



**MANAGER'S BRIEFING SESSION
HIGH POINT MUNICIPAL BUILDING
SEPTEMBER 6, 2016 – 4:30 P.M.
3RD FLOOR LOBBY CONFERENCE ROOM**

Present:

Mayor William S. Bencini, Jr.; Mayor Pro Tem Golden (Ward 1); and Council Members Latimer Alexander (At-Large); Cynthia Davis (At-Large); Chris Williams (Ward 2); Alyce Hill (Ward 3); Jay Wagner (Ward 4); James Davis (Ward 5); and Jason Ewing (Ward 6)

Staff Present:

Greg Demko, City Manager; Randy McCaslin, Deputy City Manager; Randy Hemann, Assistant City Manager; JoAnne Carlyle, City Attorney; Eric Olmedo, Budget and Performance Manager; Jeron Hollis, Director of Communications & Public Engagement; Jeff Moore, Director of Financial Services; Loren Hill, Economic Development Director; Angela Kirkwood, Human Resources Director; Maria Smith, Deputy City Clerk; and Lisa Vierling, City Clerk

Others Present:

Mark Browder, Representative and Tracy McCarty, Supervisor, Mark III Employee Benefits

News Media:

No News Media Present

Handouts: *Plan Update / Medical Plan and Dental Plan Renewals*
 Coordinate Capital Financing Schedule (GO and Revenue Refunding Bonds)
 Summer/Fall 2016

Note: *These handouts will be attached as a permanent part of these proceedings.*

1) Plan Update on Medical Plan and Dental Plan Renewals

Angela Kirkwood, Human Resources Director, welcomed and introduced Mark Browder with Mark III Employee Benefits, the city's new broker, who will present the city's health and dental benefits. Mr. Browder introduced his supervisor, Tracy McCarty, who was also present. Mark III works significantly in the public sector with a strong local presence; they have worked with Guilford County Schools, GTCC, and they have a relationship with the City of Greensboro as well.

Mr. Browder explained that the timeline for a decision is fairly tight and they would be looking for approval of these recommendations at the September 19th Council meeting.

They plan to have the renewal document signed for CIGNA; the draft material will go into production on October 7th; then the enrollment meetings will start on October 24th and will end on November 4th. He explained the reason for the compressed timeline is because they have to have all the ID cards and plans up and running for a January 1 effective date and they have to have the data to the carriers and payers by November 18th.

He advised overall he feels good about where the renewal ended up and shared some of the plans for the 2018 renewal. Currently the City of High Point is under a fully insured contract, which means that CIGNA takes all the risk. Mr. Browder noted that a fully insured plan has its pros and cons as with any other approach. He pointed out for 2015, the Medical Plan ran breakeven at 84%, which means for every premium dollar paid to CIGNA, .84 cents on that dollar was paid out in claims.

He noted traditionally the expenses that go into the retention cost for CIGNA to manage claims are: 2% premium tax to the State of North Carolina; 3% for the Health Insurer Tax; Cost of Administration. All of this adds up to approximately 16% with any profit leftover being the retention. The renewal for 2016 resulted in a low 4.9% increase at which time it was put out to bid. It was decided at that time there was no reason to change insurance carriers, so CIGNA remained the city's insurer for 2016.

For 2016 the plan was running at 84 percent and the renewal that CIGNA gave the City of High Point was appropriate. He noted how the plan is trending higher at 6.36 percent compared to the prior plan which is trending higher than the renewal received.

He pointed out the expectations, where the renewal will come in at and what they need to be planning for. He stated how the original CIGNA renewal came out in the mid-teens and the revised renewal came in at an 8.2 percent increase. The final adjustment to the fully insured renewal came back at a 5 percent increase which was very good.

Mr. Browder reviewed the self-funded basis with the renewal formula indicated a 5.9 percent increase. He then reviewed the following reasons for self-funding:

- Lower costs
- Avoids State premium tax of 2 percent
- Avoids Health Care reform Insurer Tax of 3 percent
- Gives control over reserves and future stability

Council Member Alexander pointed out the City of High Point used to be self-funded years ago and had a bad history of claims so it took a while to recover from that. He asked what could be done to guarantee what we have under the CIGNA plan, which is a guaranteed number, and when this year is over the City of High Point would walk away until next year. He wanted to know what is done with a self-funded plan to guarantee that this number and at the end of the year we would walk away carrying that residual. Mr. Browder explained the predominant cost in any plan is the claims of the people in that plan. He advised the most critical piece in being self-funded is the discipline to fund it properly by having reserves in place and realizing the consequences.

Council Member Alexander pointed out that they would need \$2.8 million dollars in pure reserve funds to run that. Mr. Demko chimed in that staff is not recommending that they go self-funded this year, but a future discussion would be needed.

