

METROPOLITAN LIBRARY COMMISSION OF OKLAHOMA COUNTY

FINANCE COMMITTEE AGENDA

Members: David Greenwell, Chair
Nancy Anthony
Fran Cory
Jim Shonts
Greg Womack

Thursday, May 28, 2009
at 3:30 pm
Downtown Library
300 Park Avenue
Oklahoma City, OK 73102
Telephone: (405) 231-8650

NOTE: Comments from the general public will be limited to 15 minutes with time prorated among speakers. Preference will be given to residents of Oklahoma County. Persons signing up to address the committee must list their residential address and personally sign a speaker form.

- I. Call to Order and Establishment of Quorum – David Greenwell, Chair
- II. Discussion, Consideration, and Possible Action: Report and Recommendations from Administrative & Personnel Committee meeting May 19, 2009
- III. Discussion, Consideration, and Possible Action: Report and Recommendations from Administration
 - MLC FY 2009-2010 Preliminary Budget
- IV. Discussion, Consideration, and Possible Action: Report and Recommendation from Administration: Approval of additional dollars for Southern Oaks Library Project

The Metropolitan Library System of Oklahoma County encourages participation from all patrons and citizens of Oklahoma County. If participation at any public meeting is not possible due to a disability, whether physical, hearing or speech related, please notify the office of the Executive Director (606-3726) at least forty-eight (48) hours prior to the scheduled public meeting to allow the Library to make necessary accommodations.

REPORT AND RECOMMENDATIONS
FROM THE ADMINISTRATIVE & PERSONNEL COMMITTEE

The Administrative & Personnel Committee met May 19, 2009 for:

- I. Discussion, Consideration, and Possible Action: Annual Review of Human Resources – Salaries and Benefits
With Reports and Recommendations from Administration:
 - ❖ Compensation & Benefit Plans **(See attached)**
- II. Discussion, Consideration, and Possible Action: Report and Recommendation from Administration ~ Revisions to Metropolitan Library System Policy and Procedure Manual

During its meeting, the Committee:

Reviewed and discussed all items.

The following recommendations are the results of the discussions.

FINANCE COMMITTEE ACTION:

I. To accept or approve the following recommendations from the Administrative & Personnel Committee and recommend the Commission approve incorporation into the FY 2009-10 Preliminary Budget.

1. Compensation:

- A. a merit increase schedule of from 0% to 3%, effective July 1, 2009.
- B. a market adjustment of 4% for all employees, effective with the beginning of the pay period that includes January 1, 2010.

2. Benefits:

- A. acceptance of the following items for the self-funded Employee Benefit Plan:
 - renewal of Paid Stop Loss Insurance policy with HCC Life Insurance Company;
 - increase in the Specific Deductible level to \$55,000 per individual;
 - adoption of Medicare Mandatory Reporting Fee;
 - increase in the PPO network access fee;
 - renewal of the annual election to opt-out of HIPAA Title I requirements;
 - renewal of the fully-insured Organ Transplant policy with American General Life Companies; and
 - adoption of proposed Prescription Drug Plan changes.
- B. acceptance of the offer for Group Term Life Insurance and Accidental Death and Dismemberment Insurance from Unum Life Insurance Company of America.
- C. acceptance of a continuation in the current service provider and premium rates for the following benefit programs:
 - Group Long Term Disability insurance;
 - Group Long Term Care insurance; and
 - Employee Assistance Program.
- D. acceptance of renewal offer for Vision Insurance from current carrier Vision Service Plan (VSP).

REPORT AND RECOMMENDATION FROM ADMINISTRATION

MLS SALARIES & BENEFITS FY 2009-10

RECOMMENDATIONS FROM ADMINISTRATION:

The Administration recommends the following:

1. Compensation:

- A.** a merit increase schedule of from 0% to 3%, effective July 1, 2009.
- B.** a market adjustment of 4% for all employees, effective with the beginning of the pay period that includes January 1, 2010.

