

**REGULAR MEETING OF THE COUNCIL OF THE CITY OF NOVI  
MONDAY, NOVEMBER 9, 2009 AT 7:00 P.M.  
COUNCIL CHAMBERS – NOVI CIVIC CENTER – 45175 W. TEN MILE ROAD**

## **SWEARING-IN CEREMONY – Mayor Landry, Council Members Fischer, Margolis, Mutch**

Mayor Landry called the meeting to order at 7:00 P.M.

**PLEDGE OF ALLEGIANCE** Brownie Girl Scout Troop 1569 (Novi Woods 3<sup>rd</sup> Graders)  
Leaders: Missy Kreucher and Vassoula Alexander

Brownies: Despina Alexander, Riley Balconi, Jessica Bandyk, Anna Biberstein, Katelyn Desmier, Anna Kaley, Pranati Kongara, Kylie Kreucher, Siddhi Nair, Brianna Patel, Anna-Lena Purat, Samantha Ross, Lauren Wilk, Allison Rinkel; Blaire Thibaudeau

**ROLL CALL:** Mayor Landry, Mayor Pro Tem Gatt-absent/excused, Council Members Crawford, Fischer, Margolis, Mutch, Staudt

**ALSO PRESENT:** Clay Pearson, City Manager  
Pamela Antil, Assistant City Manager  
Tom Schultz, City Attorney

## **APPROVAL OF AGENDA**

**CM-09-11-139** Moved by Margolis, seconded by Crawford; CARRIED UNANIMOUSLY: To approve the Agenda as presented.

**Roll call vote on CM-09-11-139**      **Yea:** Crawford, Fischer, Margolis, Mutch, Staudt, Landry  
**Nay:** None  
**Absent:** Gatt

## **PUBLIC HEARING**

## **1. Community Development Block Grant Funding**

There being no response from the public, the public hearing was closed.

## **PRESENTATIONS - None**

## **REPORTS:**

## **1. MANAGER/STAFF**

## **Review of 2010 Health Care Program**

Mr. Pearson said they had done a report on the self funded option earlier this year. He said things had changed on that front but they had a package, and a lot of it had been dictated by labor agreements. However, there were some discretionary elements they wanted to bring to Council's attention. He thought they had a very fair package again, one that met their

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obligations, was very cost conscious, tried to manage the system as best they could and engage employees.

Ms. Gronlund-Fox of Human Resources was present to speak to this issue. She said Kelley Demiryan of the Gallagher Benefit Services Group was also present and had assisted her with the benefits when they went out to bid. Ms. Gronlund-Fox said the renewal was January 1st for employee benefits, which covered health and dental benefits. She said they went out to bid to see if there were any other groups with comparable benefits at a better price. She noted they kept in mind their collective bargaining agreements, so they knew the confines they had to keep within and Ms. Demiryan helped them to do that. This year they looked at Blue Cross Blue Shield, which they had based on their contracts, Health Alliance Plan (HAP HMO), which was an option and Delta Dental. She stated they also looked at Blue Cross Blue Care Network and Priority Health. They were both priced higher than what the City currently paid and they were not feasible at this time because of the cost. Ms. Gronlund-Fox said the rates came in and through negotiations and minor plan design changes, they were able to get their overall increase down to 7.6%, which she was extremely happy with as the national average was 10.5%. She said Council had information in their packets that showed where the premiums were for HAP and Blue Cross Blue Shield, which had two plans. They were Blue Cross Blue Shield Traditional Plan that was mentioned in the collective bargaining agreements and Community Blue that was less costly and the choice of about 30 employees. Ms. Gronlund-Fox said regarding the national average and how the City fared, HAP's national average was 10% and they came in at 10.9%, Blue Cross Blue Shield's' national average was 10.3% and they came in at 5% and Delta Dental's national average was 6.2% and they kept it at 6%.

Ms. Gronlund-Fox introduced Ms. Demiryan to discuss self funding and the response of the April bid the City put out.

Ms. Demiryan, Gallagher Benefits Services, stated they had appeared before Council a couple of months ago to talk about self funding and whether or not it was feasible for the City going into 2010. She said they had pricing from various markets that assumed an effective date still in 2009, so they said they would come back later in the fall to talk about pricing that assumed a start date of January 1, 2010. She said they went back and looked at different options for pricing for 2010. She said under the present program with BCBS the City had a \$25,000 individual pooling limit or stop loss level, which meant that any claims in excess of \$25,000 were not charged against the experience of the City. They were written off to the underwriting pool at Blue Cross and the City was only responsible for claims up to that \$25,000 pooling point. They asked for pricing to assume that they maintained that \$25,000 pooling point and pricing for a lower pooling point of \$10,000 per person and a higher pooling point at \$50,000 per person. Ms. Demiryan said the premium for these different deductibles would vary as the more risk the City assumed as an entity the lower the premium would be; the more risk the carrier assumed the more the premium level would be. She said they asked BCBS to look at self funding only the portion of the program that was currently with BCBS. They also asked if the City eliminated the HMO option and moved everybody into BCBS, what would that pricing look like.

