

CUMBERLAND COUNTY FINANCE COMMITTEE
APRIL 1, 2010, 8:30AM, ROOM 564
MINUTES

MEMBERS PRESENT: Commissioner Kenneth Edge
Commissioner Marshall Faircloth
Commissioner Jeannette Council

OTHERS: James Martin, County Manager
Juanita Pilgrim, Deputy County Manager
Amy Cannon, Asst. County Manager/Finance Director
Rick Moorefield, County Attorney
Sally Shutt, Communications Manager
Howard Abner, Assistant Finance Director
James Silman, Risk Management Director
Julie Crawford, Benefits Coordinator
Judge Beth Keever
Mark Browder, Mark III Representative
Michael Henry, PSI
Marie Colgan, Clerk to the Board

Commissioner Edge called the meeting to order.

1. Approve Minutes: March 4, 2010

MOTION: Commissioner Faircloth moved to approve.
SECOND: Commissioner Council
VOTE: Unanimous

2. Consideration of FY2011 Medical Plan Projections and Options

Assistant County Manager Amy Cannon reminded members that at the February Budget Planning Session they were advised of the potential of an increase of \$1.6M in next year's budget due to increases in employee's medical benefits. At the Planning Session, the Board was advised that plan changes would be adjusted to minimize the increase. Mrs. Cannon called on Mr. Browder to provide various options to the employees' medical plan. Mr. Browder shared his background with the members explaining that he has worked with Mark III for fifteen years and that they work with health plans for over 30 counties across the state. Mr. Browder stated that due to increases in the cost of services for both delivery and utilization, it has been a difficult year for health plans. The Cumberland County plan compared to other counties the company works with has been very competitive. Mr. Browder referred members to a handout and provided the following information:

- The Plan for 2007-2008 trended higher by about 4.9% over the 2006-2007 year which was still about 5% under where the market ran for that period of time.
- For the year 2008-2009, the County trended at 8% which was still under the market trend of 9.5%.
- The trend for 2009-2010 is even higher at 9.5% with other areas trending at 13-14%.
- Claims costs for Cumberland County has been lower by as much as 20% compared to other closely located counties.
- Cumberland County's plan design has not changed in five years.
- Cumberland's benefits are more competitive than most of the other surrounding counties.
- In order to maintain the current benefits, it would require about an 18% increase in costs.

Three options for in-network care were discussed in addition to the projected costs of keeping the current plan.

Option 1, 2 and 3 included increases in deductibles, co-pay costs, and pharmacy costs. Option 1 would result in an 8% change in premium at a cost of \$410 annually per employee resulting in an annual additional cost to the budget of \$948,981. Option 2 would result in a 4% increase resulting in \$205 additional cost per employee annually resulting in an increase of \$474,490 to the County. Option 3 would result in no additional costs for the employee's premium, but would increase the primary care and specialty care visit cost from the current amounts of \$20/\$40 to \$30/\$60. It would also increase the deductible from \$500 to \$1,000 with the family deductible increasing from \$1,500 to \$3,000. It also increases the emergency room visits and increases the pharmacy charges.

Mr. Browder recommended that Option 3 be considered in order to hopefully keep from having to change the plan again in the near future. Mr. Martin stated that management concurs with Option 3 as the choice plan. Further discussion continued regarding the differences in the plans.

The possibility of looking into having an in-house pharmacy or working with another agency to provide pharmacy services to County employees was discussed and it was agreed that would be a good idea. Commissioner Council requested that Mrs. Cannon look at whether making changes annually would be better than waiting several years in between changes. Anything that employees can do to help hold down costs is certainly beneficial.

MOTION: Commissioner Faircloth moved to recommend to the full Board that Option 3 be approved as a plan change.

SECOND: Commissioner Edge

VOTE: Unanimous

3. Consideration of Child Support Enforcement Recommendation

Deputy County Manager Juanita Pilgrim provided members with a handout which provided the following timeline on the events leading up to the current recommendation regarding the administration of Child Support Enforcement. Mrs. Pilgrim reminded members that North Carolina Senate Bill 202 will eliminate funding for the state operated office effective July 1, 2010 and that child support services will be a county responsibility at that time.

October 12, 2009: As lead agency, DSS created a Child Support Task Force to identify needs and investigate options.

December 11, 2009: The County through DSS solicited sealed proposals to establish a contract through competitive negotiations to acquire the services of an “Offeror“ to provide total privatization of the County’s Child Support Program, and to determine any performance enhancements that could increase incentive revenues to offset the projected net county cost for the program. The State Department of Health and Human Services was notified of this decision.

December 21, 2009: The Board of Commissioners supported DSS and County Management’s decision to explore a dual track process that gives serious consideration to two of the three administrative options for counties; privatization and DSS administration. **February 15, 2010:** Several Task Force and Oversight Committee meetings were held prior to this meeting and information was provided to the Oversight Committee based on the Child Support Enforcement office’s needs for personnel, program automation, legal, logistics and finance. Based on a consensus of the Oversight Committee, the recommendation to the DSS Director was to take two options to her Board for consideration: privatization and a DSS administered program.