2. Benefits:

- A.** acceptance of the following items for the self-funded Employee Benefit Plan:
 - renewal of Paid Stop Loss Insurance policy with HCC Life Insurance Company;
 - increase in the Specific Deductible level to \$55,000 per individual;
 - adoption of Medicare Mandatory Reporting Fee;
 - increase in the PPO network access fee;
 - renewal of the annual election to opt-out of HIPAA Title I requirements;
 - renewal of the fully-insured Organ Transplant policy with American General Life Companies; and
 - adoption of proposed Prescription Drug Plan changes.
- B.** acceptance of the offer for Group Term Life Insurance and Accidental Death and Dismemberment Insurance from Unum Life Insurance Company of America.
- C.** acceptance of a continuation in the current service provider and premium rates for the following benefit programs:
 - Group Long Term Disability insurance;
 - Group Long Term Care insurance; and
 - Employee Assistance Program.
- D.** acceptance of renewal offer for Vision Insurance from current carrier Vision Service Plan (VSP).

ADMINISTRATIVE & PERSONNEL COMMITTEE ACTION:

The Committee action would be to recommend that the Finance Committee incorporate the funds for the above recommendations into the FY 2009-10 budget and that the Commission, by approval of the estimate of needs, approve the plan changes in accordance with the funding level.

METROPOLITAN LIBRARY SYSTEM
ANNUAL REVIEW OF HUMAN RESOURCES - SALARIES AND BENEFITS
May 2009

The Library System provides a salary and benefits package intended to attract and retain the excellent quality of employees that our customers have come to expect and deserve. The salaries are reviewed annually using information from various sources. This year we reviewed information from the US Department of Labor's Bureau of Labor Statistics and information gathered by MLS Human Resources Office staff. Benefits are also reviewed annually by the Human Resources Office staff and compared with benefits information received through national publications and from other sources.

SALARIES

Each year, the library calculates the average salary and benefits' cost for full-time equivalent employees based on the salaries and benefits being received in that month.

Based on the December 2008 report, the average full-time employee made \$41,912.00, up 4.0% from the December 2007 average of \$40,268.80 annually. For comparison, the December 2007 report represented a 4.9 percent increase above December 2006. This average excludes the Executive Director and the Coordinator of the Friends (whose salaries are set by the Library Commission and the Friends' Board respectively). The 4.0 percent increase is for the average full-time and designated half-time, three-quarter's time, etc. employee's annual salary and gives the appearance of being incorrect because of the market adjustment and merit increase programs. The average percentage increase for performance was 2.42 in 2008. It is important to remember, however, that the average salary is effected by such things as the resignation or retirement of long-term employees being replaced by new employees starting at the beginning of the pay range (at a lower salary) and newly authorized positions with a beginning salary below the average. It is also important to note that 22% (65 FTEs) of the employees covered by the report are at the maximum of their salary grade range. Individuals at the maximum do not receive an hourly rate increase. Instead, they receive a one-time bonus equal to three-fourths of the applicable performance award increase percentage of annual base pay.

Through the classification plan all full-time positions (again excluding the Executive Director and the Coordinator of the Friends) are assigned to one of fourteen salary grades, each of which has a minimum salary and a maximum salary (the salary range). Assignment to the grade is by a point factoring analysis of each job (through the job description). Positions are reviewed and evaluated on specific factors.

Point factor job evaluation ensures that each position is fairly valued on each factor in relationship to the value of every other position. The end result of job position evaluation is the development of a "job worth hierarchy" that reflects the contributions and importance of all evaluated positions. This job worth hierarchy is one measure that is used together with competitive market data to establish internally fair and externally equitable pay levels.

With the classification plan in place using this method, the internally fair portion of the overall compensation plan is established. Traditionally, the externally equitable portion has been based on a comparison of a closely similar position in like organizations. For this, the library system has traditionally compared salaries for the position of librarian. Librarians generally have similar qualifications and duties in libraries of comparable size to our system.

Shown below are comparisons for Oklahoma Department of Libraries (ODL), Tulsa City-County Library System (TCCL), Pioneer Multi-County Library System (PMC) and Metropolitan Library System (MLS) and reflects information gathered during the last week of April 2009.