Ms. Demiryan said Council had a chart that compared the lower specific deductible against the \$25,000 current specific deductible. She said when before Council previously, Council might recall that looking at the lower specific, the \$10,000 pooling level, it looked like they might have an opportunity to achieve some savings. They would pool the claims at a lower level even

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though the premium for the stop loss insurance would be higher; there would be less risk on the City. She said from the time they looked at this a few months ago until now, projecting a January 1, 2010 start date, the premium for that stop loss at the \$10,000 level increased by 51%. So, given that number and the cost to purchase stop loss at that level, it made the \$10,000 specific option less attractive relative to where the 2010 insured premium was projected to be. She said fully insured BCBS premium projection for 2010 was \$1,174,392.00, which was the premium that was projected in 2010 for all employees and retirees currently covered in a BCBS option. She said this compared with projected fixed costs plus claims of \$1,608,963.00, which was based on the known fixed cost for administration and stop loss under the \$10,000 specific deductible option plus the projection of what claim expenses would be chargeable claims, under that deductible option of \$718,000. She said that came out to the \$1,608,963.00. Next is the Aggregate Attachment Point, which was a claim worst case scenario. She said if claims went poorly in 2010, this would be the maximum claim amount that the City would be responsible for funding before any excess amount would be chargeable to BCBS. She said in the very unlikely scenario that there would be this sort of claim level, the City's maximum claim cost plus fixed cost exposure would be \$1,747,043.00.

Mayor Landry asked if that assumed that every employee maxed out at the stop loss level. Ms. Demiryan said it assumed that claims for all employees and retirees covered under the plan exceeded the attachment point of \$977,000.00. She said they were projecting claims to be about \$718,000.00, which didn't mean that every person would meet the maximum but it did mean that a lot of people would have excessively high amounts of claims. She thought this was a pretty unlikely scenario. She said next would be the same sort of information but now all of the pricing was based on having a \$25,000 specific deductible or an individual pooling point. She said that meant claims up to \$25,000 would be the responsibility of the City and claims in excess of \$25,000 would be absorbed by BCBS. So, the stop loss premium would be reduced to \$419,000 compared to the \$718,000 because the City was taking on more risk per employee. However, because the deductible level was higher, the projected claims cost was higher. She said this was because now there were claims up to \$25,000 per person going against the City's claim liability as opposed to the \$10,000. She said the claim estimate was higher; however the stop loss premium was lower. Ms. Demiryan said the overall combined cost would be projected to be \$1,463,932.00 in 2010. She said this all hinged on BCBS being correct in what they were projecting the City claims to be based on past claim experience and demographics of where the claims would come in in 2010.

Ms. Gronlund-Fox showed a slide that showed where the current head counts were as far as employees and what plans they were insured with. She said HAP had the majority of their active employees at about 180 and 29 in Community Blue and the remaining 68 employees were with the traditional BCBS plan.

Ms. Demiryan said the self funding option showed a higher specific deductible and looked at a \$50,000 specific deductible per person. So, claims up to \$50,000 would be the responsibility of the City and those in excess would be absorbed in the stop loss pool at BCBS. She said, in this option, they looked at replacing the entire program with the self funded BCBS option, which meant the HAP HMO would be eliminated and their members would be rolled into BCBS Traditional or PPO plan. She said because there were more people, the administrative fee per employee per month would be slightly reduced and because there was a higher specific deductible of \$50,000, the stop loss premium would also be reduced. She said if looking at the total, the \$419,000, it was higher because it was applied against a larger number of

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employees. She said under this estimate BCBS projected that claims cost in 2010 for the entire group would be \$2,721,422.00 and was based on what they currently knew about people currently on BCBS and what their claim experience had been in the past; plus the best guess of what sort of claim experience might be coming out of the people currently involved in the HAP program. She said HAP insurance was area rated, which meant the rates were not specifically developed based on the claim experience that their membership generated. So they didn't know exactly what sort of claims that group had in the past or what they might generate in the future. It was a best guess based on the demographics of that group and what a group that looked like that would generate in claims. She said adding all those things up, the fixed cost of the projected claims they came up with the projected cost of \$3,323,596.00. So, what they were comparing was a known cost of \$3,305,000.00 for BCBS and HAP against a projected cost of \$3,323,596.00, which could come in higher or lower.

Ms. Gronlund-Fox said if they were to go into a self funded plan and not have HAP, they were estimating that the majority of those people would go into the Community Blue plan because it was more similar to the HAP plan and it was an HMO preventative care plan. However, if they went into Traditional BCBS, those rates would go up.

