

**City of Sheldon
City Council Report for June 5, 2019
Regular Meeting at 4:30 p.m.**

3c. Chamber of Commerce requests for 2019.

- i. Community Blood Drive – June 24.**
- ii. Sheldon Crazy Day – July 17.**
- iii. Hot Dog Day – August 12.**
- iv. Celebration Days Parade – September 2.**
- v. Trick or Treating – October 31.**

Attachments: May 28 letter from Shanelle Matus.

Background: These requests are routine – Here is a summary from Shanelle’s letter:

Community Blood Drive is scheduled this year for Monday, June 24.

- Request to put cones out in the parking spots on the North side of the Community Services building, to mark off the area for the Community Blood Drive bus.

Sheldon Crazy Day is scheduled this year on Wednesday, July 17, 2019. Request to block off streets according to the following information: 9th Street from 3rd Avenue to 4th Avenue, as well as 3rd Avenue from 10th Street to 8th street, including the 9th Street and 3rd Ave intersection Street from 6:00 a.m. to approximately 9:00 p.m.

- Request for 8 garbage cans and 2 barricades from the street department.
- Requesting 8 additional picnic tables from the parks committee to accommodate for crazy day.

Hot Dog Day is scheduled for Monday, August 12 - Requesting 8-10 garbage cans

Celebration Days

The annual **Celebration Days parade** will be held on September 2, 2019 beginning at 2:00 p.m.

- The parade route and parade staging area will be the same as previous years, with the parade headquarters located at the SCDC office in the Community Services Building. The staging area will include 10th & 11th Streets from 3rd Ave to Washington Ave.
 - The parade route will begin at the intersection of 10th St. & 3rd Ave, proceed north on 3rd Ave to 6th St., turn east on 6th St., proceed to Washington Ave. and continue on Washington Ave past the Christian Retirement Home. We are requesting that: All streets and avenues which intersect the parade route be blocked to through-traffic beginning at noon and remain blocked until the conclusion of the parade at approximately 3:30 p.m.
 - 4th Ave. to be blocked off from 7:00 a.m.-6:00 p.m. from the corner of 6th St. north of Parkview Assembly in order to accommodate for various activities.
 - That East 4th St (in front of the high school) from its intersection with 19th Ave. to its intersection with Union Ave is closed from 9:00 a.m. to the conclusion of the car show at approximately 5:00 p.m.

- Use of ATV for parade (all will sign a release form)
 - Shanelle Matus
 - Curt Strouth
 - 4 other parade route volunteers.
- I also ask for approval for all events, vendors and activities put on by the SCDC in conjunction with Labor Day weekend that may take place on City property.

Trick or Treating downtown is scheduled for Thursday, October 31 from 4:30-5:30 p.m.
Request for City Wide Trick or Treating to take place on Thursday, October 31.

3d. Request from Relay for Life to place ribbons on downtown poles – June 6 – 12.

Attachments: May 28 request from Cindy Runger.

Background: The O'Brien County Relay for Life committee is requesting to place purple ribbons downtown from June 6 – 12. The Relay for Life will take place on June 11. On May 29, Craig Van Meeteren with MidAmerican Energy also approved of the request.

3e. Approve change order #9 for Wastewater Treatment Plant.

Attachments: Change order.

Background: We had to move an exhaust fan from a vault because it interfered with the steps, we added some gate valves between the potable water and non-potable water to offer more flexibility. We also had to relocate a water main due to elevation issues with a 24" gravity sewer line. All are standard items. Total increase is \$8,821.

3f. Approve street closures for Village Northwest Celebration – July 3.

Attachments: May 29 letter from EMA Director Kent Lohrenz.

Background: This is a routine annual request and approval is recommended. This is a companion item to the request for the fireworks which was approved on April 3. Coming shortly after this year's celebration will be the contract with J&M Displays for the next three years of Village Northwest fireworks. We anticipate the renewal will be on an agenda later this summer or early fall.

3g. Approve EMA volunteer application from Travis Buyert.

Attachments: Application, received May 29.

Background: Travis is a graduate of Sheldon High School and NCC. He has his associate's in Industrial and Commercial Wiring, and current works with TK Lawn Service as a foreman. We welcome him to the EMA team. He completed CPR training in March 2015.

3h. Resolution awarding auditing contract for 2019-2021 to Winther & Stave.

Attachments: Resolution.

Background: The City issued a request for proposals on April 16 for auditing services for the fiscal years ending 6/30/19, 6/30/20 and 6/30/21. Two companies responded by the deadline, which was 4:30 PM on May 17. Recommendation is to award the contract to our current auditor, Winther & Stave.

Firm	Location	Fees - 2019	Fees - 2020	Fees - 2021
Winther & Stave	Spencer	\$13,500	\$14,000	\$14,500
Williams & Co	Sheldon	\$16,600	\$17,450	\$18,300

3i. Resolution setting wages for regular part-time employees.

