

**COMMON COUNCIL
FINANCE COMMITTEE
APRIL 18, 2024**

The City of Noblesville Council Finance Committee met pursuant to public notice in room A213 at City Hall on Thursday, April 18, 2024. The meeting was called to order at 8:15 a.m. with Mike Davis, Dave Johnson, and Aaron Smith present. Megan Wiles attended electronically via Microsoft Teams.

Also present were City Clerk Evelyn Lees, Deputy Mayor Matt Light, Human Resources Director Holly Ramon, Chief Financial Officer and Controller Jeff Spalding, Deputy Financial Officer Ian Zelgowski, Deputy Controller Caitlin Moss, Executive Assistant Jacqueline Thompson, consultant Greg O'Connor, Stan Jackson and Mark Goodpaster of Apex Benefits, and Don Dickerson of Burnham & Flower Group. Doug Walker of Walker Professional arrived at 8:21 a.m., and Kristen Walker of Walker Professional arrived at 8:28 a.m.

Claims Docket Review

The committee recommended approval of the claims.

Ordinance – Establishing City Audit Committee

Ms. Moss stated the ordinance was discussed in detail in a previous meeting. She stated an audit committee must be established in order for the City to issue a Request for Proposals (RFP) to engage a private auditing firm. She stated the option provides a safety net for the City. She stated currently a private auditor is contracted through the State Board of Accounts, but if that arrangement should end, the City will need to contract an auditor independently. She stated the ordinance was based on state statute and practices of other nearby communities. She stated the audit committee would consist of at least three and up to six members. She stated those appointed to the committee would be: one member of the Council; a certified public accountant not employed by the City; and a mayoral appointee not employed by the City. Optional, non-voting members would be a mayoral appointee from the Board of Works or familiar with the City's finances; a mayoral appointee from the Redevelopment Authority; a Council appointee from the Redevelopment Commission. Mr. Spalding added the members will serve three-year terms. He stated the terms will be staggered, and Council members will serve two-year terms to align with their elected terms. Mr. O'Connor stated he had emailed suggestions for improving the ordinance to Mr. Spalding. Mr. Spalding replied he would review the suggestions. The committee recommended adoption of Ordinance #15-04-24.

Update – Benefits Self-Insurance Performance

Ms. Ramon displayed a PowerPoint presentation. She introduced Mr. Jackson, who is the innovation officer for Apex Benefits, and Mr. Goodpaster, who is the senior advisor for the City's account with Apex Benefits. Ms. Ramon reviewed the City's participation in its Medical and Rx Insurance Plan. She stated there are 524 employees and retirees who are enrolled, and 1,017 dependents. She stated retirees are eligible to continue to participate if they serve the City

for at least 20 years. She stated elected and appointed officials are eligible if they served for eight years. She stated the City provides benefits for 71 retirees with 128 dependents. She stated the City also provides a Medicare supplement benefit for 53 retirees, with the City paying 80 percent of the cost. She reviewed the Medical and Rx employee premiums by coverage. She stated a blended rate is used for budgeting purposes. Mr. Spalding added the blended rate is used for budgeting for vacant positions, and for other reasons as well. Ms. Ramon reviewed a chart of insurance premiums for the past several years as compared to cost of living pay increases paid to employees. She stated 2020 was an anomaly that impacted the following years. She reviewed the Medical and Rx claims history from 2019 through 2023. Mr. Johnson asked why there was a large jump in 2023. Ms. Ramon explained there were several newborns who were in the neonatal intensive care unit (NICU) for longer than 90 days. She reviewed the Stop Loss Insurance. She stated there is a deductible for each covered person as well as an aggregate deductible. She stated the Stop Loss provider is Tokio Marine HCC, which covers claims over the stop loss limit. She stated increasing the individual stop loss limit allowed the City to decrease its premiums. She reviewed Claims paid by the City. She reviewed Rx rebates received and a summary of large claimants. She reviewed the monthly rate history for the City's Stop Loss insurance. Mr. Jackson explained how Stop Loss premiums are managed. He explained rates and payments can vary depending on the claims that come in during a year.

Ms. Ramon reviewed the Self-Insured Benefit Fund balances, which include City and employee contributions, from 2019 to date. She stated a balance of \$1,737,000.00 is needed to fund the claims tail, which is full payment of claims that are not settled in the year they occur. Mr. Spalding stated his office and Human Resources work together with Apex to find an investable balance and a rational overall balance for the fund. He stated if a high balance could be maintained, premiums might be reduced, although achieving a high balance is not likely. He stated the information is provided to assure the Council that the fund is being actively managed.

Ms. Ramon displayed a chart comparing information from an annual survey comparing Noblesville's insurance plan with Carmel, Fishers, and Westfield. She reviewed the different premiums. She noted some communities offer Health Savings Accounts, and that Fishers only participates in the Community Health Network. Mr. Spalding commended Ms. Ramon for designing a plan that not only keeps costs reasonable but encourages participants to seek care. Ms. Ramon noted Noblesville's costs are the lowest with the exception of some employee premiums, although the lowest premiums carry high deductibles. Mr. Spalding stated the general health of the City's workforce has the greatest effect on healthcare costs. Mr. Jackson added the City's employer clinic has greatly helped in maintaining employees' health. Ms. Ramon added Noblesville also covers retirees. She stated Carmel covers a few retirees, and Fishers and Westfield do not cover any retirees. Mr. O'Connor commended Ms. Ramon for her work on the plan. He stated pooling risk helps manage costs, and the employees are well served. The committee thanked Ms. Ramon for the report.

Mr. Goodpaster and Mr. Jackson left the meeting.

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Update – P&C Self-Insurance Loss Performance

Mr. Walker displayed a chart of the City's property and casualty insurance program for 2024.

Paralegal Lindsay Downing joined the meeting electronically via Microsoft Teams.

Mr. Walker reviewed the different companies providing insurance coverage to the City. He stated the City began self-insuring in 2018. He stated an advantage to self-insurance is more control; the City is able to choose its own attorneys. He stated a third-party administrator processes the claims. Mr. Smith asked how long the City had had cyber insurance. Mr. Walker replied approximately five years. He stated the IT Department has worked hard to qualify for good insurance rates. There was a discussion concerning vulnerability to cyber attacks. Mr. Walker stated terrorism is covered in each insurance policy. Mr. O'Connor stated coverage is not available for a \$10 million limit. He asked what the market is like right now. Ms. Walker replied for cyber insurance, risk management is required of insureds, so insurance limits are lower. She stated the City has made great strides to manage risk. She stated limits are lower to decrease risk, but the limits can be purchased in layers. Mr. O'Connor stated the risk is high. Mr. Dickerson explained funding for premiums. He stated once a balance is accumulated, it can be maintained. He stated some claims take much time to resolve because of litigation, so it is hard to predict. Mr. Spalding stated the City needs more than \$650,000.00 in the loss fund due to the lag time between filing and resolution of the claims. He stated it is important to plan for claims. He stated he would like to have 1.5 to 2 times the amount in the fund. He stated if there is not enough money in the fund to pay a claim, the difference is made up from the General Fund or the Rainy Day Fund. He stated there is approximately \$1 million in the fund now. He stated he tries to predict losses and the stop loss premium, but the premium is growing faster than the plans. He stated he plans to keep trying. Mr. Dickerson stated the City has had success in lowering claims. Mr. Light stated there are policies, procedures, and training to manage risk. Ms. Walker stated she has spoken with Ms. Downing many times about risk transfer to vendors as the insureds. She commended Ms. Downing for requiring proof of insurance from vendors and ensuring it is provided.

Mr. Walker displayed a chart of the Loss Ratio Summary for 2019 through 2023 for the Indiana Public Employers Plan (IPEP), which provides workmen's compensation for the City. He reviewed the chart. He explained the use of safety committees to help prevent injuries. He displayed a chart of rates by position and a chart of rates for experience modification. He stated the City receives a discount from IPEP because of the long relationship between the two. He stated Indiana's rates are set by the legislature, and they are some of the lowest in the country, but health care costs are some of the highest in the country, which causes increased experience modification rates. Mr. O'Connor asked if employees could be incentivized to be careful and avoid injury. Ms. Ramon stated Fire Chief Matt Mitchell has made great strides in lowering the number of incidents. She stated each department used to have their own safety committee, but now the committee has been centralized under the oversight of Human Resources, which does more to hold employees accountable. Mr. Walker commended the Human Resources Department for their oversight. He stated the departments are taking the safety committee seriously. Mr. Johnson stated there are extra costs for overtime and extra staff to cover for someone who is off

work due to an injury. Mr. Davis asked if there is an incentive to have no claims. Mr. Walker replied some departments have incentives. Ms. Walker added the departments must be careful not to incentivize not reporting, which can lead to more serious problems later. Mr. Walker stated one solution is to report only without filing a claim, if the injury is minor. He stated the City also uses light duty to bring employees back to work as soon as possible. Ms. Ramon stated light duty can be performed in different departments. She stated several employees on light duty have worked in the maintenance department cleaning buildings. She stated most employees do not enjoy light duty, so they are incentivized to return to their regular work as soon as possible. Mr. Davis expressed appreciation for the presentation and the information.