Ms. Gronlund-Fox said the recommendations they were suggesting for the 2010 Benefit Plan year for employees based solely on pricing was to renew plans currently with BCBS, HAP and Delta Dental. She said they would continue to look at the options as the year went on and would look at the options again for 2011. Ms. Gronlund-Fox said there were many different factors that drove health care costs such as price inflation, deductibles, government mandates, technology changes, cost shifting, utilization, etc. She said areas of opportunities to reduce costs were eligibility issues and eligible dependents. She said in the future they could look at spousal surcharges that were being done in the private sector but not in many government agencies. They could look at coverage of retired employees who go elsewhere to work after leaving the City that have insurance but don't take it. She said they could try to negotiate that into the contracts where if their current employer offered insurance, then they needed to take it through that employer and not the City of Novi. She said under the plan design area of the presentation, which they continue to do all year, they could look at deductibles and co-insurance, plan design as far as it's tied to participation and wellness incentives. She said a lot of private sectors and some governments were moving toward if a health care professional diagnosed an area someone needed to work on, such as cholesterol, and they showed the City they were trying to work on it and become healthier, then co-pays could be tied to incentives to continue striving for healthier living. She said lastly cost sharing, which was looking at a buy up type of strategy where the City might offer one plan, say HAP, which was the lesser plan, and if an employee wanted any other plan, they would have to buy up to get it. Also, premium contributions had been looked at and movement had been made over the years, as well as premium contributions tied to annual rates. For instance, they would say that the City would only pay for a 5% increase in premiums and if it came in any higher than 5% the employee would pick up the difference. She didn't know of any governments doing that but it was something that was going on out there. Lastly, was a smoker's surcharge, which was a higher premium for those that smoke.

Ms. Gronlund-Fox said initiatives they had already done were management of co-pays, independent audit, pharmacy costs, ongoing wellness programs and management of cost sharing. She said the initiatives that would require bargaining were spousal surcharge, plan designs featuring higher deductibles and plan designs tied to wellness would need to be

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negotiated as would some other issues. Ms. Demiryan said currently retirees had traditional retiree medical insurance provided through the City and they paid a portion of the premium. She noted that for the retirees over 65, this was what supplemented their Medicare and for employees under 65 it was their primary insurance until Medicare kicked in at age 65. She said there were potential opportunities to reduce the cost of providing these benefits through some of these mechanisms. She said currently there were group Medicare Advantage Plans that were available, which came into existence early in 2006 as part of the Medicare Modernization Act. Ms. Demiryan said they were programs that received a certain level of Federal subsidy, however because of the level of the health care reform debate; the level of that subsidy was presently in question. The group Medicare Supplement option was also in consideration right now and they were looking at some proposals for this; it was really a different way to slot in a different carrier than what was in place now to provide the same type of benefits at potentially a lower cost. She said they were exploring that option now.

Ms. Demiryan commented the Medicare Part D drug plans were sort of tied to the group Medicare Advantage Plans, which also came into existence in 2006 as part of that Medicare Modernization. She said the question hanging over these now continued to be the Federal subsidy level. She said right now they know how they're priced because they know how they were being subsidized. Whether that money went to fund other parts of health care reform was a question they would continue to study. She said the City had already adopted an account based plan for certain retirees after a certain point. These were accounts where a certain number of dollars were credited per year of service and upon retirement the retiree had a bank of dollars available to assist in purchasing some sort of medical care in retirement.

Ms. Demiryan said those were things they were looking at but they were not ready to come forth with any recommendations. Ms. Gronlund-Fox stated that these issues would require negotiations and bargaining with the different groups, but they were looking at them.

Member Mutch said one of the things they highlighted was the break down in employee participation among the various medical plans, Traditional BCBS, Community Blue and HAP. He thought there were a fairly high number of employees, even setting aside retirees, who tended to gravitate towards Traditional BCBS. He asked if there was a cost premium for the City to offer that alternative to them, and were the employees picking up the full cost of taking that alternative versus Community Blue or HAP. He asked how that was being accounted for.

Ms. Gronlund-Fox replied that in the collective bargaining agreements it spelled out the Traditional BCBS plan. She said that was something they were looking at through negotiations currently. She said right now the BCBS Traditional PPO plan was what was in the contracts. Member Mutch asked how that would impact the financial cost if traditional BCBS wasn't offered, and all that was offered was Community Blue or HAP. She responded there was a 3% to 5% drop in premium between the two BC plans. Member Mutch said that was an option that was in some of the union contracts. It had traditionally been there and they had been moving away from it with the contracts they had negotiated with the Administrative group, correct? Ms. Gronlund-Fox said, with the Administrative group, they were looking to move in that direction and with the bargaining groups they were looking at that issue now with several of the collective bargaining units. However, it was not in any of the agreements yet. Member Mutch said then currently anyone in any of the groups could still take Traditional BCBS and she agreed.

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Member Mutch said in terms of the retirees, 38 of them were in the Traditional BCBS plan. He asked how many retirees were covered by City health care; she responded approximately 50. He asked what the rest were in and Ms. Gronlund-Fox said there were about 10 in HAP and the rest were in the other BC product. Member Mutch asked if that was based on what health care they had when they were retired and she replied it was what they were guaranteed to get. However, during open enrollment they were allowed to and encouraged to look at different options such as higher co-pays and higher prescription drug plans because it not only reduced their cost but reduced the City's cost as well.

