

City of Corunna
Regular Council Meeting
Monday, November 15, 2010

Present: Jessen, Sarrazin, Johnson, Reichert.

Absent: Kerridge (excused), Mehigh (excused), Haskins (excused).

Guests: Joe Sawyer, City Manager; Judy Horton; Merilee Lawson, City Assessor/Planner; Officer Nick Chiros, Police Department; Bob Morehouse; Ned DeGalen, Gary Holzhausen; and other concerned citizens.

The meeting was called to order in the council chambers of Corunna City Hall by Mayor Pro-Tem Jessen at 7:00 p.m.

MINUTES OF THE PREVIOUS REGULAR MEETING: Johnson moved, Reichert seconded to approve the previous regular meeting minutes dated November 1, 2010 as presented.

Roll call vote:

Yes: Jessen, Sarrazin, Johnson, Reichert.

No: None.

Motion CARRIED

AGENDA APPROVAL: Johnson moved, Sarrazin seconded to approve the agenda as presented with the addition of Item No. 1A) Consider Excusal of Councilperson Don Mehigh from the November 15, 2010 Council Meeting, Item No. 1B) Consider Excusal of Councilperson Doug Haskins from the November 15, 2010 Council Meeting and Item No. 6) Consider Appointments to SATA Board.

Roll call vote:

Yes: Sarrazin, Johnson, Reichert, Jessen.

No: None.

Motion CARRIED

APPROVAL OF VENDOR DISBURSEMENTS: Sarrazin moved, Johnson seconded to approve the vendor disbursements dated November 12, 2010 as presented.

Roll call vote:

Yes: Johnson, Reichert, Jessen, Sarrazin.

No: None.

Motion CARRIED

CALL TO AUDIENCE: Gary Holzhausen, New Haven Township, thanked the people in Corunna for their support and advised the county is working on making cuts to their budget. Mayor Pro-Tem Jessen asked if the business with the Animal Control office was done. Mr. Holzhausen advised he did not hear a thing about it at the meeting he was at today. He has read a lot about it in the newspaper and is in the background like everyone else is.

CITY MANAGER'S REPORT: Mr. Sawyer advised C2AE is working on establishing the industrial plat and the council has to come up with a name for the plat and for each of the six roads that will be in the plat. He asked council to think about names and would send council a memo to remind them. The proposed street names have to be submitted when the plat is submitted.

He advised the city is looking for a representative to the Shiawassee Council on Aging board.

CONSIDER EXCUSAL OF MAYOR KERRIDGE FROM THE NOVEMBER 15, 2010 COUNCIL MEETING: Johnson moved, Reichert seconded to excuse Mayor Kerridge from the November 15, 2010 council meeting.

Roll call vote:

Yes: Reichert, Jessen, Sarrazin, Johnson.

No: None.

Motion CARRIED

CONSIDER EXCUSAL OF COUNCILPERSON MEHIGH FROM THE NOVEMBER 15, 2010 COUNCIL MEETING: Reichert moved, Johnson seconded to excuse Councilperson Don Mehig from the November 15, 2010 council meeting due to illness.

Roll call vote:

Yes: Reichert, Jessen, Sarrazin, Johnson.

No: None.

Motion CARRIED

CONSIDER EXCUSAL OF COUNCILPERSON HASKINS FROM THE NOVEMBER 15, 2010 COUNCIL MEETING: Sarrazin moved, Johnson seconded to excuse Councilperson Doug Haskins from the November 15, 2010 council meeting due to illness.

Roll call vote:

Yes: Jessen, Johnson, Reichert, Sarrazin.

No: None.

Motion CARRIED

CONSIDER BIDS FOR INDUSTRIAL PARK SIGN REPAIR: Mr. Sawyer advised this is to repair the Industrial Park sign (I) on Sleseman Drive. The sign was repaired five years ago but it has not held up. Agnew Graphics inspected the sign and advised the board used was not a MDO board that the city paid for. The signs will be painted by someone else but will be hung by the city. Mr. Sawyer further advised two bids were received; the bid from Agnew Graphic is \$2,100 for aluminum laminated sign board that will be cut and lettered that should last for a very long time, and the two bids submitted from Edwards Sign is using MDO board. He is recommending accepting the bid from Agnew Graphics and would come from the industrial park development fund and not the general fund. Councilperson Sarrazin stated the aluminum sign material is exceptional compared to plywood. It will last until the letters fade, it can be recovered and will not rot out and is the way to go, but some type of back brace might need to be added. Johnson moved, Reichert seconded to accept the bid from Agnew Graphics in the amount of \$2,100 for the Industrial Park sign repair.

