

Aitkin County Board of Commissioners
Request for County Board Action/Agenda Item Cover Sheet



To: Chairperson, Aitkin County Board of Commissioners Date: 1-31-12

Via: Patrick Wussow, County Administrator

From: Patrick Wussow, County Administrator

Title of Item:

Northeast Service Cooperative

Requested Meeting Date: 2-7-12 Estimated Presentation Time: _____

Presenter: Patrick Wussow, County Administrator

Type of Action Requested (check all that apply)

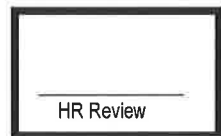
- For info only, no action requested Approve under Consent Agenda
- For discussion only with possible future action Adopt Ordinance Revision
- Let/Award Bid or Quote (attach copy of basic bid/quote specs or summary of complex specs, each bid/quote received & bid/quote comparison)
- Approve/adopt proposal by motion Approve/adopt proposal by resolution (attach draft resolution)
- Authorize filling vacant staff position
- Request to schedule public hearing or sale Other (please list) _____
- Request by member of the public to be heard
- Item should be addressed in closed session under MN Statute _____

Fiscal Impact (check all that apply)

- Is this item in the current approved budget? Yes _____ No _____ (attach explanation)
- What type of expenditure is this? Operating Capital Other (attach explanation)
- Revenue line account # that funds this item is: _____
- Expenditure line account # for this item is: _____

Staffing Impact (Any yes answer requires a review by Human Resources Manager before going to the board)

- Duties of a department employee(s) may be materially affected. Yes No
- Applicable job description(s) may require revision. Yes No
- Item may impact a bargaining unit agreement or county work policy. Yes No
- Item may change the department's authorized staffing level. Yes No



Supporting Attachment(s)

- Memorandum Summary of Item
- Copy of applicable county policy and/or ordinance (excerpts acceptable)
- Copy of applicable state/federal statute/regulation (excerpts acceptable)
- Copy of applicable contract and/or agreement
- Original bid spec or quote request (excluding complex construction projects)
- Bids/quotes received (excluding complex construction projects, provide comparison worksheet)
- Bid/quote comparison worksheet
- Draft County Board resolution
- Plat approval check-list and supporting documents
- Copy of previous minutes related to this issue
- Other supporting document(s) (please list) _____

Provide eleven (11) copies of supporting documentation NO LATER THAN Wednesday at Noon to make the Board's agenda for the following Tuesday. Items WILL NOT be placed on the Board agenda unless complete documentation is provided for mailing in the Board packets. (see reverse side for details)

AITKIN COUNTY ADMINISTRATION

Aitkin County Courthouse
217 Second Street N.W. Room 130
Aitkin, MN 56431
218-927-7276
Fax: 218-927-7374

TO: Aitkin County Board of Commissioners

FROM: Patrick Wussow, Aitkin County Administrator

RE: Attendance at Upcoming Northeast Service Cooperative Meeting on March 1, 2012

DATE: February 1, 2012

At the November 22, 2011 board meeting, the Board authorized staff to forward a letter to the Northeast Service Cooperative (NESC) Executive Director requesting a dividend from the \$1,828,000 CCOGA pool unallocated reserve dollars, based on NESC CCOGA member contract counts as of October 2011. A copy of the letter, dated December 7, 2011, is attached. Also attached for your review is a letter of response from the NESC Executive Director, Paul Brinkman, dated December 14, 2011.

The last NESC meeting was held on December 8, 2011. The attendees were comprised of a small group of labor and management representatives. Only a small number of the 45 CCOGA pool members even attended these meeting. Based on conversations at the last two NESC meetings, it appears the majority of attendees are leaning towards utilizing the unallocated reserve dollars (or a portion thereof) for grant-based incentive programs. There has been no interest noted to date from any other member's representatives in receiving a lump-sum dividend, as Aitkin County has requested, so we appear to be in the minority at this time. You might even say our proposal has been met with some resistance and is not being given serious consideration. The meetings are usually not well attended by all CCOGA pool members and some of the voting is done by labor representatives, not management representatives. When it was suggested that the NESC staff communicate directly with each Administrator or Board who holds 40 or more contracts to find out if they prefer a dividend/refund or if they prefer to fund grant incentive programs, it was noted that they are invited and choose not to attend. We wonder how many of the 45 members even know this unallocated reserve exists.

Staff is concerned that the NESC CCOGA pool may vote at its next meeting on March 1, 2012 to use at least a portion of the \$1,828,000 CCOGA pool's unallocated reserve dollars for grant-incentive programs. This is concerning in part because there is no well

defined program developed as of yet (so nobody knows how it might work or how much it may result in for their own organization). It is also concerning because we feel the decision of *how or where* to allocate the dividend/refund dollars should be made at the local level and the NESC/CCOGA pool should not make these decisions on behalf of each governing board.