Council Member J. Davis reiterated that it was brought up not recommending the City of High Point being self-funded and that they are looking at a \$708,000 increase based on 5 percent and wanted to know if that was being divided by a subscriber number or membership number. Mr. Browder responded that it would be split up by all parties involved. Council Member J. Davis acknowledged that would be a big increase. Mr. Demko pointed out being self-insured, would have resulted in a larger increase and reiterated this is why staff is not recommending being self-insured this year because CIGNA came down so low through the negotiations, but it is something that the city needs to continue to look for.

Mr. Browder's recommendation for the 2017 Medical Plan is as follows:

- Remain fully insured
- Retain the current benefits
- Have the 5 percent increase split equally between the City and the employees who contribute for the coverage

He reiterated that the 5% increase is a very competitive renewal rate and noted that if claims continue to climb at the current rate, it may mean a challenge for the 2018 renewal. In January, 2017, they will start looking at both the self-funded, fully insured renewal options for 2018 and will be providing budget estimates for the city and for Finance to look at what the best option would be from an economic standpoint for the city.

Council Member Alexander asked if Mr. Browder had any self-insured accounts that are running in excess of revenue collective to revenue expended and what kinds of margins those are. Mr. Browder responded that they do and they are trying to estimate what those dollars needed are going to be and try to hit those dollars. Mr. Browder felt comfortable in the bid process for the current year that the City of High Point did end up in a better place because the market was not in the same place that it was a decade ago and felt good about the renewal from CIGNA.

Council Member J. Davis wanted to know what the employee portion and the city portion would be as far as the increase. Ms. Kirkwood responded for the employee only portion would go from \$90 to \$94.50., employee/children - \$223. to \$234., and employee/family \$362. to \$380. Regarding the city's portion, it would be going from the actual cost of \$14,208,145 to \$14,918,179. The total increase is about \$700,000. Mr. Demko pointed out about half of this would come out of the Enterprise Fund.

DENTAL PLAN

Mr. Browder reported on the Dental Plan for 2016 and had a 2-plan split with a base plan and a premium plan. He stated that right now the city is running in a negative position at \$11,147.10 and noted this was having an impact on the renewal expectation. He suggested the recommendations for dental would be to:

- Retain the current benefits
- Increase the funding 9 percent (which totals about \$66,000)
- To split it equally between the City contribution and employee contribution as well

Jeff Moore, Director of Financial Services, explained that staff has been exploring for several years whether it makes sense to reenter the self-funded environment and what kind of discipline would be needed. He noted at the point where there is a recommendation to move forward with a self-funded plan it would be critically important that Council and management understand this is a business plan for the city to act as an insurer and would require maintenance of reasonable reserves. He advised that the city was not in it to make money, but to make sure they do not lose money.

Council Member Alexander shared an experience he had while traveling out of state with getting some prescriptions refilled. He noted he had been being charged the regular co-pay amount of \$15 for one of his prescriptions, but at this particular pharmacy, he only paid \$4 for it. Tracy McCarty, Supervisor, Mark III responded that many times pharmacies want the customer to come in their store to buy other products, so they will charge less. Mr. Browder suggested getting Council Member Alexander's information to follow up along with Ms. Kirkwood.

Randy McCaslin, Deputy City Manager, pointed out that this would be on the agenda for the next meeting in September 19th for approval and if there are any questions to please forward them to staff before then.

Coordinated Capital Financing Schedule (GO and Revenue Refunding Bonds)

Mr. Moore provided a brief update on the coordinated Capital Financing Schedule for the GO and Revenue Refunding Bonds. He stated there would be two sets of actions:

- 1) GO refunding opportunity
- 2) Revenue refunding bond opportunity

He reported that they were looking at 12.5 percent returns with \$200,000 / year on debt service for the revenue bonds and looking at greater than 15.5 percent returns on the savings \$650-750,000 / year for water/sewer debt service.

Mr. Moore reiterated these would be refunding bonds and explained tonight's activities would set the initial authorization/process for this to be done. He then reviewed and highlighted the dates contained in the schedule, which is hereby attached as a permanent part of these proceedings. He shared the following dates for key action by Council in the process:

September 6, 2016

Council adopts resolution authorizing \$25 million GO Refunding bonds; Adopts bond order for GO Refunding Bonds

Adopts preliminary findings resolution authorizing Revenue Refunding Bonds

Financial Services Director files Statement of Debt with City Clerk

September 19, 2016

Council adopts resolution for sale of GO Refunding bonds

October 3, 2016

Council adopts resolution for sale of Revenue Refunding Bonds

He hoped this information would help address some questions that have come up and noted bonds are complex, but he tried to simplify the refunding aspect of it. He pointed out the biggest difference is it would be taking the bonds from the current 8% interest rate to a 1.7% interest rate and reiterated this would not add any years, it would be the same amount of time.

There being no further discussion, the meeting adjourned at 5:15 p.m. upon motion duly made and seconded.

Respectfully Submitted,

Maria A. Smith
Deputy City Clerk