

City Manager's 2019 Budget Message

October 3, 2018

TO: Mayor Juidici, City Council Members, Key Staff, and General Public
FROM: Mark Slown, City Manager
SUBJECT: 2019 Budget Message

Executive Summary

The City of Ishpeming 2019 budget is proof the City has begun a new period of financial distress. For many years, the City has experienced limited revenue growth and continued growth in expenses. The City's revenue has failed to keep up with continuously and significantly increasing fixed and unavoidable costs. Tough choices have already been made to bring this budget proposal before you and to attempt to sustain the City's financial position. Unfortunately, more tough choices are needed for this budget and for the years ahead. In the 2019 proposed budget, I have cut about \$155,000 from Department Heads requests in the General Fund. Unfortunately, the General Fund balance is still down \$171,800. This amount of reduction in the General Fund balance is unsustainable. At this rate, in three years, the City will be bankrupt.

The City does not have the funding to continue operations as in the past. Systemic changes must be made in some combination of reduced manpower/benefit costs, service/expense cuts, and increased revenues. The City must get on a sustainable path. The MERS unfunded liability is the largest of the financial problems facing the City, but by no means the only one. Due to the dire situation, I have instituted a spending freeze for all departments.

Unless significant action is taken before February 2019, the MERS portion of the City's financial control will most likely be taken over by the State of Michigan, Pension Stability Board.

Outline of Budget Message

There are three sections to this budget message:

1. Expected Outcome of 2018—summary of the expected financial position ending 2018
2. Proposals for 2019—highlights of proposed financial plans for on-going services
3. Financial Problems and Opportunities—looking at some options for the future

Note: This budget message does not review every fund. To keep the message brief, I cover only major funds or funds with specific problems.

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Section 1--Expected Outcome of 2018

2018 General Fund

Staff projects the Fund Balance for the General Fund to be \$700,750 at the end of 2018—a decrease of \$184,912 due to increased General Fund expenses.

2018 Major and Local Streets

Fund Balance for Major Streets is expected to increase by \$152,911 to \$270,637 at the end of 2018. We are building up the fund to pay for future street construction work. In 2018, we spent \$76,000 to upgrade full-width paving of Second Street in the USDA Water Improvement Project. Fund Balance for Local Streets is expected to decrease by \$9,279 to \$172,876 at the end of 2018.

2018 Special Fire Fund (Fire Truck Purchase)

Fund Balance for the Special Fire Fund is expected to increase \$12,584, ending 2018 at \$21,428. Payment of the Fire Truck Bond is on track. Chief Anderson is expecting delivery of the new truck before the end of 2018.

2018 Fire Fighter Longevity Fund

Fund Balance is expected to end the year at \$224,976. Payments were made, per policy to Fire fighter retirees.

2018 Waste Disposal Fund

The Waste Disposal Fund (Garbage Fund) balance expected to end 2018 at \$191,417, down \$112,570. The planned spend-down of this fund was begun in 2014. In 2018 Council began to raise rates to end the decline. Staff is proposing raising rates in 2019 which should stop the decline.

2018 Downtown Development Authority

For 2018, the DDA Fund Balance is expected to end at \$991,186, down by \$52,672. Note: Most of the DDA Fund Balance is restricted. In 2018, \$50,000 from the DDA fund is going out for the Lake Bancroft Pavilion Project for engineering expenses.

2018 Public Improvement Fund

In 2018, the Fund Balance for the Public Improvement Fund is projected to increase \$69,512 to \$301,848. We need to build this fund to pay for much needed projects throughout the city.

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2018 Sewer Funds

Sewer Fund is projected to end 2018 with an unrestricted net position of \$820,307 which is up \$394,649. The City needs to build up the fund balance of the Sewer Fund to pay for future capital projects.

2018 Water Fund

The Water Fund is expected to end 2018 with an unrestricted net position of negative \$2,796,098 which is down \$610,065. However, the Deficit Elimination Plan is on track and the Water Fund is expected to be healthy in 2020.

2018 Motor Pool Fund

This fund was established in 2018 with an initial fund balance of \$30,000. It is expected to end 2018 with a Fund Balance of \$133,520, up \$103,520. Within a few years, the Motor Pool Fund may be able to purchase new equipment **without** borrowing money.

The City's other funds remain healthy and are operating as planned. Please refer to the details budget sheets in the budget proposal document.

