



SHAKER HEIGHTS

Memorandum

To: Members of City Council

From: Robert H. Baker, Director of Finance

cc: Mayor David E. Weiss
Chief Administrative Officer Jeri E. Chaikin

Date: January 28, 2019

Re: Request to Establish an Agency Fund for Flexsave

As discussed in the memo from Monica Hayes, HRRM Analyst in the Human Resources Department, the City is changing the way it manages the Flexsave program for its employees. While most changes can be accommodated within the General Fund, in order to pay the Flexsave payments and service fees, it is necessary to create a new agency fund. It will be Fund No. 772, the Flexsave Fund. The Auditor of State requires Council approval for the creation of new City funds.

This item was presented, discussed and approved by the Finance and Administration Committee on January 22, 2019. Staff requests that Council authorize the establishment of an Agency Fund for Flexsave Fund. We are requesting that this be passed on first reading and as an emergency in order to enable the City to establish the Flexsave Fund by February 1, 2019.



SHAKER HEIGHTS

Memorandum

TO: Members of Shaker Heights City Council

CC: Mayor David Weiss
Jeri E. Chaikin, Chief Administrative Officer
Sandra Middleton, Human Resources Manager

FROM: Monica Hayes, Sr. Human Resources Analyst

SUBJECT: **Change in FlexSave Funding and Establishing Fund**

DATE: January 22, 2019

The City provides full-time employees with the opportunity to participate in a flexible spending account (FSA), administered by Medical Mutual of Ohio (MMO), called FlexSave. There is a monthly service fee of \$5.40 paid by the City per participating employee. Employees commit to an amount each year for healthcare expenses that are not covered by health insurance, i.e. deductibles, co-payments, co-insurance, etc. The employee contributes to their FlexSave account via pre-tax payroll deductions, which lowers their taxable income. Each pay period, the Finance Department sends MMO the employee contributions for that paycheck. The employee must have incurred healthcare expenses within the current year equal to their committed amount in order to get reimbursed out of their FlexSave account. Any unused employee contributions are forfeited at the end of the submission period. These forfeited amounts have been used for various Wellness activities over the years. There was a \$25,108 surplus of forfeited contributions, accumulating since the inception of the program, which was kept with MMO in case an employee received reimbursement for their expenses and then terminated employment before all of their payroll contributions for the year had been collected, as is allowed by the rules that govern these types of accounts.

Effective January 1, 2019, MMO will no longer collect the employee contributions each pay period. These funds will remain with the City. Instead, MMO will submit a check register each week, containing the payments that were made to employees for their FlexSave reimbursements. The Finance Department will make an Automated Clearing House (ACH) transfer to MMO for the amount owed.

In order to comply with this change, it is requested that a separate account be created to hold the payroll contributions until they can be distributed. Any forfeited amounts would be available for Wellness activities, as in the past. MMO has returned the \$25,108 surplus, which can be used to start this account. The monthly service fees would be paid out of this new account as well.

MMO has also sent a \$4,721 check for the 2017 forfeitures. There will be another check forthcoming when the 2018 forfeitures have been calculated. For 2019, these checks be deposited into the Wellness fund, 10177000 484201, which is the revenue account for Human Resources.

This information was presented to the Finance and Administration Committee on January 22, 2019. There was a question raised regarding the maintenance of the fund. The Sr. Human Resources Analyst will keep track of the balance in the agency fund, as well as the reimbursements made to MMO. The Mayor pointed out that MMO was shifting responsibility to the City. This shift, however, would reduce work for Payroll because the bi-weekly payroll deductions would not be sent to MMO, allowing the City to hold on to these funds until reimbursed. The creation of the fund and the appropriation of the 2017 forfeitures were approved by the Committee.

It is requested that Council approve the establishment of agency fund No. 772 FlexSave fund to accommodate this change by MMO to fund the FlexSave FSA payments and service fees. It is also requested that the \$4,721 forfeiture money from 2017 be appropriated into the Human Resources Department Wellness account in the general fund for 2019 to be used for various employee Wellness activities.

The declaration of an emergency and a suspension of the rules are requested because these changes took effect January 1, 2019.

ORDINANCE NO. 19-
BY: Nancy Moore

Establishing an Agency Fund, Fund No. 772 Flexsave Fund, in the fund accounts of the City and declaring an emergency.

BE IT ORDAINED by the Council of the City of Shaker Heights, State of Ohio:

Section 1. That there be and is hereby created the following Agency Fund Account of the City.

Fund No. 772 - Flexsave Fund

Section 2. The monies in said fund shall henceforth be deemed appropriated by the City of Shaker Heights and shall be disbursed only upon the approval by authorized parties of the vouchered claim according to the procedures as may hereafter be set forth.

Section 3. This ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, health, safety and welfare for the reason that it is necessary in the current operation of the City and, therefore, this ordinance shall take effect immediately upon its enactment and approval by the Mayor.

Enacted January , 2019.

Approved this __th day of _____.

DAVID E. WEISS, Mayor

Attest:

JERI E. CHAIKIN
Clerk of Council