Attachments: Resolution and matrix.

Background: This resolution is similar to the resolution approved on May 15 regarding full-time employees. The changes are within the scope of the adopted budget for FY19-20 and this resolution is not legally necessary. However, we recommend a separate vote on this matrix, which for the first time includes the entire list in one easily accessible place.

Note: This resolution/list does not include seasonal employees (IE the swimming pool and parks).

3j. Approve 3 Student Firefighters: Michael Paulsen, Maison Oostra and Jasmine Holtrop.

Attachments: Applications.

Background: We are excited to announce the addition of three student firefighters to the ranks of the Sheldon Fire Department. All three are finishing the 10th grade at Sheldon High School. The applications have been signed by their parents and by Principal Sherri Zeutenhorst.

4a. Agreement with Utility Service Partners to offer service line warranties to residential properties (from April 17).

Attachments: Iowa League of Cities endorsement letter; program highlights; agreement.

Background: This is a follow-up to the presentation and discussion on April 17. Ashley Shiwarski from Utility Service Partners also plans to attend the June 5 meeting to help present the final agreement. City Attorney Micah Schreurs and I asked for several changes to the agreement, most of which were granted. The modifications were mainly regarding the procedure for handling

disputes and the proper venue. We did ask for an immediate termination clause if there were “bad acts”, and we settled on language that allowed for a 30-day notice and a “cure” provision.

State and City codes designate water and sewer service lines as the responsibility of the landowner. This is often a frustrating surprise for property owners who find themselves facing thousands of dollars in unplanned expenses. Some private insurers cover service line breaks, however, gaps in coverage are common.

Utility Service Partners (USP) is an organization endorsed by the National League of Cities and Iowa League of Cities. USP fills an important gap for citizens, private insurers and cities by offering insurance coverage of water and sewer service lines for a reasonable price. The cost is paid by the property owner, and not the City. The City receives a small commission on the sales; the main benefit for the City is the ability to provide preventative options to landowners to help cover the expense of a service line failure. There is no cost to the City of Sheldon for enrolling in this service. Enrollment mailings would have the City’s logo and endorsement, and the mailings would be paid by USP. USP plans to use local contractors for the repairs.

4b. MidAmerican Gas and Electric Franchises.

- i. Review draft ordinances and set public hearing and first readings.**
- ii. Consider Resolution approving and adopting a revenue purpose statement for the use or expenditure of fee revenues from proposed electric and natural gas Franchise Fees.**

Attachments: Draft ordinances, hearing notice and revenue purpose statement.

Background: On May 1, the ‘set for hearing’ was continued until June 5. You signaled your desire to see the two ordinances come before the voters on November 5. To do so, the wording needs to be the County Auditor by September 20.

- 1. Four key elements need to be decided at today’s meeting before these matters can be set for public hearing and 1st reading:
 - a. The percentage fee for residential. (1 – 5%). Remember all residential accounts are paying 1% now for Local

Option Sales Tax so at most the net gain would be 4% or a 4-fold increase.

- b. The percentage fee for non-residential. Remember that most non-residential accounts are paying 1% now for Local Option Sales Tax so for most accounts, the net gain would be 4% or a 4-fold increase.
- c. Approve the Revenue Purpose Statement, which needs to be published prior to 1st reading.
- d. The ordinances have been reviewed by our City Attorney, Micah Schreurs. There are some sticking points being worked out with MidAmerican and we will have an update for you at the meeting. Several changes were made in the drafts at our request with the following goals in mind:
 - To make the two ordinances more consistent with each other;
 - To make the two ordinances compliant with Chapter 114 of the City Code;
 - To make the two ordinances more consistent with the language of the cable franchise ordinance set forth in Chapter 112 of the City Code; and
 - To incorporate some of the language of the 2004 Rock Valley gas and electric ordinances.

2. Assuming the three previous elements are decided, here is the schedule:

- a. Public hearing and 1st reading can be set for the June 19 meeting.
- b. Public hearing and 2nd reading on July 20. (City Code Chapter 114 requires two public hearings no less than 30 days apart for a franchise agreement).
- c. 3rd reading and the placement on the November ballot could occur as early as the August 7 meeting. (3rd reading could be waived since you are having two public hearings).
- d. You would have time for one or two continuations; placement of the matter on the November 5 ballot should happen no later than the September 4 Council meeting.

Here is the additional background information, much of which you have already seen: During the budget process, it was realized the City of Sheldon has many unfunded needs when it comes to Emergency Services. On January 30 and again on February 6, the idea of a gas and electric franchise agreement and related fee was discussed. Sheldon has had a cable franchise agreement since January 3, 1996 (Chapter 27 of the City code). Chapters 110 and 111 in the City code were also established many years ago with the wording “reserved for future use”.

