



Board of Directors' Meeting Minutes

July 9, 2010.

MCIT Building, Board Room (3rd Floor)

St. Paul, Minnesota

Attendance:

Dennis Hegberg, Trust Chair, Washington County
Sharon K. Anderson, Vice-Chair Cass County
Charles Naplin, Secretary/Treasurer, Pennington County
Scott Sanders, Watonwan County
John Hoscheid, Lake of the Woods County
Felix Schmiesing, Sherburne County
Melvin Ruppert, Nobles County
Graylen Carlson, Laq qui Parle County

Absent:

Tom Shea, Steele County

MCIT Staff:

Robyn Sykes, Executive Director
Steve Nelson, Deputy Director
Mary Frank, Finance Manager
Patricia Rhue, Office Manager

Service Providers:

Peter Bergstrom, General Counsel
Gary Severson, Meadowbrook Program Coordinator
Joe Rider, Property/Casualty Supervisor
Mark Doepke, Actuarial Advisor
Dave Glennon, EideBailley
Joe Pope, EideBailley

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CALL TO ORDER

000 Chair Hegberg called the MCIT Board of Directors' Meeting to order at 9:15 a.m. on July 09, 2010 at the MCIT Building in St. Paul, Minnesota.

APPROVE THE AGENDA

10-07-01 Motion by Hoscheid, seconded by Schmiesing to approve the agenda with changes (on file). Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Carlson and Schmiesing Absent for vote: Shea and Sanders

APPROVE THE MINUTES

10-07-02 Motion by Naplin, seconded by Anderson to approve the minutes of the meeting of the MCIT Board of Directors held on June 11, 2010 with changes (on file). Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Carlson, and Schmiesing Absent for vote: Shea and Sanders

FINANCIAL REPORT

000 MCIT Finance Manager, Mary Frank presented the unaudited financial statement for the period ending May 31, 2010.

10-07-03 Motion by Ruppert, seconded by Schmiesing to accept the MCIT unaudited financial statement for the period ending May 31, 2010. Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Sanders, Carlson, and Schmiesing Absent for vote: Shea

2011 CONTRIBUTION DISCUSSION

000 Mark Doepke, Actuarial Advisors, provided the board with a county by county breakdown of the 2010 dividend allocation. The total dividend available for distribution is \$20 million. Members will be notified of their dividend by the end of July.

Workers' Compensation

000 Mark Doepke, Actuarial Advisors, advised the board that the rate level indicators suggest an aggregate decrease of 7.8% in 2011 workers' compensation rates. He went on to explain that the rates do not consider the WCRA's Surplus Distribution Recovery Program.

10-07-04 Motion by Ruppert, seconded by Naplin directing 2011 worker's compensation rates reflect an aggregate decrease of 7.8%; further directing that contribution notices are to be issued to members pursuant to the MCIT By-laws. Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Sanders, Carlson, and Schmiesing Absent for vote: Shea

Property/Casualty

000 Mark Doepke, Actuarial Advisors, advised the board that the rate level indicators suggest an aggregate decrease of 4.5% in 2011 property/casualty rates.

10-07-05 Motion by Naplin, seconded by Carlson directing that the 2011 rates for property/casualty reflect an aggregate decrease of 4.5%; further directing that contribution notices are to be issued to members pursuant to the MCIT By-laws. Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Sanders, Carlson, and Schmiesing Absent for vote: Shea

MEMBERSHIP ISSUES

000 Meadowbrook Program Coordinator Gary Severson presented a request of the Service Bureau to withdraw from MCIT effective 5/25/10 due to the dissolution of the joint powers entity which consists of Blue Earth and the City of Mankato. The withdrawal will result in the return of \$1,008 of contribution for 2010

10-07-06 Motion by Schmiesing, seconded by Naplin to accept the withdrawal request of the Service Bureau effective 5/25/10. Motion carried. Voting Yes: Hegberg,

Anderson, Naplin, Ruppert, Carlson, Schmiesing, Hoscheid, and Sanders Absent for vote:
Shea

000 Gary Severson, Meadowbrook Program Coordinator advised the board that the Children and Family Council (formerly The Washington County Family Service Collaborative) will dissolve on 12/31/10 and will longer be a member effective 1/1/2011. No action was required.

PROPERTY APPRAISAL REPORT – PHASE III

000 Gary Severson, Meadowbrook Program Coordinator presented the board with AssetWorks completed Phase III (southern area of the state) on-site appraisals. They visited 72 members and appraised 835 buildings. The results of the appraisal indicate an increase of 2.65% in scheduled value of the buildings. Pro-rated contribution will total approximately \$21,021 in 2010.

10-07-07 Motion by Ruppert, seconded by Schmiesing to apply the new property values effective July 9, 2010; waive 2010 contribution adjustments to members for the period of 7/9/2010 through December 31, 2010; mail appraisal books and endorsements to members by July 30, 2010; utilize new appraised values as the basis for the 2011 renewal contributions subject to the indexing factor adjustment applicable for the 2011 renewal (2.5%). Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Sanders, Carlson and Schmiesing Absent for vote: Shea

REPORT OF THE EXECUTIVE DIRECTOR

000 Sykes briefly reviewed activities of MCIT associates since the last board meeting (details on file).

REPORT OF PERSONNEL COMMITTEE

000 Sykes advised that the Personnel Committee had met with MCIT employees to discuss the employee health insurance renewal information. The cost of coverage will increase 22%. MCIT is a small employer therefore rates are aged based. The increase in the cost is driven by inflation in the medical care industry but more significantly by the group's utilization. Sykes reviewed the proposal of the Insurance Committee with the board along with options. The board was reminded that in 2009 the group moved to a high deductible HSA plan. She added that the employees were also recommending a change in dental providers which would save MCIT approximately \$7,000 a year that could be diverted to health insurance. Member of the Personnel Committee commented on the willingness of staff to share in the increasing cost of coverage. Given the changes in health care that are anticipated with Federal Health Care Reform the board and staff agreed additional work will be required to monitor the affect of the changes and consider strategies to manage costs.

