

**Montana Municipal Interlocal Authority
BOARD OF DIRECTORS MEETING
Friday, March 25, 2011**

**MMIA
Helena Montana
Minutes**

The Board of Directors of the Montana Municipal Interlocal Authority met on Friday, March 25, 2011 at the MMIA office in Helena. The meeting was called to order at 9:03 am by Chair Bruce McCandless.

1. Roll Call **McCandless**

Members present were Chair McCandless, Secretary Kelly Audet, Treasurer Tim Magee, Joe Menicucci, Ed Meece, Doris Pinkerton, Eileen Joyce, Kevin Myhre, Marlene Mahlum, Necile Lorang, Duane Larson, Cal Oraw and Jim Nugent.

Absent were Larry Bonderud and Chris Kukulski.

Also in attendance were MMIA staff Alan Hulse, John Craig, John Cummings, Prudence Wigen, Vicki Wilham, Amanda Clark, Thom Danenhower, Amber Ireland, Janet Mackin and Linda Moots; consultant Charlynn Harless; actuary John Alltop; attorney Stan Kaleczyc; Rae Lynn Nielsen; Aaron Bay, Marty York and Kim Browne from Allegiance; Sally Covington and Tom Moore from CCQC ; and actuary Dave Turner by phone .

2. Minutes **McCandless**

Jim Nugent made a motion to approve the minutes of the January 21, 2011 meeting, second by Cal Oraw. Motion passed.

3. Public Comment **McCandless**

There was no public comment.

4. Executive Committee Report **McCandless**

Jim Nugent made a motion to approve the minutes of the March 3, 2011 Executive Committee meeting, second by Tim Magee. Motion passed.

5. Personnel Committee Report **Menicucci**

The Chair of the Personnel Committee asked John Cummings to report on the meeting held Wednesday, March 16, 2011.

Regarding wages, staff is recommending the MMIA follow the same progression as the previous two years – using the market based matrix steps to advance employees who are not yet at the target rate for their position and a 1.3% COLA. Staff has also identified several positions that will require additional adjustment within their identified

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pay ranges. This will result in a payroll line item increase of 5.4%. Adding in the approved new EB staff position, the overall increase is 6.8%.

Regarding health insurance, staff is recommending maintaining funding at the employee plus one rate as identified for the Madison plan.

Staff is also recommending maintaining funding for dental, vision and life at the projected 2011-2012 rates.

Staff is not proposing any staffing increases.

John presented a draft proposal for a Compensation Survey to be completed by Ellen Feaver of Anderson Zurmuehlen of Helena.

Tim Magee made a motion that the Board approve staff's recommendations for wages and benefits, and the compensation survey, second by Marlene Mahlum. Motion passed.

6. Finance Reports

Wigen

CFO Prudence Wigen distributed and discussed the December 31, 2010 quarterly financial and investment report.

Workers' Compensation:

Total Assets	\$38,725,593
Total Liabilities	\$29,926,063
Current Net Assets	\$ 8,799,530

Jim Nugent made a motion to approve the Workers' Compensation Program quarterly financial and investment report, second by Joe Menicucci. Motion passed.

Liability:

Total Assets	\$46,177,364
Total Liabilities	\$28,831,615
Total Net Assets	\$17,345,749

Jim Nugent made a motion to approve the Liability Program quarterly financial and investment report, second by Doris Pinkerton. Motion passed.

Property:

Total Assets	\$9,593,622
Total Liabilities	\$2,232,187
Total Net Assets	\$7,361,435

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Jim Nugent made a motion to approve the Property Program quarterly financial and investment report, second by Tim Magee. Motion passed.

EB:

Total Assets	\$9,676,095
Total Liabilities	\$2,420,116
Total Net Assets	\$7,255,978

Joe Menicucci made a motion to approve the Employee Benefits Program quarterly financial and investment report, second by Cal Oraw. Motion passed.

CFO Wigen distributed and discussed the financial and investment reports for each Program as of February 28, 2011.

