

FINANCE COMMITTEE MEETING

held May 29, 2012

7:30 a.m.

Present: Chairman Mike Young
Councilman Dwight Clark
Councilman Dave Tadych

Also Present: Finance Director Presley

Audience: Bruce Geiselman, Sun News

Mr. Young called the meeting to order at 7:30 a.m.

Renewal of General Liability and Property Insurance

Mr. Presley referred to two letters that he received dated May 11, and May 14, 2012, copies of which were provided to the members of the Finance Committee.

The May 11, 2012 letter is a proposal from the current insurance provider for the city, Travelers Insurance Company and AIC for the Umbrella insurance. The Umbrella policy is identical to last year's coverage. The Travelers Insurance Company proposal is an increase from last year, due to a hardening in the market and fewer companies willing to get into municipal insurance. In the past couple of years, the Travelers Insurance Company quotation has risen, due to the many insurance claims in the city for property damage due to the hail storm in 2010.

The letter dated May 14, 2012 referred to by Mr. Presley is a proposal from Argonaut Insurance Company in the amount of \$145,259.00, which represents an amount of \$11,500.00 less than the Travelers Insurance Company quotation. Mr. Presley stated that consideration should be given to the fact that Travelers Insurance Company has the package that covers roof collapse. The city is still in the process of settling the claim for the salt storage barn. Mr. Galli is working on the demolition of the salt storage barn, and Travelers will pay for something similar to be reconstructed.

Mr. Clark asked the premium amount for the insurance for 2011. Mr. Presley stated that the amount was about \$130,000 for the Travelers policy which expires June 15, 2012. Mr. Clark noted that there must be sensitivity to Travelers paying on the salt building claim which is a claim in the area of \$250,000 to \$300,000. He asked if there is any possibility of renewing the insurance on a six-month basis. Mr. Presley stated that a higher premium would have to be paid. In renewing the policy for one year, the full year's payment is due in advance. Mr. Presley stated that there have been no problems with Travelers Insurance. The small claims have been handled without incidence. In regard to the large claims, the only difficulty has been with the one claim for the salt storage barn.

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Mr. Clark noted that it is only about \$1,000 more per month to get what the city basically thinks will be a satisfactory settlement for the salt building. Mr. Presley responded that he is not saying that one is tied to the other. In this market, to continue the relationship with the carrier in a hardening market is not a bad issue.

Mr. Tadych asked Mr. Presley what he knows about Argonaut Insurance. Mr. Presley stated that the cities of Rocky River and Westlake have Argonaut Insurance. Mr. Clark asked if both Travelers Insurance and Argonaut Insurance are rated equally by insurance rating consultants, e.g. AMS Insurance, in terms of quality and claims paid.

Mr. Young noted that Travelers Insurance Company covers roof collapse. Mr. Tadych asked what roof collapse means in terms of insurance coverage. Mr. Presley explained that a majority of times roof collapse is caused by snow and ice build-up.

In regard to the AMS Insurance ratings, Mr. Presley stated that Travelers Insurance is rated as an A+ and Argonaut Insurance is rated A X11. He stated that he does not believe there would be an issue of availability of making payments should there be a claim. Both Travelers Insurance and Argonaut Insurance have local offices.

Mr. Clark asked about the personnel turnover in the claim with Travelers Insurance. Mr. Presley stated that Colin Dean has always been the agent for Travelers. On the claim with the salt storage barn, the city went through three insurance adjustors due to the scope of the claim. Mr. Tadych noted that this is not uncommon.

Mr. Young stated that the problem with the roof of the salt building was the fact that it rotted over time, rather than being a snow and ice build-up problem, which could be a structural design issue. Mr. Young questioned the possibility of obtaining a rider for roof coverage. Mr. Presley will check with agent Colin Dean.

Mr. Clark asked if there are any claims outstanding with Travelers other than the salt storage barn. Mr. Presley stated that there are roof claims outstanding. Travelers also took care of an employment issue with an individual, and that has been resolved.

Mr. Clark asked if Colin Dean benefits from any overrides of Travelers Insurance or Argonaut Insurance Company. Mr. Presley stated that he believes Mr. Dean has more volume with Travelers Insurance than with Argonaut Insurance Company. Mr. Presley will check further.

Mr. Clark stated that when the answers to the follow-up questions are received a decision can be made quickly. Mr. Presley will also ask Mr. Dean to be present at the Council meeting of June 4, 2012.

Mr. Tadych asked if the cities that have Argonaut Insurance are concerned about not having coverage for roof collapse. Mr. Clark suggested asking Mr. Colin Dean this question on June 4, 2012.

Mr. Clark suggested holding a special meeting of Council, following the committee meeting, on June 11 to approve the renewal of the insurance. Mr. Tadych suggested that a representative of Travelers Insurance might also want to appear before Council on June 4, 2012, along with Colin Dean.

Health Care Consultant

Mr. Young stated that he would like to see the city move forward with the hiring of a health care consultant. Mr. Young, Mr. Clark, and Mr. Presley met with two different cities, North Olmsted and Rocky River. Mr. Presley also reached out to other cities for information about health care insurance.