On February 20, a workshop was held to hear the priorities of our four emergency service departments. On April 3, 4 and 12, there were open houses held for the community. Representing MidAmerican at the open houses were Mark Reinders, franchise manager, and Craig Van Meeteren, local operations manager. In total, the estimated need averages \$443,800 of unfunded needs per year for the next 15 years. Here are some points to consider:

1. The full exploration of a franchise agreement and fee has been established as a priority by the Council per the 2017 goal setting meeting on December 13, 2017. The priority was emphasized again in this year’s individual goal list from the elected officials.
2. There are 170 communities in Iowa with gas/electric franchise fees, and below are some of the other communities near Sheldon. Sheldon has a cable TV franchise and 5% fee.
 - MidAmerican renewed the Hull electric and natural gas franchises in 2011 for 20 years – with no termination or reopener language – so it is a straight 20-year agreement. They have 5 percent fees on residential and 1.5 percent on non-residential (to help the Cheese plant).
 - a. Note: Hull lost out on creating a municipal utility in 1990 - the same year as Sheldon.
 - b. Additional note: Agricultural processors in Iowa are mostly exempt from Local Option Sales Tax (1%) so for them a Franchise Fee is a new cost altogether – for example, Ag Partners and AGP.
 - Boyden was renewed in July 2010 for 25 years. No reopener or termination language. Initially, they set fees at 5 percent for residential and 3 percent for nonresidential. In December 2015, Boyden raised the nonresidential to 5 percent. The City limits of Boyden include Demco Manufacturing.

- Sutherland was renewed in April 2017 for 25 years; fees are 3 percent for all customers. No reopener or termination language.
 - The Inwood City Council approved new electric and natural gas franchise in July 2012 for 25 years. No reopener or termination language. They set franchise fees at 5 percent for residential and 3 percent for nonresidential.
 - Ireton renewed the franchise there in 2014 for 25 years. No reopener or termination language. They have 3 percent franchise fees on all electric customers. Ireton DOES exempt the schools.
 - Cherokee has 25-year agreements in place for gas and electric, with a 5% fee for all customers – there are no exceptions. Cherokee is served by MidAmerican for electric, and Alliant is the gas provider. No reopener or termination language.
 - Rock Valley has had franchise fees for the longest time in the examples shown. They set fees at 5 percent for all electric and natural gas customers when the agreements were approved for 25 years in 2004. No reopener or termination language.
3. MidAmerican is offering a 15-year agreement to Sheldon, with negotiated “re-openers/outs” available at 5 and 10 years. Mark Reinders with MidAmerican informed me they not offered such a short agreement to anyone else.
 4. To reduce the impact on the commercial and industrial “classes” (which is the term used in the code), you may want to have a lower fee of 2 - 3% instead of 5%. Most properties in this class are paying 1% (Local Option Sales Tax) now.
 5. Of the 56 communities MidAmerican serves and where franchise fees are in place, eleven do exempt schools: Ackley, Council Bluffs, Des Moines, Early, Hastings, Ireton, Lewis, Perry, Pleasant Hill, Sergeant Bluff and Windsor Heights. The draft ordinances exempt Schools (including private and public, and post-secondary). Churches cannot be exempted, but the entire class they are in - “commercial” could be adjusted to a lower percentage than the 5% maximum. Here is the list of school exemptions (all City of Sheldon accounts are also exempted):
 - Northwest Iowa Community College - 600 College Dr and 603 W Park St
 - Sheldon High School - 1700 E 4th St
 - Sheldon Middle School - 310 23rd Avenue

- Sheldon Elementary School - 501 Normal College Ave
- Sheldon Christian School - 1425 9th St
- Sheldon School District Bus Barn - 1821 E 4th St
- Sheldon School District Special Gas Meter - 1821 E 4th St
- Sheldon School District Concession Stand - 2000 E 4th St
- Sheldon School District Digital Sign - 1700 E 4th St
- St. Patrick's Catholic School - 1020 4th Ave

6. MidAmerican is helping us with the ThermoCel building at 300 Iselin Avenue, and Mark Reinders made it clear he didn't want it to be viewed as a quid pro quo, because they continue negotiating to acquire and demolish the ThermoCel building, and a completely different division of the company is involved in the ThermoCel discussion. With that proposal, the title of the ThermoCel property would be transferred to MidAmerican, and they would clean up the property in exchange for the land itself. The land would be beneficial to their operations.
10. In addition to the budget workshops, three open houses, the April 17 & May 1 meetings, there could be up to six ordinance readings – three each for gas and electric.
11. The revenue statement can be approved now and is to be published prior to first reading of the ordinances.

