

A Study Session of the Sylvan Lake City Council was held on Thursday, August 27, 2009; opening at 5:00 p.m. Mayor Lorenz presided.

Present: Lorenz, Maurina, Shepp, Wiegand, Zubrzycki (6:00 p.m.)

Absent: None

Also Present: City Manager Martin and Clerk Clippert

Yes: All

No: None

MOTION CARRIED

Approval of Agenda

Moved by Shepp, seconded Wiegand, to approve the agenda as submitted.

Yes: All

No: None

MOTION CARRIED

Public Comment

Sam Sharkas, Owner of Italia Fresca, introduced himself and stated the restaurant is now at the Loading Dock Plaza. He passed around menus and shared he was affiliated with Andiamo's Restaurant for 20 years. He is working on submitting his paperwork for a beer and wine license. Sharkas offered an invitation to dine at Italia Fresca.

Hospitalization Benefits

A-010-09

Ted Souphis, Ibex Insurance Agency, stated he is the city's agent of record for health benefits and he brought along Jerry Panich, MML Representative and managing agent for Blue Cross through Gadaletto Ramsey. Souphis explained many municipalities are asking how they can reduce their cost with retirees. There are union contract and personnel policies to deal with. The city's personnel policy states the city will provide coverage. It has to be through a group plan. The city cannot provide individual medicare plans because the handbook states you need to pay for it and the city can not pay for an individual plan. You can't advise the retirees as to what carrier they should go with.

Blue Cross is coming out with a Group Medicare Advantage Plan within a year or so. It will work in conjunction with Part D, which is the government program. It will be a lower cost.

In order to get them off the city's plan you have to provide some kind of waiver to get off city's plan and then they go out to get their own plan. Most communities feel their handbook is binding. The question is "should you honor it because the retirees put in their time."

Shepp inquired if it is cost beneficial with the Advantage Plan. Souphis replied, based on what they are seeing with the individual plans now, the drug rate will go down dramatically. He can't give a percentage. Shepp asked what the city can change with current employees and retirees; what options can and can't they change. Martin is waiting for the Labor Attorney to provide a written opinion.

Lorenz addressed the level of expectation. He asked if there was a supplemental coverage back 20 years ago. Panich acknowledged there was. Lorenz is afraid the city may have boxed themselves in. Souphis stated the city has not boxed themselves in because the handbook states they will provide coverage at the same level as the current employees are receiving. He has clients with \$2 and \$3 drug cards that they are obligated to provide. Souphis asked if any of the retirees have coverage through a spouse. He suggested exploring this and possibly giving them X amount of dollars a month to have them waive coverage.

Martin stated the costs are high because of prescription drugs. The policy states it will change to supplemental coverage at age 65. It is the drug cost that keeps rates high.

Lorenz asked if Souphis represented other insurance companies besides Blue Cross. Souphis replied he does. Lorenz inquired why the city is always with Blue Cross when his company is changing insurance carriers every couple of years. Souphis explained, those carriers all medically underwrite. Once employees fill out the application you probably are going to get declamation from most carriers turning you down. The city is a 1-1 mix with retirees to active employees. Lorenz stated if the city got rid of their retirees then they could switch or shop carriers. Souphis added if the group is healthy. It is also harder with union contracts involved.

Lorenz asked how much more the city is paying for vision and dental coverage with Blue Cross. Souphis explained there is a 1% discount for having Blue Cross dental. The 1% discount is on the total premium. Panich added the dental and vision cost is low. It is only 15% of total premium. It is not a high cost.

Lorenz asked if the city has looked at high deductibles. Souphis replied, that is what the city changed to six month ago and once they look at a year of data they can then determine what high deductible plan makes more sense to change to or change back to.

Wiegand asked if it is possible to get a larger group by joining another city. Panich stated, the city is already pooled with the other municipalities thru MML.

Lorenz asked what kind of percentage would the city save if the group is healthy and there were no retirees. Souphis estimated there could be a 10-20% savings. Shepp asked what that savings

is in dollar. Souphis replied around \$25,000-\$30,000. Shepp suggested the city hang on until the Group Advantage Plan comes available.

Pension Benefits

R1-003-09

Sue McNally, Regional Manager for MERS, reviewed the current level of funding and explained the benefit plan. She stated the city is doing great and funded at 85% overall. This went down a percent since 2006 because of the economy. They use a 10 year smoothing, which is spread over 10 years. Sylvan Lake is fairing better than average. Lorenz asked who sets the funding levels. McNally stated MERS does and the goal is to be 100% funded. She stated Sylvan Lake's costs are low and most municipalities are paying more. The average employee is paying 4.7% of payroll. She informed them they can go onto the website www.mersofmich.com and you type in annual consolidated. This provides a snapshot of where everyone else is at in the system; how many are at the B2, etc. Most are at a B3 or B4. Sylvan Lake non-union is at a B2 and the union is a B3. Both have 10 years of vesting. At 15 years of service and age 55, employees qualify for the pension. Each municipality chooses how to setup their pension; how you want your benefits structured. Final Average Compensation is 5 years. Within the MERS system many communities have the retirement age at 60, except police; most unions have retirement age of 50. Lorenz asked what is the highest set age to retire. McNally stated age 60 is. The more common years of service is 25 .

Martin noted to council it has been proposed in the personal manual to change years of service to 25 years.

Zubrzycki entered the meeting at 6:00 p.m.