Mr. Young noted that City Council has approved funds to hire a health care consultant. The cities contacted for information all seem to have either a Human Resource Director or health care consultant, or both. Mr. Young suggested that Bay Village move forward in the hiring of a consultant.

Mr. Tadych asked how much money has been approved for the hiring of a health care consultant. Mr. Clark thought the amount is close to \$17,000 or \$18,000 annually. These funds had been set aside with the thought that it is the proper time to look at the overall health insurance plan for the city, in light of the fact that many others are trying to reduce overall costs and shift the differential mix between employer and employees. The City of Rocky River has used the health care consulting firm of Findley Davies, at a cost of approximately \$1,500 per month. The City of North Olmsted is paying a \$25,000 flat fee per year for an insurance agency/broker. Mr. Clark noted that the Finance Committee is hoping to move this forward and make it a work-in-process over the summer months, during recess. The city is coming up for renewal for all of the bargaining units at the end of this year.

Mr. Young stated that part of the work is determining what a consultant will be asked to do. Contract language from Findley Davies has been received for review. A scope of work will be laid out and the actual contract language tailored to the amount of work to be done and a determination made of the price to be paid.

Mr. Clark noted that other cities have been adopting wellness initiatives, changes in prescription drugs, changes in spousal exclusions, and other things that Bay Village does not have at this time. He suggested that the contract for consulting will probably be a six to nine month engagement to review our current coverage.

Mr. Young stated that the cities of Rocky River and North Olmsted have had two very different experiences as far as how they got involved with consultants, and their relative programs through consultants. The one in Rocky River was a very collaborative effort. The Mayor of Rocky River has a lot of experience in health care, coming from Medical Mutual. She engaged with the Human Resource Director as well as their consultant and worked hand-in-hand with the unions in the process of developing health care. North Olmsted worked by itself and negotiated through union contracts, using the health care consultant for information to work through the negotiations. Mr. Clark noted that it took the City of North Olmsted four or five years to learn

the process of using a health care consultant. The City of Rocky River had a similar outcome as well.

Mr. Tadych asked if the cities of Rocky River and North Olmsted feel that this has been money well spent and the results justify the expenditures. Mr. Clark stated that by bringing someone in on a year-to-year basis brings a specialty, background of skill sets, and expertise to address health care provisions. It also brings in an independent third party who knows the business and can tell where the changes could occur to benefit the city in totality. These experts are keeping on top of the regulations, underwriting and changes in prescriptions drugs. Mr. Young stated that they also can quickly reference other cities.

Mr. Presley stated that the thing he favors is that contract negotiations are always based on “us” versus “them.” To have an independent, third person come in to present the middle ground of other cities and current language in place adds to the credibility of what is being said.

Mr. Young stated that one of the reasons he is interested in obtaining the services of a health care consultant is because the city does not have a Human Resource Director. Mr. Clark stated that putting aside \$15,000 to \$18,000 for a consultant when recognizing that the health care costs for the city have been \$1.3 to \$1.4 million the last two years, would appear to be money well spent. Mr. Presley noted that the cities of Rocky River and North Olmsted have retained their health care consultants for a number of years.

Mr. Tadych noted that the price of \$25,000 for a health care consultant is not much different than the \$17,000 or \$18,000 that it would cost the City of Bay Village when you take into consideration the greater number of people employed in North Olmsted. Mr. Clark stated that the cost depends on the scope of the contract. The fee can be looked at as a one-time fee, on an annual basis or a monthly retention rate. Both scenarios can be bid out as part of the requests for proposals.

Mr. Young suggested that the Law Department could assist with drafting a request for proposal. Mr. Presley will check with the Finance Directors of other cities to see what they have in requests for proposals for health care consultants. Mr. Young noted the importance of defining the scope of work. It can differ from city to city, and Bay Village would probably be more similar to Rocky River than North Olmsted. Mr. Presley will include what is being sought in a health care consultant, and what might be sought in human resource services, getting a breakdown of costs for each service. References will be requested. Mr. Presley will confer with Law Director Ebert.

Mr. Tadych asked if the companies reviewed so far are local companies. Mr. Clark stated that Findley Davies is headquartered in Toledo, with a large office in Cleveland. Mr. Young noted that one of the consultants he spoke with was a smaller shop, but she had the ability to tap other resources.

Annual Issuance of Bonds

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Mr. Presley will present the annual issuance of bonds for road projects and equipment replacement, including a fire truck, in June. He will be working with Service Director Galli and Fire Chief Lyons in preparation of the issuance. Mr. Tadych asked if the fire truck will be delivered in 2013. Mr. Presley stated that it may be delivered earlier if it is a model that is available with just minor customization needed.

Mr. Clark stated that the Finance Committee discussed trying to strategize and prioritize the things they would like to discuss at the next meeting: operating costs and capital expenditures for sewers, and an update on the three capital sewer projects, the aerial sewer project, the Cahoon Road sewer project, and the Lake Road Interceptor Project.

Mr. Tadych asked if all three of the sewer projects are going forward this year. Mr. Presley stated that two of the projects will be covered by interest-free loans. The aerial sewer project will be the first to proceed. The Lake Road Interceptor Project is being held awaiting flow monitoring results from C.T. Consultants.