LIBRARIAN

Library	Salary Range	
	Minimum	Maximum
ODL (Lib. II)	30,920	51,534
TCCL	34,956	52,752
MLS	37,252	52,582
PMC	37,608	53,628

Because the minimum salary is the starting salary in the hiring process and, therefore, is the basis of the Library System's ability to attract new librarians, we believe that it is important to concentrate on that figure.

Since the Administrative & Personnel Committee meeting of May 5, 1994, the Library System has stated, as a goal, that it was desirable to be the leader in-state among the four major public library employers and to be 4% to 5% above the regional average. After being slightly behind Pioneer for seven years, last year (April 2008) MLS achieved the position of being slightly ahead of Pioneer by \$10.00 annually; however, with the adoption of their FY08-09 budget, PMC again took the lead. They increased salaries by 5% while MLS increased library salaries in January by 4%.

2008 SALARY TRENDS:

The Employment Cost Index – March 2009 was released by the US Department of Labor's Bureau of Labor Statistics in April 2009 and indicated for the year ended March 2009, total compensation costs for state and local government workers rose 3.1 percent compared to 3.6 percent a year ago. The 12-month gain in wages and salaries was 3.0 percent. Last year, the gain was 3.5 percent. For benefits, costs increased 3.4 percent compared to 4.1 percent for the previous year.

	State and local government	
	March 2008	March 2009
Compensation costs	3.6	3.1
Wages and salaries	3.5	3.0
Benefit costs	4.1	3.4

As published in the IPMA-HR *Bulletin* of February 27, 2009, according to the Mercer group (formerly known as Mercer Human Resource Consulting, a subsidiary of Marsh & McLennan Companies, Inc.), companies making or considering a base salary increase in 2009 are budgeting 3.2 percent overall, down almost one-half percent from mid-October 2008 projections of 3.6%

According to the Bureau of Economic Analysis, a branch of the U. S. Department of Commerce and published in March 2009, Oklahoma's personal income grew 6.4 percent in 2008 compared with 8 percent in 2007. Nationally, personal income grew 2.9 percent, which didn't keep pace with inflation, which grew 3.3 percent.

For the library system, average personal income (salary) grew by 4 percent in 2008 which, while keeping pace with inflation, fell below the Oklahoma growth rate of 6.4 percent.

SALARIES FOR FY 2009-10

Based on the survey data, the predicted trends and the library's financial situation, the administration has included in the estimate of needs (preliminary budget) for FY 2009-10 a market adjustment of 4 percent for all employees (full and part time) effective with the start of the pay period that includes January 1, 2010, and a merit increase schedule ranging from 0 to 3 percent beginning July 1, 2009.

BENEFITS

The following chart indicates the direct cost benefits available to full-time employees and those available to part-time (less than full-time) employees.

<u>Benefit</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Library Pays</u>	<u>Employee Pays</u>
Social Security	X	X	6.2%	6.2% of salary
Medicare	X	X	1.45%	1.45% of salary
Retirement	X		10%	4% of salary
Medical/Dental Insurance	X			
Employee Only			90%	10% of premium
Dependents			70%	30% of premium
Opt-Outs			\$55 / mo. Cash in lieu of insurance	
Life and AD&D Ins	X		100% of premium	
Long-Term Disability Ins	X		100% of premium	
Vision Ins	X		100% of premium	
Dependents	X			100% of premium
Short-Term Disability Ins	X			100% of premium
Workers' Compensation Ins	X	X	100% of premium	
Unemployment	X	X	100% of premium	
Employee Assistance (EAP)	X	X	100% of premium	

The Library System's cost of benefits for the average employee in December 2008 was \$15,873.07 and excludes the Executive Director and Coordinator of the Friends.

This average cost of benefits to the Library System is broken down as shown below.