Workers' Compensation

Total Revenue	\$5,153,743
Total Expense	\$5,509,788
FYTD Change in Net Assets	\$ (356,045)

Total Assets	\$38,897,031
Total Liabilities	\$30,290,836
Net Assets	\$ 8,606,195

Liability:

Total Revenue	\$4,528,975
Total Expense	\$3,478,575
FYTD Change in Net Assets	\$1,050,400

Total Assets	\$45,206,881
Total Liabilities	\$27,635,098
Net Assets	\$17,571,783

Property:

Total Revenue	\$ 977,649
Total Expense	\$1,458,264
FYTD Change in Net Assets	\$ (480,615)

Total Assets	\$9,234,770
Total Liabilities	\$2,143,009
Net Assets	\$7,091,761

Employee Benefits:

Total Operating Revenue	\$11,415,402
Total Expense	\$10,679,349

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FYTD Change in Net Assets	\$ 736,053
Total Assets	\$10,016,444
Total Liabilities	\$ 2,729,375
Net Assets	\$ 7,287,069

CFO Prudence Wigen reviewed the assumptions that will be used in the development of the FY 2011/2012 Program budgets. Staff will strive to hold costs to the past year's budget level, or reduce them where feasible. The goal is to stay within the financial target parameters for each Program. Some areas where changes are being requested are: claims audits in the Liability, Property and Workers' Compensation programs, fewer Board meetings, fewer consulting contracts, expected increase in personnel costs of 6.8%, no legislative activity, increased computer and software maintenance costs, purchase of new building space, and two vehicles.

Jim Nugent made a motion to approve the budget assumptions as reported, second by Duane Larson. Motion passed.

7. EB Committee Retreat Action Items

Mahlum

Staff reported on the EB Committee meeting on Thursday, March 24, 2011.

PAC Analysis Report: Sally Covington and Tom Moore presented a summary of their presentation to the Committee. No action is needed at this point. Staff will review and get back to Board at the next meeting.

StarPoint Report: Kim Browne provided a brief summary of her report to the Committee.

Membership Update: The Town of Ennis joined the program as of March 15 with five employees. They joined the medical, dental, vision and life programs.

No members have indicated they are withdrawing from our program.

Staff has been out there meeting with the members. They are ok with the early rate indication of 12% to 17%.

New EB Position: The new position has been posted and has closed. Staff will screen the applicants next week and will interview ASAP.

Debbie Jean, Employee Benefits Member Service Representative has given her notice effective April 1. She has accepted another opportunity. The position is currently posted and we have already received several applications.

Preliminary Rates:

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Staff reiterated that actuary Dave Turner is recommending a 14% rate increase minus the change in the prescription plan that was previously approved that will save 0.5 %, therefore staff is recommending a 13.5% rate increase in the medical program.

The Committee is recommending 10% rate increase in the medical program.

The Committee is also recommending that dental, vision and life all have a 0% rate increase.

Tim Magee made a motion to approve the Committee's recommendations on the rates, second by Duane Larson.

Cal Oraw asked for clarification on who votes on this issue. The whole Board.

Marlene Mahlum made a motion to separate the motions, second by Cal Oraw. Motion passed.

Tim Magee made a motion to approve a 10% rate increase in the medical program, second Duane Larson.

After much discussion, Cal Oraw made a motion to amend the motion to 12%, second by Marlene Mahlum.

After much discussion, Jim Nugent called the question on the amended motion to increase the rates by 12%. Motion failed on a show of hands, eight in opposition and five in favor.

The motion by Tim Magee for 10% rate increase passed on a show of hands, eight in favor and five in opposition.

Dental Program Recommendation: Staff presented information from the dental TPA on a different method for handling network dentist options. Currently, the MMIA is on a PPO/PPO method of payment which pays all benefits according to the PPO allowable amount. This method results in the greatest savings to the plan. The alternative is called the PPO/MPA method. This plan allows benefits to be paid according to an allowable amount set for each network option. This method results in the greatest savings to the participant. If the MMIA changes to this alternative method, it is estimated that there would be a 7.2% cost impact on claims.