If the NESC's Financial Analyst determines only *half* of the unallocated reserves should be distributed back to members as a dividend, Aitkin County could receive nearly \$50,000. If the *full amount* of \$1.82M is eligible for return (based on contract counts), we could receive nearly \$100,000. This is based on member contract counts from October 2011 and again, is *our* proposal. The CCOGA pool is discussing grant-incentive programs with various plan design and best practices incentives. There is no well defined program to even analyze at this time; yet one CCOGA pool member (a labor representative) was vocal about wanting the group to make a decision at its next meeting, even though very few representatives speak up during these meetings. We would like to see serious consideration given to a one-time dividend to CCOGA pool members based on contract counts.

Our staff will be attending the meeting on March 1, 2012, and will continue to request a one-time dividend be issued to CCOGA pool members based on contract counts. We would like to invite a Commissioner to join us who is willing to speak to the importance of each local elected governing board being allowed the opportunity to decide whether it wants to receive a dividend or donate its share to a CCOGA pool grant-incentive program and also to voice the importance of each Board being allowed to make its own decisions at the local level.

Finally, staff will share the December 7, 2011 letter from Aitkin County to the NESC with other CCOGA members in seeking their support of our proposal. Please contact me if you have any questions.

AITKIN COUNTY ADMINISTRATION

Aitkin County Courthouse
217 Second Street N.W. Room 130
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December 7, 2011

Mr. Paul Brinkman
Executive Director
Northeast Service Cooperative
5525 Emerald Avenue
Mt. Iron, MN 55768

Dear Mr. Brinkman:

The purpose of my writing is to convey the comments from the Aitkin County Board concerning the CCOGA pool unallocated reserve dollars of approximately \$1,828,000. Aitkin County is the sixth largest organization in the CCOGA pool with 151 contracts as of October 2011.

It is our understanding there are a number of grant incentive or reward programs currently being considered. Aitkin County prefers a simple one-time dividend/refund be issued to NESC/CCOGA pool members, as shown on the attached sheet, as opposed to funding grant incentive programs with all or some of the \$1,828,000 unallocated reserves. We are well aware of the fact that there are numerous ways a dividend could be calculated. We are proposing a simple distribution based upon the number of contracts held as of October 2011.

As discussions continue about what to do with the unallocated reserve dollars, we ask that the following points be kept in mind:

1. It would be beneficial to have the NESC Financial Analyst, or other financial expert, determine the maximum amount of unallocated reserves the CCOGA pool members should consider for use or disbursement at this time. This would narrow the range of possibilities and be useful in steering the discussion.
2. When determining how to use or distribute the reserves, please keep in mind that many of the member organizations are not represented at the Advisory Committee meetings. Aitkin County encourages the NESC staff to communicate directly with each Administrator or County Board, Hospital Board, Utility Commission, or other organizational Board who holds 40 or more contracts to find out if the Administrator or Board prefers a dividend/refund, like Aitkin County does, or if it prefers to fund grant incentive programs. These are difficult economic times, budgets are tight, and a dividend/refund may be deemed the most valuable to member organizations at this time. (Based on October 2011 data, 17/45 members have 40 or more contracts.)

Mr. Paul Brinkman


December 7, 2011

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3. The decision of *how or where to allocate* the dividend/refund dollars should be made at the local level. The NESC/CCOGA pool should not make this decision on behalf of each governing Board. Each organization is different and has an elected or appointed Board to make these decisions.
4. Please note that the NESC/CCOGA "proposals" indicate grant applications would need to be signed off by *labor and* management representatives. PELRA regulates labor relations between public employers, their employees, and the labor organizations that represent their employees. Employer grant applications are signed by the governing Board or its designee, not by labor representatives.
5. Finally, Aitkin County would not support placing grants on a first-come, first-served basis.

Thank you, in advance, for your time and consideration.