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Section 2--2019 Proposal

Taxable Values and Millage Rate

Based on information from the County Equalization Department, the City's 2018 taxable value (the 2018 value is used to compute the 2019 tax collection) is \$119,488,574 (up slightly from \$117,543,304 in 2017). The City Council has adopted a tax levy (Millage) with revenues:

Tax category	Millage	Tax Revenues*
Operations:	13.3545	\$1,609,856
Act 345 Retirement:	1.9835	\$107,765
Public Improvement:	4.4514	\$536,597
Fire Equipment	.8940	\$183,207
Total:	20.6834	\$2,437,425

*Note: Tax Revenues are subject to change based on Board of Review, Tax Tribunal, or other adjustments. It is certain there will be some reductions; however, they are not expected to be major. City revenues are reduced by the DDA recapture which is estimated to be \$237,554.

2019 General Fund

Staff projects General Fund revenues of \$2,829,199 and expenses of \$3,020,999, adding \$191,800 from Fund Balance to provide a balanced budget. **There are no staffing changes proposed in this budget for 2019. Unfortunately, if the General Fund continues to lose money at the current rate, staffing and services will have to be cut in future years.** The proposed budget includes funding for the contractual obligation to increase Union wages by .45 cents per hour. Also included is funding to make an equal increase for non-union employees, except Fire Department paid-on-call employees.

Most revenues and expenses remain about the same in 2019 as in 2018; however, all the funding and expenses for equipment maintenance have been transferred to the Motor Pool Fund. The proposed budget includes annual contribution to UPSET of \$10,000, a payment of \$2,750 to the Lake Superior Community Partnership (LSCP) for economic development services to the community, and a payment of \$9,000 to the Senior Center.

To preserve the City's financial position, Department Heads voluntarily reduced their requests over \$300,000 in total. So, please note that the Department Request lines already included cuts. Recommendations to change fees will be coming to City Council in a separate document. If the proposed budget is executed as planned, the Fund Balance will be about \$528,950 at the end of 2019. This fund balance level is about 17.6 percent of the 2019 expected expenses—a decline of about six percent from 2018. If the General Fund balance goes below 15%, it would trigger an audit comment and Treasury Department alarm.

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2019 Major and Local Street Funds

Condition of some City streets has significantly improved due to the USDA project. Unfortunately, we still have a lot of streets needing help. Due to action of the State, our Street funding is up somewhat. As we build funding, the City may plan to repair more street segments. In the 2019 budget proposal, we have not laid out specific plans for a major construction project because—based on changes to the project—we will still be concluding the USDA Water Project in 2019.

During 2019, DPW will assess the conditions of the streets and put together specific project plans for the next street repair project. Waiting until 2020 will give us one more year to build up the fund for a better project. Also, in 2020 the City of Ishpeming is due to receive a Small Urban Grant (SUG) of about \$375,000. The SUG requires the City of Ishpeming to make a local match of \$125,000 to obtain those funds. We must make sure that we have the local match available for the SUG. During 2019, City staff and our consultants will bring you specific proposals for the SUG and any other projects proposed for 2020.

State of Michigan action to increase funding, while a positive step, did not fully correct the state-wide shortage in road funding. Even with the increased Act 51 revenue, the City is unable to keep up with basic maintenance expenses, purchase equipment and supplies, and apply the appropriate repairs to maintain deteriorating streets. Also, we do not plan to repave a street unless the underground infrastructure is in good shape.

The City continues to spend about \$30,000 on patching potholes each year. Some street segments have more patches than original paving. To reduce the cost of pothole repairs, we will have to improve the quality of most City streets. City residents benefit double from continued use of USDA funding for infrastructure projects. Not only do we fix the water and sewer but also obtain pavement repairs. Continued investment in USDA projects will eventually reduce the cost of pothole repairs.

In 2019, this budget shows Major Street expenses of \$458,800 with revenue of \$624,170. The unspent revenue of \$165,370 will go into the Fund Balance, resulting in a Major Street Fund Balance of \$436,007 at the end of 2018.

Staff recommends to use some (amount unknown at this time) of this money in 2019 to complete full-width paving of remaining streets in the USDA project which are currently funded for only one lane of new pavement. Staff will bring details of the specific paving proposals to Council over the next few months and the budget may be amended as Council directs.