Roll call vote:

Yes: Reichert, Jessen, Sarrazin, Johnson.

No: None.

Motion CARRIED

CONSIDER CANCELLATION OF 2010 HOLIDAY BANQUET: Mr. Sawyer stated this event is something that has been held for quite a few years and costs the city about \$1,500. It is not a huge expense but does take quite a bit of work and there are other priorities that are not being funded. There is no money currently budgeted to change the Cavalier and flag banners to the holiday banner. He further stated he would rather use the holiday banquet money to put the holiday banners. He spoke to Gary Gosaynie at GiGi's and there will not be a problem if he is notified immediately. Councilperson Reichert asked how the city employees feel about not doing the banquet. Mr. Sawyer advised he did not think there was an issue with it. Ms. Cowdrey advised the employees are okay with it. Mr. Sawyer stated there would be some type of potluck luncheon at city hall like there has been in the past. Mayor Pro-Tem Jessen stated there used to be some type of recognition held at the banquet that could be done somewhere else. Mr. Sawyer advised certificates could be presented at a future council meeting. Ms. Cowdrey advised only the fire department wanted to recognize their employees at the banquet because none of the city employees want to be recognized there. Jessen moved, Johnson seconded to cancel the 2010 holiday banquet.

Roll call vote:

Yes: Johnson, Reichert, Jessen, Sarrazin.

No: None.

Motion CARRIED

DISCUSSION ON EMPLOYEE HEALTH INSURANCE: Mr. Sawyer introduced Ned DeGalen from MMI Financial. Mr. Sawyer advised the city received a 27 percent rate hike from Blue Cross. The PPO plans are being eliminated effective January 1st and the city can be grandfathered in its existing plan. The high deductible plans have also been eliminated which will eliminate the ability to do some of the cost saving measures the city has done in the past and they have also gone to a three-tiered prescription card. Ned DeGalen advised the current plan being offered to city employees has been eliminated so the city needs to buy into a plan that will continuously take 20 percent increases from here on out or move to a very high deductible plan which is the only time the city can do it. There are not too many options due to the union contracts that the city has to abide by. He further advised he notified Mr. Sawyer what has been done has been working and had not Blue Cross done what they will do as of January 1st, the city would have moved to a higher deductible plan in June anyway because it would have been the next logical step. Since Blue Cross has accelerated their plans, the city has 10 days to choose a plan, which Blue Cross planned that way. They may be non-profit but they still like to make money. They are forcing the city to make a quick decision from here on out for the next two years at a higher benefit level with rate increases or the city buys down a plan and use a self-funding strategy to save as much as it can and move forward without having to re-negotiate. Mr. Sawyer stated the city had done a great job in the environment that it is dealing with. By doing what the city has been doing, the cost of health insurance has been cut by 75 percent, which the city still cannot afford. If the city goes with the plans that Blue Cross currently has on the table, the cost will go up from \$160,000 to \$193,000 which is a big hit. A 27 percent increase cannot be sustained and another 25

