

MINUTES
BOARD OF SUPERVISORS
COUNTY OF YORK

Adjourned Meeting
April 9, 2013

6:00 p.m.

Meeting Convened. An Adjourned Meeting of the York County Board of Supervisors was called to order at 6:31 p.m., Tuesday, April 9, 2013, in the East Room, York Hall, by Chairman Walter C. Zaremba.

Attendance. The following members of the Board of Supervisors were present: Walter C. Zaremba, Sheila S. Noll, George S. Hrichak, and Thomas G. Shepperd, Jr.

George S. Hrichak and Donald E. Wiggins were absent.

Also in attendance were James O. McReynolds, County Administrator; J. Mark Carter, Assistant County Administrator; Vivian A. Calkins-McGettigan, Deputy County Administrator; and James E. Barnett, County Attorney.

WORK SESSION

PROPOSED FISCAL YEAR 2014 BUDGET

Health Insurance

Mr. John Newby, principal consultant of Commercial Risk Consultants, was present to talk about self-insurance programs, how they were structured, and why they were used. He stated a self-insured program minimizes the cost of providing health insurance by reducing overhead. If the County were fully insured, the premiums would be approximately 7.6 percent higher. Mr. Newby also noted a self-insured plan assumes the risk of fluctuation in claims paid as well as the cost of incurred but not reported claims, should the plan be cancelled or insured elsewhere. The health insurance rates were based on projected claims and fees, and the County maintained a reserve fund to help balance fluctuations in claims experience. He also noted the County purchases insurance for individual claims greater than \$250,000 per year, referred to as Specific Stop Loss. Mr. Newby then reviewed the comparison of the County's plan to the private sector, stating the private sector plans vary greatly depending on the size of the group. The County's plan design and cost sharing arrangements tend to be similar, compared to similar sized private sector plans. He stated the plans were much in line with one another, and benefits were not richer or poorer.

Mrs. Deborah Morris, Chief of Fiscal Accounting Services, explained how the County calculated the rates and the reserves. She explained the purpose of the health insurance reserve was to cover plan shortages when expenses exceed income, cover claims incurred but not reported at the time a plan was cancelled, and to smooth premium increases for employees and the employer. She stated none of the calculations included anything to do with the Patient Protection and Affordable Care Act (PPACA). She also explained how the reserve began, and she indicated the current reserve balance was \$2 million, and the General Fund portion of the reserve was \$1.3 million.

Mr. McReynolds noted this reserve fund was totally separate from the undesignated fund balance of the County.

Mrs. Luana Bond, Human Resources Administrator, discussed cost reduction tactics over the past few years to keep the insurance costs down. She indicated plans had been redesigned to pass on more cost to the employees, the Specific Stop Loss Insurance was increased, the health insurance plan was put out for bid, and employees were educated on less expensive options, as well as doing price comparisons of expensive procedures when possible.

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Mr. Shepperd stated he was curious as to why the number of claims was higher in the School Division than in the County.

Mr. McReynolds indicated it used to be because of the high incidence of females in childbearing years in the School Division.

Mr. Newby agreed that it tended to be more of a female component than anything else.

Mrs. Bond displayed a comparison of York with other localities showing which ones were self-insured and which were fully insured. She then provided an overview of the County's Health-Keepers Plan and PPO plan and displayed slides comparing York County's HMO/POS and PPO plans to other localities and the York County School Division.

Discussion followed on the difference in the cost of the health insurance programs of the County and the School Division.

Mr. Shepperd asked if there was any information to show that York's employees were underinsuring themselves. He stated he saw where there were 206 employees that had the Employee Only plan, and he asked if there were families where only the bread winner was covered.

Mrs. Bond stated she did not feel underinsuring was happening. She stated every month there were employees who came in and added to their program because of a change in family dynamics.

Mrs. Day reviewed the types of plans and tiers of coverage that were offered to the County's employees.

Mr. Shepperd asked how much value was placed on this health insurance program in comparison with other benefits.

Mr. Newby stated it was a very high component. Rural school boards in Virginia pay only a flat amount, and the employee has to pay the rest.

Mr. Shepperd asked if the Affordable Care Act would play into that.

Mrs. Bond stated if the County was still offering health insurance in 2015, she would be very happy; if the County did not, she would be looking for another job. She stated young people were more interested in health insurance than a retirement benefit. As to the Affordable Care Act, she stated the County would have to have one medical plan that was affordable according to the Federal government or the County could be fined.

Mr. Shepperd asked if this could increase the County's costs.

Mrs. Bond stated she felt it would. In 2014 the County has to offer health insurance to some of its part-time employees. In 2015 there would be automatic enrollment, but the Federal government has not made up its mind about that yet.

Mr. Shepperd asked if staff was going to be able to tell the Board what this component increase by the Federal government would be.

Mr. McReynolds stated staff would do its best to monitor it. He stated there had been varying estimates, but as staff receives the latest information, it would be interpreted to give the Board staff's best estimate.

Mr. Shepperd asked if the School Board would be combining their health insurance program with the County's.