<u>Benefit</u>	<u>Annual Cost (Avg. per Employee)</u>	<u>Percentage of Total</u>	<u>Item % Prior Year</u>
Social Security	\$2598.54	16.37%	17.00%
Medicare	607.72	3.83%	3.97%
Retirement	4191.20	26.40%	27.41%
Med/Dent Ins & Opt-outs	7372.10	40.96%	44.26%
Life and AD&D Ins	153.60	0.97%	1.00%
Long Term Disability Ins	285.00	1.80%	2.63%
Long Term Care Ins	101.40	0.62%	n/a*
Vision Ins	130.82	0.82%	0.92%
Dependents	-0-		
Short-term Disability Ins	-0-		
Workers' Compensation Ins	354.21	2.23%	2.23%
Unemployment Ins	54.48	0.34%	0.44%
Employee Assistance (EAP)	24.00	0.15%	0.16%
TOTAL	\$15,873.07		

*Long Term Care added to achieve reduction for Long Term Disability

Social Security, Medicare, workers' compensation insurance and unemployment are governmentally mandated benefits. These four items represent \$3,614.95 of the total benefits cost or 22.77 percent.

Medical/Dental and Prescription Drug Plan (Employee Benefit Plan)

Plan Performance:

The Employee Benefit Plan has sustained a decrease in claim costs during the past 10 months. There has been one participant that has exceeded the \$50,000 specific deductible level (the first \$50,000 of an individual claim is paid from the Employee Benefit Plan fund; amounts above \$50,000 are reimbursed by the Stop Loss carrier). To date, the Plan has received \$48,568 in reimbursements from the incumbent Stop Loss carrier, HCC Life Insurance Company. The percentage decrease in total claims paid out over the prior Plan Year, excluding Stop Loss reimbursements, is projected at 14.43%.

Stop Loss Coverage:

There were seven carriers this year that provided quotes for the Library System's Stop Loss business; four of the offers were competitive. The Library requested that the carriers' provide alternate quotes for both \$55,000 and \$60,000 individual Specific Deductible levels. According to the Library's claims experience, total plan costs and the ratio of premium savings to added exposure, a \$55,000 Specific Deductible level was deemed appropriate.

After applying the evaluation criteria to each carrier, comparing proposed limitations and valuing the additional coverage provided by a Paid contract, HCC Life Insurance Company provided the best offer with a premium increase for MLS and the Plan membership of 1.67%.

Employee Benefit Cost Trends:

Calendar Year 2009 will mark the sixth consecutive year of lower projected cost trends for medical and prescription drug plans. Price inflation for services and supplies continues to be the biggest

element of overall medical plan trend. Utilization trends are expected to decrease again in 2009, with the largest slowdown projected for prescription drugs. However, health plan cost trends continue to remain above general inflation rates and outpace increases in labor costs.

Recommendations for Changes To the Self-funded Employee Benefit Plan:

1. Effective July 1, 2009, to comply with Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007 (MMSEA), all Group Health Plans will be required to submit detailed quarterly reports dealing with Medicare-eligible claimants to the Centers for Medicare and Medicaid Services. The Library's Third Party Administrator (TPA) is offering a per employee per month (PEPM) fee of \$0.50 to fulfill the Act's requirements, including electronic file development, error correction, monitoring of primary/secondary coverage through Medicare query files, quarterly reporting, performing all functions required of the Responsible Reporting Entity (RRE) on behalf of MLS and additional file programming, as needed. Note: entities that fail to comply with the reporting requirements risk civil penalties of \$1,000 for each day of non-compliance and for each individual whose reported information is omitted and or/incomplete.

Recommendation – accept the \$0.50 PEPM Medicare Mandatory Reporting fee proposed by the current TPA (approximate annual cost \$1,146).

2. Currently, the Library's Preferred Provider Option (PPO) Network, First Health, charges an access fee of \$3.10 PEPM. The network is proposing a \$0.90 PEPM increase. Note: the increase was postponed last year, as the network failed to provide proper notification of the fee change.

Recommendation – accept the proposed fee increase for the forthcoming Plan Year.

3. Annually, the Library System, a self-funded non-federal governmental plan, elects to file for an exemption from Title I requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The opt-out election is provided for in Title XXVII of the Public Health Service Act.

Recommendation – elect to renew the exemption from HIPAA Title I requirements for the forthcoming Plan Year.

Transplant Policy:

Currently, one member of the Plan has a diagnosis that could result in a future transplant situation. At this time, the member is stable and not in the evaluation process. There were two quotes for fully-insured transplant policies. The current carrier, American General Life Companies, had the most competitive offer with a 7.54% premium increase for the coverage.