percent increase is anticipated next year and it is out of control. Councilperson Sarrazin stated the 27 percent increase is based on plan 12 and the city is reimbursing to plan 2. He asked if the city is contemplating going to plan 15. Mr. Sawyer advised yes. Councilperson Sarrazin stated the city is on plan 12 now and it is buying up to a plan two through Ameriplan which is never going to exist again. Mr. Sawyer advised yes. Mr. DeGalen stated except in the union contracts. Councilperson Sarrazin stated that is something that needs to be addressed too. Mr. Sawyer stated based on this environment a city the size of Corunna, who only has seven employees on the plan, is not going to be able to effectively maneuver health insurance based on federal, state, and Blue Cross issues in the future. The city is dodging the bullet this time without violating any contracts. His recommendation is to gain full management control over health insurance. The unions will get what management gets and this is something that should be pursued aggressively. Councilperson Sarrazin asked what happens with the prescription coverage. Mr. Sawyer advised the city is going to be okay with the prescription coverage. The city is currently reimbursing employees the cost of prescriptions over \$20. If someone gets a \$50 prescription, the city reimburses the employee \$30. The most comparable plan that the city can go to is the 15/30/60 plan. Mr. DeGalen advised the city currently has a two-tiered plan which is generic or a name brand. Most carriers including Blue Cross for the last three years have had a three-tiered plan that they are making mandatory if there are any changes. The three-tiered plan has generic, preferred name brand and non-preferred brand which require a higher co-pay. Blue Cross is trying to have the patient use the generic brand first, the cheaper name brand next before settling on the more expensive name brand. As far as the contracts go, the employees will be reimbursed just like it has always been. Mr. Sawyer stated Blue Cross does not want reimbursements to continue but this is something the city is going to continue because the contracts state there has to be reimbursements. This is an area that will be looked at very hard in future agreements and budgets. Last year, the city paid \$3,000 for reimbursements so this is something the city will be able to deal with over the next year. Mr. DeGalen stated the other carrier locally, Physician Health Plan, just announced that starting January 1, they will only offer three-tiered prescription plans. Health Plus, McLaren, and Blue Care Network have two-tiered prescription plans, but within the next year, he expects them all to have three-tiered plans. Councilperson Reichert asked if the city was locked in with using Blue Cross for a period of time by making this change. Mr. Sawyer advised no. Mr. DeGalen advised the city is on a month-to-month basis with Blue Cross. Councilperson Reichert asked if Blue Cross was doing this to all of their customers. Mr. DeGalen advised yes. The lowest increase he has seen in Shiawassee County is 28 percent and the highest is 39 percent. Ms. Lawson asked what is going on with Blue Cross. Mr. DeGalen advised he sits on their Agent Advisory Board and they have become more and more closed mouth. He believes they have abandoned the small group market place. They have done some internal shifting of costs where they have really decided that they will go after groups of 50 or more. If administrative costs are all equal for setting up a group, it makes more sense to enroll one group of 50 over 10 groups of five. All companies are rapidly moving that way in an attempt to keep their administrative fees down because National Health Care states that in order to continue to do business administrative costs have to be no greater than 15 percent of premiums collected and Blue Cross has always been around 9 to 9.2 percent. Blue Cross must have decided that if they are going to be the one the state chooses to administer the super fund they need to get their administration fees down as low as possible so they have cost cut all across the board and this is the last place they have to cut. They are pricing the city out of the market place. Ms.

Lawson asked if the rate increases were only affecting the small groups or if it is affecting the groups of 50 or more. Mr. DeGalen advised those groups are seeing a 15 to 17 percent increase. One of the National Health Care tenants allows a child to be on their parents insurance up to the age of 26 for no reason. Under Blue Cross guidelines, they have to be a full-time student, on their parent's taxes, etc., if not, they were taken off. The parents had to pay a family continuation fee and it was not cheap. The new law states as of January 1st that any kid regardless of status and live in the State of Michigan can go back on their parent's insurance without a surcharge, which raised the rates for singles, couples and families to make this happen. Ms. Lawson asked if the city can combine with other municipalities to make a group. Mr. DeGalen advised the city under the Michigan Municipal League's pool. A great example is the retirees that are not covered by other plans but that may change. Ms. Lawson stated the country is headed towards National Health Plan. Mr. DeGalen advised whether it is a public plan or a highly regulated private plan, Blue Cross wants to be there and they will do whatever they can now to position themselves to be in theory the one carrier. Ms. Lawson asked where the city will fall into. Mr. DeGalen advised he hopes the city will be allowed under a sub pool and if the risk and health is better than the average, the city will get better rates. If not, it will default to the pool rates, but most companies of this size would probably have been at a \$1,000 deductible two years ago. Mr. Sawyer stated had the city been under the old traditional plan with the \$5 office visit and \$3 prescription card, the city would be spending around \$670,000 for health insurance, which is almost half of the general fund budget. Mr. DeGalen advised this is the best adjustment for the current moment and based on what he is seeing, the city should be able to save an additional \$10,000 between now and June and make any adjustments the city needs to make at that time. Given the strategy that the city has been following, this seems to be the most prudent avenue. Councilperson Reichert asked if union negotiations were to allow changes, are there opportunities with other companies to get similar coverage at a reduced cost. Mr. DeGalen advised Mr. Sawyer has asked MMI to run an analysis of other carriers. It is his feeling that Health Plus and Physicians Health Plan will be significantly higher compared to what the city currently has. The McLaren plan will probably be the best bet and Blue Care Network will probably be at or above what the city has now. Councilperson Jessen asked if anyone would touch us with the retirees the city has. Mr. DeGalen advised Physicians Health Plan surprised him by stating they would consider it. Mr. Sawyer stated with the adoption of a National Health Plan there are a lot of companies trying to position themselves. Mr. DeGalen advised Physicians Health Plan has stated in the past that they would not consider retirees, but he was recently told over the phone that they would consider them. Mr. Sawyer stated the city needs to have management control over what will happen in the future with health care and aggressively look at what the city is obligated to do with the retirees to see if there is an ability to make any changes there because they weigh heavily in how the city moves forward. Ms. Lawson asked if the retirees are on the same plan when they retire. Mr. Sawyer advised many of the retiree contracts specified exactly what they were supposed to get for the rest of their lives and some of the plans have not existed for years. Mr. DeGalen stated currently the retirees are equal to the standard plan and he has not heard any complaints. Those plans are significantly better than what they can buy on the market. Councilperson Sarrazin asked if it was being recommended to raise the city's exposure from \$2,500 to \$5,000 which reduces the city's current cost for six months. Mr. DeGalen advised yes. Councilperson Sarrazin stated the city has been under Ameriplan for two years and nobody has hit the \$2,500. Mr. DeGalen advised that was correct and the plan year starts on January 1. Sarrazin moved, Reichert

