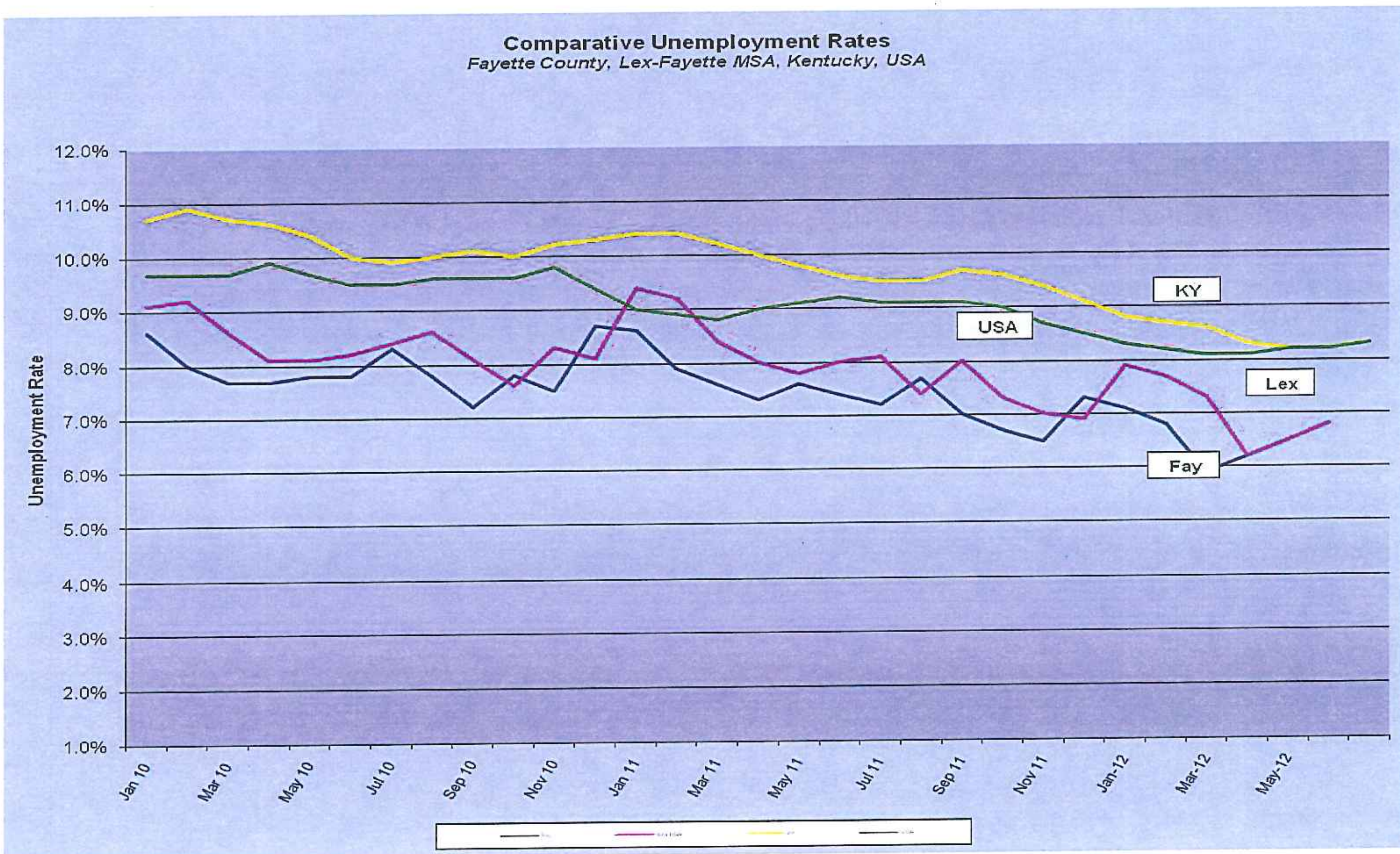
September 25
October 23
November 27

Budget & Finance Committee

July 2012 Financial Update

August 28, 2012

Comparative Unemployment Rates



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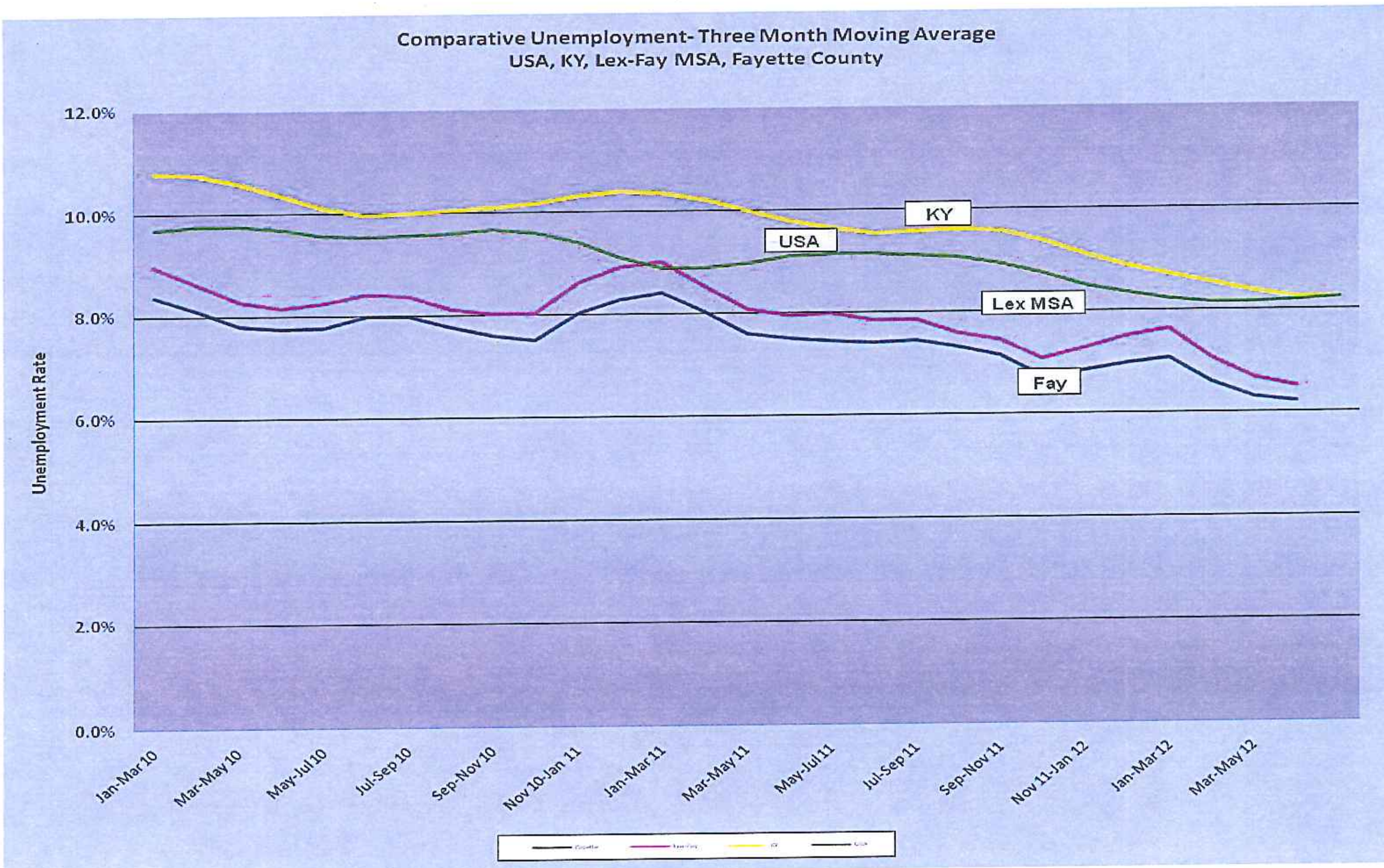
Comparative Unemployment Rates Three Month Moving Average



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Comparison of Economic Indicators 2011 / 2012

Economic Indicators		Jan	Feb	Mar	Apr	May	Jun	Jul
Fayette Co. Unemployment Rate	2011	8.7%	8.6%	7.9%	7.6%	7.3%	7.6%	7.4%
	2012	7.3%	7.1%	6.8%	5.9%	6.2%	6.5%	N/A
Quarterly Fayette County Employment	2011	-	-	169,500	-	-	175,000	-
	2012	-	-	N/A	-	-	N/A	-
Fayette County Permits Issued	2011	793	786	1,019	1,169	1,187	1,405	1,195
	2012	929	903	1,169	1,220	1,544	1,492	1,218
Fayette County New Business Licenses	2011	205	245	446	873	223	199	223
	2012	183	281	373	718	371	212	209
Home Sales (MSA)	2011	328	352	520	586	657	720	614
	2012	400	448	632	649	783	785	864
Fayette County Foreclosures	2011	59	59	40	33	33	39	39
	2012	71	76	45	68	75	65	61

N/A indicates information not available.