Mr. Smith, Ms. Ramon, Mr. Walker, Ms. Walker, and Mr. Dickerson left the meeting.

Update – Bond Sale Closing for Noblesville Event Center

Mr. Spalding stated the bonds for Project Scoreboard closed yesterday. He stated the Community Development Corporation (CDC) issued lease rental non-taxable bonds for \$86,210,000.00 and lease rental taxable bonds for \$7,500,000.00. The Redevelopment Authority (RDA) issued lease rental non-taxable bonds for \$63,690,000.00. Mr. Spalding explained the CDC bonds for the event center had to be split into taxable and non-taxable, because it was deemed the Pacers' use of the building is for-profit. He stated a proportionate part of the bonds are taxable to account for the Pacers' share. He stated the interest rate for the CDC taxable bonds is 5.3 percent; the interest rate for the CDC non-taxable bonds is 4.4 percent.

Ms. Wiles left the meeting.

Mr. Spalding stated the interest rate for the RDA non-taxable bonds is 3.7 percent. He reviewed the schedule of detailed sources and uses of funds for the bonds. He stated the CDC bonds for the event center include contingency for the Build-Operate-Transfer project and for an owner's contingency. He stated municipal bond insurance was purchased, which is unusual, but it helped sell the bonds. Mr. O'Connor and Mr. Spalding discussed the underwriter discount. Mr. Light stated there may be a competitive process for underwriters in the future. He stated the RDA bonds were for the event center garage and surrounding infrastructure. He stated the bond also retires the Bond Anticipation Note that was issued earlier.

Mr. Light left the meeting.

Update – Quarterly Investment Performance – Q1 2024

Ms. Moss displayed a PowerPoint presentation. She reviewed the City's investment performance for the first quarter of 2024. She stated she has added a column for earnings on investments to the charts. She reviewed the investments for Civil City, the Utilities, and for Internal Services. She stated Internal Services is a new investment of \$1.525 million that has not earned interest yet. She stated the City intends to invest an additional \$1.575 million for a total balance of \$3.1 million. Mr. O'Connor expressed hope that the return on investment for Internal Services could pay the premium for workmen's compensation insurance with IPEP.

Update – Negative Fund Balance Tracking Report – Q1 2024

Ms. Moss displayed a PowerPoint presentation. She reviewed grant funds with negative balances. She explained that the balances will be rectified as reimbursements are received. She reviewed various funds with negative balances that will be rectified through the year as deposits are received. She reviewed several payroll funds that are currently negative because they are funded by payroll withholding throughout the year. She stated the General Fund subsidizes these funds until deposits catch up with expenditures.

Update – Quarterly Financial Reports – Q1 2024

Mr. Zelgowski displayed the Quarterly Report on Revenues & Expenditures for the first quarter of 2024. He stated because of the length of the meeting, he will review only the first page of the report. He stated Revenue Status is slightly better than budgeted, and Expenditure Status is on track. He reviewed the Key Points of the report. He stated the report serves two purposes: to help understand the current financial status in relation to the Fiscal Plan, and as a check for correct posting of revenue and expenditures in the accounting system. He stated as requested, percentages have been added to the report. He stated the report will be revised for next quarter to include more charts and graphs and less text. He stated the first quarter report also will be revised so that it can be compared with the second quarter report. Mr. Johnson asked how the overall statuses are determined. Mr. Zelgowski replied they are subjective. He stated he and Mr. Spalding each choose a status, then they discuss their choices to reach a final decision. Mr. Johnson praised the report as providing the right amount of information without being too general or too detailed.

Fiscal & Debt Actions on Council Meeting Agenda – April 23

- *None*

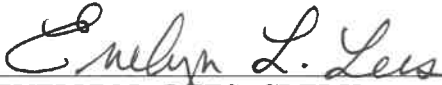
Review of Agenda Addendum

There were no substantive changes from the prior meeting.

Other Business at Discretion of Chairman

There was no other business.

The meeting adjourned at 10:50 a.m.


EVELYN L. LEES, CLERK
CITY OF NOBLESVILLE


MIKE DAVIS, COMMITTEE CHAIR