

# DRAFT

CUMBERLAND COUNTY FINANCE COMMITTEE  
MARCH 3, 2011, 9:30AM, ROOM 564  
MINUTES

MEMBERS PRESENT: Commissioner Marshall Faircloth  
Commissioner Billy King  
Commissioner Jeannette Council

OTHER COMMISSIONERS: Commissioner Ed Melvin  
ATTENDING: Commissioner Jimmy Keefe

OTHERS: James Martin, County Manager  
Amy Cannon, Deputy County Manager  
James Lawson, Assistant County Manager  
Rick Moorefield, County Attorney  
Buck Wilson, Public Health Director  
Sally Shutt, Communications Manager  
Howard Abner, Assistant Finance Director  
James "Chico" Silman, Risk Management Director  
Mark Browder, Mark III Representative  
Marie Colgan, Clerk to the Board

Commissioner Faircloth called the meeting to order at 10:05 am as the Facilities Committee meeting did not adjourn until 9:55 am.

1. Approve Minutes: February 3, 2011

MOTION: Commissioner King moved to approve the minutes.  
SECOND: Commissioner Council  
VOTE: UNANIMOUS

2. Presentation of FY2012 Medical Insurance Plan Projections and Options by Mark Browder with Mark III Employee Benefits

County Manager Martin called on Amy Cannon to introduce Mark Browder. Mrs. Cannon stated Mr. Browder has been the county's insurance consultant and advisor for about the last ten years and has been working on the Blue Cross/Blue Shield renewal for the upcoming year. Mr. Browder does his own independent calculations and will be providing information on the renewal and some options for the Board to consider.

Mr. Browder advised members the NCACC is pulling out of the county sponsored health care plans effective July 1<sup>st</sup> and will not be offering counties a health care plan after that date.

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Mr. Browder provided a handout entitled 2011-2012 Medical Plan Projections and Options and directed the members to page 5 of the handout, providing the following information:

- Plan experience through December 2011 shows Medical claims at \$5,870,367.38; Pharmacy claims at \$1,975,806.60, with total claims at \$7,846,172.99.
- There has been an increase in high cost claimants - \$500,000
- The price of medical services has gone up 4.4% and pharmacy prices have gone up 2.7%
- Under High Cost Member Claims - shows \$2.9M in claims from February 2009 through January 2010. Currently shows \$3.3M from December 2009 through November 2010.
- If current benefits are maintained, there will be about a 12% increase (about \$2M of needed additional funding for the health care plan).
- Mark III has several clients who have implemented Clinics and Pharmacies run by the Health Department and are successful in containing costs for both the employee and the county. The County could reduce its medical spending by 3%, or \$450,000, based on their experience with other clients, without any benefit changes.
- Three plans were offered with the county adding a pharmacy and clinic:
  - Option 1 – no changes in coverage – 9% increase (\$1.4M additional cost to the budget).
  - Option 2 – the only change to coverage would be to increase the deductible to \$1,500 resulting in a 5% increase (\$800,000 additional cost to the budget).
  - Option 3 – with the following changes: increase to \$35 for the primary care physician visits; increase to \$70 for specialist physician visits; increase in deductible to \$1,500 and the addition of a \$150 one time deductible per person for pharmacy with co-pays of \$10/\$45/\$60/25% which will result in no increase to the employee cost or the county budget.

Commissioner Faircloth requested information as to what the cost to the employee would be if Option 1 or Option 2 were chosen, but Mr. Browder stated he felt that option 3 is usually preferable as this plan passes the cost to only the employees that are using the plan.

Discussion ensued regarding the possibility of a clinic and pharmacy run by the Health Department. Mrs. Cannon clarified that if an employee goes to the county pharmacy, the \$150 pharmacy deductible would not apply and that only prescriptions issued by the public health department clinic would be honored at the county pharmacy. The possibility of using Cape Fear Valley's pharmacy as a second option was discussed as well as how the hospital might be involved with the Health Department's pharmacy.