July Actual/Adopted Budget

July YTD Actual Compared to Adopted YTD Budget

Revenue Category	Actual	Budget	Variance	%
OLT- Employee Withholding	9,749,038	9,344,674	404,364	4.33%
OLT - Net Profit	657,838	776,308	(118,470)	-15.26%
Insurance	3,794,875	3,071,492	723,383	23.55%
Franchise Fees	916,797	461,844	454,953	98.51%
TOTALS	15,118,549	13,654,318	1,464,231	10.72%

July YTD/Prior YTD Less Amnesty

Revenue Category	Jul '12 YTD	Jul '11 Actual	Variance	%
	Actual YTD Compared to Actual Prior YTD Less Amnesty			
OLT- Employee Withholding	9,749,038	7,873,560	1,875,478	23.82%
OLT - Net Profit	657,838	751,730	(93,892)	-12.49%
Insurance	3,794,875	3,304,206	490,669	14.85%
Franchise Fees	916,797	405,885	510,912	125.88%
TOTALS	15,118,549	12,335,381	2,783,168	22.56%

2013 Fiscal Year - Cash Flow Variance Revenue

	ACTUAL YTD	BUDGET YTD	Variance
Revenue			
Payroll Withholding	$9,749,038	$9,344,674	$404,364
Net Profit	657,838	776,308	(118,470)
Insurance	3,794,875	3,071,492	723,383
Franchise Fees	916,797	461,844	454,953
Other Licenses & Permits	84,128	64,546	19,582
Ad Valorem	114,748	122,374	(7,626)
Services	2,647,143	2,271,646	375,498
Fines and Forfeitures	28,150	871	27,279
Property Sale	14,884		14,884
Intergovernmental	22,007	24,994	(2,987)
Investment Income	42,315	5,667	36,648
Other Financing Sources			
Other Income	124,179	120,844	3,335
Total Revenue	**$18,196,102**	**$16,265,259**	**$1,930,843**

2013 Fiscal Year - Cash Flow Variance Expense

	ACTUAL YTD	BUDGET YTD	Variance
Expenses			
Personnel	($6,536,419)	($7,013,993)	$477,575
Operating	(1,979,720)	(1,246,031)	(733,690)
Debt Service	(2,715,681)	(2,607,756)	(107,925)
Partner Agencies	(1,515,817)	(1,267,233)	(248,584)
Insurance - Expense	(912,469)	(912,469)	0
Operating Capital Expenditures	(5,000)	(71,183)	66,183
Total Expenses	**(13,665,106)**	**(13,118,665)**	**(546,441)**
Interfund Transfers			
Transfers	(325,232)	(266,753)	(58,479)
NET INCOME	**$4,205,765**	**$2,879,841**	**$1,325,923**

FY2012 Financial Audit and CAFR Timeline

CAFR audit planning meeting	5/14/2012	completed
Preliminary external auditor testing	7/23/2012	completed
External auditor onsite fieldwork	9/17-10/15	scheduled
Component Unit deadline for Financial Stmt submission	9/30/2012	due date
CAFR completion target	11/28/2012	estimated

- Questions ?

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Paul Schoninger

From: Paul Schoninger

Sent: Thursday, December 01, 2011 3:46 PM

To: Jane C Driskell; Richard Moloney

Subject: CAFR timetable

Please find attached section of the UCG Charter (8.08) re time table for the annual audit. The Charter indicates that it shall be completed no later than 4 months after the close of the fiscal year. For your information.

Paul S
3208

Sec. 8.08. - Independent Audit.

An annual independent audit of such accounts and other evidences of financial transactions of the Merged Government shall be performed as the Council may determine; provided that said audit shall be made by an accountant or accounting firm that does not have any pecuniary, personal or other interest, direct or indirect, in the fiscal affairs of the Merged Government or any of its offices, departments, agencies, boards and commissions. Said audit shall be completed not later than four (4) months after the close of the fiscal year, and shall be made public in a manner prescribed by the Council. In addition, the Council may, at any time, order an independent audit of any office, department, agency, board or commission of the Merged Government, provided that the Council gives adequate notice of its intent to do so.