Prescription Drug Plan:

Nationally, prescription drug trend rates are projected to be lower in 2009 than in 2008. However, the Library System membership continues to utilize a higher number of medications than the average health plan, with a lower generic drug dispensing rate.

To keep pace with continued increases in trend and encourage members to further utilize available generic equivalent drugs, the following plan changes are recommended:

1. Increase the current Retail Pharmacy minimum brand name drug copayment to \$25 (current copayment - \$20);
2. Increase the current Retail/Specialty Pharmacy maximum copayment to \$125 (current copayment - \$100); and
3. Increase the Mail Order brand name drug copayment to \$60 (current copayment - \$50)

The *estimated* costs savings for the changes is \$7,500.

Flexible Benefits Plan:

The Library System currently self-administers the Flexible Benefits Plan, including the Medical Expense Reimbursement Plan and Dependent Care Plan. The Summary Plan Description and Plan Documents for the program were last updated in 1999. Currently, all plan materials are being reviewed for compliance updates by the Library's legal counsel. The anticipated restatement date for the documents is July 1, 2009.

Life/Accidental Death & Dismemberment Insurance:

There were four carriers that provided quotes for the Group Term Life Insurance and Accidental Death & Dismemberment Insurance. Sun Life Assurance Company, the incumbent, is proposing a substantial increase in the Group Term Life Insurance amount. Two of the carrier's are proposing a \$0.02 decrease in the current rate.

After evaluating the carrier's and comparing the proposed benefits, Unum Life Insurance Company of America provided the best offer with a Life/AD&D rate of \$.18 per \$1,000 of coverage (current rate - \$0.20 per \$1,000), guaranteed for two years.

Long Term Disability Insurance:

Unum, the insurance carrier for the Library System's Group Long Term Disability program, is proposing a rate continuation for Plan Year 07/01/09 – 06/30/10.

Long Term Care Insurance:

The Group Long Term Care coverage, effective for fiscal year 2008-2009, included an option for employee's to purchase additional insurance for themselves and family members. The "buy-up" opportunity resulted in 25% of the eligible membership purchasing supplemental coverage.

Unum, the insurance carrier for the Library System's Group Long Term Care program, is proposing a rate continuation for Plan Year 07/01/09 – 06/30/10.

Vision Insurance:

The current vendor for vision insurance, Vision Service Plan (VSP), has proposed an overall plan rate increase of 3.6%, which equates to an additional \$0.40 per employee per month (PEPM). The proposal includes a change in the allowance for frames and contact lenses from \$120.00 to \$130.00 every twelve months.

VSP is offering a two year rate guarantee for the forthcoming renewal period (07/01/09 – 06/30/2011).

Employee Assistance Program (EAP):

The employee utilization of the EAP has been consistent over the last three contract periods. The current vendor, Integris Corporate Assistance Program (CAP), is proposing no change in services or rates for the forthcoming year.

Workers' Compensation:

Current Workers' Compensation Carrier	CompSource Oklahoma
Current Policy Period	10/01/2008 – 09/30/2009
Current Experience Modification Factor	.95 (prior year 1.00)

RECOMMENDATIONS

The administration requests that the Administrative and Personnel Committee recommend to the Finance Committee for inclusion in the FY 2009-10 Budget the following:

1. A merit increase schedule of from 0% to 3%, effective July 1, 2009.
2. A market adjustment of 4% for all employees, effective with the beginning of the pay period that includes January 1, 2010.
3. Acceptance of the Stop Loss coverage for the Employee Benefit Plan through HCC Life Insurance Company on a Paid contract basis with a \$55,000 individual Specific Deductible level, resulting in an overall rate increase to the Library and members of 1.67%.
4. Acceptance of the \$0.50 PEPM Medicare Mandatory Reporting Fee, payable to the Third Party Administrator.
5. Acceptance of a \$0.90 PEPM increase in the PPO access fee for First Health PPO Network.
6. Renewal of HIPAA Title I exemption for non-federal governmental entities.
7. Acceptance of a 7.54% premium increase for the fully-insured Organ Transplant policy through American General Life Companies.
8. Acceptance of the plan change recommendations for the Prescription Drug Plan copayments.
9. Acceptance of the following Employee Benefit Plan premium costs reflecting a 1.67% increase* to the Library System and membership after applying a portion of the available fund balance. (No change in the current cost sharing formula.)

