

**City of Culver City, California
Agenda Item Report**

Meeting Date: 02/06/12		Item Number: C-2	
CITY COUNCIL AGENDA ITEM: Approval of an Amendment to the Existing Professional Services Agreement with Hanson Bridgett LLP to Establish a Health Reimbursement Arrangement for Retiree Medical Payments in an Amount Not-To-Exceed \$25,000.			
Contact Person/Dept.: Jeff Muir, Finance		Phone Number: (310)253-5865	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☐	
Public Notification: (E-Mail) Meetings and Agendas – City Council (02/03/12); (E-Mail) Hanson Bridget LLP (02/02/12)			
Department Approval: Jeff Muir (02/02/12)		City Attorney Approval: Carol Schwab (by H. Baker) (02/02/12)	
Chief Financial Officer Approval: Jeff Muir (02/02/12)		City Manager Approval: John M. Nachbar (02/03/12)	
<u>RECOMMENDATION:</u> Staff recommends the City Council approve an amendment to the existing professional services agreement with Hanson Bridgett LLP to establish a Health Reimbursement Arrangement for retiree medical payments in an amount not-to-exceed \$25,000. <u>BACKGROUND:</u> The City provides certain medical benefits through CalPERS to current employees and retirees consistent with the Public Employees Medical and Hospital Care Act (PEMHCA). To minimize the future costs of retirees' PEMCHA benefits, the City recently adopted PEMHCA's "equal contribution" structure, under which the City must pay only the statutory minimum contribution for active employees and retirees (currently \$108 per month). Current premiums for medical coverage under PEMHCA are more expensive than \$108 per month. For current employees, the City adopted a cafeteria plan which provides active employees additional dollars for use toward the costs of additional benefits, including medical premiums. For retirees, the City has promised to subsidize the cost gap by making monthly payments to retirees under a Health Reimbursement Arrangement (HRA). <u>DISCUSSION:</u> The City must take certain steps to ensure that the HRA payments don't violate PEMHCA's equal contribution rule and that the HRA payments are non-taxable. Hanson Bridgett LLP will provide the legal work necessary for the City to remain			

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compliant in these areas. They will evaluate our existing MOUs and procedures and provide a legal analysis as to what steps are necessary. They will also draft an HRA plan document, if required, and assist with establishing a formal trust account from which the payments will be made. Under an existing professional services agreement, Hanson Bridgett LLP provided legal advice during the negotiations process with the various employee bargaining groups. An amendment to the not-to-exceed amount of this agreement is required to allow for this important engagement.

FISCAL ANALYSIS:

Sufficient funding for this item is available in the Finance Department's appropriations included in the City Council Adopted Budget for Fiscal Year 2011/2012.

ATTACHMENTS:

None

MOTION:

That the City Council:

- 1) Approve an amendment to the existing professional services agreement with Hanson Bridgett LLP to establish a Health Reimbursement Arrangement for retiree medical payments in an amount not to exceed \$25,000 (for a total not-to-exceed contract amount of \$37,500); and,
- 2) Authorize the City Attorney to review/prepare the necessary documents; and,
- 3) Authorize the City Manager to execute such documents on behalf of the City.