

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: BUDGET

DATE: JULY 18, 2012

COMMITTEE MEMBERS PRESENT:

SUPERVISORS GERAGHTY
TAYLOR
KENNY
MERLINO
CONOVER
MASON
WESTCOTT
GIRARD

OTHERS PRESENT:

DANIEL G. STEC, CHAIRMAN OF THE BOARD
PAUL DUSEK, COUNTY ADMINISTRATOR
JOANN MCKINSTRY, ASSISTANT TO THE COUNTY ADMINISTRATOR
JOAN SADY, CLERK OF THE BOARD
SUPERVISORS BENTLEY
DICKINSON
FRASIER
MCDEVITT
STRAINER
THOMAS
WOOD
JEFFERY TENNYSON, SUPERINTENDENT OF PUBLIC WORKS
JOHN WEBER, PRESIDENT OF CAPITAL FINANCIAL GROUP, INC.
KRISTY LANEY, VICE PRESIDENT OF CAPITAL FINANCIAL GROUP, INC.
MICHAEL R. SWAN, COUNTY TREASURER
ROBERT V. LYNCH II, DEPUTY COUNTY TREASURER
JAMES SEELEY, EXECUTIVE DIRECTOR OF CORNELL COOPERATIVE
EXTENSION
CAMERON TESSIER, WARREN COUNTY RESIDENT
DON LEHMAN, *THE POST STAR*
CHARLENE DIRESTA, SENIOR LEGISLATIVE OFFICE SPECIALIST

COMMITTEE MEMBER ABSENT:

SUPERVISOR MONROE

Mr. Geraghty called the meeting of the Budget Committee to order at 10:04 a.m.

Motion was made by Mr. Taylor, seconded by Mr. Westcott and carried unanimously to approve the minutes of the July 11, 2012 Committee meeting, subject to correction by the Clerk of the Board.

Privilege of the floor was extended to Jeffery Tennyson, Superintendent of the Department of Public Works (DPW), who distributed copies of the agenda packet to the Committee members; *a copy of the agenda packet is on file with the minutes.*

Mr. Tennyson stated that the County Highway Repair and Rehabilitate Program (CHRRP) and the County Highway Enhanced Maintenance Program (CHEMP) projects for 2013, which were discussed at the prior meeting, were listed on page 1 of the agenda packet. He reminded the Committee that the CHRRP projects were necessary in order to complete 247 ESL (estimated service life) miles and maintain the County's roads at the current pavement grade. He also reminded the Committee that the CHEMP projects were identified in order to begin improving the pavement grades of County roads. Mr. Tennyson displayed a chart entitled "Road Project Expenses" and noted it detailed the amount of CHIPS (Consolidated Highway Improvement Program) funding and County funds attributed to road projects from 2005 through 2012, as well as the requested amount for 2013. He pointed out that in 2009 through 2011 the amount of County funds used for road projects had been minimal. He added the County funds used between 2009 and 2011 were mostly allocated from funds remaining in closed road projects. He commented that the amount of CHIPS funding received had been approximately \$1,384,000 per year since 2009. He explained the amount budgeted for road projects in 2012 was approximately \$2 million which was a combination of CHIPS funding, money from the Road Fund and funds remaining in closed road projects. Pertaining to the request for

County Roads for 2013, Mr. Tennyson noted this request only included the amount necessary to complete the 247 ESL miles (\$1.3 million in County funds) and not the amount necessary to complete the CHEMP enhancement projects. He added that this request assumed the amount of CHIPS funding would be \$1,384,000 for 2013 as it had been for 2009 through 2012.

Mr. Girard asked if the County funds used for road projects in 2012 had been budgeted and Mr. Tennyson reiterated that the funds were a combination of money from the Road Fund and funds remaining in closed road projects. Paul Dusek, County Administrator, informed that the original multi-year budget worksheet showed the County had appropriated \$549,000 from the DPW surplus account and if the level of funding remained the same there would be a deficit of \$1.4 million for 2013. A brief discussion ensued.

Mr. Tennyson stated that a number of projects planned for 2009 through 2011 had not been completed due to lack of funding and it was now necessary to address them. He noted that some of the projects would now be more expensive than they would have originally been because they had become reconstruction projects rather than the rehabilitation projects initially anticipated. In answer to an inquiry pertaining to the 2013 budget request, Mr. Tennyson explained the CHRRP projects would require \$1.3 million of County funding in addition to the \$1,384,000 of anticipated CHIPS funding and the CHEMP projects would require \$1,034,500. He reiterated that the CHRRP projects would maintain the current pavement grades of County roads and the CHEMP projects would enhance them.

Mr. Tennyson informed the Committee that the majority of the expenditure was for material costs. He explained that typically 90% of the project costs were attributed to materials and 10% for contracted work, such as milling or leased equipment. He added the reconstruction projects costs were generally 80% for materials and 20% for contracted work.