The Committee is recommending that MMIA change to the PPO/MPA method because it would improve the perception of benefit payments for our participants because of lower out of pocket expenses and it would increase the reimbursement allowance for dentists. Staff feels the dental plans are adequately funded and could absorb the estimated increased claim costs.

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Cal Oraw made a motion to approve the Committee's recommendation to make the changes in the dental program as recommended by staff, second by Duane Larson. Motion passed.

Necile Lorang made a motion to approve the Committee's recommendation for a 0% rate increase in the dental program, second by Duane Larson. Motion passed.

Tim Magee made a motion to approve the Committee's recommendation for a 0% rate increase on the vision program, second by Kevin Myhre. Motion passed.

Kevin Myhre made a motion to approve the Committee's recommendation for a 0% rate increase in the life insurance program, second by Doris Pinkerton. Motion passed.

Bruce McCandless commented on recent experience with the health insurance program in Billings. Their program lost \$1.7 million in last 3 years and is now down to \$500,000 in reserves. The City's target is \$1.6 million. He encourages the Board to stay on top of this. This reduction was caused by the city's decision to buy down rates one of those years and improve benefits with \$500,000, and the rest of the reduction in reserves was due to increased claims costs.

8. P & C Actuarial Analysis and Modification Factor Calculations

Alltop

John Alltop presented and discussed the actuarial report for the Workers' Compensation Risk Retention Program and the loss adjustment modification factors.

Jim Nugent made a motion to accept the Workers' Compensation Program's actuarial report, second by Kelly Audet. Motion passed.

Jim Nugent made a motion to accept the actuary's recommended modification factors for the Workers' Compensation Program, second by Kelly Audet. Motion passed.

John Alltop presented and discussed the actuarial report for the Liability Risk Retention program and the loss adjustment modification factors.

Jim Nugent made a motion to accept the Liability Program's actuarial report, second by Joe Menicucci. Motion passed.

Jim Nugent made a motion to accept the actuary's recommended modification factors for the Liability Program, second by Joe Menicucci. Motion passed.

John Alltop presented and discussed the class code actuarial study performed on the

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Workers' Compensation Program. These recommended changes reflect what is actually happening in the program.

Joe Menicucci made a motion to accept the actuarial report of the class codes in the Workers' Compensation Program, second by Jim Nugent. Motion passed.

Prudence reviewed the rates. The actuary presented two scenarios. One being making the change in one year, the second being phasing-in the rate changes over a three year period. These rates do not account for any future rate changes.

Class Code	FY 2011-2012	FY 2012-2013	FY 2013-2014
7704	3.77	3.69	3.61
7720	4.48	4.59	4.69
8743	0.60	0.50	0.40
8810	1.15	1.17	1.18
9410	5.94	5.66	5.38
9420	6.54	6.86	7.17

Tim Magee made a motion to phase-in the recommended changes in the class codes over a period of three years, second by Necile Lorang. Motion passed.

9. 11/12 Program Preliminary Rates

Staff

Staff presented the proposed preliminary FY 2011/2012 rates for the Workers' Compensation Program. Staff is recommending a 0% rate increase.

Jim Nugent made a motion to approve staff's recommendation of a 0% increase in the Workers' Compensation Program rates, second by Kelly. Motion passed.

Staff presented the proposed preliminary FY 2011/2012 rates for the Liability Program. Staff is recommending a 0% rate increase.

Jim Nugent made a motion to approve staff's recommendation of a 0% increase in the Liability Program rates, second by Tim Magee. Motion passed.

Staff presented the proposed preliminary FY 2011/2012 rates for the Property Program. Staff is recommending a 3.5% increase.

Jim Nugent made a motion to approve staff's recommendation for a 3.5% increase in the Property Program rates, second by Tim Magee. Motion passed.

Lunch break.

Ann introduced Denise Jensen to the Board. Denise is the new Liability/Property adjuster.

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10. Governance Follow Up

Staff

As follow-up to the January retreat, staff presented the final policies for Board review and adoption:

CEO Linkage Policy:

Joe Menicucci made a motion to table the CEO Linkage Policy to the June meeting, second by Cal Oraw. Motion passed.