Mr. Young stated that he would like Mr. Presley to provide the figures that reflect half the cost of the operation of the fire station in order to shift part of the costs to the paramedic unit.

Mr. Tadych stated that he was a proponent of the flow management system on Lake Road, but when you look back from January to the current time, there has been no ice and snow melt, and very little rain. He is concerned about accurate numbers coming from the flow monitoring and the money put into that project.

Mr. Clark stated that the Finance Committee would also like to discuss the overtime costs of the safety forces. Mr. Presley stated that the individual working as a fire inspector is on shift as of the end of the day Friday. This will reduce the overtime costs in the Fire Department. Mr. Clark noted that it would be helpful for the Finance Committee to monitor the overtime costs for the Police Department and the Fire Department. Mr. Presley noted that there has been approximately \$13,000 worth of overtime in the past four weeks for the Fire Department. Vacations will occur in June, July and August. Mr. Tadych stated that it would be helpful to see last year's overtime costs. The Fire Chief will be asked for a breakdown of the overtime costs.

Mr. Clark asked about a meeting date in June. Mr. Presley stated that the financial closing for the month of May will be included in the packets this Friday, June 1, 2012. Mr. Tadych suggested reviewing those figures before deciding on the next meeting date. The first date available after Mr. Presley returns from vacation will be June 18, 2012.

Mr. Tadych asked when the outstanding insurance claim will be resolved. Mr. Presley stated that if the two parties cannot agree on a resolution, a third party has to be brought in. The city is in the third week of that process. Mr. Tadych asked who pays for the third party. Mr. Presley stated that the cost of the third party is split. Third party costs range from \$10,000 to \$12,000 in total. Reconstruction costs are estimated to be in the area of \$280,000, subject to rebuilding the salt storage facility in the same location. The transfer station will definitely be used, changing from the flat concrete roof to a standard, asphalt shingled, dormer roof. Mr. Clark noted that having enough room to store fall and winter gear was also discussed. Mr. Galli is looking at

many possibilities, including a truck wash as part of the facility. Mr. Tadych asked if an animal kennel will be included in the adjacent facilities. Mr. Presley stated that he does not know if that has been determined. The cost of the re-build will determine the final settlement.

Mr. Tadych asked if reconstruction is expected before year-end. Mr. Presley referred Mr. Tadych to Service Director Galli for further information. Mr. Tadych asked if the roof insurance claims will be settled before the winter season. Mr. Presley expects that the asphalt roofs will be settled during the month of June, and any repairs needed will be done before winter.

Mr. Young recalled the engineering study that resulted in recommendations for repairs for all city buildings. These were things that needed to be done. Mr. Tadych stated that this ties into his concern for the roof claim. There are things that need attention if there is something that is seriously wrong. Mr. Tadych questioned the point that the legal system of the city starts working with the Service Director in getting this effort completed. Mr. Presley stated that the appraisal process on the roof is going on, and when the parties have an agreement and come back to the city with the list of things that need to be done, they can be coordinated to get the most value for the dollar. Mr. Tadych asked if the Law Director is staying away from the issue until the settlement comes in. Mr. Presley stated that the process is governed by contracts. Sill Company has been hired by the city to represent the city as agent in the process. The insurance company has hired their own representation. Those two parties go out, come together and identify the differences, then see if they can come to an agreement. Mr. Tadych asked if those differences have been identified. Mr. Presley stated that they have been identified. Mr. Tadych stated that if Council had a report on this process there could be a better understanding. Mr. Presley noted that it is a negotiation process and he has no report. Mr. Clark stated that there are a number of different issues outstanding in the Service Department and Building Department that are works in progress right now. A meeting would have to be scheduled with Service Director Galli since he has more intimate knowledge. Mr. Tadych noted that it would be nice to have something in writing to reflect the progress of the efforts. Mr. Clark commented that when it is taken into consideration that the city is still down in employees in the Building Department, there are still things outstanding with roofs, the three major capital sewer projects are in process, there are a lot of things going on at the same time. Mr. Tadych noted that the roof claim has been two years in the working now. Mr. Young suggested that Mr. Tadych asked the President of Council to place something on the agenda for the next Council Committee meeting where he would ask, on behalf of Council, an update from the Service Director on the roof claims. Mr. Tadych stated that the President of Council may note from the minutes of this meeting the need for that update.

Mr. Presley will ask insurance agent Colin Dean to be present at the June 4 meeting of Council, representing Travelers Insurance Company. Mr. Tadych suggested that a representative of Argonaut also be asked to attend. Mr. Young asked Mr. Presley to prepare something for the two different tasks as far as the consulting services for health care, and something numbers-wise for the Fire Department for the operation of the building and the cost of utilities.

Mr. Tadych asked the status of municipal income tax collections for the month of May. Mr. Presley stated that they are down slightly. Estate taxes have increased.

Mr. Presley was wished a pleasant vacation and the meeting adjourned at 8:15 a.m.

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Mike Young, Chairman

Joan Kemper, Secretary