



# City of Chula Vista

## Legislation Details (With Text)

<b>File #:</b>	16-0496	<b>Name:</b>	
<b>Type:</b>	Consent Item	<b>Status:</b>	Passed
		<b>In control:</b>	City Council
<b>On agenda:</b>	12/6/2016	<b>Final action:</b>	12/6/2016
<b>Title:</b>	RESOLUTION NO. 2016-244 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING THE CITY OF CHULA VISTA CAFETERIA BENEFITS PLAN FOR 2017		
<b>Sponsors:</b>			
<b>Indexes:</b>			
<b>Code sections:</b>			
<b>Attachments:</b>	1. Item 7 - Resolution, 2. Item 7 - Attachment 1 - Plan Document 2017, 3. Item 7 - Attachment 2 - Exhibit A - FSA 2017, 4. Item 7 - Attachment 3 - Exhibit B - Aflac 2017, 5. Item 7 - Attachment 4 - Exhibit C - Employee Assistance Program (EAP) 2017		

Date	Ver.	Action By	Action	Result
12/6/2016	1	City Council	approve	Pass

RESOLUTION NO. 2016-244 OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING THE CITY OF CHULA VISTA CAFETERIA BENEFITS PLAN FOR 2017

### RECOMMENDED ACTION

Council adopt the resolution.

### SUMMARY

The Internal Revenue Code requires that the Section 125 Cafeteria Benefits Plan offered by the City to its employees be in a written document and that the document be formally adopted by the City Council on or before the first day of the plan year. Adoption by resolution of the attached plan document fulfills the City's obligation for the 2017 plan year.

### ENVIRONMENTAL REVIEW

#### Environmental Notice

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

#### Environmental Determination

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

### BOARD/COMMISSION RECOMMENDATION

Not Applicable.

## **DISCUSSION**

In June 1998, the City established its first Section 125 Cafeteria Benefits Plan. In compliance with Internal Revenue Code §125(d) the City Council annually adopts a written plan document prior to the first day of the plan year. The first day of the City's plan year is January 1, 2017.

This Plan Document lays out how the City offers eligible employees the choice between cash and certain nontaxable benefits (such as health insurance), thereby allowing employees to pay for the benefits they choose on a pre-tax basis.

The specific health plans offered and their structure are not part of this Cafeteria Plan Document. They are included in what is known as the Summary Plan Document that was given to eligible employees as part of their open enrollment materials to assist them in making their benefit choices. The plans offered and their structure are determined after our broker, Barney and Barney, extensively markets and negotiates with providers to provide coverage comparable to the prior year while keeping the increase in costs to the City and its benefited employees to a minimum. All employee groups are advised of the offers and the plan structures that will provide the least increase in premium costs.

Under current cafeteria plan regulations having an approved written plan is critical. Without a written plan or if the written plan does not comply with applicable requirements regarding content and timing of adoption, then the plan is not a cafeteria plan and employees' elections will be taxable. The City has timed its open enrollment period for 2017 to comply with these regulations and to meet provider cutoff deadlines for enrollment to ensure employees are covered without interruption.

The City's Plan includes the following required information:

- Description of available benefits
- Participation rules
- Election procedures
- Manner of contributions
- Maximum amount of contributions
- The plan year
- The plans provisions for complying with flexible spending arrangements (FSAs)

The attached Plan incorporates all of the operating rules prescribed in Code §125 and the regulations thereunder.

## **DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

## **LINK TO STRATEGIC GOALS**

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. Adopting the City's Cafeteria Benefit Plan document supports the Operational Excellence goal as it helps attract and retain quality employees. A Cafeteria Benefit Plan is an advantage for both the City and its employees because it allows health premiums to be deducted on a pre-tax basis. For the employee, it reduces the amount of federal and state taxes the employee has to pay. For the City, it reduces its payroll tax liability.

## **CURRENT YEAR FISCAL IMPACT**

Staff assumed a 15% increase in medical premiums in the 2016/17 budget, based on preliminary information from the City's insurance brokers. The City spent \$12.0 million in fiscal year 2015/16 on these benefits for all funds.

## **ONGOING FISCAL IMPACT**

Flex Allotments are negotiated with the City's bargaining groups. Unrepresented employees and elected officials also receive Flex Allotments. With the exception of Public Safety bargaining groups, the City shares the cost of medical insurance premium increase on a 50/50 basis. The 50/50 cost sharing formula utilizes the average cost increase of family premiums of non-indemnity health plans. Then to determine the next plan year's Flex Allotment, 50% of the average increase is added to the current year's Flex Allotment amount. For Public Safety bargaining groups, the City assumes the full cost of the medical premium increases.

The increases reflected on the tables below illustrate the increase in the medical insurance premiums on an annual basis. The impact to future budgets and the five-year financial forecast will depend on the outcome of negotiations with the City's bargaining groups and the changes in medical insurance premiums.

**Flex Allotment Increases by Bargaining Group**

Calendar Year 2012 to Calendar Year 2016

FLEX Allotment Increases by Bargaining Unit						
Bargaining Group	2012	2013	2014 <sup>(1)</sup>	2015 <sup>(2)</sup>	2016	2012-2016 % Change
Confidential	\$ 11,936	\$ 12,386	\$ 13,074	\$ 13,524	\$ 13,682	14.6%
Chula Vista Employees Association	\$ 11,436	\$ 11,886	\$ 12,574	\$ 13,024	\$ 13,182	15.3%
Executive	\$ 14,836	\$ 15,162	\$ 15,850	\$ 16,300	\$ 16,458	10.9%
Mid Managers and Professionals	\$ 12,436	\$ 12,762	\$ 13,450	\$ 13,900	\$ 14,058	13.0%
Senior Managers	\$ 13,436	\$ 13,762	\$ 14,450	\$ 14,900	\$ 15,058	12.1%
Western Council of Engineers	\$ 12,436	\$ 12,762	\$ 13,450	\$ 13,900	\$ 14,058	13.0%
Mayor & Council	\$ 14,836	\$ 15,162	\$ 15,850	\$ 16,300	\$ 16,458	10.9%

(1) Flex allotments remain at the 2013 amounts for all Employee Only members within the following employee groups: Confidential, Executive, Mid Managers and Professionals, Senior Managers, Western Council of Engineers, and Mayor & Council.

(2) Flex Allotments remain at the 2015 amounts for all Employee Only members within the CVEA bargaining group.

**City Provided Public Safety Flex Benefit Ranges**

Calendar Year 2012 to Calendar Year 2016

Public Safety FLEX Benefit Ranges						
Benefit	2012	2013	2014	2015	2016	2012-2016 % Change
Medical	\$5,352 - \$15,852	\$5,436 - \$16,752	\$5,988 - \$18,180	\$5,784 - \$19,848	\$5,568 - \$20,628	4% - 32%
Dental <sup>(1)</sup>	\$204 - \$492	\$168 - \$396	\$168 - \$396	\$180 - \$432	\$180 - \$432	(12%) - (14%)

<sup>(1)</sup>Dental insurance for public safety employees is fully compensated for at the DHMO level. Employees may choose PPO and pay the variance between DHMO and PPO.

**ATTACHMENTS**

1. 2017 City of Chula Vista Cafeteria Benefits Plan Document
2. Exhibit A - Health Care & Dependent/Child Care Flexible Spending Accounts
3. Exhibit B - Voluntary Plan (Aflac)
4. Exhibit C - Employee Assistance Program (EAP)

*Staff Contact: Edith Quicho*