



Municipalities building a  
stable insurance future.

**Special Meeting  
September 27, 2012  
5:30 p.m.**

Approved 10-25-2012

**Scott Heyman Conference Room**

***Municipal Representatives: 12***

Don Barber, Chair, Town of Caroline; Mary Ann Sumner, Town of Dryden; Svante Myrick and Steve Thayer, City of Ithaca; Anita Fitzpatrick, Tompkins County; Laura Shawley, Town of Danby; Judith Drake, Town of Ithaca; Lucia Tyler, Town of Ulysses; Elizabeth Karns, Village of Cayuga Heights; Herb Masser, Town of Enfield; Elizabeth Conger, Village of Groton; Debbie Nottke, Village of Trumansburg; Glenn Morey, Town of Groton

***Voting Union Representatives: 1***

Chantalise DeMarco, CSEA President, Joint Committee Chair

***Excused: 1***

George Apgar II, Ithaca Professional Fire Fighters Association; President, 2nd Labor Representative

***Absent: 1***

Charles Becker, Village of Dryden

***Others in attendance:***

Steve Locey, Locey & Cahill; Sharon Dovi, TC3; Mack Cook, Cortland City Manager; Paul Sandy, Deputy City of Cortland Police Chief; David Squires, Tompkins County Finance Director; Joe Mareane, County Administrator; Beth Miller, Excellus

**Call to Order**

The meeting was called to order at 2:00 p.m. by Mr. Barber, Chair.

**Changes to the Agenda**

The resolution was moved up on the agenda.

**RESOLUTION NO. 006-2012 - ACCEPTANCE OF APPLICATION BY THE CITY OF  
CORTLAND TO BECOME A PARTICIPANT IN THE  
GREATER TOMPKINS COUNTY MUNICIPAL HEALTH  
INSURANCE CONSORTIUM**

Moved by Mr. Myrick, seconded by Ms. Drake.

Mr. Barber said the City of Cortland's financial statements have been reviewed and a copy of Standard & Poor's credit report is available for review. He summarized the review performed by Mr. Thayer and Mr. Squires, stating that prior management of the City's finances was less than stellar with a few years of having a negative fund balance at year-end. However, over the last few years the City has improved due to policy changes.

Mr. Locey said the City would add approximately 11.7% to the Consortium's population by adding 211 contracts.

Ms. Karns said she has concerns with accepting a new participant so early since the Consortium is so new and would prefer waiting for a year before increasing membership. She thinks more time should be taken to focus on engaging deeper into the efforts that have begun before increasing the number of members.

Ms. Shawley said she thinks this would be a positive step and by accepting the City of Cortland she believes the additional members would provide the Consortium with more strength.

Ms. Sumner said although she can understand Ms. Karn's concerns she agrees with comments made by Ms. Shawley and doesn't think it would be detrimental to the Consortium to add the City of Cortland as a participant.

Ms. Tyler questioned how accepting the City of Cortland would impact the balance of power in the Consortium. Mr. Barber said the City would be considered a small municipality as it has less than 500 employees.

Mr. Locey said there are benefits to a Consortium by being larger. There are economies of scale and by spreading the risk across larger numbers it becomes more stable over time. The larger numbers make a consortium more predictable from year to year and provides for more financial stability in terms of weekly and monthly paid claims being more consistent. He spoke of some of the complexities of adding another member and said it is good to make sure that new members are similar to the Consortium in terms of benefit plans, demographics, and where medical care is being purchased.

Mr. Locey said he would hope that in the first year in 2013 the Consortium would be collecting more premium and building up reserve to cover those members. The City would also have to fund its share of the Capitalization Reserve; therefore, there would be some financial benefit to the Consortium initially because there would be some additional fund balance. In the second year when their claims become mature they would be similar to everyone else. There is no way, however, to predict what the actual claims would be.

Mr. Locey also noted there have been conversations with the Town of Lansing about joining and the Town of Newfield is still considering joining.