seconded to instruct the city manager to execute the proper documents to move the city from Community Blue Option 12 to Community Blue Option 15 with a \$5,000 single person deductible and 15/30/60 prescription plan as recommended. Councilperson Reichert asked Mr. Sawyer if he was going to make the unions aware of this and try to negotiate it. Mr. Sawyer advised this will not affect the employees since Ameriplan will be in place. Since the prescription plan is changing, notices will be sent out to the employees explaining the changes. Mr. DeGalen stated Mr. Sawyer has suggested having an employee meeting to discuss what is going on now that he will attend because a third party approach might be more appropriate.

Roll call vote:

Yes: Jessen, Sarrazin, Johnson, Reichert.

No: None.

Motion CARRIED

DISCUSSION ON 2011/2012 BUDGET: Mr. Sawyer stated there are considerations that are going to have to be made over the next several months. He started working on the 2011/2012 budget six weeks ago and it was no surprise at what happened on Election Day. This was the city's third Headlee override attempt in 10 years and he suspects that there will never be an override. The residents spoke loudly that they do not want a tax shift and want to see the five mills expire in six years. With that said, the city cannot count on the city improvement fund to be renewed in five or six years, and if things do not drastically change in the national, state and regional economy, he suspects there will not be a renewal of any kind and local streets will have to be supported through the General Fund. The city is operating with less money than it had nine years ago. It is anticipated that there will be another five percent reduction in the property tax base next year. It will take a drastic recovery from the state to see revenue sharing dollars be restored. He proposed looking at things backward and presenting a budget that takes in account another \$200,000 worth of reductions over and above what the city council knows it is going to suffer to get a baseline on the table. Council can then decide what it wants to fund. If this concept is something council wants him to do, he is halfway through it but it is not something that he can do during the typical budget process. Now is the time to explore scenarios like this before getting into the real budget process come March. Councilperson Sarrazin stated the General Fund has taken big hits year after year and the new accounting rules have allowed the city to reallocate some of that cost to other funds that were not General Fund costs such as sewer and water. The cuts to the General Fund were made up in part by redistribution and asked if it was correct to state that. Mr. Sawyer advised that is correct. Councilperson Sarrazin stated as far as the retirees are any of them allocated to sewer and water. Mr. Sawyer advised yes, but not the police department because it is a total General Fund expenditure. For the department of public works, 85 percent of the department is outside of the General Fund and the retirees are admin billed based on the percentage of active. He explained administrative fees is one area that has shown an increase over the years which has helped alleviate some of the pain with the cuts. Councilperson Sarrazin stated the General Fund is as lean as it can without cutting services. He asked if the 10 mills would reflect the loss of the five mills for street. Mr. Sawyer advised no the current millage rate is 13.3044 mills. Councilperson Sarrazin asked if that would change when the five mills is gone. Mr. Sawyer advised no but it would create a new expense for the General Fund. The 10 mills is just an arbitrary number and will be used to determine what can be sustained. This is being used to start discussion and dialogue on what the future will look like and what the

city can or cannot afford to do. With all of the revenue reductions, health insurance costs and other issues, it comes to a \$500,000 reduction. Councilperson Reichert stated he thought the exercise would benefit the council but was not crazy about the 10 mill language. He would rather see it stated as budget reduction projections because he does not want to see the paper print that the city council is requesting a budget based on 10 mills because it looks like the council is sticking it to the residents since they did not approve the millages. Mr. Sawyer advised it would not be sticking it to them because it would be a tax reduction.