February 18, 2010: The Cumberland County Board of Social Services approved the recommendation of the DSS Director to privatize the service and contract with PSI in an effort to improve program performance and increase incentive revenue that could offset net county cost. The recommendation was submitted to the Board of County Commissioners and Management February 19, 2010 for consideration.

February 23, 2010: County Management and the County Attorney met with a representative from PSI to discuss the contract and solicit additional information.

March 1, 2010: Upon further review of the proposals, meeting with the proposed vendor PSI, and concerns expressed by the CSE staff, Management met with the supervisors of the CSE office and requested a proposal from the lead person, George Shepherd. The proposal must include goals, performance outcomes and a budget if

the decision was made to make CSE a separate County department. A meeting was held with the DSS Director and staff to bring them up to date on CSE.

March 3, 2010: Proposal submitted by the CSE office.

Mr. Martin stated that he contacted the current state operated agency and gave them the opportunity to provide a bid for the services. After receiving their proposal, it was compared to the private proposal of PSI and the comparison showed that a County operated agency would create a three-year net savings of \$434,064. Therefore, the following recommendation was made by management:

1. The Child Support Enforcement office becomes a separate County department effective July 1, 2010 with a proposed budget in the amount of \$3,860,561. The first year projected net cost to the County including transition costs is \$1,153,181.
2. All current CSE employees and legal staff will be offered employment effective July 1, 2010
 - a. CSE employees will be paid their current salary. In the event the salary is below the minimum salary in the County's Classification Pay Plan, the employee will be brought up to the minimum.
 - b. Longevity will not be recognized.
 - c. Sick leave earned will be carried forward.
 - d. All employees will be hired as new-hires with probationary status.

The following proposed action was recommended:

- Approve the Child Support Enforcement Office's transition to a separate County department effective July, 1 2010.
- Authorize Management to implement appropriate actions for this transition.
- Authorize Management to notify the North Carolina Department of Health and Human Services of the decision approved by the Board of County Commissioners.

Judge Keever stated that the current Child Support Enforcement agency works well with the court system and does an excellent job even though they are limited in funding and staff and hoped that this agency with their current staff would be maintained. Management and the members thanked the Child Support Task Force for their hard work on this issue.

MOTION: Commissioner Council moved to follow staff recommendations.
SECOND: Commissioner Edge

AMENDED MOTION: Commissioner Faircloth amended the motion to only allow a maximum of 80 hours of sick leave to be carried forward.

Mr. Martin advised that he believes the current County personnel ordinance allows the full amount to be transferred and after further discussion, Commissioner Faircloth withdrew his amended motion.

VOTE ON ORIGINAL MOTION: Unanimous

4. Monthly Financial Report

Mrs. Cannon provided a handout of an overview of expenditures and revenues.

The General Summary of Obligations shows the comparison of FY2009 to FY2010 which shows the FY2010 through the month of February at almost 61% as compared to FY2009 at almost 60%. For FY2008, the obligations for the same period of time was about 64%.

The Revenue Summary shows 77.24% for the FY2010 and 74.42% for the FY2009 period. In the Ad Valorem tax category, the projection for the end of the year is 104.9% above the budget by the end of the year which increases the general budget by about 6.7%. Those projections result in about \$13-\$14M above the budget.

Mrs. Cannon reminded members that on several occasions they had been advised that the revenue neutral calculations were conservative and that it is appropriate to look at revenue neutral and recalculate the revenue neutral rate and to use that as the starting point for the upcoming proposed budget. Mrs. Cannon also reminded members that half of those funds will be remitted to the Board of Education as required by the school funding agreement and that calculations to those funds will be re-done also.

Under Sales Tax Collections, local sales tax is down about 7.5% below last year with state distributions down about 10.2%. It is believed that the total sales tax will be under budget by a little over \$2M. Under Beer and Wine Taxes, the State is withholding two thirds of those collections to balance their budget which is about \$350,000. Interest income is significantly less than expectations by about \$850,000.

Commissioner Edge questioned whether accounts are still bid out for earning interest income and Mrs. Cannon stated six to eight different banks and brokers are used and each piece is bid out internally on a daily basis. Based on a question from Commissioner Faircloth, Mrs. Cannon stated that the State cash management fund is one area that is checked daily when making decisions on where to place monies.

Mr. Martin advised that at the next full Board meeting, there will be an item for approval of the proposed budget work sessions and that dates are later than usual as extra time is needed to make calculations based on changing information.

5. Other Matters of Concern

No further matters were discussed.

MOTION: Commissioner Council moved to adjourn.
SECOND: Commissioner Edge
VOTE: Unanimous

MEETING ADJOURNED