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Human Resources Department
100 N. Appleton Street
Appleton, WI 54911
Phone: (920) 832-6455
Fax: (920) 832-5845

May 9, 2014

Human Resources Committee Chairperson Konetzke, Members of the Human Resources Committee and
Appleton Common Council

Re: Appleton Housing Authority

Dear Chairperson Konetzke and Human Resources Committee Members:

Before you is an action item to approve allowing employees of the Appleton Housing Authority to continue eligibility on the City of Appleton's Medical, Dental, Life and Long-Term Disability insurance plans. The City and the Housing Authority have enjoyed a cooperative relationship regarding benefit eligibility for many years and longer than my tenure with the City. The Housing Authority reimburses the City for the Cobra rate of the medical and dental plans and the premiums of the life insurance and LTD benefit. The Housing Authority currently has a total of 12.6 full-time equivalent employees that are eligible for the benefits. In 2013, the City collected just shy of \$200,000 in premiums from the Housing Authority.

The relationship between the City and the Housing Authority is unique in that a Housing Authority can only be formed by a resolution of the Common Council. A resolution of the Appleton Common Council was adopted on August 7, 1968 and a Cooperation Agreement was entered into between the parties on that date. Nothing contained in the agreement provides for the eligibility of benefits. (I have attached both the Resolution and Cooperation Agreement for your review.) I have been unable to establish a date that Housing Authority employees were first eligible for benefits under the City's plans.

I have also attached a letter from Greg Biese of Associated Financial Group that outlines why we have revisited this issue with our most recent insurance renewal. While the Housing Authority reimburses the City for the "premiums" of those benefit plans, as Mr. Biese points out there is some level of risk that the City assumes by extending in particular, medical insurance.

My recommendation would be to allow the Appleton Housing Authority employees to maintain eligibility for the outlined benefits and that staff review on an annualized basis the feasibility for continuation of the eligibility. I am open to how the Committee would best like to record this approval, whether it be through renewal and update of the Cooperation Agreement, through a periodic approval of the Common Council, or other such means.

Please contact me if I can provide any other information to assist with your decision making on this matter.

Sincerely,

Sandy Behnke
HR Director
City of Appleton

RESOLUTION AUTHORIZING EXECUTION OF A COOPERATION AGREEMENT

WHEREAS, the Appleton Housing Authority, of the City of Appleton, Wisconsin, proposes to develop and administer a low-rent housing project or projects to consist of approximately three hundred (300) dwelling units; and

WHEREAS, the City of Appleton, Wisconsin, desires to enter into a Cooperation Agreement with the Appleton Housing Authority in connection with such project,

NOW, THEREFORE, BE IT RESOLVED:

- 1. That the City of Appleton, Wisconsin, shall enter into a Cooperation Agreement with the Appleton Housing Authority in substantially the attached form.
- 2. That the Mayor be and he is hereby authorized and directed to execute said Cooperation Agreement, in quadruplicate, in behalf of said City, and the City Clerk is hereby authorized and directed to affix the corporate seal of said City thereon and to attest the same.
- 3. That this Resolution shall take effect immediately.

Introduced and adopted this 7th day of August, 1968.

s/ GEORGE L. BUCKLEY
George L. Buckley, Mayor

Attest:

s/ ELDEN J. BROEHM
Elden J. Broehm, City Clerk

Alderman Thompson moved, seconded by Alderman Wolfgram that the Resolution be adopted.

Roll Call: Alderman Ayers, Bethke, Draheim, Errington, Hoolihan, Huisman, Kalata, Mullen, Reynolds, Roemer, Schwarzbauer, Steidl, Stoegbauer, Tews, Thompson, Wachtendonk, Wolfgram -Aye. -16.

Aldermen Beyer, Gertsch, Steidl -Nay. -3. Excused: Alderman Strutz. -1. Motion carried. Resolution adopted.

COOPERATION AGREEMENT

This Agreement entered into this 7th day of August, 1968, by and between APPLETON HOUSING AUTHORITY, of the City of Appleton, (herein called the "Local Authority"), and CITY OF APPLETON (herein called the "Municipality").