Lexington-Fayette Urban County Council

TO: Budget & Finance Committee

FROM: Paul Schoninger
Research Analyst

DATE: August 22, 2012

SUBJECT: Employee Health Care Financial Reporting

Councilmember Myers requested that I provide some thoughts on the financial for the Employee Medical Insurance Fund- Fund 6002. I have attached several pages from the FY 13 adopted budget that pertains to Fund 6002.

I believe that Councilmember Myers and others were interested in making the fund more understandable and the revenue and expenditure statements more meaningful and more transparent for employees, the public and the legislative body.

I'd suggest that administrative costs be specifically identified and included in the financial reporting. This would include at least the administrative fees charged by Humana and Benefits Insurance Marketing and others to administer and manage the Fund. The cost of the Wellness Clinic should also be included. Any direct personnel costs should also be identified, although I don't think LFUCG charges any direct personnel to the fund other than benefit claims.

I also think it's important to show the total cost of employee health care including those costs borne by employees particularly now that some of the costs are being shifted from the employer to the employee. Financially with the abundance of data available we can probably identify cost drivers such as pharmacy costs or even particular health issues and disease control measures that are impacting our health costs. This may be particularly valuable as we move to incentives and disincentives to control and encourage healthy lifestyle choices.

Should you need any further information please do not hesitate to contact via e mail at paulas@lexingtonky.gov, or at 258.3208.

Paul Schoninger
Research Analyst

Summary of Revenue and Appropriations
FY 2013 Council Approved Budget
Medical Insurance

	FY 2011 Adopted	FY 2012 Adopted	FY 2013 Adopted	Difference	% Change
Revenue					
Premiums	$34,022,100	$ 35,205,680	$ 28,330,730	$ (6,874,950)	-19.5%
Other Income	-	591,320	-	(591,320)	-100.0%
Total Revenue	$34,022,100	$ 35,797,000	$ 28,330,730	$ (7,466,270)	-20.9%
Fund Balance, July 1	-	-		-	
Total Funds Available	$34,022,100	$ 35,797,000	$ 28,330,730	$ (7,466,270)	-20.9%
Appropriations					
Operating Expenditures					
Personnel	$34,022,100	$ 35,797,000	$ 26,336,000	$ (9,461,000)	-26.4%
Operating	-	-	1,994,730	1,994,730	
Total Appropriations	$34,022,100	$ 35,797,000	$ 28,330,730	$ (7,466,270)	-20.9%
Fund Balance, June 30	$ -	$ -	$ -	$ -	