MidAmerican recommends the broadest possible language for the revenue purpose statement. Here is their recommended language:

Pursuant to the provisions of Section 364.2, subsection (4)(f) of the Code of Iowa, the City of Sheldon hereby establishes the following purposes allowed under Iowa Code Section 384.3A, subsection (3)(e), (f) and (g) for which franchise fee revenues from its natural gas and electric franchises with MidAmerican Energy may be used or expended, said purposes which may be narrowed after public hearing: Public safety, including the equipping of fire, police, emergency services, sanitation, street, and civil defense departments; property tax relief; the establishment, construction, reconstruction, repair, equipping, remodeling, and extensions of public works, public utilities, and public transportation systems; and the construction, reconstruction, or repair of streets, highways, bridges, sidewalks, pedestrian underpasses and overpasses, street lighting fixtures, and public grounds, and the acquisition of real estate needed for such purposes.

Here is the proposed language based on your previous direction and the discussion at the open houses. This language has also been updated to reflect the intent to “backfill” the Local Option Sales tax funds which are currently directed for property tax relief (aka “buying down the levy”).

Pursuant to the provisions of Section 364.2, subsection (4)(f) of the Code of Iowa, the City of Sheldon, Iowa, hereby establishes the following purposes under Iowa Code Section 384.3A, subsections (3)(a), (e) and (g), for which franchise fee revenues from its natural gas and electric franchises with MidAmerican Energy in excess of the amount necessary for inspecting, supervising, and otherwise regulating such franchises may be used or expended: A portion of the revenues will be used for property tax relief, i.e., to pay obligations that would otherwise be paid with funds generated by property tax levies. The annual amount used for property tax relief will be approximately equal to 37.5% of all the annual, estimated local option sales tax (“LOST”) revenues that would have been generated by said 1% LOST tax on the sale of natural gas and electric energy but for the imposition of franchise fees on such sales. The remaining franchise fee revenues will be used for public safety (including the equipping of fire, police, emergency services, and civil defense departments) and for the construction, reconstruction, or repair of public grounds associated with public safety.

4c. Update on H.C. Lane Building.

- i. Update on alley closure behind 324 – 326 9th Street.**
- ii. Status of dangerous building process.**

Attachments: April 9 notice and cover letter; Photos from March 29 Fire Marshal Inspection; April 24 email from owner’s engineer, Wayne Schlotfeldt.

Background: At the April 3 Council meeting, the City authorized a two-week alley closure. On April 17, the closure was re-authorized. The City’s expectation is for the property owner to make enough progress to allow the alley to be reopened right away. On April 25, the property owner’s engineer, Wayne Schlotfeldt, confirmed the alley should not be reopened until the repairs are complete and he recommended the repairs be completed within two weeks. At the May 1 Council meeting the matter was continued until June 5.

On May 30, property manager Rod Fonkert informed me the work was underway and had been delayed by rain earlier in the week. Your authorization will be required to continue the alley closure, unless the repairs are complete and deemed adequate by the time of the meeting. Below are the relevant minutes from the April 17 and April 3 meetings:

April 17 City Council minutes: Rod Fonkert, property manager gave an update on the HC Lane buildings located at 324 9th Street and the adjoining 326 9th Street. He has hired Schlotfeldt Engineering and L&K Construction to work on the area in the back alley and feels that has been taken care of. There are other repairs that are needed to the roof and plans for that to begin once things have dried out. Kooiker and Council asked if

Fonkert would have Schlotfeldt Engineering or L&K Construction submit in writing that the repairs are sufficient to reopen the back alley. Hindt asked for a timeframe for the other repairs to be completed. Attorney Schreurs stated that the dangerous building procedure has begun and that allows the owner 90 days to complete repairs. Fonkert then asked if the City was going to go through all the businesses for dangerous buildings. Kooiker stated he had received formal complaints from past tenants and current tenants in the above stated addresses. Kooiker read an email from realtor Corey Elgersma and property owner of 914 4th Avenue, Wayne Knapp. Said email is attached to these minutes. After discussion, at the recommendation of Kooiker, a motion was made by Eggers and seconded by Hamill to authorize the reopening of the alley behind 324 & 326 9th Street upon written report by the property manager's engineer that the rear wall is safe and ask the City Attorney to proceed with the dangerous building enforcement process. Roll call was taken. Ayes, all. Motion carried.

