

March 1, 2011  
Work Session  
Mayor and Council  
Town of Ocean City

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In attendance: Mayor Rick Meehan, Council President James S. Hall, Council Secretary Lloyd Martin, Council Members Margaret Pillas, Doug Cymek, Joe Hall and Brent Ashley, City Manager Dennis Dare, City Solicitor Guy Ayres, City Clerk Kathleen Mathias, Members of the Press and Interested Parties. Council Member Knight was absent.

Council President Jim Hall called this Work Session to order at 12:00 p.m., in the Council Chambers of City Hall, 301 Baltimore Avenue, Ocean City, Maryland 21842; then **Council Secretary Martin moved to convene into closed session to (1) consult with counsel to obtain legal advice, and, (2) conduct collective bargaining negotiations or consider matters that relate to the negotiations, (3) discuss a matter directly related to a negotiation strategy or the contents of a bid or proposal if public discussion or disclosure adversely impacts the public body's ability to competitively bid or make proposals; seconded by Council Member Ashley. The vote was 5-0 with Council Members Knight and Pillas absent.**

1. Council President Hall reopened the meeting at 1:00 p.m. and reported that legal, contractual and collective bargaining matters were discussed in the closed session. Persons present were Mayor Rick Meehan, Council President James S. Hall, Council Secretary Lloyd Martin, Council Members Margaret Pillas, Doug Cymek, Joe Hall and Brent Ashley, City Manager Dennis Dare, City Solicitor Guy Ayres, City Clerk Kathleen Mathias and Risk Management Director Eric Lagstrom. **Council Member Pillas moved to close the closed meeting; seconded by Council Secretary Martin. The vote was unanimous.**

Inserted Item

Tourism Director Debbie Turk requested permission to enter into a cooperative agreement with Pam's Golf Getaway and allocate \$60,000.00 (from the golf course advertising budget) in matching funds to promote golf packages. **Council Member Cymek moved to authorize the agreement; seconded by Council Secretary Martin. The vote was 3-3 with Council President Hall and Council Members Hall and Pillas opposed.** The motion failed. Council President Hall asked Director Turk to bring this item back in a future work session for further discussion.

2. **Review and Approval of Employee Pay Scale – presented by City Manager Dennis Dare and Human Resource Director Wayne Evans (see Attachment A). Council Member Cymek moved to approve the new pay scale as presented, and, proceed with the first reading of an emergency ordinance in the next Regular Session; seconded by Council Member Pillas. The vote was 4-2 with Council Members Martin and Cymek opposed.**
3. **Presentation of Post Employment Medical Benefits – presented by Kay Moran of Bolton Partners (see Attachment B). Council President Hall asked Ms. Moran to prepare a scenario for Option 3 with a 5% Soft Cap subsidy for new hires only. Mayor Meehan asked Ms. Moran to prepare a scenario for Option 3 with a 3% and 5% Soft Cap Subsidy new hires and existing employees with 10 years or less tenure. Council Member Ashley moved to proceed with Option 6 just for new employees; seconded by Council Member Pillas. The vote was 4-0 with Council Secretary Lloyd Martin and Council Member Cymek abstained.** Council Secretary Lloyd Martin asked Ms. Moran to also research CareFirst's costs to administer Option 3.

4. **Presentation of Defined Contribution Plan – presented by Mary Jo Garry and Doug Rowe of Mercer, Inc.** She pointed out that risk and responsibility are major determinates when choosing a defined contribution or defined benefit plan. She explained that, with a defined benefit plan, trustees pool the assets and invest with the intention of keeping the money available over a long period of time; versus, a defined contribution plan where employees direct their own investments.

Doug Rowe added that, a defined contribution plan will reduce the Town's risk but not cost. He also said that larger employers who have converted from a defined benefit to defined contribution plan included a 'guaranteed' contribution.

**Council Member Ashley moved to support a defined contribution plan and request, from Mercer, the following: (1) a template for the DC plan; (2) figures for a 5% plus 2% plan for new employees; (3) a cost benefit analysis for 5%/5% and 4%/4% (employee and employer contributions), and; (4) a cost benefit analysis for 7% plus a 50% match from the employer and 8% figures for public safety; seconded by Council Member Pillas. The vote was 4-0 with Council Members Martin and Cymek abstained and Council Member Knight absent.** Mayor Meehan asked for information on what can be done to the defined benefit plan to reduce the cost for the City.