MEDICAL INSURANCE FUND

REVENUE STATEMENT

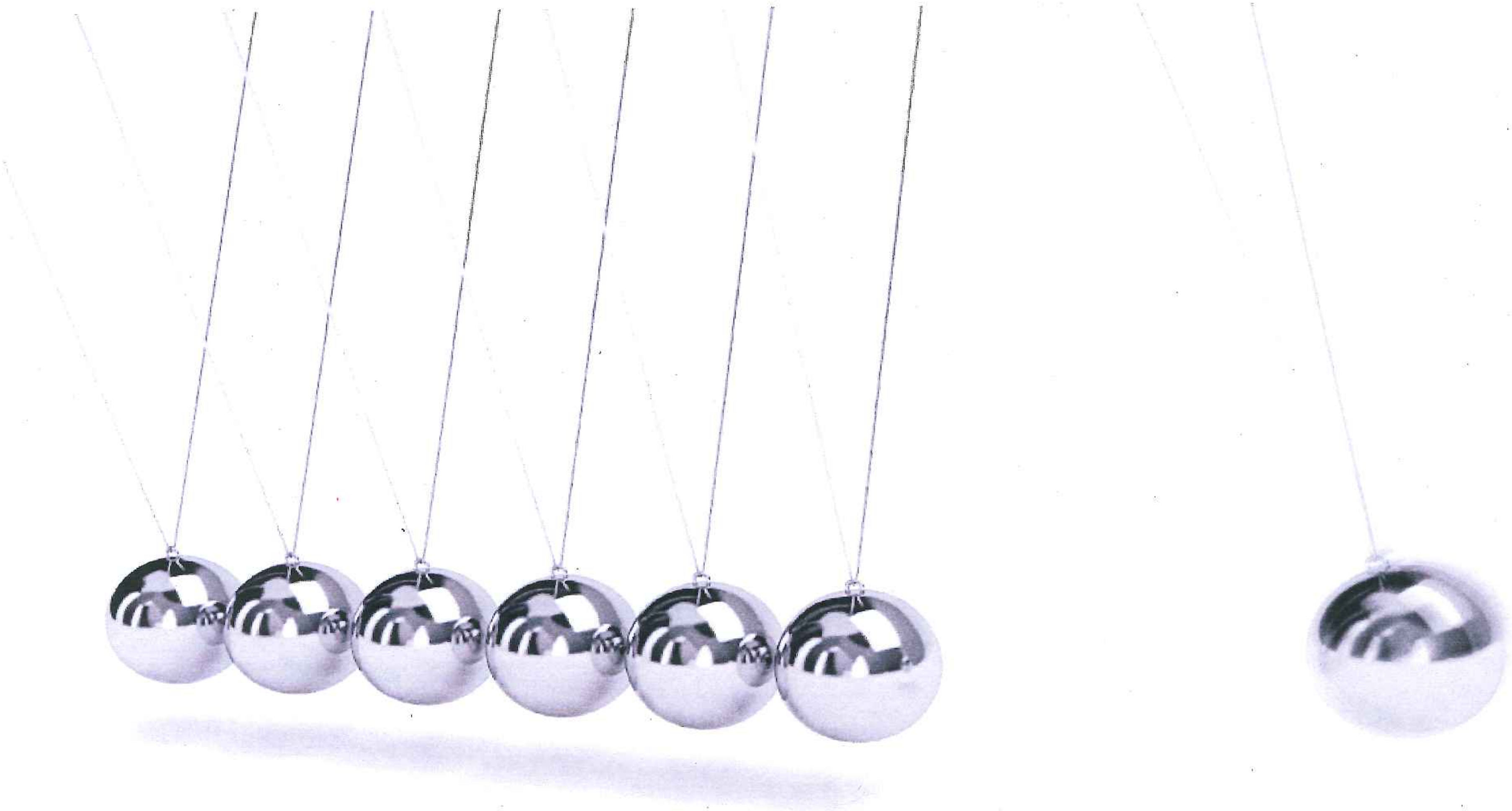
Acct. Code	DESCRIPTION	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted	FY 2012 Amended	FY 2013 Estimate	FY 2013 Estimate versus FY 2012 Amended $	FY 2013 Estimate versus FY 2012 Amended %
44010	Intergovernmental - Federal	0	176	0	0	0	0	0	0.0%
44410	Insurance Premium Single	6,917,743	1,876,374	(52,861)	0	0	0	0	0.0%
44412	Medical	0	21,252,840	34,093,320	32,499,337	32,499,337	26,410,730	(6,088,607)	-18.7%
44413	Dental	0	1,181,059	1,818,589	1,902,243	1,902,243	1,800,000	(102,243)	-5.4%
44414	Vision	0	55,594	78,499	80,183	80,183	120,000	39,817	49.7%
44440	Insurance Premium Family	15,079,417	4,293,545	496,727	723,917	723,917	0	(723,917)	-100.0%
44470	Insurance Premium Parent Plus	10,269	3,967	0	0	0	0	0	0.0%
44500	Insurance Premium Two Party	2,406,465	2,390	0	0	0	0	0	0.0%
44540	Agency Insurance Premiums	6,699,613	3,905,348	0	0	0	0	0	0.0%
46720	Miscellaneous	0	3,697	539,574	591,320	591,320	0	(591,320)	-100.0%
	Grand Total Revenue	31,113,507	32,574,991	36,973,848	35,797,000	35,797,000	28,330,730	(7,466,270)	-20.9%

6/15/2012 Operating Budget By Fund and Division

	Current Budget Year	Continuation			New or Expanded Service		
	2 2012 Original	4 2013 Request	5 2013 Mayor's	6 2013 Council	7 2013 Request	8 2013 Mayor's	9 2013 Council
Fund 6002 Medical Insurance — Department 160500 Division of Human Resources							
Adopted Budget Control Levels							
Personnel	35,797,000	30,045,000	26,336,000	26,336,000			
Operating		1,994,530	1,994,730	1,994,730			
Transfers							
Capital							
Total	35,797,000	32,039,530	28,330,730	28,330,730			

Budget Detail (Information Only)

