

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE BOARD OF FINANCE

The Board of Finance held their regular meeting on Thursday, March 6, 2014 in the Council Chambers at the Municipal Center, 3 Primrose Street, Newtown, CT. Chairman John Kortze called the meeting to order at 7:00pm.

**Present:** John Kortze, Harry Waterbury, James Filan, John Godin, Mike Portnoy, Joseph Kearney

**Also Present:** First Selectman Pat Llodra, Director of Finance Bob Tait, Joe Spurgeon of Milliman, Chief of Police Mike Kehoe, Town Engineer Ron Bolmer, Public Works Fleet Manager Tim Whelan, Director of Parks & Recreation Amy Mangold, Park & Recreation chair Ed Marks, and 10 members of the public and one member of the press

**VOTER COMMENTS:** NONE

**COMMUNICATIONS:** None

**MINUTES:** Mr. Kearney moved to approve the minutes of the 2/24/14 meeting, Mr. Waterbury seconded, unanimously approved. Mr. Kearney moved to approve the minutes of the 2/27/14 meeting, Mr. Waterbury seconded, unanimously approved.

**FIRST SELECTMANS REPORT - NONE**

**FINANCE DIRECTOR REPORT - NONE**

**NEW BUSINESS**

*Board of Selectman budget deliberation* – Mark Mattioli is the chair of the Employee Medical Benefits Board and Joe Spurgeon is with Milliman who is the advisor for the town. There is a recommendation from the board to increase the contribution to the medial self insurance fund of \$400,000. The last few years there have been low inflation in medical costs but that is expected to end. The expectation is that it will be 6% increase which is a significant change from previous years. The current forecast is at the end of June is that it will end at \$2.3 million in reserves. The board made a decision that if they are ending the year at \$2.3 million in reserves and they add \$400,000 that would bring it to \$2.7 million in reserves. They expect that the reserve is not going to cover everything if the 6% comes in but it is in the right direction. Mr. Spurgeon went over attachment A. For the current fiscal year they are running 4.4% better than expected. It is hard to predict where they are going to be in the end of the year but it is in the right direction in that claims are lower. Anthem is using an 8.23% trend as of November 2013. It is expected when they are asked up update this with real numbers, it will come in lower. A lot of that increase is affordable care act taxes. Total cost Anthem projects is \$15 million which is up about 10.4% per employee. For fiscal year 2015, there will be \$133,614 taxes directly related to Obamacare which is part of the admin fees. Self funding saves the town about 4% in other taxes. They have been building reserves over what they targeted because

they have had good years. The first 3 years, the claims have been under the projected amount which helped to build the reserve. The projection for next year is higher.

Chief Keheo answered questions about Public Safety. There is a difference in Emergency Communications (dispatch) salary because they are not filling a position. Negotiations for the Police union have just started; their contract ends in June 2014. Benefit allowance has been made in contingency. The Dispatch contract is currently in arbitration. They are at staffing levels where they want to be. There were 47 sworn personnel and now they are at 45, which has been reduced because of attrition. Chief Kehoe explained that they have put a lot of thought in school security and came up with a plan that meets the needs for the Town of Newtown. They are going to put into place a plan that is very effective for the community. They will work with their partners in the BOE to make the plan work. In the end, they will have a workable, effective plan and doesn't over burden tax payers.

Town Engineer Ron Bolmer answered questions for Public Works in Fred Hurley's absence. The bridge work model has been working. They just put a bridge out to bid and on track to complete one bridge per year. They were prioritized but things happen. They were going to do Brushy Hill Road Bridge but had to push that back to do the Meadow Brook Bridge that was struck by a vehicle. Private road is increased \$40,000. Mrs. Llodra explained that some of the private roads are in such bad state of repair. They found that they were investing so much time and money keeping those roads passable during winter weather. They need to get the road up to a condition that will allow them to be accepted it into the town system. Right now they are working on Lakeview Terrace which has had the most issues that needs to be addressed. Cederhurst and Shady Rest have associations but the other lake communities do not. Funding needs to increase funding. The millage that they were able to do with \$1,000,000 is 3.5 miles of road. They need to do twice that much. Next year they will be coming with a \$250,000 increase each year for the next 5 years to get the resources needed to address the major road conditions.

Park and Recreation Chair Ed Marks and Director of Park & Recreation Amy Mangold answered questions for Park & Recreation. Seasonal staff costs are going up. Mrs. Mangold explained that when the when the minimum wage goes up, it will change the amount that they have been paying repeat staff. They have not given raises in 3 years and losing trained staffed to higher paying jobs. The capital requested was \$1,000,000 and it was reduced to \$166,000. Mr. Marks articulated that it is more of their 5 year CIP. It keeps them on their plan. Not requesting a truck allowed them to take on a lot of smaller projects. They are moving forward together with Public Works to address fleet needs and in effect prioritizing by the town and not by the department. Mrs. Llodra said it would be helpful if they came up with an understanding that they would come up with an investment of X amount of dollars on a regularly scheduled basis in capital equipment.

Mr. Kortze articulated that a challenge that is compounding is that there are number of positions not being filled. Some are understandable some may be filled in the future. It would be helpful to see what the dollar amount that isn't in the budget but may be in the future.

