



## City Council Agenda Report

**From:** Marlaine Sanders, Human Resources Manager  
**Subject:** Employee Dental and Vision Insurance Contracts / CSAC-EIA  
**Date:** August 1, 2017

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### **Facts**

1. The City contracts for employee Dental and Vision plans with the California State Association of Counties – Excess Insurance Authority (CSAC-EIA).
2. The City transitioned to CSAC-EIA in 2011 because their bundled premium rates presented a cost savings to the City.
3. The current 1-year contract for Dental and Vision will expire on December 31, 2017.
4. The CSAC-EIA insurance program is a directed joint powers authority (JPA) comprised of California public agencies.
5. The benefit of a directed JPA, is that those employers in the “pool” share the risk and exercise purchasing power (volume discounts). The result is typically both lower premiums and a “smoothing” of premium increases over time, making contract management and budgeting more predictable. This has proven true over the City’s 6-year experience with the pool.
6. A renewal quote from CSAC-EIA proposes a three-year contract extension for the Vision plan with no increase to the premium rate, and a one-year contract extension for the Dental plan with a 3.9% decrease to the premium rate.

### **Options**

1. Do nothing.
2. Authorize the City Manager to extend the Dental Insurance contract for an additional one-year at a 3.9% decrease in premium rate and extend the Vision Insurance contract for an additional three years at no change in premium rate.
3. Consider a modified term to the contracts or provide alternative direction to staff.

### **Analysis and Conclusion**

Option 1: No action on the Dental and Vision insurance contracts would place the City in a position of noncompliance with its labor agreements.

Option 2: The proposed one-year contract extension for the Dental insurance at a 3.9% decrease in premium rates, and the proposed three-year contract extension at no change in premium rates for the Vision insurance will continue the City’s current insurance coverage as agreed upon with its labor groups. The one-year Dental contract will result in a cost reduction and the three-year Vision contract will lock in these rates over multiple years.

Option 3: The City Council could consider a shorter term for these contracts, but with no cost increase being offered for a three-year term on the Vision insurance, and a cost reduction being offered for the one-year term on the Dental insurance, it would not be recommended.

### **Fiscal Impact**

Per City labor contracts, the City covers a portion of the cost of certain Dental and Vision insurance plan premiums and these costs are included within the City’s operating budget. No change in budget is required with either the Dental or Vision contract extensions. In fact, the City will see a reduction in cost of

approximately \$5,700 with the Dental contract extension due to the 3.9% premium rate decrease.

**Recommendation**

Authorize the City Manager to execute a one-year contract extension for the purchase of Dental insurance and a three-year contract extension for purchase of Vision insurance, as provided for in current employee contracts.