

**WORK SESSION AGENDA
WYOMING CITY COUNCIL MEETING
CITY COUNCIL CHAMBERS**

Monday, December 10, 2012, 7:00 P.M.

- 1) Call to Order**
- 2) Student Recognition**
- 3) Public Comment on Agenda Items (3 minute limit per person)**
- 4) Fireworks Inspections**
- 5) Transfer of Funds from Health Insurance Fund to Retiree Health Trust Fund**
- 6) Inspections Department Trade Permit Fee Proposal**
- 7) Any Other Matters**
- 8) Acknowledgement of Visitors/Public Comment (3 minute limit per person)**

RESOLUTION NO. _____

RESOLUTION TO TRANSFER FUNDS

WHEREAS:

1. Analysis of the Health Insurance Fund indicates that the current fund balance exceeds amounts required to operate the Fund and provide for an adequate Fund Reserve,
2. An unfunded Other Post-Employment Benefits liability exists.

NOW, THEREFORE, BE IT RESOLVED:

1. That the Wyoming City Council does hereby authorize the transfer of Two Million Dollars (\$2,000,000) to the Retiree Health Insurance Fund from the Health Insurance Fund.

Moved by Councilmember:

Seconded by Councilmember:

Motion Carried Yes
 No

I hereby certify that the foregoing Resolution was adopted by the City Council for the City of Wyoming, Michigan at a regular session held on:

Heidi A. Isakson, Wyoming City Clerk

ATTACHMENTS:

Insurance Fund Analysis

STAFF REPORT

Date: November 7, 2012
Subject: Transfer of Funds from Health Insurance Fund to Retiree Health Trust Fund
From: Timothy H. Smith, CPA, Finance Director
Meeting Date: December 10, 2012

Recommendation:

I recommend that Council approve the transfer of two million dollars (\$2,000,000) from the Health Insurance Fund to the Retiree Health Trust Fund.

Sustainability Criteria:

Environmental Quality – Does not significantly impact this criterion.

Social Equity – Does not significantly impact this criterion.

Economic Strength – The transfer reduces the Other Post-Employment Benefit (OPEB) liability of the City.

Discussion:

Every fiscal year the insurance fund is evaluated to determine if adequate reserves exist to cover potential losses that may be incurred. The guidelines for evaluating the fund included self-insured loss retention and average claims history. In reviewing the health insurance fund, it has been determined that adequate reserves exist to allow for a \$2,000,000 transfer to the Retiree Health Trust Fund. The possibility of this second transfer was discussed with Council in May 2011 when a similar transfer was approved by Council.

I have attached the analysis of the insurance reserves for your review.

Budget Impact:

There is no budget impact as neither funds are budgeted.

CITY OF WYOMING, MICHIGAN
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUND
INSURANCE FUND
Year Ended June 30, 2011