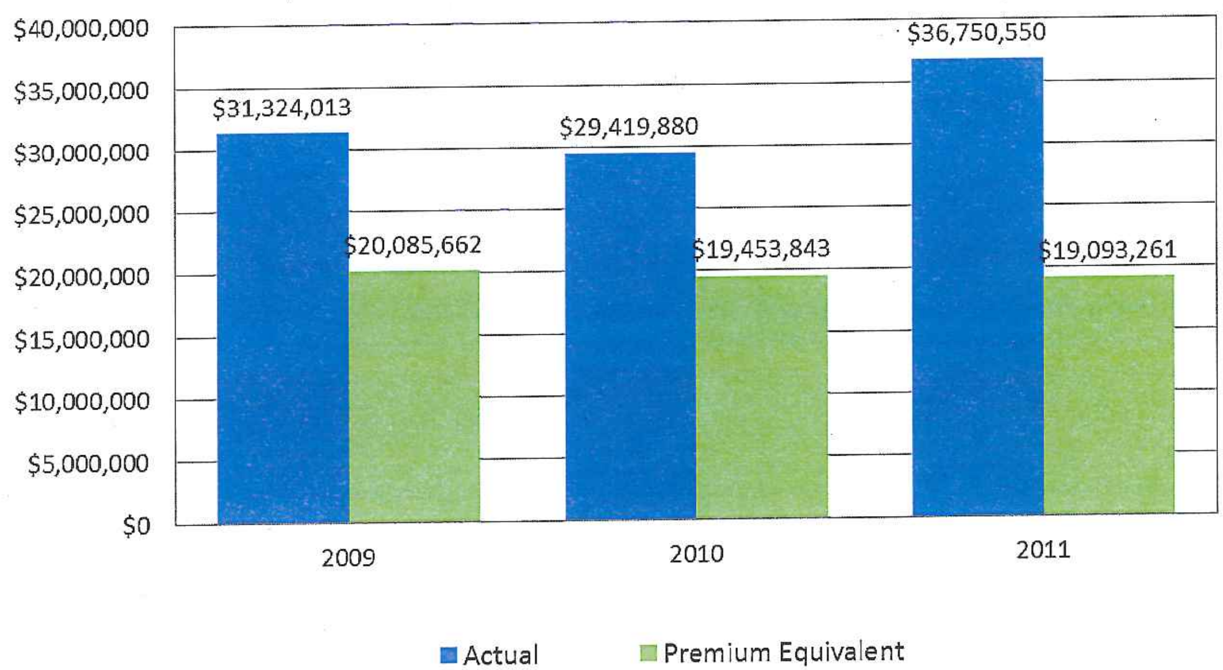
	2012 Original	2013 Request	2013 Mayor's	2013 Council	2013 Request	2013 Mayor's	2013 Council
Fund 6002 Medical Insurance — Department 160504 Benefits & Payroll — Section 1841 LFUCG Health Insurance							
Account							
63612 Health Insurance	8,325,000	5,589,000	1,880,000	1,880,000			
63615 BP-Life/Health/Dental/Vision	25,432,000	22,500,000	22,500,000	22,500,000			
63635 Insurance Claims - Health							
63637 Health Insurance Admin	50,000	36,000	36,000	36,000			
71203 Prof Svc - Medical		1,880,000	1,880,000	1,880,000			
71302 Rent/Lease - Buildings		94,530	94,530	94,530			
72101 Electric		10,000	10,100	10,100			
72102 Gas		10,000	10,100	10,100			
Section 1841 Total	33,807,000	30,119,530	26,410,730	26,410,730			
Fund 6002 Medical Insurance — Department 160504 Benefits & Payroll — Section 1851 LFUCG Dental Insurance							
Account							
63613 Dental Insurance	1,915,000	1,800,000	1,800,000	1,800,000			
Section 1851 Total	1,915,000	1,800,000	1,800,000	1,800,000			
Fund 6002 Medical Insurance — Department 160504 Benefits & Payroll — Section 1861 LFUCG Vision Insurance							
Account							
63614 Vision Insurance	75,000	120,000	120,000	120,000			
Section 1861 Total	75,000	120,000	120,000	120,000			
Department 160504 Total	35,797,000	32,039,530	28,330,730	28,330,730			



LFUCG Budget & Finance Committee
2012 Health Plan Update
August 28, 2012

Historical Dashboard

The health plan was previously unmanaged. As a result, the true cost of services were never reflected in the health insurance premiums.



