



# City of Naples

City Council Chambers  
735 Eighth Street South  
Naples, Florida 33940

-SUBJECT-	Ord. No.	Res. No.	Page
<u>RESOLUTIONS</u>			
BID AWARD - Fifteen month contract for group health insurance benefits for City employees.		86-5113	1
BID AWARD - One year contract for group life insurance benefits for City employees.		86-5114	6
AUTHORIZE Mayor and City Clerk to execute loan agreement with NCNB National Bank and the City of Naples.		86-5115	6



COUNCIL  
MEMBERS

M O T I O N	S E C O N D	VOTE		A B S E N T
		Y E S	N O	

Mr. Jones also explained that the City's insurance consultant, Lou Cantin, reviewed each of the ten bids that were received; four bids were for life insurance only, four more were for health insurance only and two were self-funded insurance programs. The recommendation of staff, he continued, was to award the bid for a program similar to the one the City presently has in effect which provides for a fully insured program. Premiums are the only obligation that the City has. Claims are paid 20% by the employee, with insurance carrier paying 80%. After the stop loss of \$700 for single and \$1400 for family, the carrier pays 100% of Usual Customary Rates (U.C.R.).

In response to Mayor Putzell, City Manager Jones explained that cost containment included such requirements as second opinions on certain types of surgery and pre-admission certifications. In response to Mr. Graver, the City Manager also advised that the patient would have a choice regarding the physician to see for the second opinion.

Mr. Crawford asked if the City was responsible for the 20% not paid by the insurance company. City Manager Jones explained that the employee, after paying the deductible, is responsible for the 20% up to a certain amount after which the insurance company would pay 100%. Although a plan the City utilized three years ago had covered 100% above the deductible, he said, this plan had been very costly to the City.

Mr. Graver asked if the 80/20 percent split included prescriptions and Mayor Putzell asked if the insurance company was accepting employees with pre-enrollment ailments or conditions. City Manager Jones advised that existing employees were accepted without qualification and further that prescriptions were covered by the same 80/20 percent.

The City Manager then introduced John Manning from Blue Cross/Blue Shield who addressed Mayor Putzell's concern regarding pre-existing conditions for new employees in that the City should not obligate itself to an on-going claim.

Mr. Graver asked how Blue Cross determines rate of charges paid. Mr. Manning advised that after researching 90% of the physicians' profiles in the State on an annual basis, fees are adjusted accordingly.

Mr. Bledsoe asked about procedures for surgery. Employees should call the Blue Cross toll-free number to advise of the potential surgery, Mr. Manning explained; the employee would then be required to obtain a second opinion as to whether the surgery is necessary and whether it should be done on an in-patient or out-patient basis. In response to Mayor Putzell, Mr. Manning reiterated that although it was up to the individual employee to decide from whom to obtain the second opinion, Blue Cross would prefer that the employee use its list of physicians.



COUNCIL  
MEMBERS

M O T I O N	S E C O N D	VOTE		A B S E N T
		Y E S	N O	

Mr. Graver then quoted figures from 1984/85 of additional premiums paid to Blue Cross: \$4,000, retro premium; \$705,413, total premium collected for 84/85; and \$538,457, incurred claims for 84/85. He asked if the program under consideration was "retro". Mr. Manning said that it was not. Mr. Manning further advised that the City's premium arrangement in last year's accounting was at 90-110% and that the City had actually utilized 96% of the premium, thus resulting in an additional premium charge of \$4,000. The proposals in the current bid, however, are fully insured, he added.

City Manager Jones explained that during the time to which Mr. Graver referred, the City was involved in a "retro contingent premium arrangement" with Blue Cross. Because the City believed it would not utilize 100% of the premium, the City negotiated a premium of 90%. That year, as anticipated, the City did not utilize 100% of the premium, only 96%, thus creating an additional cost of \$4,000, he said. Mr. Graver stated that the City was therefore utilizing some type of self-insurance on prior policies, but City Manager Jones advised that the insurance coverage now recommended by staff was a 100% fully insured premium.

