AGENDA

TUESDAY, AUGUST 30, 2016
LOVELAND CITY COUNCIL STUDY SESSION, 6:30 P.M.
CITY COUNCIL CHAMBERS
500 EAST THIRD STREET
LOVELAND, COLORADO

NOTICE OF NON-DISCRIMINATION

It is the policy of the City of Loveland to provide equal services, programs and activities without regard to race, color, national origin, creed, religion, sex, disability, or age and without regard to the exercise of rights guaranteed by state or federal law. It is the policy of the City of Loveland to provide language access services at no charge to populations of persons with limited English proficiency (LEP) and persons with a disability who are served by the City.

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Si desea recibir más información en contra de la discriminación o si desea ayuda detraducción, por favor comuníquese con el Coordinador del Título VI de la Ciudad en TitleSix@cityofloveland.orgo al 970-962-2372 . La Ciudad hará acomodaciones razona- bles para los ciudadanos de acuerdo con la Ley de Americanos con Disca pacidades (ADA, por sus iniciales en inglés). Si desea más información acerca de la ADA o acerca de las acomodaciones, por favor comuníquese con el Coordinador de ADA de la Ciudad en adacoordinator@cityofloveland.org o al 970-962-3319 .

Title VI and ADA Grievance Policy and Procedures can be located on the City of Loveland website at: cityofloveland.org/

1. STUDY SESSION ITEMS

(60 Min.) **1.1** **WATER AND POWER** **(presenter: Jim Lees)**

2016 POWER COST-OF-SERVICE RATE STUDY RESULTS

Staff has been working on a cost-of-service rate study for the Power Utility since February. Staff really appreciated the attendance and participation of LUC Chair Gene Packer and Board Members Dave Schneider and Larry Roos at the Kickoff Meeting. In addition, information has been presented to the whole LUC at their June, July and August meetings. Dan Kasbohm, Rate Analyst for Utility Financial Solutions (UFS), our Power rate consultant, will present the results of the 2016 Power Cost-of-Service

Rate Study. Staff will seeking direction from City Council on four key study topics:

1. 2017 proposed rates
2. A proposed rate track for 2017-2021
3. A proposed change in how Residential Self-Generating customers are billed
4. A proposed change in calculating the Targeted Minimum Cash Reserve for the Power Utility

1.1.1 CS Power Cost-of-Service Rate Study Results
1.1.1 Staff Report - Power Cost-of-Service Rate Study Update 8-30-16
1.1.2 2016 Power Cost-of-Service Rate Study Results

(60 Min.) **1.2** **HUMAN RESOURCES** **(presenter: Julia Holland)**

PRESENTATION OF THE 2017 BENEFIT FUND BUDGET RECOMMENDATIONS

Annually the City reviews benefit program costs and contributions to determine necessary changes for the upcoming year. The City has worked diligently to mitigate rising costs as much as possible. However, due to the continuing impact of rising health care expenses, recent high claims experience and minimal premiums adjustments, we are proposing a considerable increase to our premiums for 2017 through the annual budget process. The total increase for medical expenses is estimated to be $4.2 million. This recommendation would result in an annual increase for medical costs of $3,835,497 for the city and an annual increase of $447,719 for employees.

1.2 2017 CS Benefits study
1.2.1 Benefit Fund Presentation CC 08.30.16
1.2.2 City Benefits Overview
1.2.3 City Medical Plan Options
1.2.4 2017 Proposed Premiums
1.2.5 Employer Impact by Fund
1.2.6 Self-Insured versus Fully Insured Comparison
1.2.7 Glossary of Terms

(20 Min.) **1.3** **LOVELAND FIRE RESCUE AUTHORITY** **(presenter: Pat Mialy)**

OVERVIEW OF THE MITIGATION MASTER PLAN

The intent of a Mitigation Master Plan (MMP) is to document all of the current mitigation projects, develop or update local mitigation strategies that result in greater disaster resiliency, identify future mitigation projects that support those strategies, identify potential funding sources, and to construct implementation plans for those projects collaboratively. Michael Baker International Inc was contracted to facilitate the production of the plan for the City, funded with a Community Development Block Grant – Disaster Recovery (CDBG-DR) federal planning grant recently awarded to the City of Loveland by the State of Colorado for $95,066. The objective of this study session is to familiarize the City Council with what a Mitigation Master Plan accomplishes for the City and to highlight the reasons that the identified mitigation projects should be planned for implementation.

1.3 LFRA Mitigation Master Plan Cover Sheet
1.3.1 LFRA MMP CC Presentation
1.3.2 LFRA MMP Process Chart 160810
1.3.3 LFRA MMP Final Draft 20160812

1. ADJOURN

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: USED BY AGENDA MANAGEMENT
MEETING DATE: 8/30/2016
TO: City Council
FROM: Gretchen Stanford, Acting Water and Power Director
Jim Lees, Utility Accounting Manager

PRESENTER: Jim Lees, Utility Accounting Manager

TITLE: 2016 Power Cost-of-Service Rate Study Results

RECOMMENDED CITY COUNCIL ACTION:
The purpose of this item is to get direction from City Council on proposed rates for 2017 for the Power Utility, a 5-year rate track, a change in how the Targeted Minimum Cash Reserve is calculated and a change in how Residential Self-Generating customers will be billed.

SUMMARY:
Staff has been working on a cost-of-service rate study for the Power Utility since February. Staff really appreciated the attendance and participation of LUC Chair Gene Packer and Board Members Dave Schneider and Larry Roos at the Kickoff Meeting. In addition, information has been presented to the whole LUC at their June, July and August meetings. Dan Kasbohm, Rate Analyst for Utility Financial Solutions (UFS), our Power rate consultant, will present the results of the 2016 Power Cost-of-Service Rate Study. Staff will seeking direction from City Council on four key study topics:

1) 2017 proposed rates
2) A proposed rate track for 2017-2021
3) A proposed change in how Residential Self-Generating customers are billed
4) A proposed change in calculating the Targeted Minimum Cash Reserve for the Power Utility

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BACKGROUND:

An overall average rate increase of 5.7% is proposed for 2017, which is a combination of passing through PRPA's 3.0% wholesale power rate increase (which translates to a 2.43% retail rate increase) and an additional 3.27% increase to address increased costs in Health Insurance, Cost Allocations, road construction costs associated with the new Foothills Solar Project and Substation that are not be eligible for FEMA or State reimbursement and for additional capital needs. Rate increases vary by customer class, ranging from 4.7% to 6.7%, based on the results from the cost-of-service study. At their August 17, 2016 meeting, the LUC unanimously recommended, by an 8-0 vote, approval of the proposed 2017 Power rate design.

A 5-year rate track that was developed from the rate study is proposed for the Power Utility. The rate track is as follows:

	2017	2018	2019	2020	2021
Rate Track:	5.7%	5.0%	4.0%	4.0%	3.0%

This 5-year rate track addresses all of the capital and operating needs and maintains a fund balance throughout the 5-year window that exceeds the 15% of operating expenses target minimum cash reserve. At their August 17, 2016 meeting, the LUC unanimously recommended approval of the proposed 5-year rate track.

UFS is recommending a change in how the targeted minimum cash reserves are calculated for Power. Currently, that target is derived by taking 15% of annual operating expenses. UFS is proposing a change that would yield a higher targeted minimum cash reserve. At their August 17, 2016 meeting, the LUC unanimously recommended approval of the proposed new methodology for calculating the Targeted Minimum Cash Reserve.

A change is also proposed in how Residential Self-Generating customers are billed. The current rate design is yielding a subsidy in favor of Residential Self-Generating customers. At their August 17, 2016 meeting, the LUC unanimously recommended approval of this newly proposed rate design.

Staff has prepared a Staff Report that delves into the details of these four topics. Also included is a PowerPoint presentation.

LIST OF ATTACHMENTS:
PowerPoint Slides
Staff Report on 2016 Cost-of-Service Rate Study

Department of Water and Power
Service Center • 200 N. Wilson Avenue • Loveland, CO 80537
(970) 962-3000 • (970) 962-3400 Fax • (970) 962-2620 TDD
www.cityofloveland.org

TO: City Council

THROUGH: Steve Adams, City Manager
Gretchen Stanford, Acting Water and Power Director

FROM: Jim Lees, Utility Accounting Manager

DATE: August 30, 2016

SUBJECT: Staff Report on the Power Utility Cost-of-Service Rate Study Results

Staff has been working since February with Utility Financial Solutions (UFS), a Holland, Michigan-based consulting firm on a cost-of-service rate study for the Power Utility. The primary objectives of the study are two-fold: 1) update the existing Power rates based on the results of the cost-of-service analysis; and 2) do an in-depth analysis of the rate design for our Self-Generating customers to see if it needed to be modified. During the course of the study, UFS also evaluated our criteria for a Targeted Minimum Cash Reserve (15% of Operating Expenses is the City's policy for all funds) and recommends that the Power Utility implement a policy that yields a higher minimum cash reserve. Dan Kasbohm, Rate Analyst for UFS, will be with us tonight to present four proposals:

1) Rates for 2017
2) A 5-year rate track for 2017-2021
3) A change in how Residential Self-Generating customers are billed
4) A change in calculating the Targeted Minimum Cash Reserve

2017 Rates

There are three rate setting components that Staff asked the LUC to weigh in on:

1) Increase the Monthly Base Charge to reflect cost of service

   PRO:
   - Having the Base Charge set to the appropriate level

   CON:
   - A large increase in the Base Charge could create a disadvantage for customers with low usage

   LUC Direction: Move halfway toward cost-of-service for the Small General Service class and go to cost of service for the other customer classes.

2) Implement full cost-of-service results for each customer class, regardless of what those rate increases or decreases might be, or put some limitations on how much each customer class will be adjusted for 2017

   In the last cost-of-service rate study for Power in 2013, the overall rate increase necessary was 1.62%. The LUC made two key decisions at that time: 1) to implement the full 1.62% increase in 2014; and 2) to structure it so that the rate increases for each customer class would be no more than 1.62% + or – 3%. So, no increase for any customer class would be higher than 4.62%, and none would be lower than a decrease of 1.38%.

   The primary pro and con of implementing full cost-of-service results are as follows:

   PRO:
   - Each customer class would be paying just what it should – there would be no subsidizing of costs between classes

   CON:
   - There is a potential, depending on the outcome of the cost of service, that some classes could have large adjustments to their current rates

   LUC Direction: Take the overall average rate increase for 2017 of 5.7% and put a cap on how much each individual rate class would be adjusted in 2017 of + or – 1% of the 5.7% overall average increase.

3) Implement full cost-of-service results for each customer class, for the differential between the Summer and non-Summer seasons, regardless of what those rate increases or decreases might be, or, continue to gradually step toward full cost-of-service differential between Summer and non-Summer rates

   The primary pro and con of implementing the full cost-of-service differential between Summer and non-Summer rates are:

   PRO:
   - Each customer would be getting billed as closely as possible in alignment with the wholesale power cost signal coming from PRPA

   CON:
   - There is a potential, depending on the outcome of the cost of service, that customers could see large increases in their Summer bills

   LUC Direction: Take a small step (using UFS's discretion) toward cost-of-service and continue the movement toward cost-of-service in succeeding years.

The proposed overall average rate increase for 2017 is 5.7%, which is a combination of a pass-through of PRPA's estimated 3.0% wholesale power rate increase (which translates to a 2.43% retail rate increase) and an additional 3.27% increase to address increased costs in Health Insurance, Cost Allocations, road construction costs associated with the new Foothills Solar Project and Substation that are not eligible for FEMA or State reimbursement and for additional capital needs. The 3.0% increase is PRPA's best projection currently, and the hope is that it will be very close to or exactly what the actual wholesale rates will be for 2017.