April 3 City Council minutes: Kooiker gave an update on the HC Lane buildings located at 324 9th Street and the adjoining 326 9th Street. On Friday, March 29, 2019 Kooiker, Uhl, Strouth, the State Building Inspector, State Fire Marshall and building manager Rod Fonkert went and inspected the buildings. Kooiker also stated that he had received the preliminary report from the State Building Inspector, and it stated that the rear southwest corner brick wall forced in 6-8 inches from water and freezing damage at/below grade level. He also stated that the structural integrity is compromised and that a structural engineer is required for a full assessment. Kooiker stated that Fonkert has stated he will hire a structural engineer. Kooiker stated that as of 3:45 p.m. he received the report from Schlotfeldt Engineering, whom Fonkert hired to do a as the structural engineer, stating his recommendations for the area "My recommendations for this area include removing the wooden deck and surrounding pavement areas reconstructed to provide drainage away from the building. I recommend that not only the wall that is damaged be removed and replaced (concrete block is acceptable for a replacement material) but also the window wells and the wooden basement window framing, and coverings be replaced with concrete block wall. I also recommend temporarily support the wall with shoring until permanent repairs are completed. Doing this support system will greatly reduce any hazards to the alley traffic."

Wayne Knapp, owner of 914 4th Avenue, expressed concern of people parking on the south side of this building if the alley were to be closed, and he expects problems if delivery trucks start driving on his asphalt. Corey Elgersma stated that these buildings have been neglected for years. There are buckets inside to catch water from the leaks and wondered if the owner or the building manager is liable. Elgersma suggested putting a short time frame on the repairs that are needed. Lori Anderson stated that she had checked with other towns they others charge a fee to business owners when their building is vacant. She added that it was "appalling that the property manager neglected it."

Hamill asked how long it could take make the temporary fixes. Geels asked if two weeks was sufficient to make the repairs. Eggers suggested we push the issue hard and fast as it is a public safety issue. Attorney Schreurs stated that the property owner can request a

hearing and if so, it has to be granted. After discussion, a motion was made by Geels and seconded by Hamill to authorize the closing of the alley behind the buildings of 324 9th Street and 326 9th Street including the foot print of the parking area at 914 4th Avenue for two weeks and place this item on the agenda April 17, 2019 for an update on the repairs. Roll call was taken. Ayes, all. Motion carried. A motion was made by Eggers and seconded by Hamill to authorize the City Manager to enforce the dangerous building process per City Code Section 145. Roll call was taken. Ayes, all. Motion carried.

5a. Crossroads North.

i. Public Hearing.

ii. Bid award.

Attachments: Signed plat and earthwork agreement.

Background: These are the next steps in moving forward on the public improvements necessary to prepare Crossroads North for development. The Council authorized the process to begin on January 16 and authorization to proceed with the specifications and bidding was approved on April 17. The plat was approved by the Planning Commission on April 30. The plat and earthwork agreement were approved by the City Council on May 15. On May 15, the bid opening was set for Tuesday, June 4 at 11 AM, and the hearing was set for today.

The notice for the June 5 hearing was published in the Northwest Iowa Review on May 18. Engineer’s estimate is \$868,000.

5b. 2nd reading of ordinance setting water rates and amending late fee/notification process.

Attachments: Ordinance.

Background: 1st reading was approved on May 15. 3rd reading may be waived if you desire. The City has reviewed the rates each year to help keep up with rising costs. A rate study is in progress. There was not an increase last year. Here is a six-year rate history:

Fiscal Year	% increase
FY14-15	4%
FY15-16	2%
FY16-17	3%
FY17-18	8%
FY18-19	No increase
Proposed for FY19-20	4%

In addition to the 4% rate increase, here is a summary of the additional amendments:

1. Section 92.04(1) is amended to change the date of billing from “first day of each month” to “last business day of each month” to correspond with the current procedure.
2. Section 92.04(2) is amended to add two days (from 20 to 22) to the billing cycle before a bill is deemed past due. This adds in two days as a grace period to help make up for the fact that reminder notices would no longer be sent out. Here’s how the new schedule would look:
 - a. Bills issued the last business day of the month.
 - b. Due the 22nd of the next month.
 - c. Disconnects hand delivered (door hangers) or mailed on the 23rd.
 - d. Disconnects due on the 25th.
 - e. Shutoff on the 26th.
3. Section 92.04(3) is amended to increase the late penalty from 1 ½% to 6%, and to add in the ability for the City to waive one late fee every 12 months upon customer request.
4. Section 92.05(1) is amended to remove the requirement for the City to send out “reminder notices”.
5. Section 92.05(4) adjusts the processing fee from the normal \$10 to \$25 if the processing fee is for the restoration of service to a delinquent customer. Section 92.05(4) adds in a \$50 charge in the event of an afterhours restoration of water for a delinquent customer. In summary, a delinquent customer previously paid \$35 to be reconnected. They will now pay \$50 to be reconnected during business hours, and \$100 to be reconnected if the reconnection occurs after business hours (Note: In the past the City has billed the employee’s overtime; this is an easier way to do it).
6. Section 92.09 includes an increase of \$5.00 for the deposit (from \$125 to \$130).

5c. 2nd reading of Ordinance to amend provisions of section 63.04, pertaining to the speed limits on Park Street (U.S. 18) to the eastern corporate boundary.