Mr. Manning explained that in preparing the proposal they, like actuaries, reviewed the past history of claims and, based on the information, projected costs for the next 15 months. However, in response to Mayor Putzell, Mr. Manning advised that claims experience is actually reviewed and reported on a month-to-month basis against premiums paid.

Mayor Putzell asked if savings to the employees were actual and the City Manager confirmed that this is the case.

Mr. Graver inquired whether the City would enjoy a rate reduction if for one or two years claims were lower than the premium. Mr. Manning advised that a year ago the City did, in fact, enjoy a 22% reduction due to program redesign, at which point Mayor Putzell asked him to clarify the term "redesign". Mr. Manning explained that by changing from a basic plan where hospital visits were paid 100% to a comprehensive plan where there is an 80%-20% co-insurance the City had "redesigned" its program and reduced costs.

Mr. Graver inquired whether the City would be liable for additional monies if claims went over the established requirements. Mr. Manning assured him that the City was 100% insured with this program but might suffer a slight premium increase the following year should paid claims be greater than premiums paid.

Mr. Crawford expressed concern that employees were not receiving as much coverage as in the past, but Mr. Manning assured him that the coverage was equal to the major medical concept and similar to what other agencies provide their employees.

Mr. Crawford then asked if the Blue Cross proposal covered a 12 or 15 month period and Mr. Manning advised that the rates are for a 15 month period.



COUNCIL  
MEMBERS

M  
O  
T  
I  
O  
N

S  
E  
C  
O  
N  
D

VOTE  
Y  
E  
S

N  
E  
S

N  
O

A  
B  
S  
E  
N  
T

\*City Manager Jones quoted figures for the previous three years of premiums versus claims paid: \$1,852,062 was paid to Blue Cross in premiums and \$1,832,211 was paid by Blue Cross for claims, a difference of approximately \$20,000. Mr. Graver said he hoped that in the forthcoming three year period claims would be less than premiums and that the premiums would reflect this. City Manager Jones noted that the proposal reflected a \$50,000 premium saving due in part to the cost containment features and to excess premium paid.

In response to Mayor Putzell, City Manager Jones advised that the City's personnel turn-over rate was 10% which did not necessarily mean that 10% younger employees were presently employed.

Mayor Putzell asked what type of profit ratio Blue Cross enjoys and Mr. Manning responded that profits come from investments, and after administrative expenses, the company hopes to break even on a claims versus premiums basis.

Mr. Joseph Lehmann, American General Gulf Life, another bidder, quoted figures from a study he had done: American General Gulf Life's premium for a 15 month period, \$638,415; Blue Cross, \$719,070. City Manager Jones asked if this was based on a fully insured program and Mr. Lehmann advised that they offer an 85% retro premium arrangement.

In response to Mayor Putzell, Mr. Lehmann advised that the City's liability would be capped. The maximum the City would pay over a 15 month period would be \$763,680, he replied.

Mayor Putzell then questioned whether Mr. Lehmann was comparing the same program. Mr. Lehmann said that American General Gulf Life's program allowed the City to invest 15% of the premium, but City Manager Jones advised that staff had researched potential savings by utilizing a retro premium program and had decided that the fully insured program was more cost-effective.

Mr. Lehmann quoted savings that the City might have enjoyed over the past three years had they been insured by American General Gulf Life: 83/84, over \$200,000; 84/85, approximately \$166,000; and for 85/86, approximately \$63,148. Mayor Putzell asked if deficits were carried over to the next policy year. Mr. Lehmann said that it was only a paper deficit and should the City end their contract after 15 months, American Gulf would suffer the loss.

In response to Mr. Graver, City Manager Jones stated that American General Gulf Life's coverages were not taken into consideration. The bottom line determination was made on the amount of the fully insured premiums of which Blue Cross was the lowest, he said. American General Gulf Life's retention fee was approximately \$140,000, the City Manager continued, but Mr. Lehmann disputed this figure and said that the actual retention figure was \$45,465 not inclusive of administration fees and utilization review fees.