Establishing Premiums

For 2012, we transitioned to a true cost of services model incorporating all components of cost including the supplement into the health insurance premiums.

Premium Equivalent Components

Premium =

Fixed Costs

\+

H S A Contributions

\+

Medical Costs

\+

Pharmacy Costs

Premium Equivalent Components

Premium =

Fixed Costs

- Administrative Fees
- Reinsurance Premiums
  - $1,045,281 YTD

\+

H S A Contributions

\+

Medical Costs

\+

Pharmacy Costs

Premium Equivalent Components

Premium =

Fixed Costs

\+

H S A Contributions

- $500 Employee
- $1,000 Employee +
- $601,500 YTD

\+

Medical Costs

\+

Pharmacy Costs

Premium Equivalent Components

Premium =

Fixed Costs

\+

H S A Contributions

\+

Medical Costs

- Marathon fees, rent, utilities
- “Incurred” Medical Claims + IBNR
  - $9,624,629 YTD

\+

Pharmacy Costs

Premium Equivalent Components

Premium =

Fixed Costs

\+

H S A Contributions

\+

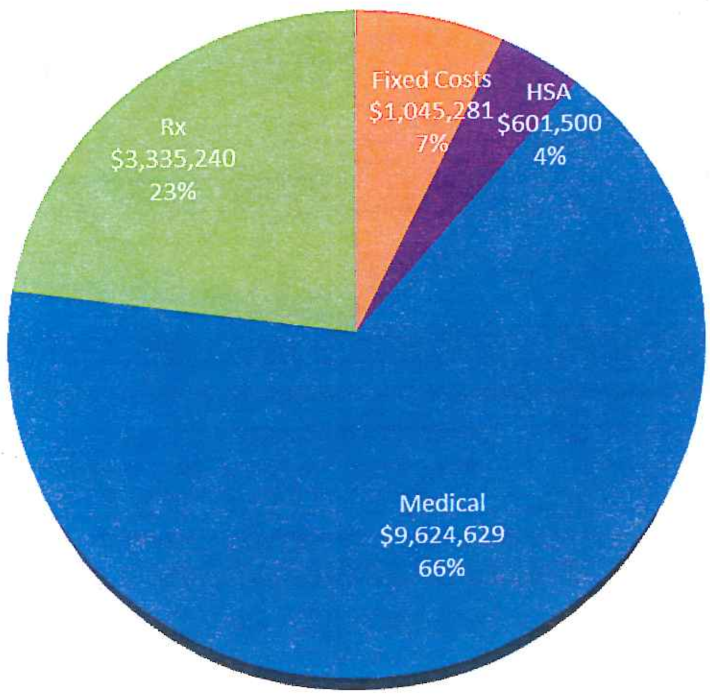
Medical Costs

\+

Pharmacy Costs

- On-site Rx claims
- On-site Rx admin less copays
- Retail Rx claims
- $3,335,240 YTD