5. **Review and approval of the AM Radio Station Policy – presented City Clerk Kathleen Mathias (see Attachment C). Council Member Joe Hall moved to approve as presented; seconded by Council Member Ashley. The vote was 6-0 with Council Member Knight absent.**
6. **Approval of revisions to the Public Access Channel Policy - presented by City Clerk Kathleen Mathias (see Attachment D). Council Member Joe Hall moved to approve as presented; seconded by Council Member Pillas. The vote was 6-0 with Council Member Knight absent.**

Inserted Item

**Council Member Cymek moved to require the removal of taxi inspection stickers upon removal of a medallion. If the medallion has been revoked or suspended, the inspection sticker must be removed as well. If the medallion is temporary suspended, and they wish to reactivate their taxi before the new inspection time, a sticker will need to be re-issued to them for that year; seconded by Council Member Pillas. The vote was 6-0 with Council Member Knight absent.**

**Council Member Joe Hall moved to adjourn; seconded by Council Member Ashley. The vote was 6-0 with Council Member Knight absent.**

Minutes prepared by Deputy City Clerk Kelly Allmond

Minutes certified by City Clerk Kathleen Mathias

Meetings approved by the Mayor and Council on:

  
  
3/21/11

## Temporary & Part-Time Position Wage Table

March, 2011

Grade	New Hire Start Rate Step 1	Returning Employees		
		2	3	4
<b>T01</b>	8.70	8.70	8.91	9.14
<b>T02</b>	9.42	9.46	9.70	9.94
<b>T03</b>	10.21	10.29	10.55	10.81
<b>T04</b>	11.06	11.20	11.48	11.77
<b>T05</b>	11.99	12.18	12.49	12.80
<b>T06</b>	12.99	13.26	13.59	13.93
<b>T07</b>	14.08	14.42	14.78	15.15
<b>T08</b>	15.26	15.69	16.09	16.49
<b>T09</b>	16.53	17.07	17.50	17.94
<b>T10</b>	17.92	18.58	19.04	19.52
<b>T11</b>	19.42	20.21	20.72	21.23
<b>T12</b>	21.04	21.99	22.54	23.10
<b>T13</b>	22.81	23.92	24.52	25.14
<b>T14</b>	24.71	26.03	26.68	27.35
<b>T15</b>	26.78	28.32	29.03	29.75
<b>T16</b>	29.03	30.81	31.58	32.37
<b>EMT B</b>	18.02	18.69	19.15	19.63
<b>EMT I</b>	19.69	20.50	21.01	21.54
<b>EMT P</b>	21.52	22.49	23.05	23.62

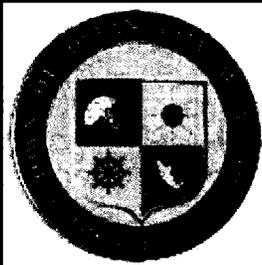
**General Employee Salary Range Analysis**  
**Scenario D modified to include new and grandfathered Maximum**

Pay Grade	Current Unadjusted		Hired after March 1, 2011				Hired before March 1, 2011			
	Minimum	Maximum	Minimum	% change	Maximum	% change	Minimum	% change	Maximum	% change
1	18,076	30,729	18,076	0.00%	30,729	0.00%	18,076	0.00%	30,729	0.00%
2	19,677	33,451	19,589	-0.45%	33,302	-0.45%	19,589	-0.45%	33,451	0.00%
3	21,410	36,396	21,229	-0.84%	36,090	-0.84%	21,229	-0.84%	36,396	0.00%
4	23,294	39,600	23,007	-1.23%	39,111	-1.23%	23,007	-1.23%	39,600	0.00%
5	25,343	43,085	24,933	-1.62%	42,386	-1.62%	24,933	-1.62%	43,085	0.00%
6	27,575	46,876	27,020	-2.01%	45,934	-2.01%	27,020	-2.01%	46,876	0.00%
7	30,000	51,002	29,282	-2.39%	49,780	-2.40%	29,282	-2.39%	51,002	0.00%
8	32,641	55,489	31,734	-2.78%	53,947	-2.78%	31,734	-2.78%	55,489	0.00%
9	35,512	60,372	34,390	-3.16%	58,464	-3.16%	34,390	-3.16%	60,372	0.00%
10	38,638	65,685	37,270	-3.54%	63,358	-3.54%	37,270	-3.54%	65,685	0.00%
11	42,039	71,465	40,390	-3.92%	68,663	-3.92%	40,390	-3.92%	71,465	0.00%
12	45,737	77,754	43,771	-4.30%	74,411	-4.30%	43,771	-4.30%	77,754	0.00%
13	49,763	84,597	47,436	-4.68%	80,641	-4.68%	47,436	-4.68%	84,597	0.00%
14	54,142	92,041	51,407	-5.05%	87,392	-5.05%	51,407	-5.05%	92,041	0.00%
15	58,907	100,140	55,711	-5.43%	94,709	-5.42%	55,711	-5.43%	100,140	0.00%
16	64,090	108,953	60,375	-5.80%	102,637	-5.80%	60,375	-5.80%	108,953	0.00%
17	69,730	118,541	65,429	-6.17%	111,230	-6.17%	65,429	-6.17%	118,541	0.00%
18	75,866	128,972	70,907	-6.54%	120,543	-6.54%	70,907	-6.54%	128,972	0.00%
19	82,542	140,321	76,844	-6.90%	130,634	-6.90%	76,844	-6.90%	140,321	0.00%
20	89,806	152,670	83,277	-7.27%	141,571	-7.27%	83,277	-7.27%	152,670	0.00%
21	97,709	166,105	90,249	-7.64%	153,423	-7.63%	90,249	-7.64%	166,105	0.00%
22	106,307	180,722	97,805	-8.00%	166,268	-8.00%	97,805	-8.00%	180,722	0.00%