Financial Targets Policies:

Tim Magee made a motion to adopt the Liability, Workers' Compensation and Property Financial Targets Policies, second by Kelly Audet. Motion passed.

Employee Benefits Financial Targets Policy: Prudence suggested leaving out the "Leverage Ratios" on Page 2 of the policy. The Actuary believes they aren't appropriate for EB.

Tim Magee made a motion to adopt the Employee Benefits Financial Targets Policy excluding the "Leverage Ratios" as suggested by staff, second by Joe Menicucci. Motion passed.

Contracts Policy:

Tim Magee made a motion to adopt the Contracts Policy, second by Kevin Myhre. Motion passed.

11. Interim CEO Review

McCandless/ Menicucci

Board Chair McCandless and Personnel Committee Chair Menicucci provided a report on their meeting on March 1, 2011 with Alan Hulse to conduct an interim review of the MMIA CEO. After going through the Work Plan, they recommended the Board keep him around. They will do an annual review in June.

The two also reported on their meeting with Mr. Hulse on March 9, 2011 via conference call to discuss renewal of the CEO's contract.

Jim Nugent made some suggested changes to the policy and would like a cleaner contract. The current contract expires June 30.

Cal Oraw made a motion to table this matter to the June meeting, second by Kelly Audet. Motion passed.

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Staff will work on this and bring it to the June meeting.

12. Audit Committee Report

Audet

Kelly Audet reported on the Audit Committee meeting on March 14, 2011 to review and discuss the 2009/2010 financial audits. All four audits look good and the Committee is recommending the Board approve all four audits.

Jim Nugent made a motion to approve all four audits in one motion, second by Tim Magee. Motion passed.

Jim Nugent made a motion to approve all four audits, second by Tim Magee. Motion passed.

13. 2011/2012 Work Plan

Staff

Staff presented a work plan for fiscal year 2011/2012.

Joe Menicucci made a motion to approve the work plan for FY 2011/2012, second by Kelly Audet.

Alan will report on the current work plan at the June meeting.

Motion passed.

14. Staff Policy Revisions

Staff

Staff presented the proposed revisions to the MMIA Personnel Policy.

These revisions will cleanup and clarify what we have been doing. One new addition is for MMIA employees who are medically determined not to be able to work due to a compensable workers' compensation injury. MMIA will continue to pay the employer's contribution to their Employee Benefit program for three full months starting the beginning of the next full month.

Joe Menicucci made a motion to approve the changes to the MMIA Personnel Policy, second by Kevin Myhre.

Jim Nugent made a substitute motion for six months rather than three, second by Duane Larson.

Staff feels three months is generous. The motivation behind three months is to get them back to work ASAP. The longer you extend these benefits, the less motivation they have to return to work.

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Cal Oraw called for the question.

Jim was thinking more of major injuries such as a big car wreck.

Kevin suggested we pay half of the 2nd three months.

Thom Danenhower believes three months is fine given the work comp changes at the legislature this year.

Ed Meece asked if the policy has any exceptions. No, but an employee could grieve the policy to the CEO.

Duane Larson asked if we could write the policy with the exception and an appeal process to CEO. Staff indicated this can already be appealed to the CEO .

Jim Nugent withdrew the substitute motion.

Duane Larson made a substitute motion to allow some flexibility to extend the policy up to three months, second by Jim Nugent. Motion passed.

Joe Menicucci made a motion to approve the changes to the MMIA Personnel Policy as amended, second by Kevin Myhre. Motion passed.

15. GEM Board of Directors Staff

Staff is requesting that the Board authorize Alan Hulse to run for another three year term on the GEM Board of Directors.

Joe Menicucci made a motion authorizing Alan Hulse to run for another three year term on the GEM Board of Directors , second by Tim Magee. Motion passed.

16. Building Progress Staff

Staff reported on the progress of the building project and outline d the next steps.