The overall average rate increase for 2017 is 5.7%, and based on the proposed changes in the base, consumption and demand charges, the average rate increase by rate class is:

RATE CLASS:	% Increase
Residential	5.55%
Small General Service	6.70%
Large General Service	5.70%
Primary Service with Customer-owned Transformer	6.58%

Taking into account the direction from the LUC, here is a summary of the key rates Mark has developed for 2017:

SUMMARY OF KEY CHANGES

POWER: SUMMER MONTHS	July-Sept. 2016	July-Sept. Proposed 2017
Residential:		
Base Charge (per month)	$13.36	$14.37
Consumption Charge (per kWh including PILT)	$0.08677	$0.09244
Small General Service:		
Base Charge (per month)	$21.38	$25.38
Consumption Charge (per kWh including PILT)	$0.09027	$0.09668
Large General Service:		
Base Charge (per month)	$96.10	$134.60
Consumption Charge (per kWh including PILT)	$0.04503	$0.05035
Demand Charge (per kW)	$14.26	$14.50
Primary Service (with Customer-owned Transformer):		
Base Charge (per month)	$105.07	$151.83
Consumption Charge (per kWh including PILT)	$0.04355	$0.04921
Demand Charge (per kW)	$13.73	$14.25

POWER: NON-SUMMER MONTHS	Jan.-June, Oct.-Dec. 2016	Jan.-June, Oct.-Dec. Proposed 2017
Residential:		
Base Charge (per month)	$13.36	$14.37
Consumption Charge (per kWh including PILT)	$0.07326	$0.07639
Small General Service:		
Base Charge (per month)	$21.38	$25.38
Consumption Charge (per kWh including PILT)	$0.08259	$0.08623
Large General Service:		
Base Charge (per month)	$96.10	$134.60
Consumption Charge (per kWh including PILT)	$0.04594	$0.04717
Demand Charge (per kW)	$9.93	$10.50
Primary Service (with Customer-owned Transformer):		
Base Charge (per month)	$105.07	$151.83
Consumption Charge (per kWh including PILT)	$0.04417	$0.04638
Demand Charge (per kW)	$9.50	$10.00

If approved, the 5.7% rate increase would result in the following average monthly changes by rate class:

AVERAGE CHANGE IN MONTHLY POWER BILL	Overall Avg. Change	Summer Avg. Change	Non-Summer Avg. Change
Residential	$3.62	$5.37	$3.04
Small General Service	$12.47	$17.43	$10.82
Large General Service	$206.46	$324.93	$166.97

There are only three Primary Service customers with very diverse energy usage profiles, so an average change for that class is not very meaningful.

5-Year Rate Track

The 5-year rate track that came out of the cost-of-service study was as follows:

	2017	2018	2019	2020	2021
Rate Track:	5.7%	5.0%	3.0%	3.0%	3.0%

This 5-year rate track addresses all of the capital and operating needs and maintains a fund balance throughout the 5-year window that exceeds the 15% of operating expenses target minimum cash reserve. If City Council supports the new methodology for calculating the Targeted Minimum Cash Reserve, then Staff recommends a different rate track, which will be presented later.

Targeted Minimum Cash Reserve

Staff is recommending as part of this study to change how the Targeted Minimum Cash Reserve is calculated for the Power Utility. The practice over the years for all City funds since the City Council adopted a policy in the early 2000's has been that all funds target maintaining a minimum fund balance that is equal to 15% of annual operating expenses. The Power Utility has been following that practice. UFS's perspective is that the 15% of operating revenues target is sufficient for normal municipal General Fund services, but is not sufficient for an electric utility. As an alternative to the 15% target, the following four-component approach is being put forth for Council's consideration as more appropriate for an electric utility:

1) **A Percentage of Operating and Maintenance (O&M) Expenses Excluding Depreciation and Purchased Power Expense:** This typically varies between 30 days' worth of O&M expenses and 90 days' worth, depending on how frequently utility bills are generated. Since Loveland bills monthly, the percentage to apply here would be 30 days/365 days, or 8.2%.

2) **A Percentage of the Value of Assets:** This typically ranges from 1% - 3%, depending on the ages of the utility's system. Since Loveland's system is considered relatively new (< 50% depreciated), the percentage applied to the asset value is 1%.

3) **A Percentage of the Total of the Five-Year Capital Plan for Rehabilitation Capital Projects (excludes growth-related projects):** This typically is set to 20% of the five-year total of the CIP excluding growth-related projects. But, since Loveland has a second fund balance within the Power Utility (the Plant Investment Fee Fund Balance, for growth-related projects), UFS is comfortable with setting this percentage at 10%.

4) **A Percentage of Annual Purchased Power Expense:** This percentage is set to cover one month's worth of purchased power expense, and the month that is used is the highest monthly bill for the year. For Loveland, that month is July, and the July bill makes up 10.7% of the total annual purchased power expense.

The following chart shows what the Targeted Minimum Cash Reserve would calculate to over the next five years using this new methodology and how this calculation compares to the projected cash reserves in the current 10-Year Financial Plan, both excluding and including the PIF fund balance, and the current target using 15% of operating expenses:

Retail Rate Adjustment		5.70%	5.00%	3.00%	3.00%	3.00%
Recommended Minimum Cash Reserve						
O&M Less Depreciation & Purchased Power Expense		$ 13,591,544	$ 14,214,222	$ 14,748,045	$ 15,321,041	$ 15,919,396
Historical Value of Assets (Rate Base)		200,412,485	208,563,545	217,310,145	227,355,664	235,883,359
Five Year Capital Plan (less PIF) - Net of bond proceeds		46,475,224	46,475,224	46,475,224	46,475,224	46,475,224
Annual Purchased Power Expense		44,363,341	45,472,424	46,609,235	47,774,466	48,968,827
	Percent Allocated	**Projected 2017**	**Projected 2018**	**Projected 2019**	**Projected 2020**	**Projected 2021**
O&M Less Depreciation & Purchased Power Expense	**8.2%**	$ 1,117,113	$ 1,168,292	$ 1,212,168	$ 1,259,264	$ 1,308,443
Historical Value of Assets (Rate Base)	**1.0%**	2,004,125	2,085,635	2,173,101	2,273,557	2,358,834
Five Year Capital Plan (less PIF) - Net of bond proceeds	**10%**	4,647,522	4,647,522	4,647,522	4,647,522	4,647,522
Annual Purchased Power	**10.7%**	4,767,592	4,886,781	5,008,951	5,134,175	5,262,529
Recommended Minimum Cash Reserve		**$ 12,536,352**	**$ 12,788,231**	**$ 13,041,743**	**$ 13,314,517**	**$ 13,577,329**
Days cash on hand @ Minimum Cash Reserve Recommendation		*79*	*78*	*78*	*77*	*76*
Projected Cash Reserves (less PIF reserve)		**$ 9,735,148**	**$ 10,258,334**	**$ 10,694,235**	**$ 10,525,953**	**$ 14,326,591**
Projected Cash Reserves (including PIF reserve)		*$ 9,832,845*	*$ 10,277,311*	*$ 11,269,172*	*$ 11,969,840*	*$ 18,299,088*
Loveland Desired Balance (15% of Oper Exp excl'g deprn)		$ 8,772,386	$ 9,198,905	$ 9,659,303	$ 10,092,849	$ 10,300,214

Comparing the two tan lines shows that the proposed methodology yields a targeted cash reserve of $3.2 - $3.7 million more per year than the current 15% of operating expenses target.

The pros and cons of changing to the new targeted minimum cash reserve balance calculation are:

PROS:

A) Generates a higher fund balance as a safety net in case of emergencies.
B) It would improve our credit rating with borrowing agencies in the event that the Power Utility needed to take out loans in the future. Periodic updates released by Moody's, Standard & Poor's and Fitch indicate that to receive a top credit rating, they are looking for businesses that have 100-120 days of operating expenses in cash reserves. This new methodology would take the Power Utility to about 80 days of operating reserves instead of the 55 days that the 15% target yields.

CONS:

A) Higher rate increases in comparison to meeting the 15% target.
B) In the event of an emergency, there would likely be internal funds available somewhere in the City to borrow and assist with recovery response.
C) PRPA has a Rate Stabilization Fund to help avoid large increases in wholesale power rates, which helps control purchased power cost increases.
D) The Power Utility would no longer be consistent with the Targeted Fund Balance Policy, which is how the rest of the City funds operate.

Staff recommends adopting the new methodology for calculating the Target Minimum Cash Reserve with the caveat that we move toward it over time, since it is such a big change. As was mentioned earlier, the 5-year rate track that came out of the rate study was as follows:

	2017	2018	2019	2020	2021
Rate Track:	6.5%	5.0%	3.0%	3.0%	3.0%

With this rate track, we would reach the proposed Target Minimum Cash Reserve by 2021. Since we have programmed in healthy rate increases in 2017 and 2018, we're inclined to leave those as they are. If we change the rate increases in 2019 and 2020 from 3.0% per year to 4.0% per year, we would come within $700,000 (or 5%) of hitting the new target in 2020. So, Staff would recommend adopting the new methodology and changing the rate increases to 4.0% in 2019 and 2020 in order to move us closer to meeting the new target by 2020.

Rate Design for Residential Self-Generating Customers

As part of the scope for this rate study, we asked UFS to do an in-depth analysis of our Self-Generating rate structure to see if it was sufficient or needed to be modified. We first put Self-Generating rates into our Schedule of Rates, Charges and Fees in 2009, and when we did our last rate study for Power in 2012, we basically updated the rates that were in place.

In 2012, we had a total of 9 Self-Generating customers (7 of which were Residential) and now we have 41 (37 of which are Residential). UFS evaluated the 2015 data from our Self-Generating customers and determined that the way the rate is designed for Residential Self-Generating customers currently is creating a subsidy for that class of customers of approximately $13,000 annually. Although this subsidy is not an enormous number and 37 is not a large number of customers, it is prudent to address this subsidy now while our number of Self-Generating customers is still relatively small.

The way our Self-Generating customers are currently billed is what's referred to as Net Metering. The customer has a bi-directional meter that measures how many kWh of energy they are consuming from the Power Utility and how many kWh of energy they are generating and putting on to the grid. For example, if a customer consumes 1,000 kWh and generates 700 kWh in a given month, they will be billed for a net of 300 kWh at the retail rate (currently about 8.7 cents per kWh for a Residential customer). So, with this rate design, whatever the customer generates back on to the grid, up to the amount they consume in a given month, they receive a credit at the retail rate of 8.7 cents per kWh. If they generate more than they consume in a given month, then that excess energy, expressed in kWh, will be carried forward from month to month and credited against the customer's energy consumption in subsequent months. If, at the end of a 12-month period following the date of the customer's commencing on the self-generating rate or any annual anniversary thereafter, the customer has a negative consumption balance, the City will pay the customer for such negative balances at the Self-Generation Buyback Rate (currently about 4.7 cents per kWh). Utility Financial Solutions analysis showed that this rate structure creates a subsidy in favor of the Self-Generating customer, and therefore a new rate structure to correct this subsidy is being proposed.

The newly proposed rate structure would still be Net Metering, where we charge the Residential Self-Generating customer for the amount of kWh that they consume from the Power Utility at the retail rate, but, in contrast to the current methodology, for all of the kWh that they generate back on to the grid, they would also receive a credit per kWh at the retail rate. This would hold true whether they consumed more than they generated or vice versa, so there would be no more carrying forward of kWh excess energy generated from month to month, and it would eliminate the need for a settle-up at the end of 12 months for net generators.

The way that the subsidy would be addressed is by increasing the Monthly Base Charge for the Residential Self-Generating customer. The increase in the Monthly Base Charge would be at a rate per kW based on the generating capacity of the customer's solar unit. In order to eliminate the subsidy entirely, the Monthly Base Charge would need to be increased by $2.89 per kW of the customer's solar unit capacity. Since this increase would have a significant impact on some customer's bills (some have generating units with capacity between 8 and 10 kW, meaning an increase of $23-$29 per month in their Base Charge), Staff is recommending going halfway toward eliminating the subsidy and increasing the Monthly Base Charge by $1.45 per kW of capacity of the solar unit. The step to eliminate the remaining subsidy would be taken in 2018.

The pros and con of changing to the proposed self-generating rate design are:

PROS:

A) It would address a subsidy that exists with the current self-generating rate design.
B) It would be much easier administratively for the Utility Billing Department to bill the self-generating customers. Currently, they have to keep a separate spreadsheet for each customer to track whether they have a balance of excess generation to carry forward into the next month. The utility billing software does not have the capability to do this carryforward tracking, so the utility bills have to be generated manually for the customers who have excess generation.
C) For the customer, all generation that is put back on the grid will be credited at the retail rate instead of the portion up to what they consumed in a given month being credited at the retail rate, then the excess at the end of 12 months being credited at the Self-Generation Buyback Rate.

CON:

A) All Residential Self-Generating customers will see an increase in their bill in comparison to what they would if we stay with the current rate design. On average, the increase is $5.30 per month, with the highest monthly increase being $10.41.

UFS also evaluated the usage profiles for our four Commercial Self-Generating customers and determined that keeping the existing rate design would be the proper approach for them.

STAFF AND LUC RECOMMENDATIONS

Staff recommends approval of the 2017 rates as presented. At their August 17, 2016 meeting, the LUC unanimously recommended approval of the proposed 2017 Power rate design. There was some discussion about staying with a 6.5% rate increase for 2017, which was the proposed increase before PRPA changed their projected wholesale rate increase for 2017 from 4.0% to 3.0% on August 12. The LUC debated about whether to stay with the 6.5% in order to more quickly build up the fund balance, but ultimately decided to go with what the cost of service showed was the appropriate increase for 2017.

On the Minimum Target Fund Balance, Staff recommends adopting the new methodology for calculating Targeted Minimum Cash Reserve, with the caveat that, since we have relatively high rate increases proposed for 2017 and 2018 (5.7% and 5.0%, respectively), that we move toward meeting that target over time. As the 10-Year Financial Plan for Power is currently constructed, we would meet the target using the new methodology by 2021. To help move the cash reserve balance up more quickly, Staff recommends taking the 5-year rate track that came out of the cost-of-service study and change the increases for 2019 and 2020 from 3.0% per year to 4.0% per year. This would yield the following recommended rate track:

	2017	2018	2019	2020	2021
Rate Track:	5.7%	5.0%	4.0%	4.0%	3.0%

At their August 17, 2016 meeting, the LUC unanimously recommended approval of the proposed new methodology for calculating the Targeted Minimum Cash Reserve and also unanimously recommended approval of the proposed 5-year rate track.

On the Residential Self-Generating rate design, Staff recommends adopting the proposed rate design as a means of taking steps to eliminate the subsidy that currently exists in favor of the Residential Self-Generating customer class. At their August 17, 2016 meeting, the LUC unanimously recommended approval of this newly proposed rate design.

City of Loveland

POWER UTILITY COST OF SERVICE RATE STUDY FOR 2017

CITY COUNCIL MEETING
AUGUST 30, 2016

UFS
Utility Financial Solutions, LLC

Power Utility Cost of Service Rate Study for 2017

City Council Presentation
August 30, 2016

Discussion points

- Financial projection review
- Cost of Service results
- Proposed 2017 rate design
- Residential self generation analysis
- Minimum cash reserve

Utility Financial Solutions, LLC

Three Key Financial Factors

- Debt Coverage Ratio
- Minimum Cash Reserves
- Optimal Operating Income Target

Utility Financial Solutions, LLC

Factors that Influence Cash Reserves

- Timing differences between when expenses are incurred and revenues received from customers
- Age of Assets
- Future capital improvement program
- Annual debt service payments
- Utilities control over rates

UFS Utility Financial Solutions, LLC

Target Operating Income

An appropriate Rate of Return:

- Funds Interest Expense
- Funds inflationary increase on assets invested in the system
- Fully funds depreciation expense

An adequate rate of return on investment helps ensure current customers are paying their fair share of the use of infrastructure and not deferring costs to future customers

Utility Financial Solutions, LLC

Projection Summary

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income[1]	Projected Cash Balances	Capital Improvements (less PIF)
2017	5.70%	$ 64,233,811	$ 62,485,106	$ 2,365,041	$ 9,735,148	$ 11,004,350
2018	5.00%	68,276,725	65,697,011	3,196,051	10,258,334	8,151,060
2019	3.00%	71,454,406	69,033,711	3,037,031	10,694,235	8,746,600
2020	3.00%	74,816,869	72,216,560	3,216,645	10,525,953	10,045,519
2021	3.00%	78,368,529	73,890,964	5,093,901	14,326,591	8,527,695
Recommended Target in 2017				**$ 4,741,881**		
Recommended Target in 2021				**$ 5,288,842**		
Recommended MINIMUM Target in 2017					**$ 12,536,352**	
Recommended MINIMUM Target in 2021					**$ 13,577,329**	

Results include PRPA rates provided below:

	2015	2016	2017	Change
Summer-Energy	$ 0.03943	$ 0.04121	$ 0.04200	2%
Winter-Energy	$ 0.03783	$ 0.03954	$ 0.04028	2%
Summer-Demand	$ 10.84	$ 11.33	$ 11.33	0%
Winter-Demand	$ 7.57	$ 7.91	$ 8.64	9%

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Cost of Service Summary Results

Customer Class	Cost of Service	Projected Revenues	% Change
Residential	$ 25,129,375	$ 24,425,296	2.9%
Small General	10,234,624	9,127,515	12.1%
Residential-Demand	12,525	12,719	-1.5%
Large General	15,368,824	14,541,804	5.7%
Primary <4,000 kW	553,515	517,451	7.0%
Coincident Peak Demand	4,793,265	4,608,102	4.0%
Area Lighting, Flat Rates	16,183	23,543	-31.3%
Wholesale	706,057	494,155	42.9%
Total	**$ 56,814,368**	**$ 53,750,584**	**5.70%**

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2017 Rate Design Summary Results

Customer Class	No. of Customer Meters		% of Revenues	Calculated Revenue	Revenue with Adjustments	Dollar Adjustment	Percent Change
ResidentialSchedule R	30,648	R	45.44%	$ 24,425,296	$ 25,780,964	$ 1,355,668	5.55%
Small GeneralSchedule SG	3,906	SG	16.98%	9,127,515	9,739,286	611,771	6.70%
Large GeneralSchedule LG	327	LG	27.05%	14,541,804	15,371,304	829,500	5.70%
Primary Schedule PT	3	PT	0.96%	517,451	551,511	34,060	6.58%
Other *(see detail below)*	2,156		0.99%	530,417	565,279	34,862	6.57%
Coincidential Peak Schedule CP	30	CP	8.57%	4,608,102	4,806,250	198,148	4.30%
TOTAL REVENUE	**37,041**			**$53,750,585**	**$ 56,814,594**	**$2,865,862**	**5.70%**

Other includes the following rateclasses							
Residential-DemandSchedule RD	3	RD	0.02%	12,719	13,366	647	5.09%
City WholesaleSchedule CW	91	CW	0.92%	494,155	527,263	33,108	6.70%
Area LightsSchedule AL	1,963	AL	0.03%	13,648	14,289	641	4.70%
Sprinkler ControlsSchedule SC	84	SC	0.01%	5,296	5,545	249	4.70%
Signal AmplifierSchedule SA	4	SA	0.00%	1,710	1,791	80	4.70%
Bus SheltersSchedule BS	11	BS	0.01%	2,889	3,025	136	4.70%

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Total Related Costs

Total Cost of Service Rates by Summer/Winter Seasons

Customer Class	Monthly Customer Charge	Summer		Winter	
		Demand	Energy	Demand	Energy
Residential	$ 14.37	$ -	$ 0.08817	$ -	$ 0.07279
Small General	29.92	-	0.10579	-	0.08433
Residential-Demand	22.83	9.44	0.04915	6.12	0.04162
Large General	134.60	15.46	0.04903	11.46	0.04205
Primary <4,000 kW	151.83	15.41	0.04925	11.04	0.04201

Monthly Customer Charge Comparison

Customer Class	COS Customer Charge	Current Customer Charge	Percent Difference
Residential	$ 14.37	$ 13.36	7%
Small General	29.92	21.38	29%
Residential-Demand	22.83	21.23	7%
Large General	134.60	96.10	29%
Primary <4,000 kW	151.83	105.07	31%

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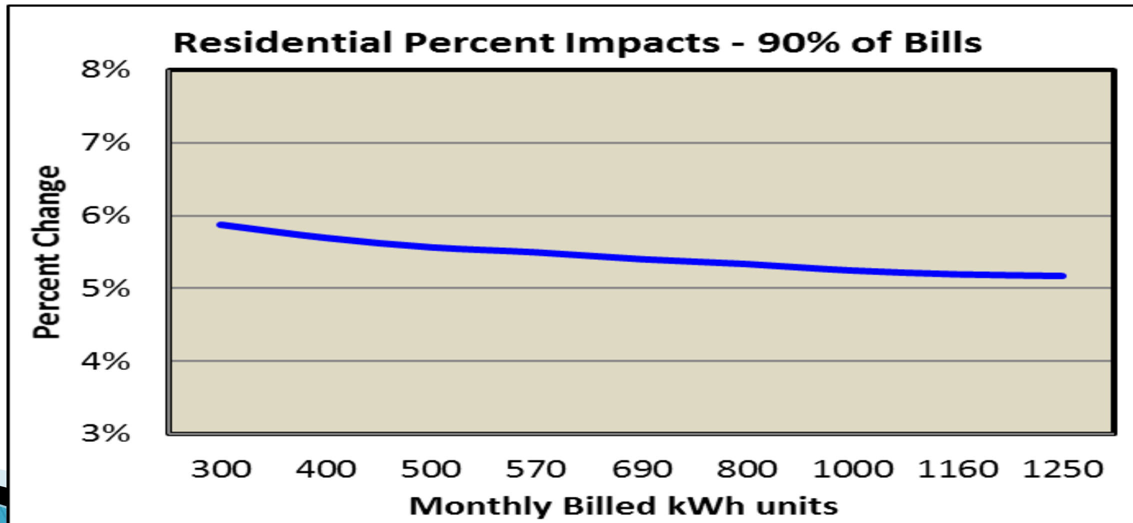
Proposed Residential 2017 Rate Design

		Current Rates		2017 Proposed Rate Design		2017 Cost of Service Rates
Customer Charge	$	13.36	$	14.37	$	14.37
Winter - All kWh	$	0.06674	$	0.06964	$	0.07279
Summer - All kWh	$	0.07962	$	0.08436	$	0.08817
Seasonality spread--->		19%		21%		21%
PILT Winter - All kWh	$	0.00652	$	0.00675		
PILT Summer - All kWh	$	0.00715	$	0.00808		
Revenues from Current Rate	$	24,425,296	$	25,780,964		
Percentage Change from Current				5.55%		



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Proposed Residential 2017 Rate Impacts

R Monthly Winter Bill Comparison

Usage (kWh)	Current Bill ($)	Proposed Bill ($)	Dollar Change ($)	Percent Change (%)
300	$ 33.38	$ 35.26	$ 1.88	5.63%
400	$ 40.06	$ 42.23	$ 2.17	5.42%
500	$ 46.73	$ 49.19	$ 2.46	5.27%
570	$ 51.40	$ 54.07	$ 2.66	5.18%
690	$ 59.41	$ 62.42	$ 3.01	5.07%
800	$ 66.75	$ 70.08	$ 3.33	4.99%
1000	$ 80.10	$ 84.01	$ 3.91	4.88%
1160	$ 90.78	$ 95.15	$ 4.38	4.82%
1250	$ 96.79	$ 101.42	$ 4.64	4.79%