Member Mutch commented that Traditional BCBS had a 3% to 5% premium and, from the employee perspective, there was no disincentive other than whether Traditional BCBS was actually better than Community Blue. He said from their viewpoint, there was no reason not to take Traditional BCBS currently based on no additional out of pocket cost to them. Ms. Gronlund-Fox said the traditional cost 3% to 5% more than the Community Blue because the higher the premium was the employees could contribute either 2.5% or 7.5% that some of the bargaining groups contribute now. So, they would be paying 7.5% of a higher premium, so it would affect them as well. Member Mutch thought a significant number of employees still had Traditional BCBS and it impacted the overall cost, which impacted everyone. He thought they should be a little more aggressive with incentives or disincentives to get those employees into one of the other plans. He felt that was one area where they had the ability to work with employees to control the cost. He said so much of this was out of their hands but thought it was one area where they could. He asked how many retirees transitioned into a retiree health care account. She responded there were none. She said they just negotiated that with two of the groups and with the Administrative people back in 2006, so they had not gone through a whole cycle yet. Member Mutch said then as they got people starting to retire out of those groups that were under that plan, they would start falling into that category. She said yes.

Ms. Gronlund-Fox commented regarding trying to get employees to go into a less expensive plan, the majority of employees now were in HAP, which was a less costly plan than BCBS or than Community Blue. She said there was some incentive there because of different co-pays, family continuation and the way that cost worked. So, there were incentives to go to HAP, which was why she believed they had the majority of active employees in HAP.

Member Margolis referred to slide 11 where it talked about the self funding option. She said what this talked about was projected fixed cost plus claims of \$3.323 million. So that was based on their experience with claims so far and was their best estimate; it would move everyone to a Community Blue or Traditional BCBS. Ms. Demiryan said she was correct. Member Margolis said the maximum the City would be liable for was the \$3.755 million and Ms. Demiryan agreed. Member Margolis said then they mentioned that the premiums were \$3.3 million. She said she was looking at slide 6 and the renewal premium cost they were looking for for next year was \$3.46 million, correct. Ms. Demiryan replied that would include \$232,000 for the Delta Dental premium. She said the cost shown on slide 11 was strictly medical without the cost of Delta Dental. Member Margolis said these numbers were self funded, correct. Ms. Demiryan agreed. Member Margolis said the premium cost they were looking at to compare these two was \$3.305 million. She said she knew one of the issues with bidding out the health insurance was they didn't have experience data from HAP. So, if they went to this for next year, that would change and they would have experience data for everybody. Ms. Demiryan said yes, they would be able to receive for the group that was currently in HAP and moving to BCBS all the claim data that was currently received from the

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BCBS group. Member Margolis said one of the issues they just ran into here was the BCBS stop loss premium increased from the first time they looked at it, and the stop loss premium was what they would really be bidding out. Ms. Demiryan said they could have that quoted or put underneath the BCBS contract or they could separate it out. Member Margolis said now, because there wasn't any experience data, they couldn't bid it to anyone else. Ms. Demiryan said they could but they would be told there wasn't enough data. Member Margolis asked if they had a number of how many people could choose the Traditional BCBS option. Ms. Gronlund-Fox asked if she could get back to her on that, and Member Margolis agreed.

Member Margolis said what they were looking at was the possibility that the City's cost for next year could come in about \$400,000 higher than the premiums they would pay. She said what it would get was the ability to bid this out and get a better stop loss premium the following year. She said it was a big change and a policy decision but she thought it was something she would entertain and have a discussion on. She asked if it could come in lower, if they didn't have these kinds of claims, it could come in at the same. Member Margolis said it would mean taking a chance that they would be a few hundred thousand dollars higher next year but with the ability to get a better rate the following year. Ms. Demiryan said getting hold of the claim experience was really critical to being able to project solidly what would happen in the future. She said now they have pretty good data on about 100 people and their best guess on about 188 people. Member Margolis asked if they bid the stop loss out, was she correct that the services that employees and the plans could still be the Community Blue and the Traditional BCBS. She said it would be somewhat seamless to the employee, if that stop loss was bid out. Ms. Demiryan said correct. Member Mutch said they would tell BCBS to handle all the regular claims and this other company would do the stop loss. Ms. Demiryan said the employees wouldn't be involved in any of that; there would be some behind the scenes Administrative work for the Human Resources team. She said in the event that they received a stop loss claim, there was some coordination that needed to happen from BCBS, which was the data that would need to be given to the outside carrier, so everyone could agree that the claim was legit and what they were going to reimburse. Ms. Gronlund-Fox noted the benefits would change somewhat for the people that were on HAP and going into BCBS. Member Margolis said this would force people out of HAP but technically they would be getting a higher priced plan and the City would not be paying that much more for it. She suggested Council look at this to see if it made sense.