John Craig presented information regarding an appraisal of the building done for MMIA by J. Michael Joki, MAI, SRA . Mr. Joki's appraisal came in at \$1,650,000. Further analysis showed it should rent for about \$20 per square foot. MMIA currently holds a "letter of intent to sell" for the proposed purchase price of \$1,600,000 with a contingency to lease the property back for up to 2 years at a lease payment of \$6,000 per month.

Staff is recommending the MMIA pursue a buy sell agreement for \$1,600,000 and a lease back of around \$15 to \$20 per square foot.

Jim Nugent made a motion to approve staff's recommendation to pursue a buy

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sell agreement for \$1,600,000 and a lease back of around \$15 to \$20 per square foot, second by Duane Larson.

This is giving staff authority to move forward.

Bruce McCandless asked what the source of financing is. Alan explained it will come out of surplus and will be allocated between the four programs. Inspections are part of the buy sell.

Motion passed with one nay vote.

17. Reports

Staff

There was no MLCT Report.

John Cummings presented the Risk Management Report. The municipal handbooks are done and in the mail. John passed a sample around. The Mayors Forum was held in March with 37 attending. Staff has visited 96 members to date thanks to both John Craig and the EB Department. They have trained 832 employees to date including training in Billings and the Tillotson Program. Thom was out for a month but he continues working with Work Safe Montana.

John Craig presented the Property Program Report. This was a contentious year on the renewal. He is not sure why. He plans to be in every one of our 109 communities in the next 12 months.

Ann Komac presented the Claims Managers Report. Eight staff are working on completing associates in insurance certification. The MMIA had a good result on the Grove trial -- 10/2 vote in favor of the city. We are receiving lots of pothole claims. Alan reminded the Board that staff is meeting with the City of Billings on a quarterly basis to discuss claims. They recently started this process with the City of Missoula. Both staff and the cities feel this interaction is beneficial and the program will be expanded to other cities over time.

Amanda Clark presented the Employee Benefits Program Report. She had no other news.

Alan Hulse presented the CEO Report. He commented the staff on handling the meeting today. The Local Government Center has not yet received funding in the university extension budget. If that doesn't happen, the MMIA might have to help out. MACo is also willing to help. He apprised the group of the issue in the Town of Troy.

18. Other Items

Staff

June 17, 2011 – Regular Board Meeting, Helena

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August 18, 2011 – EB Committee Meeting, Helena
August 19, 2011 – Regular Board Meeting, Helena
October 6, 2011 – Regular Board Meeting, Billings
October 7, 2011 – Annual Meeting, Billings

April 21/22, 2011, Washington DC – GEM Board meeting
June 5 to 8, 2011- PRIMA, Portland OR
July 25 to 27, 2011, Seattle WA - GEM Board meeting
October 17 to 19, 2011, Gettysburg PA - GEM Board meeting

Chair McCandless closed the meeting for a discussion of claims and litigation matters at 2:29 pm.

Chair McCandless reopened the meeting at 3:05 pm.

There being no further business, the meeting adjourned at 3:05 pm.

Submitted by

Bruce McCandless
Chair

Vicki Wilham
Recording Secretary

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Minutes of the closed portion of the MMIA Board meeting.

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This portion of the meeting was called to order by Chair Bruce McCandless at 2:30 pm at Helena, Montana and, pursuant to MCA 2-3-203(3), was declared closed to discuss claims and litigation.

Members present were Chair McCandless, Secretary Kelly Audet, Treasurer Tim Magee, Joe Menicucci, Doris Pinkerton, Eileen Joyce, Kevin Myhre, Marlene Mahlum, Necile Lorang, Duane Larson, Cal Oraw and Jim Nugent.

Absent were Larry Bonderud, Ed Meece and Chris Kukulski.

Also in attendance were MMIA staff Alan Hulse, Ann Komac, Susan Peck and Linda Coombs.

Susan Peck presented the Workers' Compensation Claims Report

Linda Coombs presented the Liability Claims Report.

Linda Coombs presented the Property Claims Report.

Stan Kaleczyc presented the Litigation Status Report.

Submitted by

Bruce McCandless
Chair