In 2019 the Local Street Fund, we plan to spend \$311,800 with revenue of \$288,270. The difference of \$23,530 will come from Fund Balance, resulting in an expected Local Street Fund Balance of \$149,346 at the end of 2018.

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2019 Garbage Fund

2018 was the last year that the City spent down the Fund Balance of the Garbage Fund. In 2019, the fund is expected to spend \$669,600 against revenues of \$644,280. The projected 2019 ending Fund Balance of the Garbage Fund is \$166,097, down \$25,320. Staff will be recommending an increase in the Residential Waste Disposal Fee in 2019. The Council may wish to discuss this rate increase during the budget workshop.

2019 Downtown Development Authority

In 2019, the Downtown Development Authority (DDA) Fund continues with reduced spending because of high bond payment levels. However, the DDA is participating in a special project: The Lake Bancroft Pavilion. This project is estimated to cost about \$600,000 with \$50,000 from the DDA (spent in 2018), a \$250,000 donation from The Cliffs/Lundin Community Foundation, and \$300,000 from DNR. Therefore, in 2019 the DDA expenses will be much larger than the revenues. With about \$237,554 in new revenue and \$509,710 in expenses (including the \$250,000 donation—previously deposited and used in 2019), the DDA will have to use \$272,156 from the Fund Balance.

2019 Public Improvement Fund

The fund expects revenues of \$518,914 and expenses of about \$461,280, resulting in an increase of \$57,634 in the fund balance. Without unplanned capital spending, the fund balance would end 2019 with \$359,482. Unfortunately, the roof of the DPW Garage is leaking....

The proposed 2019 Public Improvement Fund budget includes the following:

City Treasurer - \$10,000 for computer upgrades

City Hall - \$5,000 for building repairs and maintenance, cut \$5,000 from 2018

Cemetery - \$11,200 for various needs, cut from \$34,000 last year.

Police - \$76,000 for a new vehicle and equipment, and increased from \$30,000 last year.

Fire - \$30,400 for building repairs and for replacement of equipment.

Public Works – None currently in the budget; however, the roof at the garage is leaking very extensively. A patching effort a couple years ago has failed. The estimated repair is about \$250,000. If the City used a bond from USDA or other commercial source, the payments would probably be about \$30,000 per year. This amount could be added to the Public Improvement Fund without great harm to the fund. Alternatively, the entire amount could be pulled from the fund balance, saving interest and bonding costs. Regardless of the method of payment, this roof repair must be completed in 2019 to prevent damage to equipment and supplies and safety hazards.

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2019 Public Improvement Fund (continued)

Parks - \$3,000 for improvements.

Al Quaal - \$4,800 for building improvements, down from \$24,500 in 2018.

Library – \$31,600 for building improvements, books, periodicals, video and audio products, and computer work stations.

Contracted Services - \$8,500 down from \$35,000 last year. No money included for demolition. Limited funds included for curb and sidewalk repair.

Transfers Out -\$181,395 to pay building debt to Building Authority.

Bond and Interest Payments - \$99,205 for Fire Truck Bond.

2019 Sewer Fund

The Sewer Fund is expected to have \$1,903,600 in revenues against \$1,519,170 in expenses, giving a boost of \$384,430 to fund balance by the end of 2019. Staff is seeking to build this fund up for future capital projects and to be available for emergencies, if needed.

2019 Water Fund

The Water Fund is three years on its way out of a deficit position. The deficit was created several years ago by extreme cold weather conditions and by previously unreimbursed expenses related to the USDA project. In 2019, revenues are expected to be \$2,094,180 with expenses of \$2,019,996. However, requirements of the deficit elimination plan and funding the USDA project together will keep the fund balance from growing. The net resulting ending net position is a negative \$3,339,606. Fortunately, the fund is projected to be out of its deficit position in 2020.

2019 Motor Pool Fund

This was a new fund for the City of Ishpeming in 2018. It consolidates the revenues and expenses related to DPW equipment operations and maintenance from several other funds, including: General Fund, Public Improvement Fund, Water Fund, Sewer Fund, and Street Funds. The idea of this fund is to provide direct public visibility of the funds used with this important fleet. The Motor Pool Fund had a \$30,000 fund balance to begin 2018. Total revenues for this fund are expected to be \$720,032 with expenses of \$645,075 and depreciation, resulting in an ending fund balance to \$39,360. Please keep in mind that this fund is going to experience “growing pains.” That means that the numbers are very likely to change from these projections.