Lorenz asked how the city can change from Defined Benefit to a Defined Contribution plan. McNally informed council it is now required to get an actuarial first to show where the city would be going in 20 years at the current benefit and also what it would cost if make a change. To change to a defined contribution the cost will go up before they will come down. The average, before seeing a savings, is 17-18 years. The average employer contribution with a DC plan is 10%. Currently the city is only paying 7% with the DB plan.

Lorenz asked about the County changing to a DC plan years ago. McNally stated they are not with MERS, but she understands they are trying to get into MERS with a DB plan. She stated there were a lot of losses over last couple of years with DC plans. Lorenz asked what advice McNally would give a municipality at this time. McNally stated she would recommend a DB plan. With the DB plan it is a great higher degree tool. The reward for the employee is longevity, to stay longer. Usually the only employee interested in the DC plan is one who is not staying long term. She stated the city can negotiate a lower benefit level for new hires, but the city is already on the low side at B2. Martin added, that when the County changed to a DC plan, it was at the employees request, not the employers, because the rate of return on investment was so high then.

Staffing of Third-Party Police Department

P1-016-09

Lorenz feels Keego Harbor is looking to make a change soon. He feels it would be nice if Keego Harbor knew if Sylvan Lake is within a month of making a decision or two years from now.

Shepp explained his personal feelings. Any changes now there are additional concerns to look at, which is the union contract and attorney fees. He believes waiting until the union contract comes due would be the better way to go. This would be the only time to save. If they break the contract costs will be incurred.

Maurina noted when they started this it was to research what the city's options are. She feels they have not gotten all their questions answered or exhausted their options, to make a decision that would be helpful to Keego Harbor now. She feels Sylvan Lake is still interested in looking into this with Keego Harbor, but both communities have different time frames involved. She asked if the two cities union contracts can ever get to where they expire together.

Zubrzycki asked if they can quantify how much it would cost to change now. Martin started, that is one of the items that he and Stewart will work on. Zubrzycki feels they really need to see some data to calculate the metrics used to determine man hours and coverage. Shepp doesn't see Sylvan Lake getting all of the issues answered in a timely enough fashion for Keego Harbor not to have to do something. Zubrzycki asked if Keego Harbor can get a contract extension. Dale Stewart stated, all these items can be worked out, but he feels it doesn't make a lot of sense to go looking at those potentials unless the will to come to an end is there. Their contract is extended while in negotiations. Zubrzycki wants to save money and provide the same level of service; he is open to this, but needs more information to better understand everything.

Shepp feels if it is a matter of having to reduce cost, a reduction in service is needed to discuss/offer with the current department the city has.

Zubrzycki doesn't see how Sylvan Lake could save money with third party source without doing it with Keego Harbor.

Lorenz addressed the comment on reduction of service. Using the metric, based on square miles and the number of population, Sylvan Lake may have too many people already. Shepp doesn't agree when Sylvan Lake only has one officer a shift. Those statistics may work for bigger communities where there are five officers and they can cover for each other. He is concerned with the economic situation and the changes in crime which it can bring.

Zubrzycki would like to get more information and a better understanding of the County's proposal with level of training provided, equipment and citizen watch group.

All of Council agreed to continue to have Martin move forward with this.

Compensation Review

A-011-09

Martin provided a spreadsheet on salary comparisons with other communities of similar size, including number of employees, salary of each person, total payroll. He also noted below it explains the difference in job details and use of their time. Maurina pointed out Sylvan Lake is the only community with a Clerk/Treasurer and those two salaries would need to be added together to compare to Sylvan Lake.

Martin addressed the concept of reducing employees wages. He feels administration has done a stellar job in cutting cost and maintaining the service level. Employees should not have to take a 10% wage reduction, while residents only pay 2 mils of their taxable value. It is not fair. He feels it is time for the residents to pay to maintain these services.

Council all felt this was good information to have and share.

Update on Labor Attorney/Retiree Benefits

R1-004-09

Martin reported he spoke with the labor attorney and he will getting everything in writing. The labor attorney advised to continue doing what the city is doing with the union. The non-union can be changed, but there are retiree and employee expectations to consider.

Update of Meeting with Police Department

P1-017-09

Zubrzycki felt the meeting was very good and informational. The officers working are dedicated to the city and are open to doing whatever is asked. There were a couple of hot button topics; cell phones being one. Maurina stated she felt the officers are not getting notice of the problem until after the fact. Zubrzycki continued, the midnight shift gets the highest OUIL's. There is only double coverage on the day shift, on Monday, Tuesday, Wednesday and Friday. Thursday the Chief works the day shift by himself. They are in City Hall to do paperwork, training and special projects. Zubrzycki and Maurina let the police know visibility is an issue and they will work towards making improvements.

Maurina feels they all need better communication with City Council, City Hall and the Police Department. The gate issue was not presented to them as being that important. Their main priority is to keep the city safe. There is emotional/behavior baggage that needs to be worked on. Zubrzycki has a new level of understanding, but feels they still need to let them know they are still watching. Both Maurina and Zubrzycki recommended the other council members sit through the same meeting.

Maurina suggested putting Martin and Chief's email address on the website and at the top of the newsletter.

Zubrzycki feel the police were very positive in how they took everything.

Adjournment

Moved by Wiegand, seconded Shepp, to adjourn the study session.

Yes: All

No: None

MOTION CARRIED

The meeting was adjourned at 7:22 p.m.

Dennise Clippert, City Clerk