R Monthly Summer Bill Comparison

Usage (kWh)	Current Bill ($)	Proposed Bill ($)	Dollar Change ($)	Percent Change (%)	Annual Bill Impact
300	$ 37.25	$ 39.68	$ 2.43	6.53%	5.88%
400	$ 45.21	$ 48.11	$ 2.90	6.43%	5.69%
500	$ 53.17	$ 56.55	$ 3.38	6.35%	5.57%
570	$ 58.74	$ 62.45	$ 3.71	6.32%	5.50%
690	$ 68.30	$ 72.58	$ 4.28	6.26%	5.40%
800	$ 77.06	$ 81.86	$ 4.80	6.23%	5.34%
1000	$ 92.98	$ 98.73	$ 5.75	6.18%	5.25%
1160	$ 105.72	$ 112.22	$ 6.50	6.15%	5.19%
1250	$ 112.89	$ 119.82	$ 6.93	6.14%	5.17%

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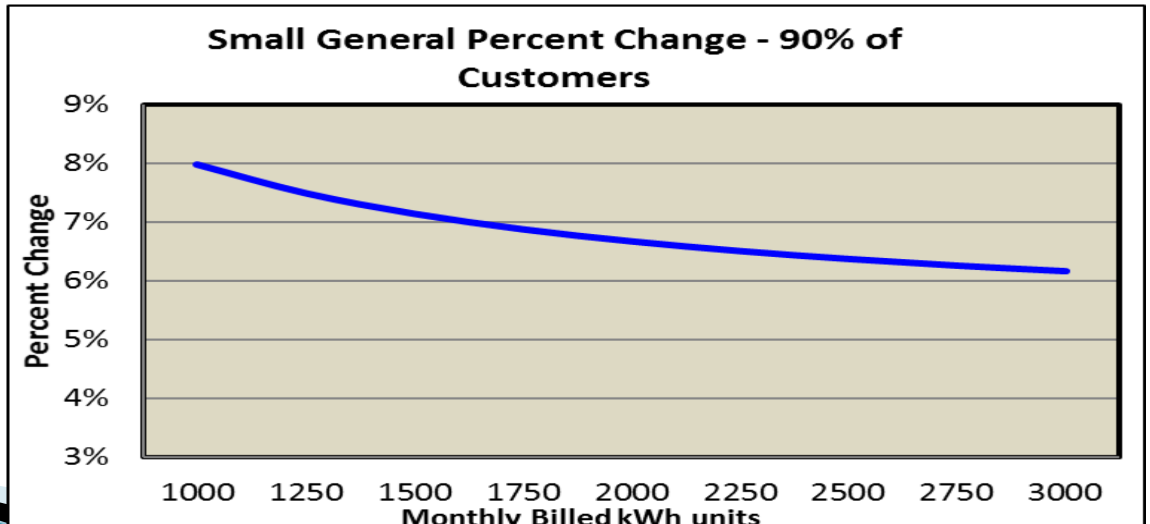
Proposed Small General 2017 Rate Design

		Current Rates		2017 Proposed Rate Design		2017 Cost of Service Rates
Customer Charge	$	21.38	$	25.38	$	29.92
Winter - All kWh	$	0.07603	$	0.07938	$	0.08433
Summer - All kWh	$	0.08332	$	0.08890	$	0.10579
Seasonality spread--->		*10%*		*12%*		*25%*
PILT Winter - All kWh	$	0.00656	$	0.00685		
PILT Summer - All kWh	$	0.00695	$	0.00778		
Revenues from Current Rates	$	9,127,515	$	9,739,286		
Percentage Change from Current				6.70%		



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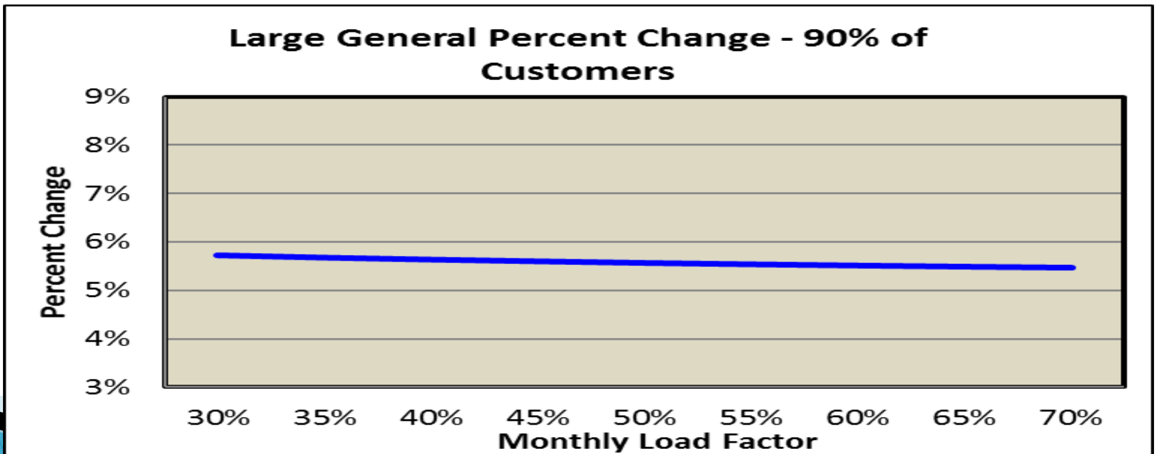
Proposed Small General 2017 Rate Impacts

SG Monthly Winter Bill Comparison				
Usage (kWh)	Current Bill ($)	Proposed Bill ($)	Dollar Change ($)	Change (%)
1000	$ 97.41	$ 104.76	$ 7.35	7.54%
1250	$ 116.42	$ 124.60	$ 8.18	7.03%
1500	$ 135.43	$ 144.44	$ 9.02	6.66%
1750	$ 154.43	$ 164.29	$ 9.86	6.38%
2000	$ 173.44	$ 184.13	$ 10.69	6.16%
2250	$ 192.45	$ 203.98	$ 11.53	5.99%
2500	$ 211.46	$ 223.82	$ 12.37	5.85%
2750	$ 230.46	$ 243.66	$ 13.20	5.73%
3000	$ 249.47	$ 263.51	$ 14.04	5.63%

SG Monthly Summer Bill Comparison					
Usage (kWh)	Current Bill ($)	Proposed Bill ($)	Dollar Change ($)	Change (%)	Annual Bill Impact
1000	$ 104.70	$ 114.28	$ 9.58	9.15%	7.97%
1250	$ 125.53	$ 136.51	$ 10.98	8.74%	7.48%
1500	$ 146.36	$ 158.73	$ 12.37	8.45%	7.13%
1750	$ 167.19	$ 180.96	$ 13.77	8.23%	6.87%
2000	$ 188.02	$ 203.18	$ 15.16	8.06%	6.67%
2250	$ 208.85	$ 225.41	$ 16.56	7.93%	6.51%
2500	$ 229.68	$ 247.63	$ 17.95	7.82%	6.37%
2750	$ 250.51	$ 269.86	$ 19.35	7.72%	6.26%
3000	$ 271.34	$ 292.08	$ 20.74	7.64%	6.16%

Proposed Large General 2017 Rate Design

		Current Rates		2017 Proposed Rate Design		2017 Cost of Service Rates
Customer Charge	$	96.10	$	134.60	$	134.60
Winter - All kWh	$	0.04069	$	0.04170	$	0.04205
Summer - All kWh	$	0.03907	$	0.04378	$	0.04903
Seasonality spread--->		*-4%*		*5%*		*17%*
Winter - All kW	$	9.93	$	10.50	$	11.46
Summer - All kW	$	14.26	$	14.50	$	15.46
Seasonality spread--->		*44%*		*38%*		*35%*
PILT Winter - All kWh	$	0.00525	$	0.00547		
PILT Summer - All kWh	$	0.00596	$	0.00657		
Plant Investment (- All kWh)	$	-	$	-		
Revenues from Current Rates		$14,541,804		$15,371,304		
Percentage Change from Current				5.70%		



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Proposed Large General 2017 Rate Impacts

LG Monthly Winter Bill Comparison				
Load Factor	Current Bill ($)	Proposed Bill ($)	Dollar Change ($)	Change (%)
30%	$ 2,941.15	$ 3,099.09	$ 157.94	5.37%
35%	$ 3,165.35	$ 3,328.85	$ 163.50	5.17%
40%	$ 3,389.55	$ 3,558.61	$ 169.06	4.99%
45%	$ 3,613.75	$ 3,788.37	$ 174.62	4.83%
50%	$ 3,838.36	$ 4,018.55	$ 180.19	4.69%
55%	$ 4,062.56	$ 4,248.31	$ 185.75	4.57%
60%	$ 4,286.77	$ 4,478.07	$ 191.31	4.46%
65%	$ 4,510.97	$ 4,707.83	$ 196.86	4.36%
70%	$ 4,735.17	$ 4,937.59	$ 202.42	4.27%

LG Monthly Summer Bill Comparison					
Load Factor	Current Bill ($)	Proposed Bill ($)	Dollar Change ($)	Change (%)	Annual Bill Impact
30%	$ 3,541.40	$ 3,772.04	$ 230.63	6.51%	5.73%
35%	$ 3,756.68	$ 4,013.28	$ 256.60	6.83%	5.68%
40%	$ 3,971.96	$ 4,254.53	$ 282.58	7.11%	5.64%
45%	$ 4,187.23	$ 4,495.78	$ 308.55	7.37%	5.60%
50%	$ 4,402.90	$ 4,737.47	$ 334.57	7.60%	5.57%
55%	$ 4,618.17	$ 4,978.72	$ 360.55	7.81%	5.54%
60%	$ 4,833.45	$ 5,219.97	$ 386.52	8.00%	5.51%
65%	$ 5,048.73	$ 5,461.22	$ 412.49	8.17%	5.49%
70%	$ 5,264.00	$ 5,702.47	$ 438.47	8.33%	5.47%

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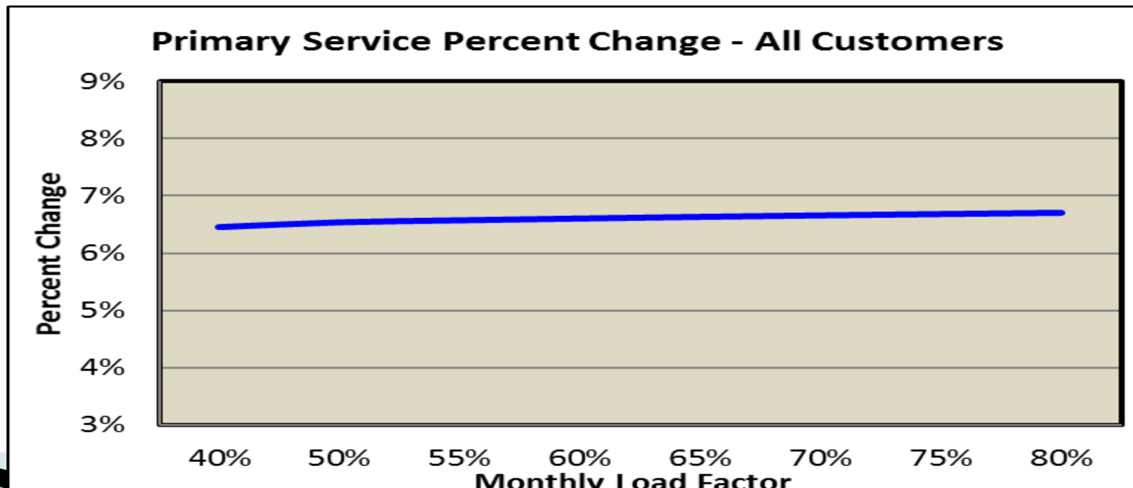
Proposed Primary Service 2017 Rate Design