	General Liability	Fleet	Property	Life	Workers' Compensation	Health	Dental	Total
Revenues:								
Premiums	\$ 419,661	\$ 74,922	\$ 212,894	\$ 31,348	\$ 660,073	\$ 7,136,041	\$ 432,696	\$ 8,967,635
Investment earnings	20,605	13,558	15,458	1,382	75,533	73,802	3,057	203,395
Other	144,696	10,771	114,067	30	-	87,016		356,580
Total revenues	584,962	99,251	342,419	32,760	735,606	7,296,859	435,753	9,527,610
Expenses:								
Administration and general Interest	63,347	5,826	7,267	932	129,134	431,354	13,902	651,762
Insurance claims and premiums	303,081	80,598	255,298	25,000	2,456,513	6,794,432	391,459	10,306,381
Total expenses	366,428	86,424	262,565	25,932	2,616,325	7,225,786	405,361	10,988,821
Net income (loss)	218,534	12,827	79,854	6,828	(1,880,719)	71,073	30,392	(1,461,211)
Transfers								-
Net assets, beginning of year	1,266,670	900,252	993,785	88,721	2,868,886	4,897,822	189,334	11,205,470
Net assets, end of year	\$ 1,485,204	\$ 913,079	\$ 1,073,639	\$ 95,549	\$ 988,167	\$ 4,968,895	\$ 219,726	\$ 9,744,259
				Specific reserve	3,971,328	(Increased \$2,535,018 this year)		
2006	436,888	93,464	212,862	41,542	280,896	5,597,764	-	6,663,416
2007	422,682	147,330	231,742	39,714	421,648	5,372,063	310,221	6,945,400
2008	491,198	97,952	215,142	35,709	429,795	5,876,547	424,112	7,570,455
2009	526,415	114,424	239,489	35,737	945,504	7,031,671	425,798	9,319,038
2010	411,577	199,559	249,968	27,032	757,857	6,576,493	446,362	8,668,848
2011	377,615	91,900	278,906	26,859	1,240,296	6,621,465	398,962	9,036,003
2012	366,428	86,424	262,565	25,932	2,616,325	7,225,786	405,361	10,988,821
Average (6yr)	432,653	122,932	246,302	31,831	1,068,571	6,450,671	401,803	
Multiplier 0.5	216,326	61,466	123,151	15,915	534,285	645,067	40,180	1,636,391
SIR	1,000,000	250,000	500,000	50,000	250,000	300,000	50,000	2,400,000
Specific Reserves					3,971,328			
ited Fund Balance per Policy	1,216,326	372,932	746,302	81,831	5,289,899	945,067	90,180	8,742,536
Excess	268,878	540,148	327,337	13,719	(4,301,732)	4,243,554	129,546	1,001,723
Prior Yr Excess	44,472	526,147	255,767	4,289	(91,748)	4,478,189	118,144	5,145,926
Change in excess	224,406	14,000	71,570	9,430	(4,209,984)	(234,635)	11,402	(4,125,214)

MEMORANDUM

TO: CURTIS HOLT, CITY MANAGER
FROM: REBECCA RYNBANDT, DIRECTOR OF COMMUNITY SERVICES
JIM DELANGE, CHIEF BUILDING OFFICIAL
SUBJECT: INSPECTIONS DEPARTMENT TRADE PERMIT FEE PROPOSAL
DATE: OCTOBER 29, 2012

For approximately two years the Inspections Departments from the cities of Wyoming, Kentwood, and Grand Rapids have been meeting to discuss opportunities for collaboration and service improvements for our communities. You may recall that this work resulted in the staffing mutual aide agreements adopted initially by Wyoming and Kentwood and subsequently expanded to include Grand Rapids. During this time, the group has also worked to develop uniform trade permit application forms, as well as open discussions on a uniform fee structure.

Uniform Fee Structure – Background Information

Considering a uniform fee structure for trade permits (electrical, plumbing, and mechanical), it had been proposed that such a structure would aide economic development, in part through the elimination/reduction of confusion related to differing fees between communities by construction contractors and developers, and provide for a consistent methodology in inspection billing. In consideration of each community's permit fee structures and service costs, some fees, in the proposed model, need to be raised and others reduced by each jurisdiction in order to ensure expense recovery. Through the application of the developed Uniform Fee Rate, it was recognized that both Grand Rapids and Kentwood would increase their permit revenue, and that Wyoming would effectively remain revenue neutral. This result is realized because Wyoming, unlike its neighboring communities, has been proactive in updating its fees to appropriately capture revenue in line with its expense. Wyoming does not subsidize its Inspection Fund with General Fund dollars.

Uniform Fee Adoption Requires Significant Policy Change

The proposal requires a significant policy change in order for Wyoming to remain revenue neutral. We estimate at least 800 trade permit inspections would need to be invoiced to contractors and homeowners. These fees are not considered "code enforcement" such as property clean up/mowing/abandoned structures or rental inspections; therefore they are not lienable in the same manner.