Mr. Dusek explained if the County kept the County Roads funding at the 2012 level for the 2013 budget, there would be a deficit of \$1.4 million; however, he continued, if the Committee approved the request for the CHRRP project funding which represented an additional \$700,000 over the amount budgeted in 2012, the deficit would be \$2.1 million. He clarified that Mr. Tennyson was advising that remaining at the same level of funding as in 2012 would result in a decline in the pavement grade levels for County roads. To maintain the current pavement levels, he continued, would incur a deficit of \$2.1 million and to enhance the pavement levels would incur a \$3.13 million deficit. Mr. Dusek informed that the unreserved fund balance for County Roads was approximately \$2 million and some portion of those funds could be utilized.

Discussion ensued.

Continuing, Mr. Tennyson referred to the chart entitled "Federal Aid Capital Improvement Plan" which detailed bridge, road, bikeway and Airport projects identified for the years 2012 through 2017. He noted the projects which were listed with a PIN number had already been awarded funding. He mentioned that below the chart there was a list of the total annual project costs including the required matching funds. He said that page 2 of the agenda packet detailed the 2013 Local Bridge Program projects totaling \$170,000. Pertaining to the Federal Aid Capital Improvement Plan, Mr. Dusek pointed out that the road projects were part of the Road Fund and the Airport projects were part of the General Fund. He said the Federal projects were projects that would normally have been completed at the expense of the County but had received Federal funding. He stated the Airport projects differed in that some of the projects were optional and noted some Airport improvements were selected due to the availability of Federal funding. Mr. Tennyson clarified that the majority of

the Airport projects listed were mandatory if the County wished to maintain the same status designation. Mr. McDevitt asked if the local matching funds requirement for Airport projects was 5% and Mr. Tennyson replied it was 2.5%. Mr. Conover questioned the criteria for determining when local matching funds were budgeted and Mr. Dusek replied it was based on when the funds would be expended. Mr. Dusek added there had been discussion pertaining to budgeting the full amount of the project up front and there had been circumstances where both the local matching funds and the Federal Grant amount had been bonded. Mr. Tennyson injected that normally the bonds were authorized by resolution and the County Treasurer only executed the bonds if they were necessary.

Continuing, Mr. Tennyson apprised page 3 of the agenda packet contained a summary of full time positions by Division for the years 1996, 2006, 2010, 2011 and 2012. He noted there had been a 20% reduction in the DPW workforce between 1996 and 2012 and added the 109 current positions included 90 Union positions and 19 non-Union positions.

In reference to the chart entitled "DPW Regular and OT Salaries", Mr. Tennyson commented that much of the overtime usage in the DPW was attributed to weather related issues. He noted the amounts shown for 2012 were projected based on the current usage level. Mr. Tennyson pointed out the chart entitled "DPW Overtime Expenses" detailed overtime usage by Division between 2005 and 2012. He noted the line for Snow & Ice showed how weather was a major factor in overtime usage, as more overtime was used in 2008 and 2009, while a significant decline was shown for 2010. He stated that pages 4 and 5 of the agenda packet reflected an analysis of regular and overtime salaries by Division for 2005 through 2012, including the percentage of overtime compared to regular salaries. Mr. Girard commended Mr. Tennyson for reducing overtime usage by more than 50% of the amount expended in 2005.

Mr. Kenny mentioned that the overtime usage for the Airport seemed disproportionate to the amount of regular salaries. Mr. Geraghty commented that the number of staff at the Airport had been reduced. Mr. Tennyson agreed with Mr. Geraghty but added that approximately \$16,000 of the overtime was for the Adirondack Balloon Festival. He noted the most the Airport would expend for overtime for this event would be \$16,000 if no parking donations were collected. A brief discussion ensued pertaining to parking donations for the Adirondack Balloon Festival.

Mr. Tennyson said page 6 of the agenda packet detailed the personnel changes in the DPW for 2012 which realized a total savings of \$9,987. He stated page 7 of the agenda packet summarized all the equipment for the DPW, while pages 8 and 9 detailed the replacement plan for 2013 through 2017. In reference to the equipment summary, Mr. Tennyson said this was utilized by employees of the following Divisions: Highway; Paving; Bridge; Parks, Recreation & Railroad; Airport; Buildings & Grounds; Engineering; Machinery; and Maintenance. He noted the entire inventory of equipment had a total purchase price of approximately \$10 million. In reference to the replacement plan, Mr. Tennyson said the 2013 request totaled \$902,500. A discussion ensued pertaining to the replacement and longevity of equipment used by the DPW.

Mr. Taylor asked the current long term debt of Warren County and Mr. Dusek replied it totaled \$41.8 million. In answer to the question if this total included the purchase of the former Gaslight Village property, Mr. Dusek replied the total included all County debt.

Privilege of the floor was extended to John Weber, President of Capital Financial Group, Inc., who distributed three handouts to the Committee members; *copies of the handouts are on file with the minutes.*

Mr. Dusek stated some of the Board members had been interested in reviewing the possibility of a self-insured prescription drug plan based on the savings reported by other entities and he said he had requested that Mr. Weber look into the possibility for Warren County. He added he had also requested that Mr. Weber present an overview of the changes made to Warren County's health insurance in the past and those anticipated for the future.

Mr. Weber apprised that for 2010, Capital Financial Group, Inc. changed the renewal date from January 1, 2010 to December 1, 2009 in order to receive the renewal costs in September, in time for the budget process. He expounded that when Capital Financial Group, Inc. first contracted with Warren County, there had been five different HMO (Health Management Organization) plans offered. He explained a significant savings had been realized by utilizing the MA (Medicare Advantage) products for the retirees, of which Warren County currently had 354 aged 65 and over. He noted retirees aged 55 to 64 were not eligible for MA products until they reached age 65. He expounded that while using the five HMO plans there was the advantage of the Subsidy D plan which allowed the County to receive money back on the Prescription Drug Card for retirees. Between 2006 and 2010, Mr. Weber continued, Warren County received approximately \$330,000 from the Subsidy D plan. In 2008, he said, Capital Financial Group, Inc. added the MA plan as an option for retirees which became mandatory in 2010 for retirees in the 65+ age range. He added they had made the transition as easy as possible by conducting several meetings with the retirees to explain the new plan. He advised that making the MA plan mandatory had saved Warren County approximately \$765,000, as the MA plan was approximately \$250 per month compared to \$500 per month.

Mr. Weber stated that in 2010 Warren County switched to the CDPHP (Capital District Physicians Health Plan) experience rated plan and had removed all of the HMO plans as options for active employees. He explained that the plan was claim based and the budget increase for the year had been 7.5%. He noted that each year Capital Financial Group, Inc. released an RFP (Request for Proposal) in order to ensure the best price for health insurance coverage. In 2011, he continued, BSNENY (Blue Shield of North Eastern New York) had offered a better rate than CDPHP and Warren County's switch to BSNENY resulted in a 5% rate increase. In 2012, he stated, the County continued with BSNENY under a minimum premium plan, which was basically an ASO (Administrative Services Only) plan but contained stop losses. He explained that the original increase in costs had been 26% due to eight large claims from Warren County two years prior. He noted an RFP had been released in an attempt to reduce the premiums and Capital Financial Group, Inc. had been able to negotiate a 10% increase in health insurance costs which resulted in a 3% increase to the budget due to the cost savings incurred from the MA products. Mr. Weber said the switch to a minimum premium plan had resulted in savings of approximately \$1.6 million in 2012.

Mr. Conover asked the current monthly premiums for health insurance coverage and Kristy Laney, Vice President of Capital Financial Group, Inc., responded as follows:

- ▶ Individual coverage was \$514.07 with an employee contribution of \$36.31 or \$28.79 for co-individuals (two individuals both employed by County);
- ▶ Two Person coverage was \$1,053.83 with an employee contribution of \$83.27; and
- ▶ Family coverage was \$1,477.77 with an employee contribution of \$131.57.

Ms. Laney explained the premiums were the highest amount which could be paid to the insurance carrier; however, she continued, if the claims were below the amount of the premiums, the County was only required to pay the amount of the claims. Mr. Conover asked if the current plan included an HRA (Health Reimbursement Account) and Ms. Laney replied affirmatively. She noted the cost of the HRA and the Reserve Account were built into the monthly premium rates. She explained if Warren County left BSNENY, they would be required to pay back a reserve amount. She added that a 50% reserve was built into the rate and if Warren County remained with BSNENY, the Reserve

Account would increase.

Mr. Taylor informed of a prior comment made which indicated the County could save \$500,000 per year by self-insuring their prescription drug plan. Mr. Weber explained that Warren County's prescription drug plan cost \$1.3 million in 2011. He said a savings of 10% or approximately \$130,000 could be realized by self-insuring; however, he continued, the County was currently looking at \$1.6 million in prescription drug costs and since self-insuring the drug plan would not include a stop-loss, the County would then be responsible for paying an additional \$300,000.

Mr. Weber informed of a comment made by William Long, Vice President of Administrative Services for SUNY (State University of New York) Adirondack, and Mr. Weber read the comment, as follows:

"In the past we have had prescription coverage combined with our medical coverage. By going self-insured, we have saved well over 20% annually on our drug costs over the last four years. We had a handful of exceptions having mostly to do with the diabetes supplies but these were soon corrected."

Mr. Weber explained that ASO drug cards have exclusions, one of which was diabetes. He added that the corrections noted by Mr. Long were additional costs incurred. Mr. Weber opined that it was impossible for SUNY Adirondack to have saved 20% a year for the last four years, as that would mean they were paying 20% of the amount they paid five years prior. He noted Mr. Long had indicated that detailed work would be involved in determining the actual dollar amount saved by SUNY Adirondack over the past four years.

Mr. Conover inquired as to the co-individual coverage and asked if it was handled similar to family coverage. Ms. Laney responded that it was handled as two separate individuals with each of the two employees paying \$28.79 per month.

Mr. Westcott announced that he had been approached by an individual who indicated they could assist with saving the County money on a prescription drug plan and he had introduced that person to Mr. Dusek and Michael R. Swan, County Treasurer. He explained the individual had indicated there were potential savings but the amount of savings would be unknown until the data was reviewed. He stated for the record that the individual did not indicate a potential savings of \$500,000. Mr. Westcott explained Mr. Long's involvement was due to his membership on the Community College Committee and during a meeting Mr. Long had mentioned a significant savings was realized by self-insuring their prescription drug plan. A brief discussion ensued.

Mr. Conover asked if the current health insurance plan was comparable to an EPO (Exclusive Provider Organization) and Mr. Weber replied the plan was an EPO. Mr. Conover asked if the retirees aged 55 to 64 were included in the plan and Mr. Weber replied affirmatively. Mr. Weber informed that the first six months of the new minimum premium plan had been completed and resulted in a Reserve Account total of approximately \$490,000. Ms. Laney added if the claims continued in the same manner, the Reserve account would reach the desired amount by the end of the year. Mr. Dusek stated the product which was selected was working out well and he thanked Mr. Weber and Ms. Laney for their suggestion to switch to a minimum premium plan. He said if the County had switched to a self-insured prescription drug plan it would have ended up costing additional money. Ms. Laney commented that Capital Financial Group, Inc. had a goal of maximizing the County's benefits and improving the cash flow.

Pertaining to self-insured prescription drug plans as they related to Warren County, Ms. Laney explained the following:

- ▶ the minimum premium plan meant the County was already self-insuring their medical and

- prescription drug plans with a stop-loss in effect;
- ▶ the cost of drugs would remain the same for self-insuring as they were currently because the discount was already being received;
- ▶ if the prescription drug card was self-insured, the insurance carriers would increase the rate for medical coverage by 2-8%;
- ▶ the cost of health insurance coverage was 80% medical and 20% prescription drug costs;
- ▶ statistics showed that the number of emergency room and in-patient visits increased with self-insured prescription drug plans;
- ▶ 24 to 48 months of claims experience was required in order to self-insure;
- ▶ there was no stop-loss for self-insuring the prescription drug plan;
- ▶ in 2010 Warren County's prescription drug claims were \$1,259,730;
- ▶ for 2011 and 2012, the total drug claims would be between \$1.4 and \$1.6 million, if things continued as they have been;
- ▶ the top three drugs claimed accounted for 10.3% of the total prescription budget and neither of the drugs had a generic substitutes available;
- ▶ the eleven most expensive drugs claimed by Warren County employees had no generic substitute available;
- ▶ 13 of the prescriptions filled by Warren County employees this past year cost over \$1,000 per prescription;
- ▶ Warren County's generic fill rate was currently 74.1% and the generic fill rate when Capital Financial Group, Inc. first contracted with the County had been 50%; and
- ▶ Warren County employees filled over 20,000 prescriptions this past year: 1,000 of which had generic options while 3,800 did not.

Discussion ensued.

Ms. Laney informed the statistics of the Warren County health insurance coverage, as follows:

- ▶ 301 employees with Individual coverage;
- ▶ 10 employees with Co-Individual coverage;
- ▶ 214 employees with Two Person coverage;
- ▶ 295 employees with Family coverage; and
- ▶ 330 retirees with Medicare Advantage coverage.

Mr. Geraghty asked Mr. Swan if there was anything to report from the Treasurer's Office and Mr. Swan said there had been cash flow problems in the past relating to reimbursements to the Department of Social Services which had since been corrected. He added that there was typically a lag time when it came to receipt of State and Federal funding.

Mr. Geraghty mentioned there had been questions at the previous meeting pertaining to staffing levels in the Sheriff's Office. He said the agenda packet contained a breakdown of Sheriff's Office personnel statistics from 2004 to present.

There being no further business to come before the Budget Committee, on motion made by Mr. Mason and seconded by Mr. Girard, Mr. Geraghty adjourned the meeting at 11:56 a.m.

Respectfully submitted,
Charlene DiResta, Senior Legislative Office Specialist