



Town of Berwyn Heights

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Budget Worksession Minutes March 28, 2016

The meeting was called to order at 7:07 p.m. Present were Mayor Jodie Kulpa-Eddy, Mayor Pro Tem (MPT) Chris Rasmussen Councilmembers (CMs) CM Maria Robles and Lynn White. CM Patricia Dennison had an excused absence. Also present were Town Administrator (TA) Jessica Cowles, Clerk Kerstin Harper and representatives from the Local Government Insurance Trust (LGIT) non-profit association.

1. Mayor

Announcements: There were none.

2. Health Insurance Presentation

Mayor Kulpa-Eddy welcomed representatives from LGIT: Timothy Ailesworth and Michele Keplinger, as well as Benecon Representative Robin Richardson for a presentation on LGIT's health insurance program.

Mr. Ailesworth gave an overview of the company's history. LGIT was founded in 1987, when the insurance market considered local governments a bad risk. Since then, the membership has grown from an initial 22 to 182 local governments. LGIT has approximately \$60 million in assets of which \$46 million is members' equity. In 2010, LGIT started a health insurance cooperative, which joins multiple local governments into a purchasing group to capitalize on the advantages of self-funding without bearing the risks. The health insurance co-op currently has 20 members (encompassing 1800 employees), which range in size from very small municipalities with a handful of employees to large counties with several hundred employees.

TA Cowles explained she heard about LGIT's health insurance program from other municipalities which had success in reducing their insurance costs with this program. She has since met with LGIT representatives to obtain quotes on what the Town would pay for insuring its 12 employees if it were to join the health insurance co-op. She has prepared a comparison chart to help the Council make a decision in the context of formulating the FY 2017 budget. The chart breaks down health insurance costs for FY 2016 with the current carrier, which comes to \$156,600 plus \$37,500 for a Health Reimbursement Account (HRA), and compares it to the proposed LGIT coop costs, which are projected to be \$122,000.

Ms. Keplinger explained that LGIT's health cooperative works with Benecon, a leader in assembling consortiums, to underwrite the health insurance pool, and with Cigna to provide the network of health care providers and claims administration. What is different in this arrangement is that members of the health co-op, i.e. the local governments, own the claims

money from which claims are paid. The claims funds are protected with stop loss insurance. Members are obligated to help each other, but the amount is capped, so that no member has to use all its surplus to fund another's shortfall. Some of the benefits of the program include:

- Not being subject to many of the health insurance taxes established with Affordable Care Act;
- More flexibility and control in designing a health insurance plan;
- No age-band rating. Insurance rates are based on claims experience;
- Actuaries, who establish insurance rates, work for the health co-op, not the carrier;
- Full transparency on how claims administration and insurance money is spent;
- Quarterly reports to show claims performance. No surprises with renewal rates;
- Unused claims funds are returned to the Town as surplus, minus a capped portion to help out other members.

TA Cowles noted that the Town's current plan is with Care First HMO, which has a high deductible and a Health Reimbursement Account (HRA). Employees are given a debit card to pay for deductibles and prescription drugs. However, there are many complaints about the non-acceptance of the debit cards, making this the least liked aspect of the current insurance plan. The new plan would move employees into a Preferred Provider Organization (PPO) and do away with the debit card. In addition, better vision and dental plans are also available with the co-op.

In discussion, the following points were made:

- Employees will be consulted about their preferences. Cigna tries to ensure that all doctors employees are currently using accept Cigna insurance. Employees will be briefed on how the new insurance program works.
- Membership in the LGIT health insurance co-op would give the Town access to wellness programs not currently available.
- Through their "Connect Care 3" program, LGIT provides assistance to employees with health care questions and guidance on navigating the health care system.
- LGIT will provide a history of recent premium increases, which has averaged around 7% and reflects the rate of inflation in the health care sector.
- The premium increases apply to individual members and reflect their individual claims fund performance over the year.
- Premium increases for the following fiscal year are available in March.
- LGIT health insurance plan is less complex than the current carrier.
- LGIT plan administrators help members to be compliant with new ACA requirements.
- Town decides formula for employee cost sharing.
- Cigna can set up individual flexible spending accounts, if desired.

Some local governments have decided not to join the LGIT co-op because 1) an earlier model was unsuccessful, 2) because it is a relatively new concept; and 3) because their current carrier dropped rates when they considered joining LGIT. Downsides of the LGIT co-op include:

- Cigna's provider network is not as large as some others in this area.
- Switching to the co-op will entail more responsibility for the Town. A large amount of paperwork will have to be filed upon joining the coop, which the Town has to file itself.