## General Employee Salary Ranges

Pay Grade	Minimum	Maximum	
		Hired after Mar. 1, 2011	Hired before Mar. 1, 2011
1	18,076	30,729	30,729
2	19,589	33,302	33,451
3	21,229	36,090	36,396
4	23,007	39,111	39,600
5	24,933	42,386	43,085
6	27,020	45,934	46,876
7	29,282	49,780	51,002
8	31,734	53,947	55,489
9	34,390	58,464	60,372
10	37,270	63,358	65,685
11	40,390	68,663	71,465
12	43,771	74,411	77,754
13	47,436	80,641	84,597
14	51,407	87,392	92,041
15	55,711	94,709	100,140
16	60,375	102,637	108,953
17	65,429	111,230	118,541
18	70,907	120,543	128,972
19	76,844	130,634	140,321
20	83,277	141,571	152,670
21	90,249	153,423	166,105
22	97,805	166,268	180,722

ATTACHMENT B



Town of Ocean City,  
Maryland

Prepared by Bolton Partners, Inc.

March 1, 2011



## Current Ordinance

- Council determines vesting rights for retiree health benefits and contribution split
  - 15 years of service hired prior to July 1, 2005
  - 25 years of service hired July 1, 2005 and after
  - Town pays 80%, Retiree pays 20%
  - Benefit duration is for life of retiree
- Council does not control the increase cost of medical care



TOWN OF BEACH CITY  
Maryland

# Council can make changes

- Council can reduce the benefits and costs by changing the plan to:
  - Set a ceiling on or determine a formula for the amount paid by the Town
  - Change the duration of the benefit
  - Change the employer/employee split



## Proposed Changes to Reduce Liabilities

- Employees hired after July 1, 2011 halve the employer subsidy – Option 1
- Employees hired after July 1, 2011 benefits stop at age 65 – Option 2
- Increase the retirement age for public safety employees from 25 years to the later of age 50 and 25 years of service. – Option 3



## Proposed Changes to Reduce Liabilities (continued)

- Cap employer subsidies at the current level - indexed by 3 percent – Option 4
- Cease employer benefits for all employees who are not eligible to retire as of July 1, 2011 at age 65. All Wastewater employees would continue to receive their coverage – Option 5
- Contribute a set dollar amount to a HSA equal to the average annual liability per employee - Option 6
- Set up VEBA with Employer money – Option 7



Employees hired after July 1, 2011 halve the employer subsidy and/or stop benefits at age 65

- No immediate impact because valuation is based on a snap shot in time
- Estimates based on 3, 5, 10 years in future

<b>Cost</b>	<b>Current Plan</b>	<b>Option 1 60/40 Plan</b>	<b>Option 2 No Post 65 Benefits Plan</b>
FY2014	4,015,000	3,939,000	3,925,000
FY2016	4,384,000	4,172,000	4,132,000
FY2021	5,455,000	4,883,000	4,775,000



## Benefit Studies for FY2011 Expense

(Assumes change to all Active Employees)

<b>Current Plan</b>	<b>3,516,000</b>	<b>37,010,000</b>
<b>Increase Retirement Age – Option 3</b>	<b>3,392,000</b>	<b>36,090,000</b>
<b>Soft (3%) Cap on Subsidy – Option 4</b>	<b>1,873,000</b>	<b>24,572,000</b>
<b>Benefits Cease at Age 65 – Option 5</b>	<b>1,696,000</b>	<b>24,165,000</b>