Components of Cost



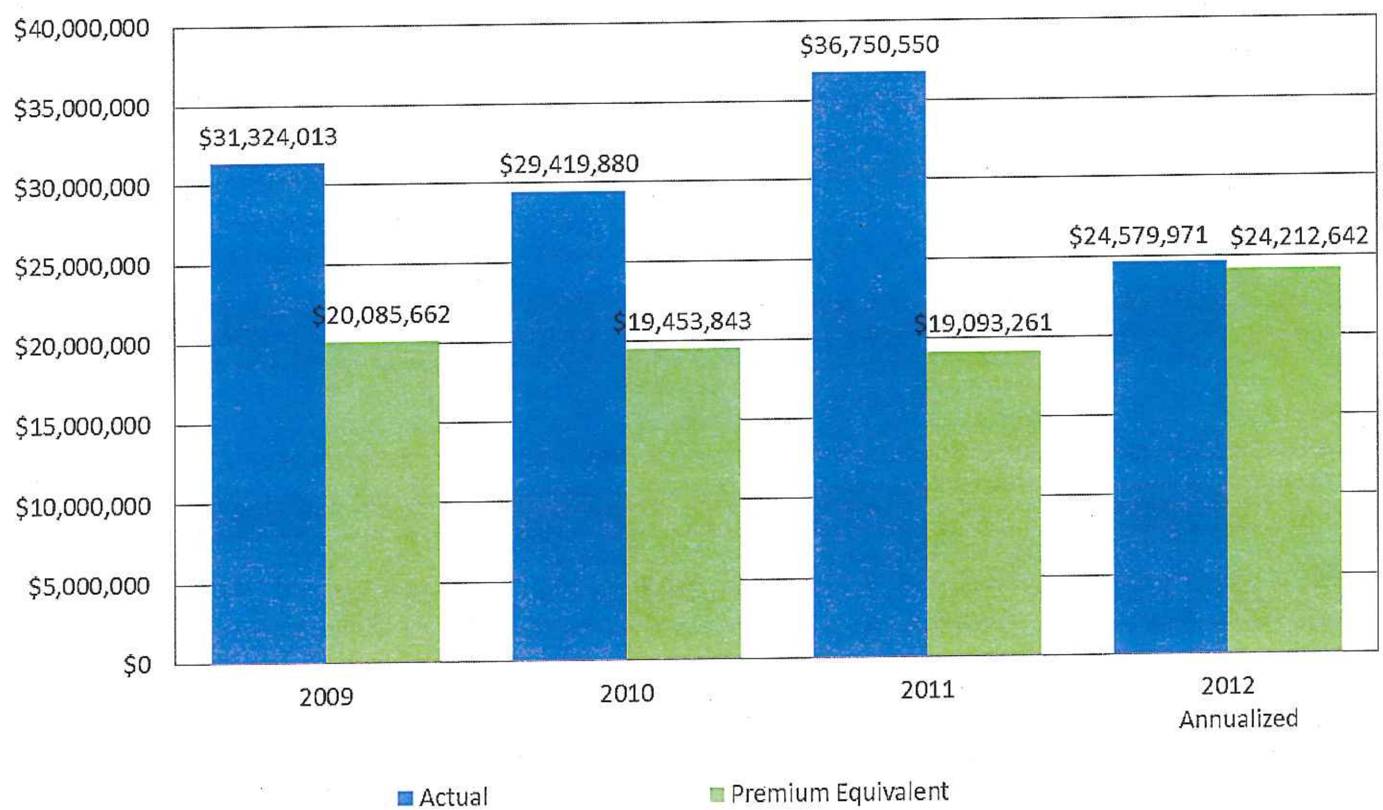
$14,606,650 Plan
YTD

Premium

$14,124,041 Plan
YTD

2012 Dashboard

Appropriate Management, Budget & Cost Controls



2012 Projected Savings
Appropriate Management, Budget & Cost Controls

- Premium Equivalents calculated to reflect true cost of service
- Employee enrollment migration ($3.6M reduction)
- Reinsurance for high cost claimants ($1.25M savings)
- Prescription Benefit Manager (PBM) contract negotiations ($2.5M savings)
- Humana contract negotiations ($250K savings)
- Plan designs built to align with industry benchmarks
- Employee selection of alternative plan designs (3% to 28% moved to HDHP / HSA plan)
- On-Site RX (LFUCG nine month break even) (immediate employee savings)
- Marathon (redirected care / Disease Management, coaching / measurable health improvement . . . on target)

Lexington Fayette Urban County Government Kentucky 1775

benefit Insurance Marketing
Balanced Solutions. Trusted Advice.

There were significant accomplishments made from 2011 to 2012. However, there is still much work to do in order to create and maintain a best-in-class, innovative and sustainable healthcare delivery system for LFUCG and its employees.

Budget & Finance Committee Referrals

Item	Referred By	Date Referred	Status
Solid Waste Costs/Revenue/Tax Structure Cost Per Ton; Cost Per Customer Impact of User Fee Structure	Gorton	2-1-11	Waste Management Task Force
Local Vendor Preference*	Gorton	10-14-10	11.29 WS
Minority/Women Business Recruitment*	Stinnett	10-7-10	Procurement Task Force
Purchasing, Procurement & Professional* Service Selection Process	Crosbie	9-24-10	Procurement Task Force
Activity Based Costing	Lane	1-16-12	1.31.12
Street Light Fund	Lane	1-23-12	2.28.12
Hotel/Motel Tax	Stinnett	2-14-12	2.28.12 & 3.20.12
Affordable Housing Trust Fund Report	Gorton	4-10-12	

* Purchasing related items were also referred to Purchasing & Procurement Task Force

PAS 8-22-12