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Section 3 Financial Problems and Opportunities

As described above, the City will be entering a period of financial distress, unless certain issues or opportunities can be favorably resolved. Topics of discussion here are about some of these important financial considerations for the future. The areas addressed below are not technically part of the 2019 budget; however, they need to be addressed going forward.

New Revenue Sources

To keep up with cost growth, the City needs new revenue. Unfortunately, **none** of these may be put in place for the 2019 fiscal year. All would require action in 2019 to implement in 2020.

A. Library Millage

Under Act 164, the City Council is authorized to levy 1 mill to pay for public library expenses. The City currently does not levy this tax, but pays for the entire cost of the Library out of other sources of revenue, including the General Fund. The soonest that the City could use this millage as a source of funding is in the 2020 budget. The idea of this millage is that by dedicating this new specific tax to the Library, the City will free up tax revenue for other needs. This increase in taxation would bring in about \$120,000, costing the average tax payer about \$50 per year.

B. Headlee Override

With the correct legal process (see attached Fact Sheet and sample ballot language), the City has a legal means to override the Headlee Amendment, returning the millage rate for the City of Ishpeming to the maximum constitutional rate of 20 mills. Currently, the City levies 17.8059 mills between General Operating and Public Improvement Fund (only these two millages are impacted by the Headlee Amendment). Therefore, using this process could gain the City about 2.2 mills (or about \$250,000) of new revenue. This action requires a public vote, which could be defeated.

C. Voted Millages

Similar to the Fire Truck Ballot Proposal, the City has the authority to place a wide variety of specific ballot initiatives before the voters. This choice could help with various expenses, including MERS and it may be needed at some point in the future.

Reducing Costs Via Employee Healthcare

Healthcare costs have increased significantly. 2019 is the first year in many where we expect to see a reduced cost. This reduction is planned into the proposed 2019 budget. However, we may be able to increase the savings even more in the future. The City Healthcare Committee should

City Manager's 2019 Budget Message

convene to examine options to reduce costs and still maintain reasonable healthcare benefits for our employees.

Reducing Costs Via Employee Healthcare (continued)

Under Public Act 152, the City Council must vote in 2018 by a super majority (4-1) to continue this total support into 2019. Per State law, if this policy is not continued the City must move to either an 80/20 cost share or to pay not more than a fixed "cap" per employee. The State of Michigan sets the cap annually. Either of these options would force the employees to pay a substantially larger share of healthcare costs in the form of payroll deductions. Because healthcare costs have increased greatly while our revenue is stagnant, some form of healthcare premium cost-sharing with our employees is going to be necessary.

MERS

This is the most difficult issue facing the City. From 2018 to 2019, our annual required contribution (ARC) has increased from \$631,140 to \$686,208. MERS has informed us that required contributions will continue to increase to pay down the unfunded liability in our MERS plan which is reported to be more than \$8,000,000. For 2019, we are planning to make an ARC payment of \$686,208. Future ARC payments are projected to increase above \$1,000,000 in a few years, depending on mortality rate, investment return, and other factors. Clearly, the City cannot afford expenses like these without deep cuts to services or significant new revenue. I believe that a combination of all techniques--including concessions from the employees, service cuts, new revenue/taxes, and smart money management—will be necessary to weather this storm. We have been meeting with Department Heads, union representatives, and MERS staff to review the facts and discuss the way forward. **I strongly recommend that the City Council approve to set aside the 2018 MMRMA insurance refund, estimated to be about \$25,000, to pay down the MERS unfunded liability.** This action would be done as a budget amendment. It is one action that Council can do immediately without obtaining approval from anyone. I have spoken with the MMRMA representatives, and they have no objection to this course of action.

Final Note: City Staff worked together, diligently, and carefully to create this proposed 2019 budget. Thank you to all the staff involved. Special thanks to Jim Lampman who put in many late nights building a responsible budget and cutting expenses.

Mark Slown
City Manager

Headlee Rollback and Headlee Override

Introduction

The term “Headlee Rollback” became part of municipal finance lexicon in 1978 with the passage of the Headlee Amendment to Michigan’s Constitution. In a nutshell, Headlee requires a local unit of government to reduce its millage when annual growth on existing property is greater than the rate of inflation. As a consequence, the local unit’s millage rate gets “rolled back” so that the resulting growth in property tax revenue, community-wide, is no more than the rate of inflation. A “Headlee override” is a vote by the electors to return the millage to the amount originally authorized via charter, state statute, or a vote of the people, and is necessary to counteract the effects of the “Headlee Rollback.”