W I T N E S S E T H :

In consideration of the mutual covenants hereinafter set forth, the parties hereto do agree as follows:

1. Whenever used in this Agreement:

(a) The term "Project" shall mean any low-rent housing hereafter developed as an entity by the Local Authority with financial assistance of the Housing Assistance Administration (herein called the "HAA"); excluding, however, any low-rent housing project covered by any contract for loans and annual contributions entered into between the Local Authority and the HAA, or its predecessor agencies, prior to the date of this Agreement.

(b) The term "Taxing Body" shall mean the State or any political subdivision or taxing unit thereof in which a Project is situated and which would have authority to assess or levy real or personal property taxes or to certify such taxes to a taxing body or public officer to be levied for its use and benefit with respect to a Project if it were not exempt from taxation.

(c) The term "Shelter Rent" shall mean the total of all charges to all tenants of a Project for dwelling rents and non-dwelling rents (excluding all other income of such Project) less the cost to the Local Authority of all dwelling and non-dwelling utilities.

(d) The term "Slum" shall mean any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

2. The Local Authority shall endeavor (a) to secure a contract or contracts with the HAA for loans and annual contributions covering one or more Projects comprising approximately Three Hundred (300) units of low-rent housing, and (b) to develop and administer such Projects, each of which shall be located within the corporate limits of the Municipality. The obligations of the parties hereto shall apply to each such Project.

3. (a) Under the constitution and statutes of the State of Wisconsin, all Projects are exempt from all real and personal property taxes levied or imposed by any taxing body. With respect to any Project, so long as either (i) such Project is owned by a public body or governmental agency and is used for low-rent housing purposes, or (ii) any contract between the Local Authority and the HAA for loans or annual contributions, or both, in connection with such Project remains in force and effect, or (iii) any bonds issued in connection with such Project or any monies due to the HAA in connection with such Project remain unpaid, whichever period is the longest, the Municipality agrees that it will

not levy or impose any real or personal property taxes upon such Project or upon the Local Authority with respect thereto. During such period, the Local Authority shall make annual payments (herein called "Payments in Lieu of Taxes") in lieu of such taxes and in payment for the public services and facilities furnished from time to time without other cost or charges for or with respect to such Project.

(b) Each such annual Payment in Lieu of Taxes shall be made after the end of the fiscal year established for such Project and shall be in an amount equal to either (i) ten per cent (10%) of the Shelter Rent charged by the Local Authority in respect to such Project during such fiscal year or (ii) the amount permitted to be paid by applicable state law in effect on the date such payment is made, whichever amount is the lower.

(c) The Municipality shall distribute the Payments in Lieu of Taxes among the taxing bodies in the proportion which the real property taxes which would have been paid to each taxing body for such year if the Project were not exempt from taxation bears to the total real property taxes which would have been paid to all of the taxing bodies for such year if the Project were not exempt from taxation; Provided, however, that no payment for any year shall be made to any taxing body in excess of the amount of the real property taxes which would have been paid to such taxing body for such year if the Project were not exempt from taxation.

(d) Upon failure of the Local Authority to make any Payment in Lieu of Taxes, no lien against any Project or assets of the Local Authority shall attach, nor shall any interest or penalties accrue or attach on account thereof.

4. The Municipality agrees that, subsequent to the date of initiation (as defined in the United States Housing Act of 1937, as amended) of each Project and within five years after the completion thereof, or such further period as may be approved by the HAA, there has been or will be elimination (as approved by the HAA) by demolition, condemnation, effective closing, or compulsory repair or improvement, of unsafe or unsanitary dwelling units situated in the locality or metropolitan area in which such Project is located, substantially equal in number to the number of newly constructed dwelling units provided by such Project: Provided, that, where more than one family is living in an unsafe or unsanitary dwelling unit, the elimination of such unit shall count as the elimination of units equal to the number of families accommodated therein: and provided, further, that this Paragraph 4 shall not apply in the case of (i) any Project developed on the site of a Slum cleared subsequent to July 15, 1949, and that the dwelling units eliminated by the clearance of the site of such Project shall not be counted as elimination, for any other Project or any other low-rent housing project, or (ii) any Project located in a rural, non-farm area.