Member Staudt thought Member Margolis had a good idea. He said not knowing two thirds of your insured's base loss ratios was worth taking a years worth of risk to see what that finally would be. He said it would put them at a much more advantageous position moving into what they all agreed might be more difficult times in the future. He said he would like to pursue this idea.

Mayor Landry said, looking at slide 5, he was interpreting it as saying the premiums for the insurance that the City purchased was going to increase by 7.6% for the year 2010 over 2009. Ms. Gronlund-Fox said overall yes, that's with BCBS, HAP and Delta Dental. Mayor Landry said so for all three of those the City would pay, for sure, \$3,464,753.00 and Ms. Gronlund-Fox said he was correct. Mayor Landry said that meant they would pay more in 2010 than 2009 by \$213,916.00. He said so the cost for health insurance for the City of Novi, they had to come up with another \$200,000 more than the City paid this year. Ms. Gronlund-Fox agreed. Mayor Landry said it would be a 7.6% increase and asked what the City's history was over the last five years of increases in premium. Ms. Gronlund-Fox said for the last two years it was

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roughly 5%. Mayor Landry said he wanted to see the exact increase percentage each year for the last five years and asked her to go back to 2005 forward. Ms. Gronlund-Fox said she would gather that information for him. Mayor Landry said, regarding slide 8, to go to a fully self funded plan, with the stop loss and all the employees in it, it would cost \$3,323,596.00. Ms. Demiryan said he was correct. Mayor Landry said if they compared that to slide five, the price of fully insuring the City would save \$141,157.00 next year, if they went to a self funded model. Ms. Demiryan said the total premium shown on slide 5 of \$3,464,753.00 included \$232,000.00 in premium to Delta Dental, which was not included on slide 11. She said the figures on slide 11 simply spoke to the BCBS and HAP. Mayor Landry said they didn't figure the Delta Dental in the self insurance, so if he just looked at BCBS and HAP those two numbers would be \$3,332,673.00 for the 2010 premium. He asked if they were saying that if they went to self insurance, they wouldn't save any money and Ms. Demiryan said the \$3.2 million compared against the \$3.323 million, so he was correct. She said assuming everything on the slide played out exactly as projected and the claims came in where they were pegged to be. However, they could come in higher or lower. Mayor Landry said then their analysis was that they would not save money going to a self insured plan. Ms. Demiryan said she couldn't say whether they would or wouldn't because this was based on where BCBS was projecting the claims to be. If the claims came in lower, they would save money but if higher, it would cost the City more money. She said there was no way to know how a first year self funded plan would compare against the known premium.

Mr. Pearson said she was qualifying. He said by the information they had, she was correct. The assumptions would stipulate to all of that but yes the analysis was apples to apples, health care to health care, leaving out the dental; it wouldn't be a savings even in absolute dollars from that.

Mayor Landry said, regarding slide 11, it said "the fully insured BCBS and HAP premium projection for 2010 was \$3,305,210.00" and he said that was without Delta Dental, correct. Ms. Demiryan and Ms. Gronlund-Fox agreed. He said if he went back to slide 5, and he added the 2010 premium for BCBS and HAP he came up with \$3,232,000.00 and those numbers don't match. He asked which number was correct. Ms. Demiryan said the slide 5 figures were correct with the BCBS premium at \$1,174,000.00 and HAP at \$2,058,000.00. Mayor Landry said that would be \$2,332,673.00, so the \$3,305,210.00 on slide 11 was wrong. Ms. Demiryan said he was correct and that the correct number was reflected on slide 5 and 8. Mayor Landry asked if any of the numbers, when looking at premium and comparing increase in premium, took into consideration what portion the employees paid; was it a net that the City would pay after the employee contributions were subtracted out. Ms. Gronlund-Fox stated this was before contributions by employees were made. Mayor Landry asked to see what the premiums would net cost the City after taking out what the employees were contributing. Ms. Gronlund-Fox said she would get them. Mayor Landry asked Ms. Demiryan if she had any clients that were self insured and she said she did. He asked how they were doing and were they saving money. Ms. Demiryan said they had been self insured for a number of years so they don't have a current insured premium base to compare to. She said they knew how they were doing year over year but they didn't have a number that they could directly compare it to year after year. Mayor Landry said these were clients that at one point made the decision to go from traditional premium insurance to self insured and they must be pleased or they would have switched back. Ms. Demiryan said that was probably a fair statement.