COUNCIL MEMBERS	M O T I O N	S E C O N D	VOTE			A B S E N T
			Y E S	N O		
Anderson-McDonald				ABSTAIN		
Barnett						X
Bledsoe		X	X			
Crawford			X			
Graver			X			
Richardson						X
Putzell			X			
(4-0)						

Mr. Lehmann also pointed out that the Blue Cross proposal includes a severe penalty for those who fail to pre-certify hospital confinement; his company's program includes a \$200 deductible should someone fail to pre-certify. Mr. Graver asked Mr. Manning what the Blue Cross policies were for failure to pre-certify. Mr. Manning explained that this policy was an attempt to change the attitude of the employees for unnecessary in-patient operations to economical out-patient operations.

Mr. Bledsoe asked that Mr. Manning describe the formula used for pre-admission certification. Mr. Manning advised that the patient's doctor should call the Blue Cross toll-free number 48 hours before the elected admission in non-life-threatening situations to determine length of stay and then Blue Cross would monitor that length of stay. Although Mr. Bledsoe expressed concern that this would be rather involved and difficult for the employee to follow, Mr. Manning explained that Blue Cross tries to educate and acclimate employees to this and other procedures by offering quarterly informational meetings.

City Manager Jones also pointed out that if the City were to change insurance carriers, it would incur an additional cost to re-educate the employees, change paperwork procedures, etc.

Mr. Graver asked for more clarification from Mr. Lehmann on pre-certification. Hospital costs were increasing each year causing health insurance to skyrocket, Mr. Lehmann explained, and pre-certification was a means of keeping the cost down. Mayor Putzell also explained to Mr. Graver that the insurance companies were monitoring the length of stay in an effort to keep the costs of insurance down.

Mr. Bledsoe asked Mr. Manning how long it would take to get permission for the surgery after the second opinion was received. The physician would be given an answer when he called Blue Cross for pre-certification, Mr. Manning responded. Mr. Lehmann, however, argued that the employee should not be penalized for pre-certification if the physician fails to notify the carrier. Mayor Putzell clarified that this would not be the case for emergencies and Mr. Manning further advised that if the program is not working out, Blue Cross could modify the guidelines or discontinue the feature.

Mr. Crawford said he supported the motion awarding the proposal to Blue Cross, the lowest bidder, but expressed confusion regarding the coverage and guidelines. Mr. Graver suggested that the next time this was to be bid, a workshop be set up in order to better understand what the coverage entailed. Mayor Putzell supported the staff recommendation for a fully insured program rather than a retro premium program.

**MOTION:** To ADOPT the resolution awarding health insurance as presented with the stipulation that the award be for only 15 months commencing on October 15, 1986.

(Mrs. Anderson-McDonald abstained from voting.)

M O T I O N	S E C O N D	VOTE		A B S E N T
		Y E S	N O	

\*\*\* \*\*\* \*\*\*

RECESSED: 11:55 A.M. RECONVENED: 3:04 P.M.

\*\*\* \*\*\* \*\*\*

---RESOLUTION NO. 86-5114

A RESOLUTION AWARDED THE BID FOR A ONE-YEAR CONTRACT FOR GROUP LIFE INSURANCE BENEFITS FOR CITY EMPLOYEES; AUTHORIZING THE CITY MANAGER TO EXECUTE A CONTRACT THEREFOR; AND PROVIDING AN EFFECTIVE DATE.

Title read by City Attorney Rynders.

City Attorney Rynders explained to Council that the reason Councilman Anderson-McDonald abstained from voting on the previous item was due in part to a possibility of a conflict of interest. There were several bid proposals received from companies affiliated with her company, he added. Mayor Putzell asked if she would abstain from voting on the life insurance and Mrs. Anderson-McDonald confirmed that she would. She further explained the Crump Companies, with which she is affiliated has a myriad of smaller associated companies. She commended all the companies which submitted bids on a job well-done. The City has an obligation to get the most for its money, she said, which was the reason she became involved in the bidding procedure for these items.