5. During the period commencing with the date of the acquisition of any part of the site or sites of any Project and continuing so long as either (i) such Project is owned by a public body or governmental agency and is used for low-rent housing purposes, or (ii) any contract between the Local Authority and the HAA for loans or annual contributions, or both, in connection with such Project remains in force and effect, or (iii) any bonds issued in connection with such project or any monies due to the HAA in connection with such Project remain unpaid, whichever period is the longest, the Municipality without cost or charge to the Local Authority or the tenants of such project (other than the Payments in Lieu of Taxes) shall:

(a) Furnish or cause to be furnished to the Local Authority and the tenants of such Project public services and facilities of the same character and to the same extent as are furnished from time to time without cost or charge to other dwellings and inhabitants in the Municipality;

(b) Vacate such streets, roads, and alleys within the area of such Project as may be necessary in the development thereof, and convey without charge to the Local Authority such interest as the Municipality may have in such vacated areas; and, insofar as it is lawfully able to do so without cost or expense to the Local Authority or to the Municipality, cause to be removed from such vacated areas, insofar, as it may be necessary, all public or private utility lines and equipment;

(c) Insofar as the Municipality may lawfully do so, (i) grant such deviation from the building code of the Municipality as is reasonable and necessary to promote economy and efficiency in the development and administration of such Project, and at the same time safeguard health and safety, and (ii) make such changes in any zoning of the site and surrounding territory of such Project as are reasonable and necessary for the development and protection of such Project and the surrounding territory;

(d) Accept grants of easements necessary for the development of such Project; and

(e) Cooperate with the Local Authority by such other lawful action or ways as the Municipality and the Local Authority may find necessary in connection with the development and administration of such Project.

6. In respect to any Project the Municipality further agrees that within a reasonable time after receipt of a written request therefrom from the Local Authority;

(a) It will accept the dedication of all interior streets, roads, alleys, and adjacent sidewalks within the area of such Project, together with all storm and sanitary sewer mains in such dedicated areas, after the Local Authority, at its own expense, has completed the grading, improvement, paving, and installation thereof in accordance with specifications acceptable to the Municipality;

(b) It will accept necessary dedications of land for, and will grade, improve, pave, and provide sidewalks for, all streets bounding such Project or necessary to provide adequate access thereto (in consideration whereof the Local Authority shall pay to the Municipality such amount as would be assessed against the Project site for such work if such site were privately owned); and

(c) It will provide, or cause to be provided, water mains, and storm and sanitary sewer mains, leading to such Projects and serving the bounding streets thereof, (in consideration whereof the Local Authority shall pay to the Municipality such amount as would be assessed against the Project site for such work if such site were privately owned).

7. If by reason of the Municipality's failure or refusal to furnish or cause to be furnished any public services or facilities which it has agreed hereunder to furnish or to cause to be furnished to the Local Authority or to the tenants of any Project, the Local Authority incurs any expense to obtain such services or facilities then the Local Authority may deduct the amount of such expense from

any Payments in Lieu of Taxes due or to become due to the Municipality in respect to any Project or and other low-rent housing projects owned or operated by the Local Authority.

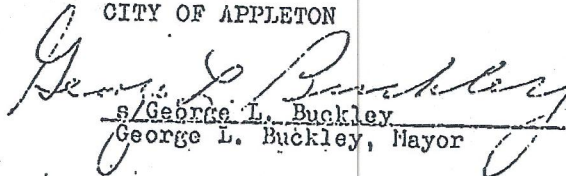
8. No Cooperation Agreement heretofore entered into between the Municipality and the Local Authority shall be construed to apply to any Project covered by this Agreement.

9. So long as any contract between the Local Authority and the HAA for loans (including preliminary loans) or annual contributions, or both, in connection with any Project remains in force and effect, or so long as any bonds issued in connection with any Project or any monies due to the HAA in connection with any Project remain unpaid, this Agreement shall not be abrogated, changed, or modified without the consent of the HAA. The privileges and obligations of the Municipality hereunder shall remain in full force and effect with respect to each Project so long as the beneficial title to such Project is held by the Local Authority or by any other public body or governmental agency, including the HAA, authorized by law to engage in the development or administration of low-rent housing projects.

If at any time the beneficial title to, or possession of, any Project is held by such other public body or governmental agency, including the HAA, the provisions hereof shall inure to the benefit of and may be enforced by, such other public body or governmental agency, including the HAA.