Councilperson Reichert stated the city would be sticking it to them in any change in operations. Mr. Sawyer stated the local government financial system is broken, and in good times it could be fixed, but in bad times no one is sure what to do. Reichert moved, Johnson seconded to instruct the city manager to look at a budget based on estimated reductions over the next few years.

Roll call vote:

Yes: Sarrazin, Jessen, Johnson, Reichert.

No: None.

Motion CARRIED

Mr. Sawyer advised there were some substantial cuts on the table for the current year budget that council agreed to take from the fund balance since they wanted to wait to see what happened in the November election. The city is going to lose its part-time police officers in the next budget year so a question for council to think about is if they should be funded through June or if a quicker termination plan should be looked at. He asked if there are cuts that should be made now knowing that there is at least a \$100,000 deficit this year and next year.

CONSIDER APPOINTMENTS TO SATA BOARD: Johnson moved, Sarrazin seconded to re-appoint Joseph Sawyer, term to expire October 1, 2011 and Robert Buschman, term to expire October 1, 2012 to the SATA Board.

Roll call vote:

Yes: Reichert, Sarrazin, Johnson, Jessen.

No: None.

Motion CARRIED

CALL TO AUDIENCE: Bob Morehouse asked if there was anything new on the dam. Mr. Sawyer advised the city attorney has filed an injunctive relief as instructed by the city council. There is a show cause hearing scheduled for December 13 and everything as far as enforcement is on hold at this time. The state was provided a copy of the history and deeds that the city has. The city has not heard anything from them and the lines of communication have been open.

Judy Horton asked Mr. Sawyer if he knows where the cuts will be. Ms. Lawson advised no one can answer that. Mr. Sawyer advised cutting city hall hours is one area. He has been talking to his staff about reducing their hours to 36 hours per week which would be four nine hour days. A 10 percent pay cut comes along with that which is conjunction with what has already been taken. This is in the five year picture and his intent is to overcut now to find out what is important to council and what they want to bring back. Councilperson Sarrazin stated it sounds like Mr. Sawyer will need police protection. Mr. Sawyer stated police coverage will be affected and everyone knew about six months ago.

ROUNDTABLE DISCUSSION: Councilperson Johnson advised her daughter did well with the removal of her four wisdom teeth even though she looked like a chipmunk for a week.

Councilperson Reichert stated the council put a six month moratorium on the marijuana issue. The planning commission was going to take a look at it and asked if they had started working on the process. Ms. Lawson advised no. The planning commission has been given information on the law changes that just came down. She feels everyone knows what direction the city will be going in, but it will involve coming up with the correct language. The holidays are coming up and it creates a dilemma with the planning commission because they meet on the fourth Wednesday of the month which is the day before Thanksgiving and just before Christmas. Given what is being worked on, a meeting will have to be scheduled in December because there is a lot of work to do. Ms. Lawson stated a lot of research has been done so the planning commission is ready to write an ordinance based on the information it has received. Councilperson Sarrazin stated the commission has received a lot of information so it should not be too hard to write an ordinance.

Councilperson Sarrazin advised the paving wedge has been put in place at Mack Street and if it stays, it will be great and is what the doctor ordered. There is a blurb in the ambulance board minutes that mentions his son's senior project. They were thinking about having him put siding on the old building, but he really wants to do a warming hut. Mr. Sawyer advised he would like to see the warming hut done. Councilperson Sarrazin stated the minutes indicate that the board was going to contact the high school senior, but his son has not heard anything from them so he is going full ahead with the warming hut. Mr. Sawyer advised he spoke to Jim and Bernice Fredricks who live on Parmenter Road last week. They have a collapsed barn and he was advised the city can take whatever we need. Councilperson Sarrazin stated perhaps the three of them can take a trip to look at what is there and come up with a few ideas to find out what can be used from that material.

Councilperson Jessen advised he had nothing to discuss.

ADJOURN: Jessen moved, Johnson seconded to adjourn.

Roll call vote:

Yes: Johnson, Jessen, Sarrazin, Reichert.

No: None.

Motion CARRIED Time was 8:20 p.m.

Arnie Jessen, Mayor Pro-Tem

Nichole L. Cowdrey, Clerk/Treasurer