Inspection Billing Policy/Practices: At the time of deliberation Grand Rapids billed for each inspection (as they go), for example if you have four inspections you were billed for each inspection (though there is some Inspector discretion if a visit merits an inspection billing); Kentwood generally billed for each inspection based upon an up front model, for example a contactor completes the permit indicating the project will take three inspections and pays up front for three inspections – if it happens to take four, the fourth is generally not billed. Wyoming, however, is a flat rate fee. The

contractor pulls a permit and that is the cost. If it takes 1 inspection or 3, no additional billing occurs. As noted earlier, one of the reasons Wyoming is revenue neutral is that we have been proactive over time in regularly aligning our fees with expenses. Grand Rapids which had delayed fee adjustments for years sees a significant increase in revenue with the adoption of the higher Uniform Rate. Kentwood which has periodically raised fees to better align with expenses thus sees a more moderate increase in income.

In order for Wyoming to participate in the Uniform pricing strategy, we would have to increase certain fees, decrease others, and would have to implement billing for additional inspections. The contracting/developer community may likely interpret this as paying more for the same level of service. Unlike Grand Rapids and Kentwood, net revenue will not increase for Wyoming to offset the additional expense of a multiple billing process. We recognize that in implementing multiple billing further analysis is necessary to determine if the additional expense (staffing, collections, postage, paper, etc), would result in Wyoming having an operating deficit under Uniform pricing with charges for extra inspections.

Uniform Trade Permit Application Forms

Each community engaged its Mechanical, Electrical and Plumbing Inspectors to review their individual form layouts with an eye to creating a uniform trade permit which could be utilized by each community, believing the uniformity of the layout to be beneficial to the construction community. Samples are attached for your review. The layout can be adjusted, with minor changes, to accommodate both our current fee structure as well the Uniform Fee Structure.

Adjoining Community Adoption

The Cities of Kentwood and Grand Rapids have now adopted the new uniform permit application form, uniform fee rates and invoicing for all extra inspections beyond the one base permit inspection allowed.

Illustrative Examples of Wyoming Application

Using FY 11 trade permit activity, and applying the proposed Uniform fees, with and without invoicing for extra inspections, the following information depicts the percentage change for each trade scenario, and its positive or negative result to the FY 11 sample year.

<u>TRADE</u>	<u>UNIFORM NEW RATE WITH EXTRA INSPECTION INVOICING</u>	<u>UNIFORM NEW RATE NO INSPECTION INVOICING</u>
Electrical Revenue	+ 11% \$13,038	+ 1% \$1,038
Mechanical Revenue	- 9% (\$10,796)	(-16%) (\$18,796)
Plumbing Revenue	+ 17% \$8,562	- 5% (\$2,478)
Net Trade Revenue Effect	\$10,804	(-\$20,236)

To illustrate implementation of the Uniform Fee Rate/Extra Inspections to sample building projects, we applied the new rates and inspection fees to one industrial building and one single family house. Please note that these random sample projects may not reflect overall revenue comparisons shown above for FY 11.

Industrial Example:

Titan Transportation, 6093 Clay Ave.

Building Construction Value: \$1,109,000

(2) electrical permits – building/fire alarm system

(2) mechanical permits – building/fire suppression

(4) plumbing permits – water/building/fire line/vacuum breaker – sprinkler system

	<u>Actual Fees</u>	<u>Uniform Fees</u>	<u>Uniform Fees (Extra Inspections at \$40 each)</u>
Electrical	\$ 898	\$ 953	\$1,273 (8)
Mechanical	\$ 652	\$ 651	\$ 771 (3)
Plumbing	<u>\$ 526</u>	<u>\$ 480</u>	<u>\$ 600 (3)</u>
Trade Totals	\$2,076	\$2,084	\$2,644

Total trades net increase \$568.00 per this industrial sample

Residential Example:

Residential Single Family House - 4677 Rushfield

	<u>Actual Fees</u>	<u>Uniform Fees</u>	<u>Uniform Fee (Extra Inspections at \$40 each)</u>
Electrical	\$ 250 flat fee	\$ 250	\$ 250
Mechanical	\$ 171	\$ 240	\$ 240 (0)
Plumbing	<u>\$ 257</u>	<u>\$ 215</u>	<u>\$ 335 (3)</u>
Trade Totals	\$ 678	\$ 705	\$ 825

Total trades net increase \$147.00 per this sample .

We are requesting to present this information to you and the City Council at the December 10 Work Session as a means to introduce the proposed rates and ideology, and to answer any questions you have.