		Current Rates		2017 Proposed Rate Design		2017 Cost of Service Rates
Customer Charge	$	105.07	$	151.83	$	151.83
Winter - All kWh	$	0.03965	$	0.04169	$	0.04201
Summer - All kWh	$	0.03854	$	0.04377	$	0.04925
Seasonality spread--->		*-3%*		*5%*		*17%*
Winter - All kW	$	9.50	$	10.00	$	11.04
Summer - All kW	$	13.73	$	14.25	$	15.41
Seasonality spread--->		*45%*		*43%*		*40%*
PILT Winter - All kWh	$	0.00452	$	0.00469		
PILT Summer - All kWh	$	0.00501	$	0.00544		
Plant Investment - All kWh	$	-	$	-		
Revenues from Current Rates	$	517,451	$	551,511		
Percentage Change from Current				6.58%		



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Proposed Primary Service 2017 Rate Impacts

PT Monthly Winter Bill Comparison				
Load Factor	**Current Bill ($)**	**Proposed Bill ($)**	**Dollar Change ($)**	**Change (%)**
40%	$ 9,294.96	$ 9,819.11	$ 524.15	5.64%
50%	$10,557.02	$11,146.02	$ 589.00	5.58%
55%	$11,188.25	$11,809.69	$ 621.44	5.55%
60%	$11,819.08	$12,472.94	$ 653.86	5.53%
65%	$12,449.91	$13,136.18	$ 686.27	5.51%
70%	$13,081.14	$13,799.85	$ 718.71	5.49%
75%	$13,711.97	$14,463.10	$ 751.12	5.48%
80%	$14,343.20	$15,126.76	$ 783.56	5.46%

PT Monthly Summer Bill Comparison					
Load Factor	**Current Bill ($)**	**Proposed Bill ($)**	**Dollar Change ($)**	**Change (%)**	**Annual Bill Impact**
40%	$10,997.95	$11,937.50	$ 939.55	8.54%	6.46%
50%	$12,224.68	$13,330.75	$ 1,106.08	9.05%	6.55%
55%	$12,838.23	$14,027.60	$ 1,189.37	9.26%	6.58%
60%	$13,451.41	$14,724.01	$ 1,272.61	9.46%	6.61%
65%	$14,064.58	$15,420.42	$ 1,355.84	9.64%	6.64%
70%	$14,678.13	$16,117.27	$ 1,439.13	9.80%	6.67%
75%	$15,291.30	$16,813.68	$ 1,522.37	9.96%	6.69%
80%	$15,904.86	$17,510.53	$ 1,605.66	10.10%	6.71%

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Coincident Peak Rates

Coincident Peak billed customer rates for 2017 to be calculated in Quarter 4 of 2016

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Residential Self Generation Customers

Completed avoided cost valuation of solar production:

- Identified power supply savings using PRPA wholesale rates
- Identified solar production at the time of the system peak demand
- Energy savings occurring from solar
- Distribution system savings
- Identified cost shift occurring under current methodology

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Residential Self Generation

Residential Customer

Apply an additional monthly charge per kW of installed solar capacity

- Year one = $1.45
- Year two = $2.89

Minimum Cash Reserve

UFS proposal to increase current Power Utilities policy of maintaining a minimum 15% of projected O&M

- Based on four components
- Improve credit rating

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The password to the public access wireless network (colguest...

Minimum Cash Reserve Calculation

Retail Rate Adjustment		5.70%	5.00%	3.00%	3.00%	3.00%
Recommended Minimum Cash Reserve						
O&M Less Depreciation & Purchased Power Expense		$ 13,591,544	$ 14,214,222	$ 14,748,045	$ 15,321,041	$ 15,919,396
Historical Value of Assets (Rate Base)		200,412,485	208,563,545	217,310,145	227,355,664	235,883,359
Five Year Capital Plan (less PIF) - Net of bond proceeds		46,475,224	46,475,224	46,475,224	46,475,224	46,475,224
Annual Purchased Power Expense		44,363,341	45,472,424	46,609,235	47,774,466	48,968,827
	Percent Allocated	**Projected 2017**	**Projected 2018**	**Projected 2019**	**Projected 2020**	**Projected 2021**
O&M Less Depreciation & Purchased Power Expense	**8.2%**	$ 1,117,113	$ 1,168,292	$ 1,212,168	$ 1,259,264	$ 1,308,443
Historical Value of Assets (Rate Base)	**1.0%**	2,004,125	2,085,635	2,173,101	2,273,557	2,358,834
Five Year Capital Plan (less PIF) - Net of bond proceeds	**10%**	4,647,522	4,647,522	4,647,522	4,647,522	4,647,522
Annual Purchased Power	**10.7%**	4,767,592	4,886,781	5,008,951	5,134,175	5,262,529
Recommended Minimum Cash Reserve		**$ 12,536,352**	**$ 12,788,231**	**$ 13,041,743**	**$ 13,314,517**	**$ 13,577,329**
Days cash on hand @ Minimum Cash Reserve Recommendation		*79*	*78*	*78*	*77*	*76*
Projected Cash Reserves (less PIF reserve)		**$ 9,735,148**	**$ 10,258,334**	**$ 10,694,235**	**$ 10,525,953**	**$ 14,326,591**
Projected Cash Reserves (including PIF reserve)		*$ 9,832,845*	*$ 10,277,311*	*$ 11,269,172*	*$ 11,969,840*	*$ 18,299,088*
Loveland Desired Balance (15% of Oper Exp excl'g deprn)		$ 8,772,386	$ 9,198,905	$ 9,659,303	$ 10,092,849	$ 10,300,214

Utility Financial Solutions, LLC

Projection Summary
(with optional rate track)

Fiscal Year	Projected Rate Adjustments	Projected Revenues	Projected Expenses	Adjusted Operating Income[1]	Projected Cash Balances	Capital Improvements (less PIF)
2017	5.70%	$ 64,233,811	$ 62,485,106	$ 2,365,041	$ 9,735,148	$ 11,004,350
2018	5.00%	68,276,725	65,697,011	3,196,051	10,258,334	8,151,060
2019	4.00%	72,075,555	69,081,505	3,610,386	11,267,591	8,746,600
2020	4.00%	76,130,186	72,311,797	4,434,725	12,333,872	10,045,519
2021	3.00%	79,750,483	73,985,654	6,381,164	17,485,051	8,527,695
Recommended Target in 2017				**$ 4,741,881**		
Recommended Target in 2021				**$ 5,288,842**		
Recommended MINIMUM Target in 2017					**$ 12,536,352**	
Recommended MINIMUM Target in 2021					**$ 13,585,111**	

Utility Financial Solutions, LLC

End of Presentation

Utility Financial Solutions

Dan Kasbohm
616-846-6464

Utility Financial Solutions, LLC

AGENDA ITEM: USED BY AGENDA MANAGEMENT
MEETING DATE: 8/30/2016
TO: City Council
FROM: Julia Holland, Human Resources
PRESENTER: Julia Holland, Director

City of Loveland

TOTAL AGENDA ITEM TIME: 60 min

TITLE:
Presentation of the 2017 Benefit Fund budget recommendations

SUMMARY:
Annually the City reviews benefit program costs and contributions to determine necessary changes for the upcoming year. The City has worked diligently to mitigate rising costs as much as possible. However, due to the continuing impact of rising health care expenses, recent high claims experience and minimal premiums adjustments, we are proposing a considerable increase to our premiums for 2017 through the annual budget process. The total increase for medical expenses is estimated to be $4.2 million. This recommendation would result in an annual increase for medical costs of $3,835,497 for the city and an annual increase of $447,719 for employees.

BACKGROUND:
The Employee Benefits Fund tracks revenue and expenses related to medical, dental, life insurance and disability, and wellness programs offered by the City. The revenues to the funds consist primarily of City contributions and employee payments for medical and dental premiums. The majority of the expenses consist of claim payments for medical and prescriptions as well as administrative costs, such as stop loss premiums. Other related expenses are the Administrative Service fees to the insurance carrier that manages the claims for medical and dental insurance, premium payments for both short and long term disability coverage, life insurance, wellness programs, employee assistance program, heath plan consulting services, and costs for operating an employee health clinic.

For many years, going back at least to the early 2000's, City Council policy for the split of costs for these different services have remained as detailed below:

Service	City	Employee
Medical/Prescription Insurance	80%	20%
Dental Insurance	60%	40%
Short and Long Term Liability Coverage	100%	--
Basic Life Insurance	100%	--
Wellness programs & Employee Assistance program	100%	--
Professional Services	100%	--

Medical expenses, primarily claims costs, make up the largest portion of costs, averaging approximately 89% of the total costs, within the fund. Premium payments (which are split between the employer and employee) should be designed to off-set projected claims and other medical costs.

The fund experienced significant financial stress in the early 2000's due to rapidly rising claims expenses. This resulted in the fund going negative in 2004 and 2005 requiring cash infusions.

From 2005 to 2009, claims costs were lower due to plan changes, shifting more cost to the employees in terms of deductibles and co-pays and fewer large and stop loss claims. During this time the budget and premiums remained at the same premium level required in 2006 to stabilize the fund. The result was a growing fund balance. It was necessary at that point in time to return the fund to a position with adequate reserves. This was achieved in 2007 when the fund balanced reached $5 million. Since that time the strategy chosen was to keep premiums flat even though costs were projected to continue to rise and spend down fund balance to cover the projected cost growth, with the plan of evolving into slow premium growth. However, due to the volatility of medical claims, which is the main cost driver of the fund, and the significant increase in claims beginning in 2013 and continuing through 2015 the fund balance was depleted.

Relying on the fund balance to cover expenses resulted in an estimated revenue shortfall of $4.2 million for projected 2017 medical expenses. Due to the considerable increase required to right-size the fund several options in the cost share structure were considered. After extensive analysis and consultation with the Budget, the City Manager's Office and IMA (the City's Employee Benefits Broker), staff recommends the cost share be weighted toward the employer in 2017. This will shift the cost share structure to an average of 85% employer and 15% employee. This recommendation would result in an annual increase for medical costs of $3,835,497 for the city and an annual increase of $447,719 for employees. In 2018 and beyond, the city will work to shift the cost share back to the standard city cost share of 80% employer and 20% employee.

Annually staff will continue analysis of expenses and adjust premiums as required to maintain a sufficient revenue stream to cover projected medical and benefit costs. Annual adjustments will provide the opportunity for incremental increases to premiums year-to-year, and avoid more sporadic substantial adjustments as needed in 2017.