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Mayor Landry commented he agreed that this was something they should look at pretty closely. He said they were looking at an increase of \$200,000 next year, and was interested in seeing what the premiums and history had been over the last five years. He thought this was something that they shouldn't be afraid of and something they would have to get creative with. Mayor Landry said when looking at an option like this, the agent was always going to tell them we never know, etc., and if that scared them they would never change. He said he was not ready to pull the trigger on just premium insurance for 2010, he would like to see some more numbers and see it come back with more information. He asked Mr. Pearson if that was a problem. Mr. Pearson said yes, he needed to understand what number specifically and what would change for 2010, because he didn't know what else exactly they could do that would help draw a picture for self insurance for 2010. Mayor Landry said he wanted to see the premium history. Ms. Gronlund-Fox said yes, and Mr. Pearson said they have that whole five or ten year trend and asked if that was what they were looking for. Ms. Gronlund-Fox said no, it was something different than that as it took into account cost per employee and not just true rate increases. Mayor Landry said he wanted to know the percent increase specifically for each year. Then, he wanted to know the cost to the City after they took out the employee contributions. Ms. Gronlund-Fox said using these same scenarios and same numbers and Mayor Landry said yes.

Mr. Pearson said he wanted to be sure what they were asking for in terms of self insurance. He said it was more complex if looking at employee contributions, because it ran the gamut from the largest, most expensive group that paid 2.5% now to the majority that paid 7.5% to retirees who paid 20%. He said there was one slide that looked like the employee contributions went up because they had eliminated people out of the HAP plan, which was a low premium base for employees and the City and made the assumption of going with Community Blue. He said it seemed like that washed that out. Ms. Gronlund-Fox said the premiums definitely went up but as far as the actual individual contribution employees made, she could get that. However, she said the new benefit year started January 1st and the open enrollment was scheduled to start November 16th. She said she could put that off until December, but they had to have all of the final members in by January 1st. Mr. Pearson said the carriers had to have all the information completed by the third Monday. She said that was when the carriers asked to have that information in, so they could make the changes on their end.

Member Staudt said under the current plan and current direction they were going, was there ever an opportunity for the City to pay less, if they didn't go self insured. Ms. Gronlund-Fox said yes, by making plan design changes. He said they were talking about things that had to be negotiated and had to change. He said under the current plan, if rolled over from year to year, it was very unlikely they would ever be able to reduce costs paid by the City, correct. Ms. Gronlund-Fox said they did reduce some premium cost this year. Ms. Demiryan said they reduced the rate of increase. Member Staudt asked, overall, would they pay higher premiums on an annual basis, if kept the way it was. Ms. Gronlund-Fox said most likely, yes.

Member Mutch said the line item that's the annual administration costs under the self funding option was \$110,000. He asked for a summary version of what those costs constitute. He asked if it was employee costs, overhead costs and where were they absorbed. Also, were they costs paid out to some of the health insurance carriers or was it an internal cost to the City. Ms. Gronlund-Fox responded the City paid the Administration costs. She said they were charged extra so much for an employee or a life to administer that particular plan. Member

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Mutch said so the Administrator cost was being absorbed on the insurance provider side and then they were billing back to the City. He asked if they would have to hire someone in Human Resources to handle self insurance; Ms. Gronlund-Fox said no. He asked if they would anticipate, if they went the self insurance route, having to add staff to be able to administer and manage that plan. Ms. Gronlund-Fox replied no, and it could be handled internally.

Member Margolis asked that this be scheduled for discussion and decision at the next meeting, which would give time for open enrollment, correct. Ms. Gronlund-Fox said yes. Member Margolis said she knew that the administrative fee per employee was what BCBS charged to administer a self funded plan, correct. Ms. Gronlund-Fox said yes. Member Margolis said protected annual administration costs, on slide 11, had an asterisk that said "administrative fees only charged for ten months in the first year of self funding", and asked if that was a one time only charge. Ms. Demiryan said it was, and the reason they got the two month break in administrative fees was because BCBS had already collected premiums for the current year, which included an administrative fee. She said they would be paying claims in 2010 that occurred in 2009 but from premiums they collected in 2009. So, they had already covered the cost of running out those claims into 2010. She said the first year, only they give a break in the first two months because realistically if they were going to start fund claims that start in 2010, there was nothing that would be paid in January. She said if a claim was incurred January 2nd, it wouldn't be paid until February or March. Member Margolis said that was an annual fee that they had to pay each year. Ms. Demiryan said going into year two that administrative fee per employee would be for twelve months.

Member Margolis said she knew which way she was leaning and she would like to see these numbers. However, they found themselves back here all the time where they didn't have the data and couldn't do anything else, and were pretty much stuck with whatever premium they wanted to charge. She said she would like to see them look at this really strongly.

Member Mutch said the contract language was generally set up that as long as they were providing BCBS there was no impact. He asked if this would be a contract issue, in terms of going to self funding with any of the bargaining units. Ms. Gronlund-Fox said no.

Mayor Landry said he appreciated the efforts of the Administration every year to save the City dollars and he knew they worked very hard. He said they just wanted to look at it a little closer.