Attachments: May 9, 2019 Iowa DOT traffic study results; map; draft ordinance.

Background: First reading was approved on May 15. We have received multiple complaints regarding the high speeds near the intersection of Runger Avenue and Park Street (Highway 18). The recommendation from Iowa DOT is to extend the 45 MPH zone from the eastern most City boundary (just east of Bomgaars), all the way to the west side of Shopko’s driveway. A third reading may be necessary to allow for additional opportunity for review.

- 5d. Full-time employee benefits changes, effective July 1.**
- i. Change from Mutual of Omaha to UNUM for life insurance/disability – Joel Gesink, Gesink & Vander Wilt Insurance.**
 - ii. Resolution offering employee-funded Section 125 benefits plan – Amy Jager, AFLAC.**
 - iii. Consider Employee Assistance Program agreement – Matt Visser, Connections EAP.**
 - iv. Authorize memorandum of understanding with AFSCME City workers union regarding health insurance contribution percentage for FY19-20.**
 - v. Authorize memorandum of understanding with AFSCME Police union regarding health insurance contribution percentage for FY19-20.**
 - vi. Authorize Wellmark/Auxiant Health Insurance renewal with the option of Health Savings Accounts – Tom Fuoss, Perspective Insurance.**

Attachments: Insurance renewal information.

Background: Below are summaries of each of the six items:

- i. Change from Mutual of Omaha to UNUM for life insurance/disability.** We are proposing to switch from Mutual of Omaha for our life/disability insurance to UNUM. Our agent for Life/Disability is Joel Gesink of Gesink & Vander Wilt Insurance. This is an important but relatively small expense compared to health insurance: Total premium is currently \$1,375.78 per month, which averages out to \$44.37 per employee, per month. The City can offer much better benefits and save 8% by switching from Mutual of Omaha to UNUM.

Life insurance coverage will be doubling from \$25,000 to \$50,000 plus AD&D. The small dependent death benefit of \$2,000/\$2,500 will end. The waiting period for short-term disability for sickness/planned surgery will decrease from one month to 14 days, and the waiting period for an accident will increase from same day to 14 days. Cost will continue to be covered 100% by employer. Employees will have option to buy additional insurance without underwriting.

The new premium would be \$1,265.51 per month. On average, this is approximately \$40.82 per employee, per month.

	Total group Monthly premium		Per employee Monthly premium	
	Mutual of Omaha	UNUM	Mutual of Omaha	UNUM
Life	\$ 303.16	\$ 400.00	\$ 9.78	\$ 12.90
STD	\$ 527.80	\$ 600.18	\$ 17.03	\$ 19.36
LTD	\$ 544.62	\$ 265.33	\$ 17.57	\$ 8.56
	\$ 1,375.58	\$ 1,265.51	\$ 44.37	\$ 40.82
	\$110.07 - Group monthly savings		\$3.55 - Individual Monthly savings	

UNUM is guaranteeing the rate for 2 years for short-term disability, and 3 years for the life insurance and long-term disability components.

ii. Resolution renewing employee-funded Section 125 benefits plan – Amy Jager, AFLAC.

This resolution re-affirms and continues a longstanding partnership with AFLAC. On June 19, 1991, the Sheldon City Council approved a partnership with AFLAC to offer supplemental insurance. This is a benefit 100% paid for by the employees. The City’s cost is limited to administration and facilitating the payroll deductions. The benefit to the employees is they can obtain a lower rate by being part of a “group plan”. The 1991 approval was handled by Council motion rather than resolution. This action refreshes and formalizes a longstanding partnership, which will become more important in the future as the City continues the exploration of Health Savings Accounts to correspond with higher deductible health plans.

iii. Consider Employee Assistance Program agreement – Matt Visser, Connections EAP.

Connections EAP of Rock Valley provides robust employee assistance program services to companies and local governments all over the Midwest, including Northwest Iowa Community College, Rosenboom and Maintainer.

An employee assistance program is a great tool for managers and employees; it is a cost-effective way for an employee to seek help for an issue and provides sound advice for managers.

The cost for FY19-20 will be \$3,302.40; this cost is included in the budget. Micah Schreurs and I have reviewed the agreement are both in support.

- iv. Authorize memorandum of understanding with AFSCME City workers union regarding health insurance contribution percentage for FY19-20.**
- v. Authorize memorandum of understanding with AFSCME Police union regarding health insurance contribution percentage for FY19-20.**

This concept was discussed and initially approved during the FY19-20 Budget workshops. The purpose of this action is to address the disparity between the union and non-union employee health plans. These two Memorandums of Understanding formalize the previous discussions and freeze the union health insurance employee contribution percentage (starting July 1) at 15% instead of 20%.