* Quoted rates are contingent upon signed, updated disclosure of all ongoing claimants at the time of acceptance.

<u>Library's Share of Monthly Premiums</u>			
(approximately 90% of single coverage & 70% of additional cost for dependents)			
	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>Change</u>
Single Coverage	\$541.07	\$551.10	\$ 10.03
Dependent Coverage	<u>336.53</u>	<u>342.15</u>	<u>5 .62</u>
Total Cost for Both	\$877.60	\$893.25	\$15.65

<u>Employee's Share of Monthly Premiums</u>			
(approximately 10% of single coverage & 30% of additional cost for dependents)			
	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>Change</u>
Single Coverage	\$ 60.23	\$61.23	\$ 1.00
Dependent Coverage	<u>144.20</u>	<u>146.62</u>	<u>2.42</u>
Total Cost for Both	\$204.43	\$207.85	\$ 3.42

<u>Total Monthly Premiums</u>			
	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>Change</u>
Single Coverage	\$601.30	\$612.33	\$ 11.03
Dependent Coverage	<u>480.73</u>	<u>488.77</u>	<u>8.04</u>
Total Cost for Both	\$1,082.03	\$1,101.10	\$19.07

10. Acceptance of the offer from Unum Life Insurance Companies for Group Term Life Insurance/AD&D coverage at a rate of \$0.18 per \$1,000; rates guaranteed through June 30, 2011.
11. Continue with Unum, the current carrier for Group Long Term Disability insurance.
12. Continue with Unum, the current carrier for the Group Long Term Care insurance.

13. Acceptance of the 3.6% overall plan rate increase and additional allowance for frames and contact lenses from the current vendor for vision insurance, Vision Service Plan (VSP); rates guaranteed through June 30, 2011.
14. Continue with Integris Corporate Assistance Program (CAP), the current vendor for the Employee Assistance Program, with no change in services; fee guaranteed through June 30, 2010.

REPORT AND RECOMMENDATION FROM ADMINISTRATION

**METROPOLITAN LIBRARY SYSTEM
PRELIMINARY BUDGET FY 2009 - 2010
(July 1, 2009 ~ June 30, 2010)**

**PLEASE REMEMBER TO BRING THIS DOCUMENT
TO THE JUNE 18, 2009
METROPOLITAN LIBRARY COMMISSION MEETING
AT THE SOUTHERN OAKS LIBRARY**

ADMINISTRATIVE RECOMMENDATION AND COMMITTEE ACTION:

To approve the Metropolitan Library System Preliminary Budget FY 2009-10

REPORT AND RECOMMENDATION FROM ADMINISTRATION

Southern Oaks Library Project

In the 2008-09 budget \$836,363 was dedicated to the Southern Oaks Library Project. This money included architectural fees, FFE, collection, construction and contingency. As a reminder, the planning for this project was done in 1999 and the dollars approved in the OKC 2000 GO Bond Package. With the city's contribution of \$1,840,000 and interest money in the amount of \$310,000 added to the project by OKC, the total dollars available today are \$2,986,363.00.

The initial request submitted in the GO package was to expand the building by 5000 sq ft and to reclaim the former bookmobile dock for usable space. At our design charette two weeks ago we prioritized items that need to be done, emphasizing: bringing the building up to ADA standards and building codes; reclaiming the garage, adding approximately 2200 sq ft; replacing mechanical and electrical systems; improving the driveway; replacing the restrooms; leveling the floor in children's; and re-arranging the interior spaces for better flow and efficiency, along with various other items.

Following that meeting, a preliminary cost estimate was prepared based on priority items 1 and 2. This estimate showed us to still be short approximately \$750,000.

COMMITTEE ACTION:

To accept the Administrative recommendation to approve an additional \$750,000 for the Southern Oaks project. The money will be part of the 09-10 budget and will be taken from the undesignated capital reserve fund.