REVIEWED BY CITY MANAGER:

LIST OF ATTACHMENTS:

1. 2017 Benefit Fund Presentation
2. City Benefits Overview
3. City Medical Plan Options
4. 2017 Proposed Premiums and 2016 Comparison
5. Employer Impact by Fund
6. Self-Insured versus Fully Insured Comparison
7. Glossary of Terms
8. Power Point Presentation

Benefit Fund

August 30, 2016

Julia Holland, Director of Human Resources

Outline

- Benefit Fund Program
- Revenue Overview
- Benefit Fund History
- Medical Plan History
- Market Trends
- 2017 Recommendation
- Looking Ahead
- Council Support and/or Direction

Objective & Overview

- Determine City Council support of recommendations
- Human Resources collaborated with Benefit Broker (IMA), Budget Office and City Manager’s Office
- Benefit Fund recommendations are intended to be adopted as part of the City’s 2017 recommended budget in October

Benefit Fund Programs

Employee/Employer cost share	**Employer 100% paid by City**	**Employee 100% paid by employee**
Medical (Self-Insured) • Claims • Prescriptions • Clinic • Health Care Reform Fees • Stop Loss Insurance Dental (Self-Insured) Retirement Plans	Life Insurance Disability Insurance • Short Term • Long Term Premium Wellness Employee Assistance Professional Services • Flex Spending Account Administration • Leave Administration • COBRA Administration • Vendors/Consulting	Vision Supplemental Life Insurance

Stop Loss: Insurance for claims in excess of $175k

Benefit Fund Analysis

- Monthly Review
  - – Medical/Rx plan spend
  - – Dental plan spend
  - – Stop Loss and high claims activity
- Annual Review
  - – Market trends
  - – Increase cost/revenue projections
  - – Plan design & cost mitigation strategies
  - – Annual Clinic report to Council
  - – Legislative impacts

Benefit Fund Revenue

- Medical Cost
  - Cost share average 80% Employer & 20% Employee
  - Medical costs represent 89% of Benefit Fund*
- Dental Cost
  - Cost share average 60% Employer & 40% Employee
- Other Benefits
  - Benefits covered at 100% by employer are allocated to departments per FTE
- Fund Balance/Reserve

**Excluding Retirement Plans*

Benefit Fund
Revenue versus Expense

Year	Revenue	Expense	Variance	Fund Balance
2011	$9,546,977	$9,667,276	$(120,298)	$5,645,141
2012	$9,502,435	$8,599,969	$902,466	$6,547,607
2013	$9,823,848	$10,448, 053	$(624,205)	$5,923,402
2014	$9,723,236	$12,037,399	$(2,314,163)	$3,609,238
2015	$11,695,839**	$14,903,348	$(3,207,508)	$401,730
2016*	$11,880,555**	$8,962,872	$2,917,684	$3,530,716***

*Actual Expenditures/Balances including encumbrances as of 7/31/16
**Revenue Includes transfer from GF of $5.3M, $610,000 used for 2015 & $4,732,782 transferred to 2016 budget
***Estimate the ending fund balance will be no more than $2M at year-end.

City Medical Plan Contributions and Claims

Year	Medical Premium Increase	Medical/Prescription Cost Increase (net stop loss)	Stop Loss Claims
2009	1% OAP & 3.5% HRA	-4%	3
2010	No increase	6%	5
2011	No increase	7%	1
2012	No increase	-14%	1
2013	No increase	21%	4
2014	1% OAP & 1% HRA	13%	7
2015	1.5% OAP & 1.5% HRA	18%	9
2016	7% OAP & 15% HRA	3 - 8% trend	4 (as of July)
Average	**1.3% OAP & 2.6% HRA**	**7%**	**4**

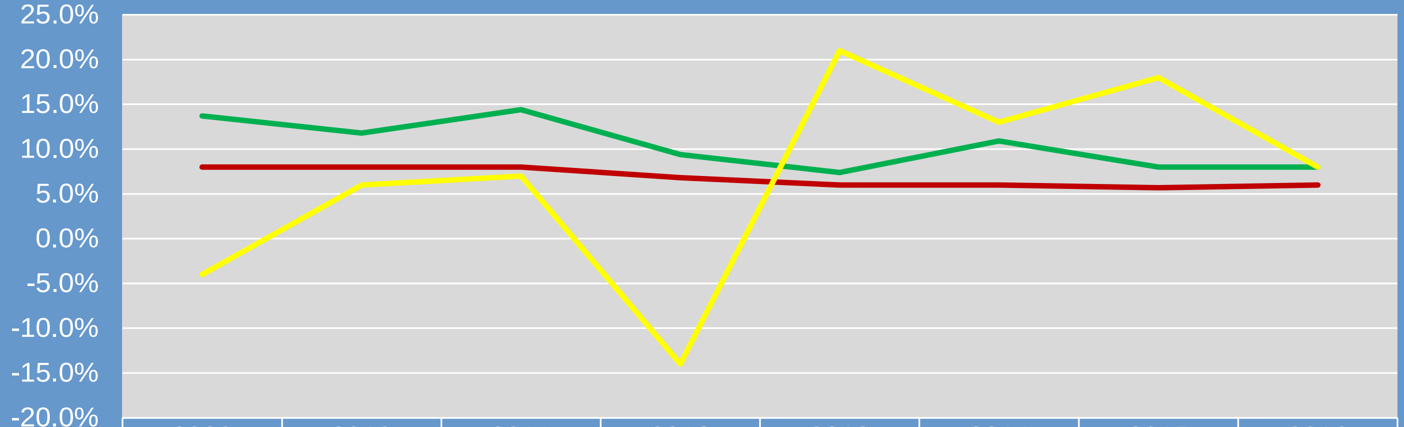
OAP: Open Access Plan

HRA: Health Reimbursement Arrangement Plan

Stop Loss: Insurance for claims in excess of $175k

Market Trend versus COL Trend

Medical Trend Plan Cost % Increase



	2009	2010	2011	2012	2013	2014	2015	2016
Colorado	13.7%	11.8%	14.4%	9.4%	7.4%	10.9%	8.0%	8.0%
National	8.0%	8.0%	8.0%	6.8%	6.0%	6.0%	5.7%	6.0%
COL	-4.0%	6.0%	7.0%	-14.0%	21.0%	13.0%	18.0%	8.0%

Colorado National COL

CO Average	National Average	COL Average
10.5%	6.8%	6.9%

2016 Lockton Colorado Survey & 2015 Towers/Watson National Survey

The password to the public access wireless network (colguest...

2017 Recommendation

- Right-size the Fund – Medical Premium Increase
  - Total Increase $4,283,216
  - Medical Premium General Fund impact $2,877,115
  - Cost share weighted toward Employer in 2017
    - Average contribution 85% Employer & 15% Employee
    - Employer total annual increase $3,835,497
    - Employee total annual increase $447,719
- Dental Increase
  - Average $2.76 per month increase Employee (full-time)
  - Average $4.15 per month Employer
- Plan design review
  - Prescription cost mitigation strategies
  - Clinic service model

2017 Medical Plan Contribution Increases

MONTHLY INCREASE from 2016 Premiums				
FULL TIME 40 HR	**OAP - WITH INCENTIVE Monthly Increase**		**HRA - WITH INCENTIVE Monthly Increase**	
	EMPLOYEE	CITY	EMPLOYEE	CITY
Employee Only	$20.99	$295.19	$5.85	$250.75
Employee & Spouse	$63.21	$559.84	$50.57	$442.61
Employee & Children	$53.70	$491.77	$44.74	$388.59
Family	$86.18	$698.02	$68.33	$549.68

Cost Sharing Market Trends

EMPLOYEE CONTRIBUTION TOWARD SINGLE COVERAGE

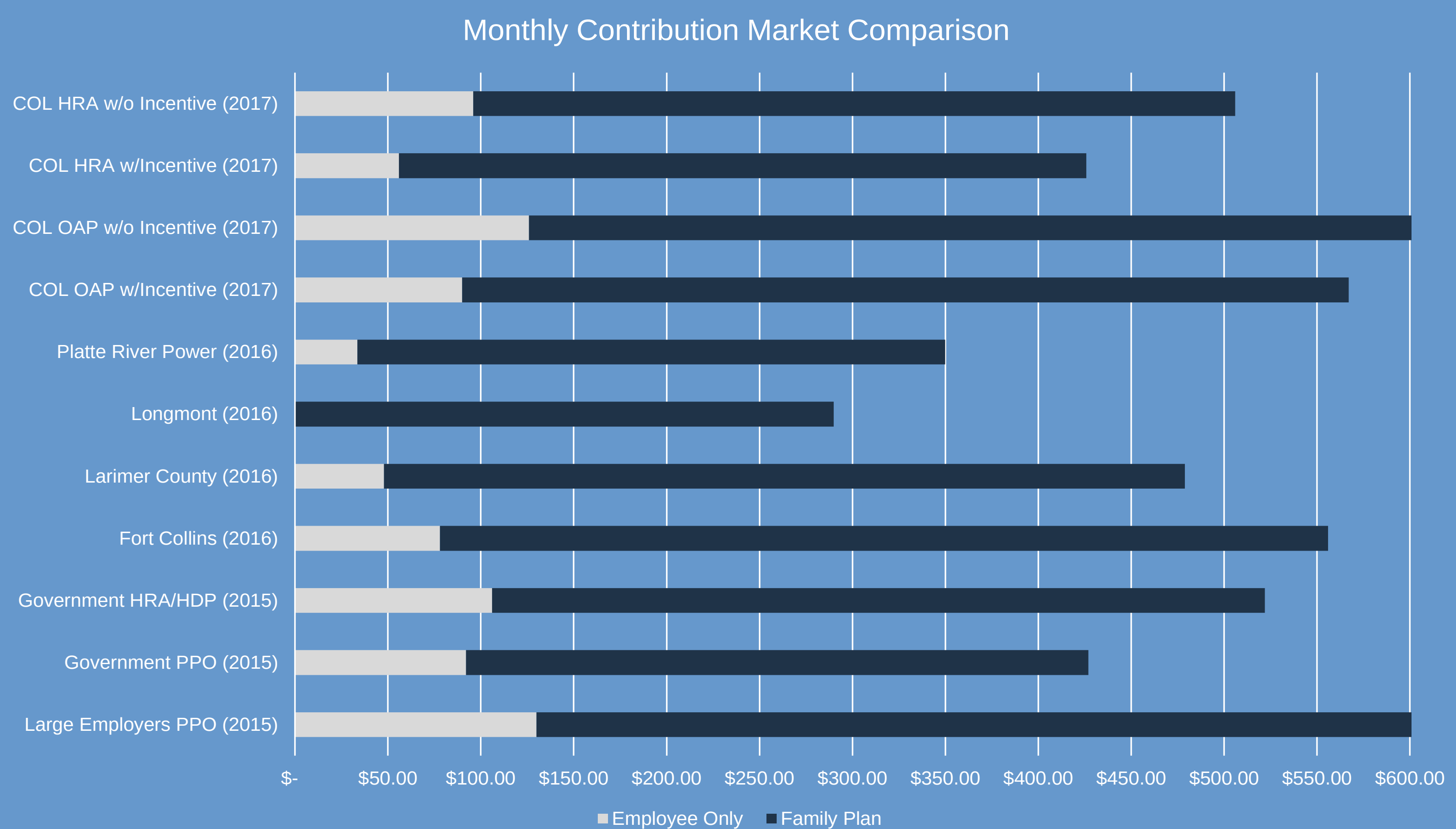
% of Premium	% of Employers							
	2009	2010	2011	2012	2013	2014	2015	2016
0-9% of premium	31%	35%	31%	26%	30%	25%	26%	31%
10-19% of premium	28%	29%	27%	34%	26%	34%	28%	24%
20-29% of premium	22%	22%	21%	20%	25%	22%	22%	20%
30-39% of premium	9%	12%	13%	10%	13%	10%	14%	15%
40-49% of premium	3%	2%	3%	4%	3%	6%	5%	4%
Over 50% of premium	7%	7%	5%	5%	3%	3%	5%	7%

EMPLOYEE CONTRIBUTION TOWARD FAMILY COVERAGE

% of Premium	% of Employers							
	2009	2010	2011	2012	2013	2014	2015	2016
0-9% of premium	9%	11%	8%	9%	7%	12%	9%	8%
10-19% of premium	11%	18%	12%	10%	15%	12%	13%	7%
20-29% of premium	29%	24%	27%	29%	31%	25%	28%	27%
30-39% of premium	13%	17%	19%	14%	17%	17%	21%	20%
40-49% of premium	10%	7%	10%	13%	9%	11%	9%	8%
Over 50% of premium	28%	2%	23%	25%	21%	23%	20%	31%

