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# MEMO

## Office of the Mayor

**To:** City Council  
**From:** John R. Pick   
**Subject:** Health Care Consortium Results  
**Date:** March 22, 2005

I am pleased to announce that the Wicomico Entities Health Care Consortium, of which we are a member, has forwarded to us a check for \$218,261 representing the results of the consortium for the year ending 8/31/04. This payment is because the City's claims were less than our premium payments during this period.

The refund check is deposited in the Health Care Rate Stabilization Fund maintained by the City. The addition of these funds brings the balance of this fund to \$849,800. The purpose of the fund is to moderate the impact of future rate increases. The amount needed to meet the City's obligation under the Health Insurance Consortium agreement is \$115,000.

I am also advising Council that there will be a shortfall in the budget this year of \$218,700 in the amount allocated for health insurance premiums. The under-funding was due to an underestimation in three items: first, the effect of the increased retiree health care coverage benefit; second, the effect of the switch from Delmarva HMO to Blue Cross' HMO; and third, the movement of employees from the HMO to regular Blue Cross coverage when the single coverage co-pay was removed. In order to make up this shortfall, I recommend that the Council adopt the attached ordinance transferring the amount needed from the rate stabilization fund to the City's operating funds to offset this under-funding. If this transfer were to be made, the remaining balance in the fund would be \$619,800. This amount would exceed the required balance by \$504,800.

If you have any questions, please let me know.

cc: Mayor Tilghman  
John Cawley  
Brenda Colegrove

Ordinance No. 1933

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SALISBURY, MARYLAND  
AMENDING THE FISCAL YEAR 2005 OPERATING FUND BUDGETS TO  
PROVIDE ADDITIONAL FUNDS FOR PAYMENT OF HEALTH INSURANCE  
PREMIUMS

WHEREAS, the City established a Health Care Rate Stabilization Fund to maintain 5% of Health Insurance Premiums for unexpected cost increases, and;

WHEREAS, the Health Care Rate Stabilization fund has an excess balance of \$734,800, and;

WHEREAS, the City is under-funded in the FY-05 Operating Budget for health insurance appropriation by \$218,700,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that the City's Fiscal Year 2005 Operating Budgets be, and is hereby, amended as follows:

- 1) Add to the Fiscal Year 2005 General Fund, Transfer From Health Care Reserve Fund (Account 01000-469113) the sum of One Hundred and Thirty One Thousand Dollars (\$131,000).
- 2) Add to the Fiscal Year 2005 Water and Sewer Budget, Transfer From Health Care Reserve Fund (Account 60100-469113) the sum of Seventy One Thousand Dollars, (\$71,000)
- 3) Add to the Fiscal Year 2005 EMS Budget, Transfer from Health Care Reserve Fund (Account 60500-469113) the sum of Sixteen Thousand Seven Hundred Dollars, (\$16,700)
- 4) Add to the Fiscal Year 2005 General Fund Health Insurance account (90001-502020) the sum of One Hundred and Thirty One Thousand Dollars (\$131,000).
- 5) Add to the Fiscal Year 2005 Water Fund Health Insurance Account (83000-502020) the sum of Twenty Four Thousand Dollars (\$24,000).
- 6) Add to the Fiscal Year 2005 Sewer Fund Health Insurance Account (87000-502020) the sum of Forty Seven Thousand Dollars (\$47,000).
- 7) Add to the Fiscal Year 2005 EMS Fund Health Insurance Account (27090-502020) the sum of Sixteen Thousand Seven Hundred Dollars (\$16,700).

BE IT FURTHER ORDAINED that this ordinance shall take effect from and after the date of its final passage.

THIS ORDINANCE was introduced and read at a meeting of the Council of the City of Salisbury held on the \_\_\_\_\_ day of \_\_\_\_\_, 2005, and thereafter, a statement of the substance of the Ordinance having been published as required by law, was finally passed by the Council on the \_\_\_\_\_ day of \_\_\_\_\_, 2005.

ATTEST:

\_\_\_\_\_  
Brenda J. Colegrove  
CITY CLERK

\_\_\_\_\_  
Michael P. Dunn,  
PRESIDENT, City Council

Approved by me this \_\_\_\_\_ day of  
\_\_\_\_\_, 2005.

\_\_\_\_\_  
Barrie P. Tilghman  
MAYOR, City of Salisbury