

TONOPAH TOWN BOARD

WORKSHOP MINUTES

OCTOBER 24, 2012

Town Board Chairman Jon Zane called the workshop to order at 6:14 p.m. Also present were Horace Carlyle and Duane Downing. Javier Gonzalez and Ron Kipp were absent. There were six other people in attendance.

1. Public Comment

No action taken by the Board.

2. Discussions relating to Town of Tonopah Personnel Policy Section 7 – Benefits.

James Eason that that this issue was discussed at previous Board meetings. Chris Mulkerns explained that line four of the first spreadsheet is the actual current cost the Town pays per employee and retiree per year. Going down is the formula of adding \$500 per year or 8% per year. James Eason explained that the 8% came directly from the audit by Daniel McArthur, who said healthcare costs were going up about 8% per year. He is not sure if that number is really holding true. When staff put this spreadsheet together, they anticipating having three employees retire in the next six years. Under the current system, if an individual retires from the Town of Tonopah and begins collecting PERS right away, the Town pays for their healthcare until they die. Chris Mulkerns explained that moving retirees to Medicare at 65 was not part of the current policy. James Eason explained that the purpose of the workshop is to discuss what to do with future hires and future retirees.

James Eason explained that there are currently 11 full-time employees. The Town could potentially be paying healthcare costs for thirty years or more after someone retires. Duane Downing feels that this is a simple fix it just comes down to the wording and what the policy is. James Eason explained that this is difficult from a staff standpoint because it is staff making the presentation and recommendation rather than a mediator arbitrating the deal as happens with Nye County. He feels this can be resolved realistically. He explained that the Town of Tonopah was formed to provide services to the people of Tonopah. It was not formed to hire employees and provide them with lifetime benefits.

James Eason directed the Board to the budgeted spreadsheet. This is the number the Town uses to build the budget. He noted that there is a discrepancy. When the Town builds the budget, Nye County has not yet signed the contract with their chosen PPO. The costs adjust annually.

James Eason explained that staff sat down with Pool/Pact and requested information on what other entities around the state are providing. The Town is currently providing benefits to active employees and retired employees. The Town pays 100% benefits for current employees, which include health, dental, vision, and life insurance. Any dependents are paid for individually. One option could be to put a cap on benefits and anything over that cap will be covered by the

employee. The other option is to set the limit right now and if the costs go up, the difference will be split 50/50 between the Town and the employee. For example, the current rate is \$6,273 per employee and if that goes to \$6,500 next year, the difference between the two amounts would be split between the Town and the employee. Future employees would be anyone hired after the date of the policy change. The first option is to stay with the current option of 100% coverage. The second option is for the employer to pay 80% and the employee to pay 20%. Horace Carlyle feels the Board has to cap all benefits, for both current and future retirees, at \$10,000. He noted that revenue is decreasing while expenses are increasing. James Eason explained that 30% of the Town's revenue will go towards healthcare benefits. Horace Carlyle does not feel the Town can promise to pay 50% above \$10,000 because it may not have the money. He feels each year if the Town has the revenue it can look at doing a supplemental payment above \$10,000.

Jon Zane feels that the current retirees should continue to get what they are getting. He feels the Board can impose conditions on the future hires. James Eason explained that current retirees would have earned this if they would have put away the money for it in a fund specifically to cover these entitlements as the Town is currently doing. Whoever made these promises did not set up a mechanism to fund the future obligations. The Town is currently honoring past practice. There is nothing in writing that says the Town has to do this. He explained that the OPEB is funding for the future retirees. He noted that in the last two budgets the Town has put money into the OPEB account based on the number of current employees.

Duane Downing feels that the Pool/Pact information about other entities is lacking information on the benefits package and wages. James Eason explained that the survey does show what the health, vision and dental information is for each community. He noted that staff would also need to look at the operating budget for each community and the services provided. Duane Downing suggested comparing the Town's budget to similar communities.