Per the parties' past practice, the "extra premium for family coverage" means the difference between the total premium for family coverage and the premium for single coverage that would otherwise be paid by the City. Regarding the 15% calculation, here is an example: Assuming the monthly premium amount paid by the City for single coverage is \$900 and the monthly premium for family coverage is \$2,100, then an employee who elects family coverage would be required to contribute \$180 towards the monthly premium and the City would be obligated to pay the remaining \$1,920 of the monthly premium.

The resolution requiring non-union employees to contribute 5% as of July 1 was approved by the City Council on May 15. The estimated cost of each 5% is \$21.94 single/\$32.94 a pay period, so 15% is \$65.83/\$98.75. There are 24 pay periods in a year. Here is a summary:

Employee share	Per Pay Period (24)		Annual	
	Union	Non-union	Union	Non-union
New Wellmark Plan				
	15%	5%	15%	5%
Single	\$ 65.83	\$ 21.94	\$1,579.92	\$ 526.56
Family	\$ 98.75	\$ 32.91	\$2,370.00	\$ 789.84
New HSA option				
Single	\$ 59.25	\$ 19.75	\$1,421.93	\$ 473.90
Family	\$ 88.88	\$ 29.62	\$2,133.00	\$ 710.86

vi. Authorize Wellmark/Auxiant Health Insurance renewal with additional option of Health Savings Accounts – Tom Fuoss, Perspective Insurance:

This is a complicated issue, and involves balancing taxpayer costs, transparency vs private health information, union agreements, and the City’s need to stay competitive with benefits in a tight labor market. We were recently notified that our current Wellmark health insurance plan is ending as of June 30, 2019.

The current Wellmark plan, which will be obsolete on June 30, has a \$2,800 individual deductible and a \$5,600 family deductible, which is “bought down” by the City - using Auxiant as the third-party provider (TPA). The City buys down the deductibles to \$250 single/\$500 family (a \$250/\$500 plan is no longer available as a standalone product). Auxiant charges us \$8 per employee per month for administration.

Although there is no option for renewing the Wellmark plan “as it currently is”. However, there is a comparable plan available (\$4,000/\$8,000 deductible), with an increased buy-down by the City. Anyone reading this explanation will ask the question - “Why not just go out for quotes?” Although our time was limited, we did seek quotes from National General and United Health. United Health provided a quote which is not competitive in terms of cost or customer service. National General declined to give us a quote. Other options such as Sanford, Avera, and Medica can be explored in the future. Here are the key points:

- The FY19-20 budget for health insurance has dropped significantly to a proposed budget for FY19-20 of \$737,148,

which works out to be \$877 a month for a single employee and \$2,194 a month for a family. This cost includes the budgeted buydown cost.

- The cost for FY19-20 is down 16% (from \$857,952) when compared to FY18-19. Reasons for the cost drop include:
 - A reduction in claims over the past few years and a build-up in the self-insurance fund, which is recovering from large claims and large transfers in years past.
 - As for April 30, 2019, we had paid \$79,147 in buy-downs. Assuming the trend to the end of the Fiscal Year holds, this would translate to a 12-month estimate of \$95,000. This is significantly below the \$368,944.56 which was budgeted for buy-downs.
 - There are 89 members in the plan - 31 employees and 58 dependents.
 - From July 1, 2018 through April 30, 16 individuals (of the 89 in the plan) met their \$250 deductible. From July 1, 2018 through April 30, seven had met the maximum out of pocket of \$750 single.
- The current balance of the self-insurance or “buy-down” fund as of May 14, 2019, is \$425,325. The current balance is healthy and is used to take care of buy-downs of the levy, based on claims. In the past, large transfers were made from this fund, which, when combined with larger claims, created budget difficulties in subsequent years. If this fund can grow without experiencing large transfers, the less negative impact there will be on the levy.
- **Here is a summary of the available Wellmark Plans.** These options below are listed in order of the Wellmark options. The only option we can require union employees is to move to Plan 1. The union contracts are in effect until June 30, 2020.
- **Plan 1 - Complete Blue 4000:** The closest Wellmark plan has a \$4,000 individual deductible and a \$8,000 family deductible. This plan costs \$518,062.32, leaving \$219,085.68 available for buydown to \$250/\$500. Based on this current year’s trend, this would work within our budget. However, the budgeted funds available for buy-down is less than with the current plan.
- **Plan 2 - My Blue HDHP Silver Renewal Option 2:** This is a Health Savings Account (HSA) option and has a \$4,500 single deductible and \$9,000 family deductible. This plan costs \$466,885.80, which leaves \$270,262.20 available for buydown. The City may “seed” the HSA accounts each year. An HSA functions like a flexible spending

account, but with a flex account you must use it or lose it. An HSA puts employees more in control of how their health insurance dollars are being used, and the more they save for the City, they are saving for their HSA's and their futures.