2016 Colorado Employer Benefits Survey, Lockton Companies

Employee Cost Comparison



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2016 Platte River Power Annual Benefit Survey & 2015 Mercer National Survey

Plan Design Market Comparison

Plan	COL 2017	Benchmark 2015
OAP		
Deductible	$600	$500
Coinsurance	80%	80%
Out of Pocket Max	$3,000	$2,000
HRA		
Deductible	$2,000	$2,080
Coinsurance	80%	70%
Out of Pocket Max	$6,000	$4,000

2015 Mercer National Survey - Benchmark is combination of Government and Large Employer survey data

Employee Impact

OAP	2017 Annual Medical Increase	Merit Net of Premium Increase	Net Merit %
Employee Only	$252	$2,013	3.11%
Employee & Spouse	$759	$1,506	2.33%
Employee & Children	$644	$1,621	2.50%
Family	$1,034	$1,231	1.90%
HRA			
Employee Only	$70	$2,194	3.39%
Employee & Spouse	$607	$1,658	2.56%
Employee & Children	$537	$1,728	2.67%
Family	$820	$1,445	2.23%

*Assumes proposed 2017 merit of 3.5% on average full-time benefit eligible employee salary

Employer Budget Impact for Benefit Fund

Fund Name	Increase from 2016 Adopted Budget to 2017 Proposed Budget	
General Fund	$3,132,801	63%
Enterprise Funds	$892,325	41%
Special Revenue Funds	$113,863	67%
Internal Service Funds	$142,283	59%
Other Entities	$754,560	76%
TOTAL	**$5,035,832**	**59%**

Note: This is entire benefit fund not just medical impact. Detail of impact by specific funds are included in Agenda Item Packet

Continuous Improvement

- Continue annual plan design review for cost mitigation strategy
- Continue annual analysis of plan expenses
- Adjust premium contributions annually based on projections
- Encourage and educate employees on consumer-driven approach
- Internal Policy Reserve Fund

Other Impacts

- Pending State and Federal Legislation
  - Amendment 69 (State)
  - Health Care Reform and Cadillac Tax FY2020 (Federal)
  - Election (Federal)

City Council Feedback & Direction

- Confirm Council Support and/or Direction
- Benefit Fund recommendations to be adopted as part of 2017 Recommended Budget in October

2016 City Benefits Overview and Total Rewards

Medical Plan (Cigna)

The City of Loveland offers two City-funded medical plans to its active employees, both of which are administered through Cigna. These plans are offered to both regular full-time and part-time employees:

HRA/Choice Fund

- $2,000/$5,000 (single/family) in-network deductible
- $6,000/$12,000 (single/family) in-network out-of-pocket maximum
- Most services covered at 80% after deductible

Open Access Plan

- $600/$1,800 (single/family) in-network deductible
- $3,000/$7,000 (single/family) in-network out-of-pocket maximum
- Office visit copay and other services covered at 80% after deductible

Employee Health Clinic (HealthStat)

Any employee or dependent over the age of two enrolled in either of the two medical plans is given access to the City of Loveland's Employee Health Clinic. The clinic offers wellness services, disease management, minor episodic care, and also dispenses a limited number of generic medications.

Dental Plan (Delta Dental)

Employees and eligible dependents are offered City-funded dental coverage through Delta Dental's PPO and Premier Networks. Benefits include:

- $1,500 per person calendar year benefit maximum
- $1,500 per person orthodontic lifetime maximum for those aged 19 and under
- $25 per year calendar deductible
- Preventive and diagnostic services covered at 100%

Vision Plan (VSP)

Employees and eligible dependents are offered participation in group vision coverage, paid by employee contributions. The coverage allows for one examination every 12 months, prescription contacts or eyeglass lenses every 12 months, and prescription eyeglass frames every 24 months. Other vision-related discounts are also available through VSP.

Employee Assistance Program (ComPsych)

Eligible employees and household members are automatically covered by the City's Employee Assistance Program (EAP). Telephonic and referral services are offered, as well as six face-to-face visits per issue.

Flexible Spending Accounts (PayFlex)

Employees are allowed to set aside pre-tax contributions to both a health and dependent care FSA, which reimburse eligible health care and dependent care expenses.

Employer-Paid Life, and Accidental Death and Dismemberment (The Hartford)

All eligible employees are automatically covered with basic life insurance and AD&D, which pays a benefit of 1.5 times employees' annual salary (up to $200,000).

Supplemental Life Insurance (The Hartford)

Employees may purchase supplemental life insurance, with a guaranteed issue of up to $200,000 per employee, and a maximum coverage amount of $300,000.

529 Savings Program (CollegeInvest)

Employees may participate in Colorado's 529 college savings program, through direct deposit contributions from their paycheck.

Short Term Disability (The Hartford)

Employees are covered by the City's short term disability (STD) coverage. The STD coverage will pay 70% of the disabled employee's base salary up to 90 days, after which the employee may be entitled to long term disability (LTD).

Long Term Disability (The Hartford)

Employees who are disabled beyond 90 days may apply for LTD benefits. This disability coverage will pay 60% of base wages (up to $5,000), as well as payments for a partial disability.

Travel Assistance, Identity Protection, and *Life Conversations* (The Hartford)

Employees are entitled to travel assistance through The Hartford, which includes travel-related services such as pre-trip planning, emergency medical referrals during travel, medically necessary transportation home, and assistance in monitoring foreign care. In addition, The Hartford provides identity theft resolution support to employees who are the victim of identity theft, as well as a single source of information to assist employees with creating a will and planning for end-of-life decisions.

Time Off

Benefit eligible employees accrue vacation based on their position and length of service. Employees are afforded the ability to continue accruing vacation up to a maximum level based on their position and length of service. Medical leave is given to employees at the beginning of each year based upon the budgeted hours of their position. Remaining medical balances at the end of the year are moved to a bank. Medical bank hours in excess of the maximum allotment are paid to the employee at a rate of 2 for 1. Eleven holiday days are given to employees each year.

Retirement

Employees are enrolled into a mandatory 401(a) money purchase retirement program under their respective plan and can voluntarily contribute to a governmental 457 plan up to the IRS limits.

Non-Sworn Police and Non-Certified Fire employees' retirement plan begins at 6 months of employment. Employees contribute 3% of their base wages and the City contributes 5% of their base wages. The employer portion increases with longevity. These employees also contribute to social security. After three years of employment the employee is 100% vested in the City's contributions.

Sworn Police employee's retirement plan begins on their first day of employment. Employees contribute 7% of their base salary and the City contributes 11% of their bases wages. Additionally, officers participate in the Colorado State Fire, Police Pension Association Death and Disability by contributing 2.6% of their salary. Officers do not participate in Social Security. After five years of employment the employee is 100% vested in the City's contributions.

Certified Fire employee's retirement plan begins on their first day of employment. Employees contribute 9% of their base salary and the Fire Rescue Authority contributes 11% of their base wages. Additionally, certified fire employees participate in the Colorado State Fire, Police Pension Association Death and Disability by contributing 2.6% of their salary. Certified fire employees do not participate in Social Security. After six years of employment the employee is 100% vested in the City's contributions.

Attachments:

1. 2016 City Medical Plan Comparison
2. Comparative Data on Market
    a. Benchmark Data from 2014 Mercer National Survey – Includes Public and Private Data (2015 survey data should be published this month)
    b. Benchmark Data from 2015 IMA Municipality book of business (IMA is the City's Benefit Broker)
3. Sample Total Reward Statements – samples include examples of various benefit coverage options/levels

City of Loveland
Medical Plans for 2016

Benefits/Services	HRA/Choice Fund Health Reimbursement Arrangement (HRA/OAP) Employer pays identified % of service after deductible is met unless otherwise noted		Open Access Plan (OAP) Employer pays identified % of service after deductible is met unless otherwise noted	
	In-Network	*Out-of Network*	*In-Network*	*Out-of-Network*
Fund Rollover Cap	Single $3,300 / Family $6,600		n/a	n/a
Employer Paid Fund - Single	$500		n/a	n/a
Employer Paid Fund - Family	$1,000		n/a	n/a
Calendar Year Deductible				
Individual	$2,000	$4,000	$600	$1,200
Family	$5,000	$10,000	$1,800	$4,800
Maximum Lifetime Benefit	unlimited		unlimited	
Coinsurance	80%	60%	80%	60%
Out-of-pocket (OOP) maximum				
Individual	$6,000	$10,000	$3,000	$6,000
Family	$12,000	$20,000	$7,000	$14,000
Doctor Office Visit PCP/Specialist	80%*	60%*	$25/$30 copay	60%*
Preventive Care - PCP/Specialist includes routine physical, DOT-CDL, well baby care - not applied to deductible	100%	In-network only	100%	In-network only
Preventive Care - mammography, pap smear, prostate screen - in network does not apply to deductible	100%	60%*	100%	60%*
Hospital Inpatient/Outpatient	80%*	60%*	80%*	60%*
Urgent Care Facilities	80%*	80%*	$50 copay	$50 copay
Emergency Room	80%*	80%*	80%*	80%*
Ambulance	80%*	80%*	80%*	80%*
Diagnostic Lab	80% (without first meeting deductible)	80% (without first meeting deductible)	80% (without first meeting deductible)	80% (without first meeting deductible)
Diagnostic X-ray	80% (without first meeting deductible)	60%*	80% (without first meeting deductible)	60%*
MRI/CAT/PET	80%*	60%*	80%*	60%*
Therapy Physical, Occup, Speech	80%* 60 visit max/yr	60%* 60 visit max/yr	$25/$30 copay; 60 visit max/yr	60%* 60 visit max/yr
Autism Therapy Physical, Occup, Speech	80%* 60 visit max/yr	60%* 60 visit max	$25/$30 copay	60%* 60 visit max/yr
Maternity	80%*	60%*	Office Visit Copay to confirm then 80%*	60%*
Chiropractic Care	80%* max 20 visits/yr	60%*max 20 visits/yr	$25/$30 copay; max 20 visits/yr	60%* max 20 visits/yr
Prescription Drugs (deductible does not apply to prescriptions)				
30 day supply				
Generic	emp pays 10% ($5 max)	emp pays 30%	$5 copay	emp pays 30%
Preferred brand	emp pays 20% ($60 max)	emp pays 30%	$30 copay	emp pays 30%
Non-preferred brand	emp pays 30% ($125 max)	emp pays 30%	$50 copay	emp pays 30%
Speciality	emp pays 30% ($250 max)	emp pays 30%	$150 copay	emp pays 30%
Mail Order 90 day supply				
Generic	emp pays 10% ($15 max)	In-network only	$15 copay	In-network only
Preferred brand	emp pays 20% ($180 max)	In-network only	$90 copay	In-network only
Non-preferred brand	emp pays 30% ($375 max)	In-network only	$150 copay	In-network only
Speciality	emp pays 30% ($750 max)	In-network only	$450 copay	In-network only
Mental Health Outpatient	80%*	60%*	80%*	60%*
Routine Eye Exam	Not covered	Not covered	Not covered	Not covered

*** Subject to calendar year deductible**

updated 9/2015

Log onto any computer to www.mycignaplans.com ID: cityofloveland2016 password: cigna	CIGNA pre-enrollment assistance line 1-800-401-4041	**While on a City of Loveland computer, visit the HR intranet**

The password to the public access wireless network (colguest...