Mayor Putzell stated that he felt the individuals speaking at the morning session took for granted that Council members were knowledgeable in insurance. City Manager Jones explained, however, that one of the reasons for this special meeting was to enable Council to spend more time on the subject. He also thanked Mrs. Anderson-McDonald, whose request to bid the insurance had saved the City over \$50,000.

City Manager Jones advised that staff recommended awarding the bid for life insurance to Prudential. The annual premium would be \$33,479. Mayor Putzell stated that this life insurance was on a non-participating basis. Assistant City Manager Wiltsie in addition pointed out that the resolution should have an effective date of December 1, 1986, to allow for sufficient notice of cancellation of City's existing policy with another carrier.

MOTION: To ADOPT the resolution for life insurance as presented, but changing the date from October 15, 1986 to December 1, 1986 for commencement.

(Mrs. Anderson-McDonald abstained from voting.)

\*\*\* \*\*\* \*\*\*

---RESOLUTION NO. 86-5115

ITEM 2

A RESOLUTION AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE A LOAN AGREEMENT, PROMISSORY COLLATERAL NOTE, AND SECURITY AGREEMENT BETWEEN NCNB NATIONAL BANK AND THE CITY OF NAPLES IN CONJUNCTION WITH THE PUBLIC SAFETY BUILDING EXPANSION PROJECT; AND PROVIDING AN EFFECTIVE DATE.

Title read by City Attorney Rynders.

Anderson-McDonald				ABSTAIN	
Barnett					X
Bledsoe			X		
Crawford			X		
Graver	X		X		
Richardson		X	X		
Putzell (5-0)			X		



COUNCIL MEMBERS

M O T I O N	S E C T I O N	VOTE		A B S E N T
		Y E S	N O	

City Attorney Rynders advised Council that he had reviewed all the documents thoroughly and recommended approval. Mayor Putzell asked if there were two agreements. The City Attorney explained that there was a Collateral Agreement, Note and Addendum, and the Loan Agreement that forms the basis of the financing.

Mayor Putzell commented that this agreement would impose a lien on all City Utility Tax Revenue Support Bonds for January 1, 1975, 1981, and May, 1983. City Attorney Rynders advised that bond counsel did not have to be retained but that they had been notified and were satisfied with the terms of the agreement. Mayor Putzell suggested that the closing statement be added to Section 1 of the resolution.

Mr. Bledsoe asked if there were penalties for early pay-off and City Attorney Rynders confirmed that the City could pre-pay without a penalty.

Mr. Crawford asked what amount of funds were required. City Manager Jones advised that it was anticipated that the project would bid by the first of the year and further that staff anticipated having six months' investment income returned before having to begin significant payments.

Finance Director Hanley advised that the City could take the whole portion of the loan now and invest it in the State Board of Administration, a pooled fund. Mr. Crawford asked if this was like a money market account and Mr. Hanley said that it was not. Mr. Richardson suggested taking the money out as needed, not one lump sum. City Manager Jones advised that the City's draws on the monies would start six months from now.

Mayor Putzell asked if the City took the lump sum, would there be an obligation to participate in the State's investment program and Finance Director Hanley advised that it was just an alternative, not a requirement.

Mr. Richardson asked what the most recent cost figures for the building were and was advised by Assistant City Manager Wiltsie that it was \$1,000,000 plus \$250,000 for landscaping, sprinklers, etc.

Anderson-McDonald	X	X	
Barnett			X
Bledsoe		X	
Crawford		X	
Graver		X	
Richardson	X	X	
Putzell		X	
(6-0)			

**MOTION:** To ADOPT the resolution with the addition of the closing statement in Section 1 of the resolution.

\*\*\*

\*\*\*

\*\*\*

ADJOURN: 3:25 p.m.

*[Signature of Edwin J. Putzell, Jr.]*  
 Edwin J. Putzell, Jr., Mayor

*[Signature of Janet Cason]*  
 Janet Cason  
 City Clerk

*[Signature of Jodie M. O'Driscoll]*  
 Jodie M. O'Driscoll  
 Deputy Clerk

These minutes of the Naples City Council were approved NOV 05 1986.