IN WITNESS WHEREOF, the Municipality and the Local Authority have respectively signed this Agreement and caused their seals to be affixed and attested as of the day and year first above written.

CITY OF APPLETON


s/George L. Buckley
George L. Buckley, Mayor

ATTEST:

s/Elden J. Broehm
Elden J. Broehm, City Clerk

APPLETON HOUSING AUTHORITY

s/Harold E. Bravick
Harold E. Bravick, Chairman

ATTEST:

s/Leon E. Jensen
Leon E. Jensen, Secretary

ROLL CALL: All Aldermen present voted -Aye -19. Excused: Alderman Strutz, -1. Motion Carried. Agreement Adopted.
Other business not pertinent to low-rent public housing matters.

Associated Financial Group
Employee Benefits. Insurance. HR Solutions.

711 Eisenhower Drive
Kimberly, WI 54136
(920) 731-0400 PHONE
(920) 731-4072 FAX
www.associatedfinancialgroup.com
info@associatedfinancialgroup.com

April 21, 2014

Ms. Sandy Behnke
Director of Human Resources
City of Appleton
100 N. Appleton Street
Appleton, WI 54911-4799

Re: Appleton Housing Authority

Dear Sandy:

Over the past several years, we have discussed the participation of the Appleton Housing Authority employees on the City of Appleton health plan. Since the adoption of the Housing Authority by the Mayor of Appleton in 1967, the financial risk has increased significantly by employers providing health benefits. As part of the annual renewal planning process between the City and AFG, we explored the potential risk the Housing Authority could pose under the self-funded plan as constructed today. We also discussed the options small employers now have available because of the changes in the insurance marketplace because of the Healthcare Reform Act.

The City currently charges the Housing Authority the funding rates (COBRA rates) developed annually by AFG representing the anticipated budget for the plan year inclusive of ALL covered members. Based on the actual claim utilization by employees and their dependents at the Housing Authority, some years the funding level may exceed their actual costs and others years it might not. The concept of insurance is to spread and share the risk over a population which the City and Housing Authority have been engaged in for many years.

Besides the routine claim responsibility described above, large claim exposure is also important to understand. The current individual stop loss exposure purchased by the City for any individual in a particular high claim year is \$225,000. During the 2014 plan year, Zurich is the carrier insuring costs in excess of the limit. In any given year if a Housing Authority employee or their family member has a high claim during that year, the City would be exposed to their liability up to the \$225,000.

As we finalized the stop loss renewal for 2014, Zurich had concerns about the employer/employee relationship of the employees of the Housing Authority. Because of the City sponsorship of the Authority and the statutory language defining the relationship between a housing authority and the sponsoring Municipality, we were able to modify the definition of an eligible employee in your Summary Plan Description that has been accepted to include all employees of the City and of the Housing Authority. In future years as we go to market for competitive stop loss quotes, this could pose a problem with some vendors but AFG does not see this as a significant risk.

Finally, representatives of the City had discussions with the Housing Authority regarding evaluation of the small group marketplace that has developed because of the Healthcare Reform Act. Some exploration was done as to cost and benefit impact and representatives of the Housing Authority felt they could not find a cost effective solution to replace the City plan at this time.

At this time, the relationship has appeared to work favorably for the City of Appleton and the Housing Authority. Because of the analysis described above, Associated Financial Group is comfortable the City has the appropriate coverage protection for stop loss secured and is knowledgeable of the potential risk a large claim at the Housing Authority could create. As a result of the City's due diligence, Associated Financial Group recommends that any questions that arise between the Housing Authority and the Department of Human Resources be addressed with the leadership of the City and confirmation of continued support be made.

As the relationship continues between the City and the Housing Authority, we recommend that the Human Resource team from the City continue to work closely with representatives of the Housing Authority. The City has developed a very strategic approach to benefits in both design and employee cost sharing. The City has also spent a great deal of time educating employees and their members regarding consumerism within the health plan and risk identification through the wellness program. Developing a consistent approach over time between the City and the Housing Authority is important for the overall successful direction of the Plan.

Sincerely,

A handwritten signature in cursive script that reads "Greg Biese". The signature is written in dark ink and is positioned to the left of a vertical line.

Greg Biese
Vice President,
Senior Benefits Consultant