Impact of Headlee Amendment

Since the passage of the Headlee Amendment, units of government are required to annually calculate a Headlee rollback factor. The annual factor is then added to Headlee rollback factors determined in prior years resulting in a cumulative Headlee rollback factor sometimes referred to as the “millage reduction fraction.” This total “millage reduction fraction” is then applied to the millage originally authorized by charter, state statute, or a vote of the people. In summary, the actual mills available to be levied by a unit of local government is the product of the authorized millage rate times the total millage reduction fraction. This is known as the “Headlee maximum allowable millage.”

Impact of Proposal A

Prior to Proposal A legislation passed in 1994, local governments were allowed to “roll up” their millage rates when growth on existing property was less than inflation. “Roll ups” were a self-correcting mechanism that allowed local governments to naturally recapture taxing authority lost due to Headlee rollbacks in prior years. A local government could only “roll up” its millage rate to the amount originally authorized by charter, state statute, or a vote of the people.

Additions to taxable value (such as newly constructed property) are typically excluded (or exempt) from the Headlee roll back calculation. The 1994 General Property Tax Act changes did not specifically define “uncapped values” (increases resulting primarily from property transfers) as exempt.

Result

Although it might appear that a community with an annual increase in uncapped property values would benefit monetarily, uncapped values are treated as growth on existing property and trigger Headlee rollbacks. For local governments levying at their Headlee maximum authorized millage, rolling back the maximum authorized millage rate reduces the revenue that would have been generated from these increased property values. The increase in the taxable value of property not transferred is capped at the lesser of inflation or five percent. Even though the taxable value of a particular piece of property increases at the rate of inflation, the millage rate for the entire community is “rolled back” as a result of the increase in the total taxable value of the community. The net result—a less than inflationary increase in the actual dollars received from property taxes. Consequently, the 1994 change to the General Property Tax Act has prevented local governments from being able to share the benefits of any substantial market growth in existing property values.

Based on System Failure: Michigan’s Broken Municipal Finance Model. Prepared for the Michigan Municipal League by Plante and Moran, PLLC, March, 2004



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

Bulletin 16 of 2017
Inflation Rate Multiplier
October 30, 2017

TO: Assessors and Equalization Directors

FROM: State Tax Commission

RE: Inflation Rate Multiplier for use in the 2018 capped value formula and the "Headlee" Millage Reduction Fraction (MRF) formula

Note: The Calculation of the Inflation Rate Multiplier is set in statute. MCL 211.34d states:

- (l) "Inflation rate" means the ratio of the general price level for the state fiscal year ending in the calendar year immediately preceding the current year divided by the general price level for the state fiscal year ending in the calendar year before the year immediately preceding the current year.
- (f) "General price level" means the annual average of the 12 monthly values for the United States consumer price index for all urban consumers as defined and officially reported by the United States department of labor, bureau of labor statistics.

Based on this statutory requirement, the calculation for 2017 is as follows:

1. The 12 monthly values for October 2015 through September 2016 are averaged.
2. The 12 monthly values for October 2016 through September 2017 are averaged.
3. The ratio is calculated by dividing the average of column 2 by the average of column 1.

The specific numbers from the US Department of Labor, Bureau of Labor Statistics are as follows:

Oct-15	237.838	Oct-16	241.729
Nov-15	237.336	Nov-16	241.353
Dec-15	236.525	Dec-16	241.432
Jan-16	236.916	Jan-17	242.839
Feb-16	237.111	Feb-17	243.603
Mar-16	238.132	Mar-17	243.801
Apr-16	239.261	Apr-17	244.524
May-16	240.229	May-17	244.733
Jun-16	241.018	Jun-17	244.955
Jul-16	240.628	Jul-17	244.786
Aug-16	240.849	Aug-17	245.519
Sep-16	<u>241.428</u>	Sep-17	<u>246.819</u>
Average	238.939		243.841
		Ratio	1.021
		%	
		Change	2.1%

Local units **cannot** develop or adopt or use an inflation rate multiplier other than 1.021 in 2018. It is not acceptable for local units to indicate to taxpayers that you do not know how the multiplier is developed.