LGIT predicts that the self-funded insurance model will expand in future years because it is the best way to control costs. The Council thanked the representatives for their detailed presentation.

At 8:15 p.m., the Council took a 5 minute break.

3. Budget

Non-departmental: TA Cowles requested feedback from the Council on whether they would like to move forward with preparing to enroll in the LGIT health insurance co-op or remain with the current carrier. Mayor Kulpa-Eddy said her main concern is ensuring the Town employees are comfortable with a change. The Council agreed that TA Cowles should prepare switching to the LGIT health insurance co-op, provided that the cost is comparable to what the Town currently pays. TA Cowles further noted that LGIT also offers dental, vision and life insurance plans that 1) provide better coverage; and 2) generate savings from bundling services.

Employee benefits: *Pension plan* contributions, set by the State Retirement System, are going up 4.2%. Currently, contributions are between 8% - 9% for the employer and 7% for employees. The *salary pool*, which sets aside money for merit increases and other salary adjustments, is budgeted at \$31,000 or 3.1% less than the FY 2016 appropriation. The appropriation for the salary pool is based on the human resources consultant's proposal to restructure the pay scale and performance review systems of Town employees.

Several items in the employee benefits budget were moved from other budget areas, including *IT support* and *custodial services*. *Credit card acceptance*, *website annual maintenance*, and a *strategic planning workshop* for the next Council have also been added here because they not specific to an individual department. The *tuition reimbursement* line item remains at \$1,000, but could be phased out and replaced by increased funding in the departmental training budgets for a more meaningful contribution to employee development. *Miscellaneous benefits* cover the cost of background checks and physicals of job applicants.

There ensued a discussion of whether some items budgeted under employee benefits should be accounted for elsewhere in the budget where they would not appear to be part of the operating budget. This pertains in particular the consultancies for economic development, urban forest, human resources, and website upgrade as these are non-recurring expenditures.

TA Cowles recommended that the Council at some point vote on the credit card fee, proposed at \$3 to \$5 per transaction, which the Town would charge customers for processing credit card payments, as well as on whether to continue the tuition reimbursement program in its current form.

Insurance: *Unemployment compensation* is budgeted to go up by 15% due to personnel actions taken in the Public Works Department and *general liability insurance* is projected to increase by 5%.

Cable budget: This budget is expected to go down by 26% because no major capital outlays are anticipated. In FY 2016, the Town purchased a security appliance for the Town's IT infrastructure. Funds in the cable budget come from Comcast and Verizon franchise fees and PEG grants. Unused funds roll over into a cable reserve. Cable funds are restricted in use to Cable TV-related expenses. Streaming of Town Council meetings on the web would qualify for cable funding, while translation services for the Town Bulletin probably would not.

Capital Projects: This budget includes several reserves, in which funds are set aside each year for a particular purpose, including the infrastructure reserve to fund future road repairs (\$190,000 contribution), the vehicle replacement reserve to fully fund replacement of Public Works vehicles (\$93,400), a Greenbelt Station reserve (\$309,000) and several smaller reserves.

The budget also funds a number of new one-time capital expenditures, including an integrated Voice Over Internet Phone (VOIP) system for all departments (\$19,000), security improvements at the Town office and Town Center (\$5,000), a new hybrid vehicle for the Administration Department (\$29,000 with \$20,000 coming from an Maryland Smart Energy Communities grant), Town museum lighting (\$1,000), and a new HVAC system at the Town Office and Town Center (\$15,600).

Mayor Kulpa-Eddy expressed doubts about a security camera for the Town Center's second floor, where private parties take place. TA Cowles was asked to get an opinion on whether recordings would be subject to Public Information Act (PIA) requests and might pose a privacy issue. Mayor Kulpa-Eddy also proposed to fund a contribution to a new Heritage Center, requested by Anacostia Trails Heritage Area (ATHA), and to fund bullet proof vests (\$11,500) requested by Chief Antolik from the public safety reserve.

Public Safety Taxing District budget: This budget was reviewed at the last budget worksession. A date needs to set for the Commercial District Management Authority (CDMA) to approve it before the Town adopts its budget at the May Town meeting.

The meeting was adjourned at 9:20 p.m.

Kerstin Harper, Town Clerk