ATTACHMENT #1

SUPPLEMENTAL ATTENDANCE LIST

W. W. Haardt  
Alan Korest  
Lee Truedwahl  
Robert Bradley  
Chuck Mohlke

Charles Andrews  
Robert Schroer  
Ed McMahon  
Jack Miller  
John Manning

Michael Zewalk  
N. Naples Civic  
Association  
Robert Russell  
Joseph Lehmann

NEWS MEDIA

Chuck Curry, Naples Daily News  
Hilary Hutchison, TV-9  
Bill Upham, Naples Times  
Todd Holzman, Miami Herald

Racheal Kearns, Naples Star  
Beverly Cameron, WINK TV-11  
Gary Arnold, WEVU TV-26

Other interested citizens and visitors.

FORM 3A INTEREST IN COMPETITIVE BID FOR PUBLIC BUSINESS

LAST NAME - FIRST NAME - MIDDLE NAME ANDERSON-McDONALD, KIM			OFFICE/POSITION HELD Councilman
MAILING ADDRESS 525 YUCCA ROAD			AGENCY CITY of NAPLES
CITY NAPLES	ZIP FL	COUNTY 33940	ADDRESS OF AGENCY 735-8th STREET SOUTH

WHO MUST FILE THIS STATEMENT

Sections 112.313(3) and 112.313(7), Florida Statutes, prohibit certain business relationships on the part of public officers and employees, their spouses, and their children. See Part III, Chapter 112, Florida Statutes and/or the brochure entitled "A Guide to the Sunshine Amendment and Code of Ethics for Public Officers, Candidates and Employees" for more details on these prohibitions. However, Section 112.313(12), Florida Statutes (1979), provides certain limited exemptions to the above-referenced prohibitions, including one where the business is awarded under a system of sealed, competitive bidding; the public official has exerted no influence on bid negotiations or specifications; AND where disclosure is made, prior to or at the time of the submission of the bid, of the official's or his spouse's or child's interest and the nature of the intended business. This form has been promulgated by the Commission on Ethics for such disclosure, if and when applicable to a public officer or employee.

INTEREST IN COMPETITIVE BID FOR PUBLIC BUSINESS [Required by §112.313(12)(b), Fla. Stat. (1979) ]

1. The competitive bid to which this statement applies has been/will be [strike one] submitted to the following government agency:

NAPLES CITY COUNCIL

2. The person submitting the bid is: NAME POSITION

3. The business entity with which the person submitting the bid is associated is:

4. My relationship to the person or business entity submitting the bid is as follows: FELLOW AGENT/PRODUCER AT CRUMP COMPANY OF NAPLES AND I AM A LICENSED AGENT THROUGH ONE OF THE COMPANIES SUBMITTED

5. The nature of the business intended to be transacted in the event that this bid is awarded is as follows:

a. The realty, goods and/or services to be supplied specifically include: CITY HEALTH INSURANCE PLAN

b. The realty, goods and/or services will be supplied for the following period of time: UNLIMITED

c. Will the contract be subject to renewal without further competitive bidding? Yes No. If so, how often?

6. Additional comments:

AS I UNDERSTAND IT ONCE THE BID IS AWARDED IT IS CONTINUOUS SERVICE UNTIL ANOTHER BID WITH ANOTHER CARRIER IS AWARDED

7. SIGNATURE Kim Anderson-McDonald	DATE SIGNED 9/8/86	DATE FILED
---------------------------------------	-----------------------	------------

FILING INSTRUCTIONS

If you are a state officer or employee required to disclose the information above, please file this form with the Secretary of State at The Capitol, Tallahassee, Florida 32301. If you are an officer or employee of a political subdivision of this state subject to this disclosure, please file the statement with the Clerk of the Circuit Court of the County in which the agency in which you are serving has its principal office.

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317 (1979), A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$5,000.