James Eason noted that there is stagflation occurring in Tonopah. Property taxes are pretty much staying the same. The only way they will go up is if new homes or commercial property is built to raise assessed valuation. He noted that the legislature will look at revisiting Consolidated Tax and its distribution in this session. Room Tax is up now but that will not last. In the past, Boards throughout the state built budget off the high revenue numbers and promised benefits that cannot be sustained. This is not a situation staff wants to put the Town of Tonopah in.

Horace Carlyle noted that he is concerned about how to address retiree benefits. He explained that Ken Meiers and Irene Carlyle worked with retirees at the library and came up with an alternative solution. James Eason explained that for current retirees, prior to age 65, the Town is paying 100%. The recommendation is to have Medicare become their primary after age 65 and the Town becomes a secondary. Horace Carlyle explained that the library supplies the supplemental to AARP and they have an advanced pharmacy plan but the cost has reduced. James Eason explained that the other option for retirees is a tiered approach.

Duane Downing explained that the NCLEA contract states that if a person retires and draws PERS without penalty, health insurance is provided. If someone retires and takes a penalty, this no longer applies. Town staff has to have thirty years in or be age 65 and be vested. James Eason feels these two things will cover most of what is being discussed. He explained that by adding

the condition of being PERS eligible without penalty, it eliminates individuals retiring early and the Town paying benefits for the next fifty years. Duane Downing explained that the Town needs to protect itself from people bouncing in from another agency by putting in a minimum number of years they need to work for the Town. He explained that the next future retiree would be at the point that is past 65. This would automatically lower the final cost because they would go to Medicare first. There will still be an increase but it will be lower than what is projected. The next retiree would also qualify for Medicare. The next retiree, the Town would have to pay full benefits on until they were 65 so there may be a window of having to pay full benefits.

Horace Carlyle feels there is an issue with fairness and ethics. He feels there is a legal contractual concern with the implied employment or a specific employment contract that the Town has stated and has had the employees sign. Chris Mulkerns explained that there is no employment contract with any of the employees. James Eason explained that what Mr. Downing has suggested does not jeopardize anything the Town has provided in the past. He explained that the Board could argue that previous Boards set the ball in motion back in 2000 by suggesting the Town follow what Nye County is doing. It was discussed but there was never a formal action to be reflected in the Personnel Policy. Horace Carlyle feels this needs to be structured into a document and then reviewed by the District Attorney. James Eason explained that everything has been reviewed by Pool/Pact and the Town follows their rules and advice.

James Eason explained that no one can answer the question of whether the Town of Tonopah is 100% a stand-alone entity. It is very unique. An unincorporated town is a completely different entity from a county or a city and fundamentally unincorporated towns are under the County. He explained that there has not been enough case law and the legislative body in the State of Nevada has not been clear on the question. The practice has always been to follow the County. Duane Downing explained that the difference between the Town and the County is that County employees are under contract and the Town of Tonopah is not. The Town is dealing with regular employees with a policy manual and the manual is subject to change at any time. James Eason explained that the Town is under the County's PERS contract. The Town has been following what past practice has been and as long as it continues to do so, in a court of law the Town is fine.

James Eason explained that one option has Medicare as the primary coverage and the Town would provide supplemental coverage. This has been done in two cases, the Tonopah Library and Nye County. The Town would be doing nothing out of the norm by following that practice.

James Eason explained that current Town employees and retirees are receiving 100% medical benefits. There are two issues on the table. The Board needs to decide what to do with future hires, who will then become future retirees. The Board needs to decide if it wants to change anything with current employees and retirees and their benefits. If the Board wants to change current employees, there are several options. The Board can offer no benefits, continue to pay 100%, or do a modified version where the individual has to be PERS eligible without penalty. In this case, the Board could also put a cap on the number of years an individual would have to work for the Town to receive benefits. The Board also has the option of doing a flat dollar amount for current and future employees and retirees.

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3. Public Comment

No action taken by the Board.

4. Adjourn

Workshop was adjourned at 7:29 pm.

Minutes transcribed by:

Mariah Rivero

Approved:

Jon Zane, Chairman

Horace Carlyle, Vice Chairman

Javier Gonzalez, Clerk

Duane Downing, Member

Ron Kipp, Member