## **2. ATTORNEY - None**

### **AUDIENCE COMMENT**

Senator Nancy Cassis said she was present to congratulate Council and especially the newest members and incumbents who were re-elected. She said their victory confirmed the public trust that all of them had earned. She commented it was also a time for her to remember those who also ran and celebrate their civic involvement and their desire to be engaged. Senator Cassis said it was 24 years ago that she and Novi's State Representative Hugh Crawford first started their political journey as newly elected Council Members. She said they could not have known then where the journey would have taken them. At that time, Edward Kriewall was the City Manager, Gerry Stipp was the City Clerk and Pat Karevich was newly installed as the Mayor of Novi. Senator Cassis said this was a fine tradition that they looked back on tonight of all the former Council Members who had shared their leadership, their

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commitment to create this wonderful planned community, which was a great place to live, work, raise a family, to recreate and to do business. She said tonight they would welcome a new face, a fine young man, Justin Fischer. She said he followed in a great tradition in terms of other people she remembered; most would recall Tim Pope, Rob Mitzel and Andrew Mutch. She said in 1985 they faced what they thought were tremendous challenges in a new City that was just beginning to take off. She said no doubt this Council faced the future with renewed commitment and confidence and speaking for herself and on behalf of Representative Crawford, she said they were behind them all the way. She congratulated them with all best wishes, and said it's a night to remember.

**Ray Kaczor**, 45435 Andes Hills, was present to speak about the Hindu Temple and conference center being built off of Taft Road south of Grand River. He said the traffic congestion, noise and height of lighting for the project were well over the tolerance levels for their small, private community. Mr. Kaczor said to accomplish this project some 15 variances were needed. They included, among others, steeple height, woodlands, wetland encroachment and parking. He said as citizens of Novi their pleas fell on deaf ears and the project was green lighted. He was most concerned that 14 foot berms were required and this project was allowed only a 3 foot berm. He was also concerned with the lighting at 22 feet, as there was no provision in this variance to help accommodate the residents around this massive project. He stated he was also concerned with 10 foot trees. He said the residents believed that by having the lights lower than the tree line would eliminate their seeing lights all night. It would also allow them to keep them on as long as they chose, satisfying both the temple and the residents. Mr. Kaczor requested the Council address the variance issue to protect their complex from light intrusion with a higher berm, or some resolution to the light intrusion issue. He asked for comments from Council regarding who he could talk to.

Mayor Landry asked him to give all his information to the City Clerk and it would be given to the City Manager and Council would also receive it.

**CONSENT AGENDA REMOVALS AND APPROVALS (See items A-J)**

**CM-09-11-140      Moved by Margolis, seconded by Mutch; CARRIED UNANIMOUSLY:  
To approve the Consent Agenda as presented.**

**Roll call vote on CM-09-11-140**      **Yea:** Fischer, Margolis, Mutch, Staudt, Landry,  
Crawford  
**Nay:** None  
**Absent:** Gatt

- A. Approve Minutes of:
  - 1. October 26, 2009 – Regular meeting
- B. Enter Executive Session immediately following the regular meeting of November 9, 2009 in the Council Annex for the purpose of discussing pending litigation and privileged correspondence from legal counsel.
- C. Consideration of Ordinance 09-40.6, an ordinance to repeal and delete Chapter 8, Business Registration, in its entirety; Consideration of Ordinance 09-119.12, an ordinance to amend Chapter 12, Drainage and Flood Damage Protection, Article V,

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Wetlands and Watercourse Protection, Division 2, Use Permit, Section 12-171 "Required" and add a new section, Section 12-177, entitled "Registration of Farming Operation;" and Consideration of Ordinance 09-125.21, an ordinance to amend Chapter 37, Woodlands Protection, Article II, Permit, Section 37-27, "Exceptions" and add a new section, Section 37-34, entitled "Registration of Farming Operation."

**Second Reading**

- D. Approval of a Storm Drainage Facility Maintenance Easement Agreement from the Flagstar Bank Corporation for the Flagstar Bank located at 39900 Eight Mile Road on the northeast corner of Eight Mile Road and Orchard Hills Place Drive in Section 36 (parcel 22-36-477-016).
- E. Acceptance of a Sidewalk Easement along the right-of-way of Orchard Hills Place Drive from Flagstar Bank, FSB as part of the Flagstar Bank development, located at 39900 Eight Mile Road, (Parcel #22-36-477-016) in Section 36.
- F. Approval of a Storm Drainage Facility Maintenance Easement Agreement from Heritage Office Complex, LLC and the Apex Company, LLC for the Heritage Office Complex located at 23623 and 23587 Novi Road on the west-side of Novi Road, between Nine and Ten Mile Roads in Section 27 (parcel 22-27-280-001).
- G. Acceptance of a warranty deed for the Crescent Boulevard (f.k.a. Fonda Drive) right-of-way dedication from Hasmig, LLC as part of the Shirvanian Office Complex development, located at 43485 Crescent Boulevard, (Parcel #22-15-476-013) in Section 15.
- H. Acceptance of a warranty deed for the West Park Drive right-of-way dedication from Novi Corporate Park II, LLC as part of the Novi Corporate Campus – Parcel #9 development, located at 46280 Dylan Drive, (Parcel # 22-09-451-016) in Section 9.
- I. Approval to purchase a Steril KONI ST-1082-2RBA portable equipment lift system from CTT Equipment, LLC, the low bidder, in the amount of \$32,497.
- J. Approval of Claims and Accounts – Warrant No. 806