Respectfully,



Patrick D. Wussow
County Administrator

NORTHEAST SERVICE COOPERATIVE, CCOGA Contract Count

		October 2011		IF 100%	IF 50%
NAME	Contracts			\$ 1,828,000.00	\$ 914,000.00
VIRGINIA REGIONAL MEDICAL CENTER	328	11.74%	\$	214,596.99	\$ 107,298.50
CARLTON COUNTY	317	11.35%	\$	207,400.14	\$ 103,700.07
CITY OF VIRGINIA	289	10.34%	\$	189,080.89	\$ 94,540.44
CITY OF HIBBING	194	6.94%	\$	126,926.27	\$ 63,463.14
ARROWHEAD ECONOMIC OPPORTUNITY AGENCY	176	6.30%	\$	115,149.61	\$ 57,574.80
COUNTY OF AITKIN	151	5.40%	\$	98,793.13	\$ 49,396.56
KOOCHICHING COUNTY	134	4.80%	\$	87,670.72	\$ 43,835.36
HIBBING PUBLIC UTILITIES	120	4.29%	\$	78,511.10	\$ 39,255.55
WESTERN LAKE SUPERIOR SANITARY DISTRICT	116	4.15%	\$	75,894.06	\$ 37,947.03
LAKE COUNTY	112	4.01%	\$	73,277.02	\$ 36,638.51
COOK COUNTY	105	3.76%	\$	68,697.21	\$ 34,348.60
COOK CO NORTH SHORE HOSPITAL	84	3.01%	\$	54,957.77	\$ 27,478.88
COOK COMMUNITY HOSPITAL	61	2.18%	\$	39,909.81	\$ 19,954.90
CITY OF CLOQUET	54	1.93%	\$	35,329.99	\$ 17,665.00
CITY OF CHISHOLM	46	1.65%	\$	30,095.92	\$ 15,047.96
CITY OF EVELETH	45	1.61%	\$	29,441.66	\$ 14,720.83
CITY OF GRAND RAPIDS	45	1.61%	\$	29,441.66	\$ 14,720.83
NE MN OFFICE OF JOB TRAINING	38	1.36%	\$	24,861.85	\$ 12,430.92
CITY OF MOUNTAIN IRON	35	1.25%	\$	22,899.07	\$ 11,449.53
CITY OF HERMANTOWN	34	1.22%	\$	22,244.81	\$ 11,122.41
KOOTASCA COMMUNITY COMMUNITY ACTION	33	1.18%	\$	21,590.55	\$ 10,795.28
AFSCME COUNCIL 65	30	1.07%	\$	19,627.77	\$ 9,813.89
CITY OF GILBERT	28	1.00%	\$	18,319.26	\$ 9,159.63
CITY OF GRAND MARAIS	23	0.82%	\$	15,047.96	\$ 7,523.98
CITY OF SILVER BAY	21	0.75%	\$	13,739.44	\$ 6,869.72
CITY OF HOYT LAKES	20	0.72%	\$	13,085.18	\$ 6,542.59
COMMUNITY ACTION DULUTH	20	0.72%	\$	13,085.18	\$ 6,542.59
ARROWHEAD LIBRARY SYSTEM	19	0.68%	\$	12,430.92	\$ 6,215.46
VIRGINIA HOUSING & REDEVELOPMENT	15	0.54%	\$	9,813.89	\$ 4,906.94
MINNESOTA COUNTIES INFORMATION SYSTEMS	14	0.50%	\$	9,159.63	\$ 4,579.81
LITTLEFORK MEDICAL CENTER	13	0.47%	\$	8,505.37	\$ 4,252.68
CITY OF AURORA	11	0.39%	\$	7,196.85	\$ 3,598.43
CITY OF INTERNATIONAL	11	0.39%	\$	7,196.85	\$ 3,598.43
CITY OF BUHL	10	0.36%	\$	6,542.59	\$ 3,271.30
HIBBING HOUSING AND REDEVELOPMENT	8	0.29%	\$	5,234.07	\$ 2,617.04
CHISHOLM HIBBING AIRPORT AUTHORITY	7	0.25%	\$	4,579.81	\$ 2,289.91
CITY OF TOWER	6	0.21%	\$	3,925.55	\$ 1,962.78
TOWN OF RICE LAKE	5	0.18%	\$	3,271.30	\$ 1,635.65
CITY OF BIWABIK	4	0.14%	\$	2,617.04	\$ 1,308.52
DULUTH TEACHERS RETIREMENT ASSOCIATION	4	0.14%	\$	2,617.04	\$ 1,308.52
CITY OF BEAVER BAY	3	0.11%	\$	1,962.78	\$ 981.39
ST LOUIS & LAKE COUNTIES REGIONAL RR AUTHORITY	2	0.07%	\$	1,308.52	\$ 654.26
CITY OF KINNEY	1	0.04%	\$	654.26	\$ 327.13
TOWN OF BALKAN	1	0.04%	\$	654.26	\$ 327.13
TOWNSHIP OF BIWABIK	1	0.04%	\$	654.26	\$ 327.13
Total	2794	100.00%	\$	1,828,000.00	\$ 914,000.00



Northeast Service Cooperative

Collaborating to meet your changing needs

December 14, 2011

Central Office:

5525 Emerald Avenue
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Patrick D. Wussow
County Administrator
Aitkin County – Courthouse
217 Second Street NW Room 130
Aitkin, Minnesota 56431

Executive Director:
Paul Brinkman

Board Chairperson:
Terry Martinson,
Mt. Iron-Buhl

Board of Directors:
John Berklich, Jr.,
Hibbing

Walt Hautala,
Mesabi East

Sue Kaslow,
Hill City

Julie Peterson,
Moose Lake

Bob Rahja,
Chisholm

Tim Riordan,
Virginia

Timothy Caroline,
Superintendent
Moose Lake

John Klarich,
Superintendent
Mt. Iron/Buhl

Dear Patrick:

Thank you for your letter of December 7, 2011 regarding the CCOGA Health Insurance Pools and \$1.828M in reserves transferred to the pool as a result of the recent annual settlement per our master agreement with Blue Cross Blue Shield of Minnesota.

Frankly, your letter reflects several issues we had already considered and may have helped encourage the advisory committee to recommend that any specific recommendations regarding these reserves be scheduled for May, assuring the sort of thoughtful, deliberative approach to pool assets that have served us in the past. The May time frame coincides with the annual audit and group claims settlement for 2011 pool activity.

We appreciate the issues you have highlighted in your letter and we wanted to respond briefly to each of your comments (*in italics*):

It would be beneficial to have the NESC Financial Analyst...determine the maximum amount of unallocated reserves the CCOGA pool members should consider for use or disbursement at this time.

Our fiscal experts have already weighed in. Given our history of limited dollars available for reserves, our Fiscal Director, Benefits Analyst and insurance consultant have recommended that this settlement be set aside as general reserves, only to be used as part of the annual pooling process at rate renewal or, if at all, as incentives for implementation of "best insurance practices." Although the settlement represents a positive swing in reserve balances, this is the first time in at least ten years that the CCOGA rate stabilization reserves have been adequately funded.

Aitkin County encourages NESC staff to communicate directly with each Administrator or County Board, Hospital Board, Utility Commission, or other organizational Board...to find out if the Administrator or Board prefers a dividend/refund.

The CCOGA Health Insurance Pool is structured with an advisory council, an annual membership meeting and NESC regular governing board meetings. We consistently invite and encourage all members to become active in this process. Moreover, the recent recommendation of the advisory committee may allow this matter to become part of the discussion at the annual membership meeting next summer.

The decision of how or where to allocate the dividend/refund dollars should be made at the local level.

We agree. And pool decisions need to be made at the pool level. In fact, unless we factor group-by-group impact to the RSR, one-time dividends or refunds based solely upon this settlement paint an incomplete picture and may not be in the interest of the pool. The examples were shared at the request of the members. The advisory committee asked us for the guidelines used by the School Health Insurance Pool in administering their settlement reserves. The decision to formally involve labor came from member school districts, not NESC.

NESC/CCOGA "proposals" indicate grant applications would need to be signed off by labor and management representatives.

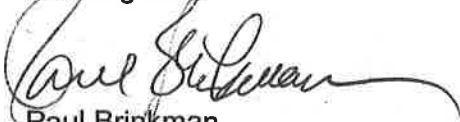
Again, the "labor sign-off" standard came out of the school pool membership, not NESC. The CCOGA advisory committee simply requested what the school pool set up as its guidelines. Unfortunately, school districts have seen unanticipated pool proceeds become contentious issues with local boards and labor unions and, when unresolved, the courts have used their own interpretation of the standard for reallocations. Since pool assets represent health and welfare benefit dollars, we have supported a rather narrow interpretation of best practices. In our experience, we have seen a strong correlation between productive labor-management discussions and productive health care discussions. In the absence of pool policy, however, we defer to local control.

Aitkin County would not support placing grants on a first-come, first-served basis.

Yes, we agree. In fact, the advisory committee agrees and has recommended that any CCOGA Health Insurance Pool program, such as incentive-based grants, assures equitable access to available dollars for those groups that meet eligibility guidelines.

We appreciate your bringing these issues to our attention, which Bobbie has shared with the committee and her colleagues. The pool is process-oriented, designed, quite frankly, to find common ground among its members and walk that fine line between pool interests and group interests. We would welcome an opportunity to discuss the pool with you at any time...and to learn more about the issues facing Aitkin County. Feel email me at paulb@nesc.k12.mn.us or to call me at 218.748.7603 to set aside some time to get together.

Best regards,



Paul Brinkman
Executive Director

- c. Mike Grahek, Director, Fiscal Services
Steve Roskoski, Benefits Analyst