➤ **Inflation Rate Multiplier Used in the 2018 Capped Value Formula**

The inflation rate, expressed as a multiplier, to be used in the 2018 Capped Value Formula is 1.021.

The 2018 Capped Value Formula is as follows:

$$\mathbf{2018\ CAPPED\ VALUE = (2017\ Taxable\ Value - LOSSES) \times 1.021 + ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.021 is lower than 1.05.

➤ **Inflation Rate Multiplier Used in 2018 "Headlee" Calculations**

The inflation rate multiplier of 1.021 shall ALSO be used in the calculation of the 2018 "Headlee" Millage Reduction Fraction required by Michigan Compiled Law (MCL) 211.34d. The formula for calculating the 2018 "Headlee" Millage Reduction Fraction (MRF) is as follows:

$$\mathbf{2018\ MRF = \frac{(2017\ Taxable\ Value - LOSSES) \times 1.021}{2018\ Taxable\ Value - ADDITIONS}}$$

- The following is a listing of the inflation rate multipliers used in the Capped Value and "Headlee" calculations since the start of Proposal A:

1995	1.026
1996	1.028
1997	1.028
1998	1.027
1999	1.016
2000	1.019
2001	1.032
2002	1.032
2003	1.015
2004	1.023
2005	1.023
2006	1.033
2007	1.037
2008	1.023
2009	1.044
2010	0.997
2011	1.017
2012	1.027
2013	1.024
2014	1.016
2015	1.016
2016	1.003
2017	1.009
2018	1.021

**CITY OF CHARLOTTE
HEADLEE OVERRIDE BALLOT PROPOSAL**

Shall the authorized charter millage for the City of Charlotte, established at 15 mills (\$15.00 per \$1,000 of taxable value) and reduced to 14.2913 mills (\$14.2913 per \$1,000 of taxable value), by the required millage rollbacks, be increased in an amount not to exceed .7087 mills (\$.7087 per \$1,000 of taxable value) to restore the full amount of the original authorized charter rate for each year for three (3) years, 2012 to 2014, inclusive, for all City and municipal purposes authorized by law; and shall the City levy such new additional millage? The estimate of the revenue the City will collect if the millage is authorized and levied by the City in the 2012 calendar year is approximately \$159,800, a portion of which (\$2,000) will be disbursed to the Charlotte Downtown Development Authority and a portion (\$2,300) which will be disbursed to the Charlotte Local Development Finance Authority.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

September 17, 2018

**PUBLIC EMPLOYER CONTRIBUTIONS TO MEDICAL BENEFIT PLANS
ANNUAL COST LIMITATIONS – CALENDAR YEAR 2019**

For a medical benefit plan coverage year beginning on or after January 1, 2012, MCL 15.563, as amended by 2013 Public Act 270, sets a limit on the amount that a public employer may contribute to a medical benefit plan.


For medical benefit plan coverage years beginning on or after January 1, 2013, MCL 15.563 provides that the dollar amounts that are multiplied by the number of employees with each coverage type be adjusted annually. Specifically, the dollar amounts shall be adjusted, by October 1 of each year, by the change in the medical care component of the United States consumer price index for the most recent 12-month period for which data are available. For calendar year 2018, the limit on the amount that a public employer may contribute to a medical benefit plan was set to the sum of the following:

- \$ 6,560.52 times the number of employees and elected public officials with single-person coverage
- \$13,720.07 times the number of employees and elected public officials with individual-and-spouse coverage or individual-plus-1-nonspouse-dependent coverage
- \$17,892.36 times the number of employees and elected public officials with family coverage.

The limits for 2019 equal the 2018 limits increased by **1.9 percent**. The 1.9 percent is the percentage change in the medical care component from the period September 2016-August 2017 to the period September 2017-August 2018.

Thus, for medical benefit plan coverage years beginning on or after January 1, 2019, the limit on the amount that a public employer may contribute to a medical benefit plan equals the sum of the following:

- \$ 6,685.17 times the number of employees and elected public officials with single-person coverage
- \$13,980.75 times the number of employees and elected public officials with individual-and-spouse coverage or individual-plus-1-nonspouse-dependent coverage
- \$18,232.31 times the number of employees and elected public officials with family coverage.



Nick A. Khouri
State Treasurer

September 17, 2018