

**THE HEART OF CUYAHOGA COUNTY**

**6800 Brecksville Road  
Independence, Ohio 44131  
216.524.4131**



**MEMORANDUM**

To: Mayor Gregory P. Kurtz  
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, May 24, 2024

Re: Finance Office and Related Topic Updates

**Tuesday, May 21, 2024 Special Council Meeting Legislation**

At the Tuesday, May 21, 2024 Special Council Meeting, Council unanimously adopted three (3) Ordinances related to the City's medical insurance and related coverages for employees and applicable family members:

- Ordinance 2024-64      Guardian              Group Life Insurance
- Ordinance 2024-65      Delta Dental/VSP      Dental/Vision Coverage
- Ordinance 2024-66      Anthem/ERC          Medical/Prescription Drugs

The renewal of the contract with Guardian will be cost neutral.

By switching to Delta Dental for Dental and Vision coverage, this will save the City approximately \$30,000 over the two-year life of the contract vs. the current pricing structure.

However, the renewal of the Group Medical and Prescription Drug Coverage with Anthem/ERC increased the City's cost by some 19 percent, and these are the two largest components by far of the five (5) cost components noted above.

## Tuesday, May 21, 2024 Special Council Meeting Legislation – Continued

On a dollar basis, after taking into account the employee-paid share of the cost of this coverage, this Group Medical Insurance/Prescription Drug Coverage will now cost the City approximately \$400,000 more on an annual basis (dependent on the number of employees covered and the type of coverage selected by each) – from just under \$2.4 million/year to just under \$2.8 million/year.

That is a material cost increase, and the City’s “All-In” employee insurance cost, including medical insurance, prescription drug coverage, dental and vision coverage, life insurance and employer (City) Health Savings Account (HSA) contributions will now be in the \$3.2 million range on an annual basis.

Income Tax Receipts, while higher in 2023 than in 2022, were still lower than 2021’s Income Tax Receipts.

Fortunately the City’s Hotel/Motel Tax climbed back to pre-Covid levels in 2023 and Investment Income continues to exceed levels achieved during the previous very-low interest rate environment.

Any good news on the Revenue front is welcome given:

- The above-noted material medical insurance/prescription drug coverage cost increase.
- Annual compensation cost increases.
- The cost of supplies and materials having increased significantly since 2021.
- The cost of capital equipment having also risen materially since 2021.
- Proposed Bills in Columbus to increase the employer’s share (City) of certain pension contributions starting in 2025.
- Any near-future borrowing costs will be much higher than in recent memory due to vastly increased interest rates since 2021.

The Finance Office will continue to work with Mayor Kurtz, Council and Directors to ensure that no matter what revenue trends occur going forward, the City is able to adapt its cost structure to ensure a strong, stable and safe (Thank you Third Federal!) financial foundation and position.