10-07-08 Motion by Ruppert, seconded by Anderson to make the following changes to the MCIT health insurance plan; namely, require employees to pay \$57.50 per month per plan participant to a maximum of four participants for coverage for the period of August 1, 2010-July 31, 2011; reduce MCIT's contribution to the employees' HSA and contribute \$1,500 toward the family deductible of \$4000 and \$750 toward the single deductible of

\$2000; divert the savings from the change in dental coverage to pay for health insurance. Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Sanders, Carlson and Schmiesing. Absent for Vote: Shea.

000 Sykes further advised that staff and the Personnel Committee are working on a total re-write of the Personnel Policy that will be presented for board approval later this year. Steps are also underway to revise the performance evaluation tool for the executive director for use at the end of the year.

MEMBERSHIP ISSUES

000 Pursuant to the MCIT Bylaws several members have requested the board reconsider disclaimers of coverage or membership issues; specifically, Murray County, Shetek Area Water and Sewer District; Carver County and several community action agencies.

10-07-09 Motion by Sanders, seconded by Naplin to hear members' requests for reconsideration as follows:

- a disclaimer of coverage in the matter of Johnson vs. Murray County and the Shetek Area Water and Sewer District on Friday, August 13, 2010 at MCIT with the time to be determined based on the agenda.
- a disclaimer of coverage regarding a property loss in Carver County on Friday, August 13, 2010 at MCIT with the time to be determined based on the agenda.
- the decision to non-renew community action agencies (CAA) effective January 1, 2011 on August 20, 2010 at 9:30 a.m. at MCIT; each member will be provided 7 minutes to present their position, members can yield unused minutes to another CAA, presenters speaking for more than one CAA will be treated as having used the minutes concurrently, position papers will be required along with a list of those representing each CAA.

Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Schmiesing, Carlson, Hoscheid, and Sanders Absent from vote: Shea

NOTABLE PROPERTY/CASUALTY CLAIMS

000 Joe Rider, Meadowbrook Property/Casualty Supervisor, reported to the board on catastrophic property claims reported in June. The claims are all weather related. CAT 1 claims which occurred on June 17th resulted from tornadoes with an estimated loss of \$750,000. CAT 2 claims which occurred on June 25th resulted from significant hail damage with an estimated loss of \$400,000. The reinsurer has been placed on notice. CAT 1 claims will breach MCIT's reinsurance retention of \$500,000 so reinsurance recovery is expected. CAT 2 claims are not expected to meet reinsurance thresholds.

REPORT OF INDEPENDENT AUDITORS

000 Dave Glennon and Joe Pope, of EideBailly LLP, presented the 2009 Independent audit of MCIT. There were no proposed audit adjustments. MCIT received an unqualified opinion on the 2009 financial statements as prepared by MCIT staff. During the overview of the audit they noted the following in their management letter:

- MCIT changed accounting policies related to Accounting for Uncertainty in Income Taxes by adopting FASB Accounting Standards Codification Topic ASC 740-10 on January 1, 2009.
- There were no transactions entered into by the Trust during the year for which there is a lack of authoritative guidance or consequences.
- There were no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.
- No disagreement with management arose during the course of the audit.
- No uncorrected misstatements of the financial statements during the audit were noted.
- Encountered no significant difficulties with management in performing and completing the audit.
- No one influenced the process.

Glennon complimented MCIT staff on the ease of the audit. The board complimented MCIT Finance Manager Mary Frank on her efforts to ensure another unqualified audit. No action was necessary.

REQUEST FOR PROPOSAL FOR AUTOMATED BILL REVIEW

000 Sykes advised that staff may determine the need exists to solicit proposals for a new vendor for automated bill review because of concerns about the ability to provide e-billing functions as required by law. The contract with the existing vendor expires the end of the year so work would need to begin immediately. Meetings are scheduled with the vendor to discuss e-billing issues. If e-billing remains unresolved staff would like authority to begin the RFP process.

10-07-10 Motion by Schmiesing, seconded by Ruppert to authorize staff to begin the process to issue a Request for Proposals for automated bill review if issues regarding e-billing remain unresolved; directing that the board be provided the RFP for review. Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Sanders, Carlson and Schmiesing Absent for vote: Shea.

OTHER BUSINESS

000 The next regular meeting of the MCIT Board of Directors will be Friday, August 13, 2010 at the MCIT building in St. Paul.

ADJOURN

10-07-11 Motion by Naplin, seconded by Carlson to adjourn (12:12 p.m.) Motion carried. Voting Yes: Hegberg, Anderson, Naplin, Ruppert, Hoscheid, Sanders, Carlson and Schmiesing Absent for vote: Shea.

Respectfully submitted by:

Charles Naplin
MCIT Secretary/Treasurer