2016 to 2017 Premium Comparison

2016 City of Loveland Monthly Health Premiums

OAP

		Employee		Employee + Spouse		Employee + Child(ren)		Family	
		With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive
	Full premium equivelant	$689.50		$1,455.62		$1,261.94		$1,857.94	
Employee Cost	Full time 40 hour	$64.96	$104.96	$276.06	$316.06	$228.52	$268.52	$390.88	$430.88
	Part Time 35-39	$64.96	$104.96	$276.06	$316.06	$228.52	$268.52	$390.88	$430.88
	Part Time 30-34	$64.96	$104.96	$276.06	$316.06	$228.52	$268.52	$390.88	$430.88
	Part Time 25-29	$285.78	$325.78	$703.58	$743.58	$607.32	$647.32	$925.34	$965.34
	Part Time 20-24	$357.24	$397.24	$845.14	$885.14	$729.50	$769.50	$1,105.32	$1,145.32

HRA

		Employee		Employee + Spouse		Employee + Child(ren)		Family	
		With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive
	Full premium equivelant	$540.76		$1,131.38		$981.98		$1,443.04	
Employee Cost	Full time 40 hour	$50.08	$90.08	$212.84	$252.84	$183.70	$223.70	$301.66	$341.66
	Part Time 35-39	$50.08	$90.08	$212.84	$252.84	$183.70	$223.70	$301.66	$341.66
	Part Time 30-34	$50.08	$90.08	$212.84	$252.84	$183.70	$223.70	$301.66	$341.66
	Part Time 25-29	$218.86	$258.86	$542.44	$582.44	$468.16	$508.16	$715.42	$755.42
	Part Time 20-24	$275.42	$315.42	$651.56	$691.56	$562.36	$602.36	$853.06	$893.06

Dental

		Employee	Employee + Spouse	Employee + Child(ren)	Family
	Full premium equivelant	$38.24	$80.18	$84.96	$110.88
Employee Cost	Full time 40 hour	$15.30	$31.86	$33.98	$44.36
	Part Time 35-39	$18.16	$38.10	$40.36	$52.66
	Part Time 30-34	$21.04	$44.12	$46.74	$60.98
	Part Time 25-29	$23.90	$50.12	$53.10	$69.30
	Part Time 20-24	$26.80	$56.14	$59.48	$77.62

Vision

	Employee	Employee + Spouse	Employee + Child(ren)	Family
Full Premium	$10.58	$15.34	$18.22	$29.12
All employees	$10.58	$15.34	$18.22	$29.12

2017 City of Loveland Monthly Health Premiums

OAP

		Employee		Employee + Spouse		Employee + Child(ren)		Family	
	2017	With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive
	Full premium equivelant	$965.68		$2,038.67		$1,767.41		$2,602.14	
Employee Cost	Full time 40 hour	$85.95	$125.95	$339.27	$379.27	$282.22	$322.22	$477.06	$517.06
	Part Time 35-39	$85.95	$125.95	$339.27	$379.27	$282.22	$322.22	$477.06	$517.06
	Part Time 30-34	$85.95	$125.95	$339.27	$379.27	$282.22	$322.22	$477.06	$517.06
	Part Time 25-29	$416.27	$456.27	$1,001.42	$1,041.42	$866.60	$906.60	$1,312.01	$1,352.01
	Part Time 20-24	$516.36	$556.36	$1,199.68	$1,239.68	$1,037.72	$1,077.72	$1,564.08	$1,604.08

HRA

		Employee		Employee + Spouse		Employee + Child(ren)		Family	
	2017	With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive	With Incentive	Without Incentive
	Full premium equivelant	$757.36		$1,584.56		$1,375.31		$2,021.05	
Employee Cost	Full time 40 hour	$55.93	$95.93	$263.41	$303.41	$228.44	$268.44	$369.99	$409.99
	Part Time 35-39	$55.93	$95.93	$263.41	$303.41	$228.44	$268.44	$369.99	$409.99
	Part Time 30-34	$55.93	$95.93	$263.41	$303.41	$228.44	$268.44	$369.99	$409.99
	Part Time 25-29	$322.55	$362.55	$775.74	$815.74	$671.70	$711.70	$1,018.00	$1,058.00
	Part Time 20-24	$401.76	$441.76	$928.57	$968.57	$803.64	$843.64	$1,210.78	$1,250.78

Dental

	2017	Employee	Employee + Spouse	Employee + Child(ren)	Family
	Full premium equivelant	$41.60	$87.23	$92.43	$120.63
Employee Cost	Full time 40 hour	$16.65	$34.66	$36.97	$48.26
	Part Time 35-39	$19.76	$41.45	$43.91	$57.29
	Part Time 30-34	$22.89	$48.00	$50.85	$66.34
	Part Time 25-29	$26.00	$54.53	$57.77	$75.39
	Part Time 20-24	$29.16	$61.08	$64.71	$84.44

Vision

	Employee	Employee + Spouse	Employee + Child(ren)	Family
Full Premium	$10.58	$15.34	$18.22	$29.12
All employees	$10.58	$15.34	$18.22	$29.12

City of Loveland premium structure is be 4-tier	
E	Employee Only
E + SP	Employee Plus Spouse
E + Ch	Employee Plus Child or Children
F	Family (includes Spouse and Child or Children)

** Civil Union Premiums have tax implications, please contact HR for more information*

***City Benefit is the difference between the full premium and the employee cost*

****Same sex spouse (legal marriage) mirrors opposite sex spouse premiums*

8/8/2016

Monthly Premium Difference 2016 to 2017

OAP

		Employee	Employee + Spouse	Employee + Child(ren)	Family
	Difference				
Increase	Full time 40 hour	$20.99	$63.21	$53.70	$86.18
	Part Time 35-39	$20.99	$63.21	$53.70	$86.18
	Part Time 30-34	$20.99	$63.21	$53.70	$86.18
	Part Time 25-29	$130.49	$297.84	$259.28	$386.67
	Part Time 20-24	$159.12	$354.54	$308.22	$458.76

HRA

		Employee	Employee + Spouse	Employee + Child(ren)	Family
	Difference				
Increase	Full time 40 hour	$5.85	$50.57	$44.74	$68.33
	Part Time 35-39	$5.85	$50.57	$44.74	$68.33
	Part Time 30-34	$5.85	$50.57	$44.74	$68.33
	Part Time 25-29	$103.69	$233.30	$203.54	$302.58
	Part Time 20-24	$126.34	$277.01	$241.28	$357.72

Dental

	Difference	Employee	Employee + Spouse	Employee + Child(ren)	Family
Increase	Full time 40 hour	$1.35	$2.80	$2.99	$3.90
	Part Time 35-39	$1.60	$3.35	$3.55	$4.63
	Part Time 30-34	$1.85	$3.88	$4.11	$5.36
	Part Time 25-29	$2.10	$4.41	$4.67	$6.09
	Part Time 20-24	$2.36	$4.94	$5.23	$6.82

The password to the public access wireless network (colguest...

EMPLOYER IMPACT BY FUND

Fund Name	FUND	2016 Adopted Budget	2017 Amount	Increase/Decrease from 2016 Adopted	Percentage Increase/Decrease from 2016 Adopted
General Fund Total	100	4,442,179	7,245,824.00	2,803,645.00	63.1%
City of Loveland Transit Total	105	83,660	181,442.00	97,782.00	116.9%
Conservation Trust Total	201	25,820	37,636.00	11,816.00	45.8%
Larimer County Open Space Total	202	56,460	104,074.00	47,614.00	84.3%
Community Development Block Grant (CDBG) ⁻	204	9,270	15,821.00	6,551.00	70.7%
Art in Public Places Total	205	11,890	11,889.00	(1.00)	0.0%
Lodging Total	206	40,060	66,258.00	26,198.00	65.4%
Transportation Total	211	439,553	670,927.00	231,374.00	52.6%
Parks Capital Expansion Fee Total	260	5,330	10,110.00	4,780.00	89.7%
Water Fund Total	300	547,790	712,618.00	164,828.00	30.1%
Wastewater fund Total	315	405,709	530,828.00	125,119.00	30.8%
Power fund Total	330	574,979	714,376.00	139,397.00	24.2%
Power PIF Total	331	-	8,885.00	8,885.00	0.0%
Stormwater fund Total	345	170,825	308,797.00	137,972.00	80.8%
Refuse Total	360	267,823	498,725.00	230,902.00	86.2%
Golf fund Total	375	189,740	274,962.00	85,222.00	44.9%
Fleet Management Total	501	200,610	314,539.00	113,929.00	56.8%
Risk & Insurance Total	502	41,780	70,134.00	28,354.00	67.9%
Airport Total	600	41,590	70,516.00	28,926.00	69.6%
Loveland/Larimer Building Authority Total	601	21,110	38,015.00	16,905.00	80.1%
Loveland Fire & Rescue Authority Total	604	948,794	1,674,428.00	725,634.00	76.5%
Grand Total		**8,524,972**	**13,560,804.00**	**5,035,832.00**	**59.07%**
General Fund Total		**4,965,392**	**8,098,193**	**3,132,801**	63.1%

Self-Insured versus Fully Insured

Self-Insured	**Fully Insured**
Employer pays administrative services to carrier. Premium tax substantially reduced or eliminated. Employer has more financial control. <u>Total premium includes</u>: stop loss premium, administrative expenses, and claims.	Pay monthly premium to insurance company and pay monthly premium tax. <u>Total premium includes</u>: premium tax, profit margin, reserves, administrative expenses and claims.
Plan design options include packaged plans and flexibility to customize plans. Employer owns the plan and able to make decisions regarding plan design.	Packaged Plan Design Offerings Only.
Full claims reporting. Employer owns data, which provides ability to compare claims trends and identify areas of concern. Ability to determine cost mitigation strategies.	Limited or no claims reporting.
Limited audit rights.	No audit rights.
Reserves/fund balance held by and determined by employer.	Reserves/fund balance held by insurer.

Benefit Glossary of Terms

Terminology	Definition
COBRA	The Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions amend the Employee Retirement Income Security Act, the Internal Revenue Code and the Public Health Service Act to require group health plans to provide a temporary continuation of group health coverage that otherwise might be terminated
Coinsurance	The percentage of costs of a covered health care service you pay (20%, for example) after you've paid your deductible.
Deductible	The amount you pay for covered health care services before your insurance plan starts to pay. With a $2,000 deductible, for example, you pay the first $2,000 of covered services yourself.
Fund Balance or Reserve	The difference between assets and liabilities in a governmental fund. The City's practice is to ensure fund balance is available to cover outstanding expenses. For benefits, this would be at a minimum IBNR, claims incurred but not reported.
Fully Insured	Employer pays a monthly premium and tax to the insurance carrier responsible for paying claims.
HRA	Health Reimbursement Arrangement. This is one of the City's Plan options most comparable to a High Deductible Plan. The Employer puts a specific dollar amount into a reimbursement account. The account can be used to pay 100% of eligible health care costs until the money is used up.
IBNR	Incurred but not reported (IBNR). An estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer. The sum of IBNR losses plus incurred losses provides an estimate of the total eventual liabilities for losses during a given period.
Incentive	City of Loveland employees meeting certain wellness requirements each year are eligible for a reduction in the medical premium of $40.00 per month.
Large or High Claims	Claims reaching $25k or higher.
OAP	Open Access Plan. This is one of the City's plan options, which is comparable to a Preferred Provider Organization (PPO) plan. With the plan, you'll pay a copay or an annual amount (deductible) before your health plan begins to pay for the percentage (coinsurance) for your covered health care costs.
Out of Pocket Max	The most you have to pay for covered services in a plan year. After you spend this amount on deductibles, copayments, and coinsurance, your health plan pays 100% of the costs of covered benefits. The out-of-pocket limit doesn't include your monthly premiums. It also doesn't include anything you may spend for services your plan doesn't cover.
Self-Insured	Employer itself collects premiums from enrollees and takes on the responsibility of paying medical claims.
Stop Loss	Medical stop loss is a fully insured product that provides protection against catastrophic or unpredictable losses. It is purchased by employers who have decided to self-fund their employee benefit health plans, but do not want to assume 100% of the liability for catastrophic claims arising from the plans.

Benefit Glossary of Terms