**MATTERS FOR COUNCIL ACTION – Part I**

- 1. **Approval of the 2009 – 2010 Winter Maintenance Agreement between the City of Novi and the Road Commission for Oakland County for snow and ice control on County owned roads in Novi, and adoption of winter maintenance resolution.**

Mr. Pearson said for several years the City had been under contract with the Road Commission for Oakland County for maintenance of Grand River, Novi Road, Twelve Mile, etc. He said this allocated the fixed amount that they would receive for those roads from MDOT. He said for several years they were taking a chance on the weather on whether it was going to make or lose money. However, he said the City had control of its own destiny in terms of snow and ice control. He thought it was even more important as they had seen the headlines that the Road Commission was being squeezed and MDOT was pre-warning people about what they would be able to do on their roads. He said these were major roads and arterials. He

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said even though the last couple of years they had been behind on a cash term, he thought that with the level of service they could provide, he would be much more comfortable taking care of that themselves. He said they were recommending approval of this tonight.

Member Margolis said she drove back from northern Michigan during that terrible storm last December and got off at Beck Road off of I-96 and it was like a different place. She said the job that Novi did with the roads was amazing and she thought that was the level of service they would like to continue.

**CM-09-11-141      Moved by Margolis, seconded by Crawford; CARRIED UNANIMOUSLY:** To approve the 2009 – 2010 Winter Maintenance Agreement between the City of Novi and the Road Commission for Oakland County for snow and ice control on County owned roads in Novi, and adoption of winter maintenance resolution.

**Roll call vote on CM-09-11-141**      Yeas: Mutch, Staudt, Landry, Crawford, Fischer, Margolis  
Nays: None  
Absent: Gatt

## **2. Appointments to Boards and Commissions**

Ms. Cornelius, City Clerk announced the appointments to Boards and Commissions.

|   |                 |
|---|-----------------|
| Beautification Commission               | Regina Gibson   |
| Board of Review                         | Ernest Aruffo   |
| Historical Commission                   | Sandra McCarthy |
| Housing and Community Development       | Sherrie Konkus  |
| Zoning Board of Appeals                 | Katrina Kelly   |
| Parks, Recreation and Cultural Services | Rickie Ibe      |
| Student Representative                  | Donna Skelcy    |
|   | Jay Raina       |

### **AUDIENCE COMMENT - None**

### **MATTERS FOR COUNCIL ACTION – Part II - None**

### **COMMITTEE REPORTS**

Member Crawford said the SEMCOG Survey was at each Council member's desk. She said it was a 12 question survey that came up at the general assembly meeting. She thought they would find it interesting because of the 70 plus participants who were mostly City and Township officials from southeast Michigan. She thought one of the questions Council would be interested in was "What is your organizations Rainy Day Fund balance as a percent of annual operating expenses". She said there were six different choices and 27% of the people in attendance said their Rainy Day Fund was between 11 to 20 percent. She said one question was "What percent reduction of operating expenses is projected for your next budget". She said 39% said 6 to 10 percent. She thought Council might want to look at this

information to see what was going on in the region because these were municipalities just like Novi struggling to find answers and creative solutions.

## MAYOR AND COUNCIL ISSUES

### 1. Discussion of City Council Committee Appointments

Mayor Landry asked if there was any Council member who no longer wanted to serve on a committee that they were currently on.

Member Mutch said he was currently the alternate for SEMCOG and he previously served as delegate to SEMCOG. He said he was currently on two SEMCOG committees and would be willing to give up the alternate position to another member and continue his service on the committees he was already on.

Mayor Landry said they needed to fill a spot on the Consultant Review Committee and asked Member Fischer if he would be willing to serve on that committee. Member Fischer said he was. He asked if he was also willing to serve as the alternate on the SEMCOG Committee and Member Fischer said he was.

## CONSENT AGENDA REMOVALS FOR COUNCIL ACTION - None

## AUDIENCE COMMENT

Paul Olsen, 1312 E. Lake Drive, spoke regarding the Walled Lake Improvement Board. He requested that Council assist residents by adding to the funds that would be collected through approximately 50 units of benefit. He said in a previous discussion Council had agreed that the City owned property on Walled Lake and had discussed some intent that they would share some responsibility for the cost to the Lake Board. He said he was present to remind Council that they did do that and ask that the City pick up about 50 shares. In rough cost it would be between \$15,000 and \$20,000 in the first year, and it could be half of that, as it wasn't cut in stone yet. Mr. Olsen asked that Council think and talk about this and if they move in a positive fashion, to notify the Lake Board.

## ADJOURNMENT

There being no further business to come before Council, the meeting was adjourned at 8:17 P.M.

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David Landry, Mayor

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Maryanne Cornelius, City Clerk

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Transcribed by Charlene McLean

Date approved: November 23, 2009