Mrs. Bond indicated it would not. It was her understanding that the School Division would be going to a different program.

Mr. Newby spoke of the School Division employee committee that makes recommendations to the School Board regarding its health insurance plans.

Chairman Zaremba asked Mrs. Bond how she would explain the value of the County's health insurance to a prospective employee.

Mrs. Bond stated she would try to impress upon a new employee that when they applied for any job they needed to look at more than just the base pay and also consider the value of any other benefits they were offered such a health and life insurance and a defined benefit pension plan.

Mr. Shepperd asked Mrs. Bond if she could provide the Board with insight as to how the County's benefits compared to the private sector.

Mrs. Bond stated she could not. She indicated the private sector was very proprietary about its benefit and compensation data.

Transient Occupancy Tax

Mr. McReynolds indicated staff had some additional information to provide the Board regarding the Transient Occupancy Tax. He stated the initial intent for 20 percent of it to be used for tourism purposes was established by the Board in 1984.

Mrs. Noll stated she was under the impression that the General Assembly had to give its permission.

Mr. McReynolds stated the original 2 percent was not restricted by the General Assembly as to how it could be spent. In the 1990s the General Assembly gave permission to increase the tax as long as a certain amount went to tourism.

Mrs. Noll stated her question was could the original 1984 amount be redirected to other uses.

Employee Compensation

Mr. McReynolds indicated the Board had asked what it would cost to give the employees a 5 percent increase. He displayed a slide showing a comparison of what it would cost the School Division as well as the County. He stated to give the County and School Division a 5 percent increase, it would cost a 3.85-cent increase on the tax rate.

Chairman Zaremba asked if there was any merit to the argument that 2 percent did not bring the employees back to where they would be without the pay freeze.

Mr. McReynolds stated inflation alone had increased more than 5 percent, more like 10-11 percent.

Chairman Zaremba asked about the impact because of the lack of step increases.

Mr. McReynolds indicated it was about 10 percent over the last four years.

Mr. Shepperd stated if the Board were to say it was now going to make up for the lack of pay raises and step increases, it would send the message that the freeze over the past four years had not been necessary. He stated 2014 had to be the starting point, as the County could not make up the losses.

Mrs. Day then reviewed a comparison made by the Bureau of Labor Statistics on certain positions in the metropolitan area which showed that York was below the mean in all but one position. She also provided information regarding the 2012 Benchmark Study. Mrs. Day noted staff also contacted HRPDC for compensation information from its study, and information received from Chesapeake, Hampton, James City County, Newport News, Norfolk, Portsmouth, Suffolk, Virginia Beach, HRPDC, and HRSD indicated an average increase in compensation of 0.57 percent to 5.4 percent, with York County being 0.81 percent, the 8th lowest out of the 11

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localities. She then reviewed holidays observed in 2012 and leave payout policies for the same localities, indicating that York County was in line with the others.

Chairman Zaremba asked how the information compared to that of the School Division.

Mr. McReynolds indicated staff would have to get the Board that information.

Mr. Shepperd asked if the County had a short-term disability policy.

Mr. McReynolds indicated it was not offered by the County as a benefit.

Mrs. Laurie Coleman, former Human Resources Officer and newly appointed Director of Community Services, stated that long-term disability would be covered under VRS. Employees individually might choose to have private insurance to cover short-term disability.

Chairman Zaremba then gave an update on Mr. Wiggins, stating he had not been at the last several meetings as he has had some very serious health issues. He stated he talked to him today and he was much stronger, and the Board hoped to see him back very soon.

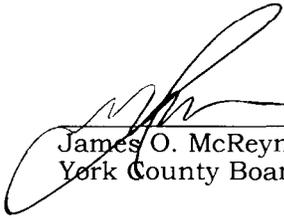
Mr. McReynolds reviewed the upcoming public hearing and work session dates, noting the public hearing would be held in the Board Room on April 25 at 7:00 p.m. and work sessions were scheduled for April 30 and May 2 in the East Room at 6:00 p.m.

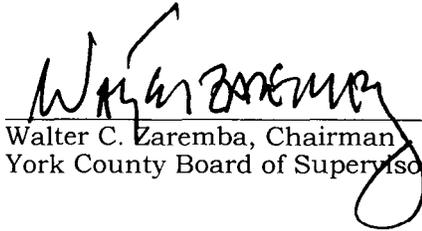
Chairman Zaremba asked if the Board wished to have a work session on April 23.

Mr. Shepperd stated he was interested in the discretionary funding breakout, and the work session on the 30th was getting kind of tight. He asked if Mr. McReynolds would be able to have the information ready for April 23. He stated he felt the Board needed the extra meeting.

Mr. McReynolds indicated the materials would be ready for a work session on April 23.

Meeting Adjourned. At 8:34 p.m. Chairman Zaremba declared the meeting adjourned sine die.


James O. McReynolds, Clerk
York County Board of Supervisors


Walter C. Zaremba, Chairman
York County Board of Supervisors