

ORDINANCE NO.

FILE OF CITY COUNCIL

BILL NO. 110 - 2024

NOVEMBER 13, 2024

AN ORDINANCE

Amending the 2024 Risk Fund by transferring Six Million Five Hundred Thousand (\$6,500,000) Dollars from the General Fund unappropriated balance to the Risk Fund for the payment of healthcare claims, drug prescription benefits, and other employee medical costs for the remainder of the year. The healthcare claim amounts are significantly higher this year.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF ALLENTOWN:

SECTION ONE: That City Council authorizes an appropriation from the unappropriated fund balance to the General Fund in order to be transferred to the Risk Fund in the following manner:

**General Fund
Finance**

000-02-0602-0003-88	Interfund Transfers	\$6,500,000
----------------------------	----------------------------	--------------------

SECTION TWO: That City Council authorizes an increase to the unappropriated balance of the Risk Fund from the General Fund interfund transfer in the following manner:

**General Fund
Finance**

000-02-0602-0003-88	Interfund Transfers	\$6,500,000
----------------------------	----------------------------	--------------------

to

Risk Management Fund

081-7121	Transfers from General Fund	\$6,500,000
-----------------	------------------------------------	--------------------

SECTION THREE: That City Council authorizes a supplemental appropriation from the unappropriated balance of the Risk Fund in the following manner:

**Risk Management Fund
Finance**

081-02-8001-0003-37	Ins – Dental, Life, Drug	\$6,500,000
----------------------------	---------------------------------	--------------------

SECTION FOUR: That this Ordinance takes effect ten (10) days after final passage.

SECTION FIVE: That all Ordinances inconsistent with the above provisions are repealed to the extent of their inconsistency.

- What department or bureau is this bill originating from? Where did the initiative for the bill originate?

Finance – Risk Management

- Summary and facts of the bill.

Transfer \$6.5 million from the General fund unappropriated balance to the Risk Fund and budget the funds under (-0003) Employee Health Benefits in (-37) account Insurance to cover the increased costs incurred from healthcare invoices paid out this year and the anticipated costs for the remainder of the year. The medical bills that the City has been billed for providing health insurance has significantly increased due to several large claims. The cost of providing prescription drugs has increased as well. Healthcare costs has increased in the first three quarters of 2024 by 32.68% and prescription costs by 79.59% from 2023.

- Purpose – Please include the following in your explanation:
 - a. What does the bill do? What are the specific goals or tasks the bill seeks to accomplish?

The City is self-insured. The transfer will allow the Risk fund to pay for the health insurance claims and drug prescriptions that are much higher this year. The risk 37 account will be in a deficit if the transfer is not completed.

- b. What are the benefits of doing this? What are the drawbacks?

The transfer will ensure that the Risk fund remains solvent and is able to pay for the invoices from the higher medical claims. The drawback is that the healthcare costs continue to rise year over year and the transfer will reduce the General fund balance.

- c. How does this bill relate to the City's vision/mission/priorities?

The City provides health insurance at an affordable cost and ensures that all the participants in the health insurance plans are covered. To fulfill that mission, the Risk fund needs the transfer to remain solvent and pay its liabilities, the increased insurance claims.

- Financial Impact – Please include the following in your explanation:
 - a. Cost (initial and ongoing)

The cost to the General fund is \$6.5 Million. The Risk and Finance department receive annual insurance cost estimates from Price Waterhouse Coopers. An adjustment of 1.5% higher than their 2024 original projections for healthcare was released last month due to inflation, increased medication cost, increase in behavioral/mental health.

b. Benefits (initial and ongoing)

The Risk fund remains solvent, claims can be paid timely, and the City can operate as a self-insured entity.

- Funding Sources – Please include the following in your explanation:
 - a. If transferring funds, please make sure to give specific account names and numbers. If appropriating funds from a grant, please list the agency awarding the grant.
 - 1) Appropriate \$6,500,000 to the General Fund Interfund transfers account (increase) 000-02-0602-0003-88 “Interfund Transfer”
 - 2) Increase the Risk Fund (081-7121) “Transfer From General Fund” revenue account by \$6.5M
 - 3) Appropriate \$6,500,000 from the General Fund unappropriated balance transfer to the Risk (081-02-8001-0003-37) “INS – Dental, Life, Drug” expense account (increase).

- Priority status – Are there any deadlines to be aware of?

Very high priority – As soon as possible, to pay for the invoices

- Why should Council unanimously support this bill?

The transfer is necessary to pay the insurance claims and the cost of providing healthcare to the City.