Mr. Squires commented on the City of Cortland's financial rating and stated there has been substantial improvement. He said at the end of 2011 the City's fund balance

went up significantly, however, the majority of it was restricted and asked Mr. Cook to address this. Mr. Cook said the City has adopted a fairly aggressive policy that establishes stabilization reserves, capital reserves, and operating reserves that provide long-term stability. He also stated the unassigned fund balance will be, by local law, at 15 percent by year-end. *Mr. Cook will provide the Board of Directors with a copy of the policy that was adopted in June, 2012.*

Mr. Cook spoke of the City's current health insurance rates and said under the current plan the City would be looking at a 17.2% increase that would be reduced to 12.2% by going in to a three-tier prescription drug plan. The cost savings to the City by joining the Consortium would be slightly over \$221,000.

A question was raised as to whether all labor groups are supportive of moving to a three-tier prescription drug plan. Mr. Sandy said he has met with all department heads and union leaders and everyone realizes the three tier formulary is necessary to bring down costs and said the City and its employees expect to move in this direction.

Mr. Locey said a claims analysis was done of the City of Cortland claims from January 2011 through May 2012; in terms or risk the claims were very similar on an average contract and per life basis.

Mr. Mareane asked Mr. Squires and Mr. Thayer if they have confidence in the City's capacity to honor monthly payments due to the Consortium. Mr. Squires said he was comfortable as long as the City can make its Capitalization payment. Mr. Cook said this payment has been placed in a trust and is ready to be dispersed to the Consortium.

Mr. Thayer said he has reviewed the City of Cortland's financial statements and although he believes there is improvement he thinks there is some risk due to the fact that they are coming out of a bad financial situation. His other concern is that the Consortium is still new and questioned whether it would be better to wait for a year before accepting the City into the Consortium.

Mr. Barber responded to comments and said he doesn't believe adding the City of Cortland would be an impediment to any effort that is currently moving forward. From his experience working with NYMIR (New York Municipal Insurance Reserve) he has learned that picking up a group with a similar risk and spreading over a larger base makes a group stronger financially.

A voice vote resulted as follows: Ayes - 12, Noes - 1 (Ms. Karns); Excused - 1 (Mr. Apgar); Absent - 1 (Mr. Becker). RESOLUTION ADOPTED.

Whereas, by Resolution No. 005 of 2012 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

Whereas, the City of Cortland first expressed in interest in joining the Consortium in April 2012 and has submitted an official resolution authorizing the City of Cortland to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement,

Whereas, the City of Cortland has complied with membership process outlined in Resolution No. 005 of 2012 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, That the Greater Tompkins County Municipal Health Insurance Consortium, accepts the City of Cortland the 14<sup>th</sup> municipal participant.

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**Financial Update**

Mr. Locey distributed an update to the 2012-2016 Fiscal Year Budget Projections and noted it has been revised from the budget that was distributed previously to reflect a lower expectation for interest income for the rate stabilization reserve for 2013. Two versions of the document (one with and one without the City of Cortland) were provided. He referred to the version including the City of Cortland and explained the areas where differences can be seen are in paid claims and medical fees, Stop-Loss insurance, and Graduate Medical expenses. He noted paid claims had to be adjusted for an immature year for Cortland in 2013 and for a mature year in 2014. In comparing the budgets they are close in terms of net dollars and overall impact.

Mr. Locey said the budget was put together with a 9% premium increase. When the proforma for the Consortium was originally put together 9½% was used for each of the first five years; however, the Consortium has performed better than expected year-to-date and the premium rate was lowered to 9%. In 2015 it is expected the Consortium will be in a position to pay back the Capitalization Reserve and the interest that was earned.

**MOTION NO. 003-2012 - Approval of Greater Tompkins County Municipal Health Insurance Consortium 2013 Budget**

MOVED by Ms. Shawley, seconded by Ms. Karns, and unanimously adopted by voice vote by members present, to approve the proposed 2012 budget as presented with an increase in premium revenue of 9%.

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**Adjournment**

On motion the meeting adjourned at 2:46 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk