



# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMISSION MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: City Manager Jorge M. Gonzalez

DATE: May 14, 2008

SUBJECT: **REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE ON April 21, 2008.**

### **NEW BUSINESS**

1. **A resolution of the Chairperson and Members of the Miami Beach Redevelopment Agency, Florida authorizing the chairperson and Secretary to execute a new retail lease agreement with Liquor Lounge Café, Inc. for suite A in the Anchor Shops located at 1550 Collins Ave, Miami Beach Florida 33139.**

### **ACTION**

**Determine what the market rate per square foot is for the area, include a pass through rate over base year and include an annual increase and bring it back to the Committee.**

Kent Bonde, Redevelopment Coordinator presented the item regarding a renewal lease for the property located at 1550 Collins Avenue. He stated that the Liquor Lounge Café has been a tenant there since December 2000 and that its current lease expires in 2010. He went on to state that Tim Wilcox the owner of the Liquor Lounge Café wanted to extend his lease in an effort to acquire financing for improvements to the location.

Mr. Bonde went on to state that they had negotiated a proposed lease agreement with a ten year term and two five year renewal options. He also stated that the base rent would be \$40.00 a square foot which is a 3% increase from the current lease.

Chairman, Saul Gross inquired as to why the City has does not rent space like other retail properties and have a pass thru over the base year and have an expense sharing

component with the tenant.

Commissioner, Ed Tobin stated that the lease term of twenty years is too long and that the rent should be based on the market rate for that area.

Chairman, Saul Gross also stated that he would like to see annual increase built into our leases.

The Committee asked Staff to determine what the market price per square foot is for the area. They would also like to incorporate a pass through component over the base year and would like to see annual increases built into the lease. Once the due diligence work was done the Committee requested to bring the new lease back for consideration.

**2. Discussion regarding the City's group health insurance plan exploring the opportunity of providing employees with a self-funded, self-insured healthcare program.**

**ACTION**

**Move the item to the full Commission with the Committee's approval.**

Director of Human Resources Ramiro Inguanzo presented the item regarding the City's group health insurance plan and exploring the opportunity of providing employees with a self-funded, self-insured healthcare program.

Human Resources Assistant Director Kristin Tigner went on to explain the differences between a fully insured policy and a self insured policy. Some of the advantages of a self insured policy are greater flexibility in plan design to encourage cost effective medical care, Health and Wellness events targeted to the precise needs of the City's employees, enhancements to plan design, co-payment and premium structure, affordable coverage for the City's part-time employees, and more efficient, effective and responsive customer service for plan participants. Of course, there are also risks. The greatest risk to the City is under-estimating (and therefore under-funding) the participant claims. The City would have to commit to a self-funding program for a period of at least 3 to 5 years to realize the full potential of self-funding its group health care plan.

Ramiro Inguanzo went on to state that the City is paying Humana for its fully insured policy \$16.9 million dollars, which includes the City's portion as well as the employee contribution.

Chairman, Saul Gross inquired as to the magnitude of the risk in implementing a

self insured policy.

Human Resource Administrator I Sue Radig explained that Humana in calendar year 2007 was going to increase the City's premium by 28% but due to negotiations between the City's Benefits Consultant Gallagher Benefit Services, and Humana, the increase was reduced down to a 12% increase.

Commissioner Ed Tobin asked if the City would pick up most of the administration of the plan.

Commissioner Deede Weithorn asked if the City would hire a third party to administer the plan.

Ms. Radig stated that City would hire a third party to administer the plan and that for the first year the City would hire Humana. There would be a seamless transition for the employees and they would still be receiving Humana cards and the claims would continue to be paid by Humana, with reimbursement by the City. Instead of Humana being the plan carrier, the City would pay them an administrative fee. She also explained that the City would have to purchase a stop-loss reinsurance policy in order to protect the City's finances in case of a catastrophic event.

Mr. Inguanzo went on to state that the City's Benefits Consultant, Gallagher Benefit Services, believes that the self insured policy is a good idea.

Commissioner Weithorn inquired as to the increase in the loss ratio last year as compared to prior years. Ms. Radig explained that the City had a significant impact with one employee's family and a high cost maternity claim.

Chairman Gross stated that the CWA was in favor of the self insured plan and made reference to a letter from the CWA to the Commission dated April 16, 2008.

Commissioner Weithorn asked where the funding shortfall would come from if the City did not have enough money to cover the liabilities incurred by the City.

Ms. Tigner stated that the City would have to identify a funding source, such as the risk pool funds or other sources.

Chairman Gross inquired as to what was the best case and worst case scenario if the City was to go the self insured plan.

Ms. Radig stated that the best case scenario would be that the City has more than enough funds to pay all the claims, based on the City and employees' contributions, and build a reserve account. The worst case scenario is that the City could have to fund approximately \$3 million, based on the actuarial study, to

cover the cost of any claims, if the City and employees' contributions were not sufficient.

Chairman Gross was worried that if the City is going to be self insured, it will become a budget issue at year end to set premiums and level of reserves.

Commissioner Weithorn suggested creating a no touch policy for the first five years which is common in the industry. She stated that if there were any savings, the City and the employees both should share in the benefits.

Item moved by Commissioner Weithorn to the full commission with a favorable recommendation by the committee.

### **3. Discussion on a proposed 20 year water supply agreement with Miami Dade County Water and Sewer Department.**

#### **ACTION**

**Move the item to the full Commission without any Committee recommendation.**

Assistant City Manager, Robert Middaugh presented the item of the 20 year water supply agreement with Miami Dade County Water and Sewer Department (MDWASD). He went on to introduce Joe Ruiz, Deputy Director and Peter Velar of MDWASD.

Mr. Middaugh noted that the 20 Year Water Supply Agreement replaces a previous Agreement between the City and the County which expired in January, 2004. For at least the last two years, the City's Administration has been negotiating with the Miami-Dade County Water and Sewer Department to develop the attached successor Agreement. He went on to state that this is a requirement imposed by the South Florida Water Management District (SFWMD) as a condition of the water permit granted to Miami-Dade County to act as a water supplier.

Mr. Middaugh then went on to explain several items that he felt were the most important in the agreement that he had highlighted in his memo to the committee.

Commissioner, Ed Tobin inquired if the City could create a water desalinization plant, could the City reduce the amount of water it buy's from MDWASD.

Deputy Director, Joe Ruiz from MDWASD stated that if it was mutually agreeable by both parties that it would be acceptable. He also went on to say that that the energy cost associated with desalinization was not cost effective.

Chairman, Saul Gross asked Fred Beckmann, Public Works Director if there was anything he felt we could add to the agreement that was not already stipulated.

Mr. Beckmann stated that he felt that it was a good agreement and the City was able to negotiate almost everything it asked for.

Miami Beach resident Fred Carlton questioned the mutual consent that must be given by both the City and MDWASD in order for the agreement to be terminated. He feels that it should be at the City's discretion.

Assistant City Manager, Robert Middaugh addressed the question by stating that MDWASD and the City had negotiated this contract in good faith and he felt that based on other concessions MDWASD had given as part of the agreement, that it was fair that consent be mutual.

Discussion ensued about the twenty year opt out agreement and what MDWASD has provided for in terms of concessions in the agreement and also the money spent on infrastructure from MDWASD to supply the City with its current water supply.

The Committee then moved the item to the Commission without a recommendation.

#### **4. Discussion regarding fiscal year 2007/2008 Water and Sewer Rates.**

Fred Beckmann, Public Works Director

### **ACTION**

#### **Discussion Item**

Fred Beckmann, Public Works Director presented the item of Water and Sewer rates and stated that On September 26, 2007, at the second Public Budget Hearing, the City Commission approved an increase in water and sewer fees based on an assumption that the decrease of water consumption in FY 2007/08 would be 10% below FY2006/07. The Manager's proposed budget for FY2007/08 initially included higher rate increases based on an 18% decrease in consumption. At that time, estimates for water consumption decreases ranged from 10-18%. It was agreed with the final adopted budget that the 10% decrease in water consumption be used as a conservative measure in order not to raise rates higher than necessary, with the understanding that if water consumption decreases were higher than 18%, additional fee increases would be necessary.

Mr. Beckmann went on to state that based on consumption information through February 2008, the actual year to date consumption decrease has been 17%,

more consistent with the proposed rather than the adopted budget.

Based on the decrease of the projected water revenues through the end of the Fiscal Year Public Works is projecting a shortfall of roughly \$730,352 in water revenues and information regarding the adopted and projected sewer revenues through the end of the Fiscal Year are still being reviewed. Mr. Beckmann expects to have the data available for presentation during the May 29, 2008 Finance and Citywide Committee Meeting.

JMG/PDW/rs