There are three positions in this budget are not being filled. Dispatch, Head Maintainer, and a clerk at the Senior Center. The one position that is uncertain is the Head Maintainer. That person retired and gave them the opportunity investigate that position and see how they want to move forward. The other two position will not be filled.

Mr. Kearney, will miss the vote on the budget because he will be out of town on business. He will do a write up and let Mr. Kortze know his thoughts.

ANNOUNCEMENTS - NONE

Having no further business, the meeting was adjourned at 9:17pm

Respectfully Submitted,  
Arlene Miles, Clerk

Attachment A – Self Insurance breakdown



**Newtown: Town and BOE  
Self Insurance Plan-July 2014  
March 6, 2014**

**I. July 2010 Projected ASO Cost**

a. Total Projected Claims	\$12,002,724		Actual Pd Claims:	\$9,651,892 <i>immature</i>
b. Admin/NAF Fees	\$559,667		% of Expected:	80.41% <i>immature</i>
c. Stop Loss Fees	<u>\$569,394</u>			
d. Total Projected Cost	\$13,131,785			

**II. July 2011 Projected ASO Cost**

a. Total Projected Claims	\$11,820,024	-1.52% vs 2010	Actual Pd Claims:	\$10,927,859
b. Admin/NAF Fees	\$550,127	-1.70% vs 2010	% of Expected:	92.45%
c. Stop Loss Fees	<u>\$587,598</u>	<u>3.20%</u> vs 2010		
d. Total Projected Cost	\$12,957,749	-1.33% vs 2010		

**III. July 2012 Projected ASO Cost**

a. Total Projected Claims	\$11,530,392	-2.45% vs 2011	Actual Pd Claims:	\$11,278,153
b. Admin/NAF Fees	\$435,108	-20.91% vs 2011	% of Expected:	97.81%
c. Stop Loss Fees	<u>\$651,989</u>	<u>10.96%</u> vs 2011		
d. Total Projected Cost	\$12,617,489	-2.63% vs 2011		

**IV. July 2013 Projected ASO Cost**

a. Total Projected Claims	\$12,162,204	5.48% vs 2012
b. Admin/NAF Fees	\$480,838	10.51% vs 2012
c. Stop Loss Fees	<u>\$668,336</u>	<u>2.51%</u> vs 2012
d. Total Projected Cost	\$13,311,378	5.50% vs 2012

**V. July 2013 thru January 2014 Year to Date Actual Claims**

a. Actual Paid Claims	\$6,782,673	<i>Includes Adj for ABC RX Under Reporting</i>
b. Average Monthly Claims	\$968,953	-3.97%
c. Projected Monthly Claims	\$1,013,517	(V.a. divided by 12 months)
d. Claim Performance		-4.40% vs projection

**VI. July 2014 Initial Projected Anthem ASO Renewal**

**Experience Period (EP) thru 11/30/13**

a. EP Average Members	2,048	-0.96%	-vs-in-force renewal
d. EP Average Contracts	774	-4.11%	-vs-in-force renewal
c. Current Members	2,087	2.30%	-vs-in-force renewal
d. Current Contracts	790	2.20%	-vs-in-force renewal (down 36 contracts)
e. Paid Claims	\$12,538,038	13.22%	-vs-in-force renewal--up 14.% on per contract basis
f. Excess Claims	\$593,779		\$381K in Excess + \$213K removed inactive claimant
g. Net Claims	\$11,944,259	9.30%	-vs-in-force renewal--up 10% on per contract basis
h. Claims PMPM	\$486.03	10.36%	-vs-in-force renewal--up 8.93% on per contract basis

**Anthem Initial Projection**

i. Total Projected Claims	\$13,761,852	13.15%	-vs-in-force renewal (up 10.39% pcpm)
j. Admin/NAF Fees	\$546,459	13.65%	-vs-in-force renewal (up 15.66% pcpm)
k. Stop Loss Fees	<u>\$783,332</u>	<u>17.21%</u>	-vs-in-force renewal (up 7.28% pcpm)
l. Total Projected Cost	\$15,091,643	13.37%	-vs-in-force renewal (up 10.41% pcpm)

**Updated Experience Thru January**

m. December Claims	Improved about 0.85% vs November plus trend offset
n. January Claims	Improved about 2% vs November plus trend offset

**VII. Town/BOE Break Out (estimated)**

	Cost	%
a. Total	\$15,091,643	100%
b. BOE	\$11,469,649	76% From Town and BOE 2014
c. Town	\$3,621,994	24% From Town and BOE 2014

**VIII. Reserve Target**

**Reserve Model: Carrier IBNR/ 50% ASO Corridor**

Medical IBNR:	8.00%	Approx 1 Month (Standard Anthem Factor)
ASO Claim Corridor:	12.50%	1/2 Corridor to 125%
Budget Stabilization:	5.00%	Margin

**Fiscal Year Ending June 30**

**2015**

Total Projected Claims **\$ 13,761,852**

Claim IBNR: \$ 1,100,948

ASO Corridor: \$ 1,720,232

Stabilization: \$ 688,093

**Combined Reserve: \$ 3,509,272**

**2015 FY Ending Assumes Anthem's Current Projection**