- **Plan 3 – Enhanced Blue 2000:** This is a straight up \$2,000 single, \$4,000 family deductible plan. This plan costs \$653,180.64 and does not include a buy-down factor.
- **Plan 4 – My Blue HDHP Gold:** This is another HSA option and is a \$3,000 single, \$6,000 family plan with out of pocket maximums also at \$3,000 single/\$6,000 family. The cost is \$545,052.24 annually and doesn't include buy-down factor.
- **Conclusion - there are two main options regarding health insurance for FY19-20, which begins on July 1, 2019:**
- **Offer Plan 1 only** - This complies with current union contracts. This move is automatic and doesn't require employees or the City to do any paperwork.
- **Offer a choice of Plan 1 and 2** – Offer Plan 1 or Plan 2 to the employees. Plan 1 is a requirement to keep in compliance with the union contracts. For those who pick option 2 with the \$4,500/\$9,000 deductible, offer to “seed” their Health Savings Accounts. There are 26 employees with families, and 5 employees are single. If all 31 employees picked the HSA option, the City's cost would be \$134,500 to pre-pay 31 HSA accounts, if funded at the level of \$3,500 for single and \$4,500 for family. This would result in additional savings of \$135,763 for the City (a savings of 18.4% of the overall cost). This is a hypothetical cost savings since we would be offering this as an optional switch.

Asking employees to switch from a \$250/\$500 deductible plan to a plan with a \$4,500 family deductible is a significant change. I recommend seeding the HSA's in the amount of \$3,500 for single and \$7,000 for families (which is the maximum allowable standard HSA contribution). With the City's higher HSA contribution factored in, the family deductible would essentially be \$2,000, and employees would still pay their allotted percentage of the cost of the plan (which is 10% less than the non-HSA option). The City would save approximately \$70,763 if everyone went the HSA route (a savings of 9.6% of the overall cost).

The downside for the employee choosing Plan 2 is if they have large claims which occur towards the beginning of the fiscal year, they would need to pay the remaining portion to meet the \$9,000 family deductible. The upside is if they don't use it, the money stays in their HSA for future use. This strategy also provides puts employees in the driver's seat for their own health care, provides the ability to use the funds for dental and vision expenses, reduces their own payroll deduction due to the lesser cost of the plan, and provides an incentive to help reduce the City's premium.

Recommended motion: Offer full-time employees their choice of the following two health care options for the new plan year which begins July 1, 2019:

- 1) The Wellmark Complete Blue 4000 renewal option 1, with the current buy down level.**
- 2) The My Blue HDHO Silver Renewal Option 2, with HSA funding for FY19-20 of \$7,000 for family and \$3,500 for single. The HSA contributions would be paid monthly, and employees may open an HSA account at a local financial institution of their choosing.**

6a. City Manager's Report.

- The Clerk's office has solicited quotes for a new phone system. Converged Technologies of Milford was the only company who submitted a proposal; they installed the original system in 1998. The cost is \$12,157.88 for the equipment and \$5,040.34 for installation. The total is \$17,198.22. I signed the quote on behalf of the City on May 17. Our budget for this item was \$30,000.
- The payment of \$2,265,000 was made on June 1 to pay off 2013 TIF bonds. This action was approved by the Council on April 3. This gives us more breathing room in our debt capacity - from 83.58% of the state constitutional debt limit in FY18-19 to 65.75% for FY19-20 and an estimated 62.69% for FY20-21. (The high was 94.42% of debt limit - in FY17-18). Approximately \$11,000 in interest was earned in the last 90 days, which will stay in the TIF fund. There is a remaining balance of \$2,270,086 in accumulated TIF funds and includes the \$607,000 in proceeds from the recent sale of ground. Approximately \$1m will be used in FY19-20 for annual debt payments. Angie is seeking quotes for a longer-term CD for \$1m of the remaining funds, in preparation for the next payoff of callable TIF debt in 2021.

I am meeting soon with Scott Stevenson of D.A. Davidson to discuss financing options for our 2nd water tower. Our goal is to avoid a large water rate increase to fund the much needed 2nd water tower (which would be located at the northeast corner of the intersection of Country Club (Nest Ave) and 16th Street.) The bulk of the funding could come from general obligation bonding (perhaps 70% or more) rather than a water rate revenue bond. This alleviates pressure on water rates, although it would leave less debt capacity for other needs.

- Scott DeGoei is retiring on June 30 after 32 years with the Sheldon Police Department. He began his employment with the City on June 1, 1987. At the Council meeting on June 19, we will recognize him at the end of the meeting (which we plan to keep short), and then we will adjourn the meeting and host an open house for him on the 3rd floor of City Hall.
- Seven applications were received for the open police officer position. Review is in progress.