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Health Director Buck Wilson will look into these options. Mr. Martin confirmed that additional information on pharmacy and clinic services will be provided at the full Board presentation.

The consensus of the committee was to forward this presentation to the full Board with no formal recommendation with the understanding that additional information will be provided at the full Board

### **3. Discussion of Preliminary FY2012 Budget**

Mrs. Cannon reminded members that during the Strategic Planning Session, interest was shown in getting information at this meeting regarding the upcoming budget. As of June 30, 2011, the county's general fund will have an operating surplus of around \$1.5M to \$2M with the audit showing additional one time expenditures of around \$10M (Hope VI expenditures, detention center and some renovation projects) resulting in a deficit of \$8.1M. The operating surplus will go back into the fund balance for re-appropriation.

Mrs. Cannon stated she expects the revenues for next fiscal year will be about \$2M more in property tax collections and \$400,000 for sales tax revenues. A better calculation can be provided in May. Department Heads have been requested to submit a lean budget. The County's goal is to fund all current positions and maintain current operating expense levels. It is believed that this will help balance the budget if there is no major cost shifting moves made by the State to the local level. The proposed pharmacy and clinic at the Health Department and its costs have been taken into consideration with this information. Commissioner Faircloth questioned whether this covers the dollar figure which the Board discussed funding to the schools (same as last year) and Mrs. Cannon stated there is some confusion about whether lottery proceeds will be cut to the school system, but she expects to get more information at a meeting she is attending this afternoon. Mrs. Cannon stated she does understand that the public school building funds will be a permanent reduction. Total school debt on the county's books is about \$8M per year. In response to a question from Commissioner King regarding shortages in school funding, Mrs. Cannon stated she felt the county may be okay for another year, but there is a concern about any significant reduction in lottery proceeds and other concerns regarding their debt, capital outlay expenses for school buses the following year and whether the county will have to pick up worker's compensation expenses for the Board of Education. Mrs. Cannon completed her presentation stating the lean budget that is being proposed does not take into consideration what the school system's needs may end up being. Mr. Martin added the county's intent is to provide the same funding amount to the school system as last year, but once we hear from the State, the county's intent may have to be modified somewhat.

### **4. Approval of Changes to the County Financial Policy Document Based on GASB54**

Mrs. Cannon reminded members that a presentation was provided to them at their last committee meeting regarding GASB54 which changes the categories of fund balance to non-spendable and spendable fund balance. At the direction of the Local

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Government Commission, the 2008 County Financial Policies have been reviewed and minor modifications are being presented for approval. Members were provided the requested changes in their packets and Mrs. Cannon referred them to the Expenditure Policy section which changes the order in which funds are to be paid: bond proceeds, federal funds, state funds, local fees and then county funds.

MOTION: Commissioner Council moved to approve the changes as presented.  
SECOND: Commissioner King  
VOTE: UNANIMOUS

## 5. Review of Monthly Financial Report

Howard Abner provided information on the monthly financial report stating the good news is the projected year end figures are positive. The current expenditures are at approximately 59% versus 56% from last year. On the revenue side, the ad valorem taxes are expected to exceed the budget by about 1% and motor vehicle taxes are trending up at about \$1M per month. Mr. Abner advised he is just now getting information in on the upcoming year regarding real property valuations and he can already see an increase. Mr. Abner stated the only concern he has at this time is with Child Support Enforcement monies. It appears that the settlement portion of those monies (\$220,000 to \$250,000), which is a refund from the prior year after the state redistributes monies, will be kept by the State. Mr. Abner stated this change has already been taken into consideration for next year's budget. Commissioner Council confirmed that a record can be kept regarding what monies the State is taking away from the county so the citizens can be informed.

## 6. Other Matters of Concern –

None noted.

MEETING ADJOURNED AT 10:50 AM