County of Queen City,  
Maryland

## Illustration of Soft Cap (Option 4) Employee Aged 50 in 2011

60	1,165	652	513	44%
64	1,522	734	787	54%
65	1,244	578	666	55%
70	1,729	671	1,058	61%
80	3,306	901	2,405	73%



Town of Poolesville, Maryland

## Average Town Paid Cost Per Employee Per Year for OPEB Benefits

- Average Cost for OPEB benefits per employee over their career is \$87,000 (26 YOS)
- Employees that retiree younger and meet eligibility requirements produce higher liabilities
- Employees that don't meet eligibility requirements are zero liability
- Average years of service is 14 years with another 12 years left to work
- Estimated to be \$3,250/year on average



House of Delegates  
Maryland

# Now to discuss Option 6 & 7

## Defined Contribution Approach



State of Maryland

## Defined Contribution to HSA – Option 6

- Legislative Limits apply to maximum contribution to HSA (Employee and Employer Amounts)
  - 2011 limits are:
    - \$3,050 single coverage
    - \$6,150 family coverage
    - Extra \$1,000/year for over age 55
- High Deductible Health Plan Required
  - \$1,200 single deductible
  - \$2,400 family deductible



## VEBA Trust – Option 7

- Employer money only
- Accounts are tax preferred – no tax on contribution and no tax when used for qualified medical expenses
- Employees would have investment options  
(similar to a 401 (k) plan)
- Money would be forfeited if an employee died with no spouse or eligible dependents
- The plan can't discriminate in favor of highly compensated (top 25% of all employees)



## VEBA Trust (cont.)

- IRS would need to make determination of what plan is non-discriminatory. One issue may be 25 year vesting schedule. May have to change to something more prudent. (i.e. 5 years of service or less)
- Expense for establishing a trust and getting the IRS determination letter.
- Sample administrative cost is 1.25% of assets per year plus a fixed dollar fee of \$18/participant/year.



University of Maryland  
Maryland

# Change in Benefit Philosophy

- Switch to Defined Contribution arrangement
  - Shift of risk from Employer to Employee
    - Rapid Increases in Medical cost
    - Investment risk
    - Longevity risk
  - Benefits are no longer for career employees but provided to all employees possibly with as little as 5 years of service



Town of Geesboro, Maryland

# Employee Illustrations

- Assumed

- \$3,250 annual employer contribution
- payroll increases (4%)
- 5.75% return on assets (7% minus 1.25% for VEBA administrative costs)

Hired Age	Retirement Age	Current Plan	VEBA
51	61	No benefit	\$50,000 benefit would run out at age 65
30	55	Benefits for Life	\$256,000 account would run out at age 62
30	65	Benefits for Life	\$581,000 account would run out at age 77

**TOWN OF OCEAN CITY  
OCEAN CITY, MARYLAND  
POLICY AND PROCEDURE MANUAL**

**PPM - 900-14**

**SECTION: Legislative**

**SUBJECT: AM Radio Station**

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**Purpose**

To improve communication and enhance the safety of those living, working and visiting in Ocean City, the Town of Ocean City has an AM advisory radio station WQKF 629/1670.

**Objective**

The radio station's primary use is to inform the public of emergency conditions in the area and how to respond to them. An emergency could consist of severe weather or any other condition that could affect the public's well being.

**Operation**

In non-emergency situations, the station broadcasts community information. Messages include emergency preparedness information, upcoming Town-sponsored events and attractions. Having a non-commercial FCC license does not allow any commercial broadcasting. Emergency messages will only be approved by the Emergency Services Director, the City Manager or the Mayor and City Council. Non-emergency messages will be coordinated through the Town's Communications Manager.

**TOWN OF OCEAN CITY  
OCEAN CITY, MARYLAND**

**POLICY AND PROCEDURE MANUAL**

**PPM - 900-10**

**SECTION: Legislative**

**SUBJECT: Public Access Channel**

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The Mayor and City Council, through the local cable television franchisee, operate a Public Access Channel for the use and benefit of the general public.

This access channel is available for use by all non-profit organizations and churches located within the corporate limits of Ocean City. Any Worcester County Government Agency or Board with information that affects or provides a service to Ocean City residents; or a function, event or service which is co-sponsored by the Town of Ocean City, will also be permitted access on this channel.

Requests are submitted in writing to the City Manager for approval, and implementation of the information on the access channel is accomplished by staff in the ~~Mayor's~~ **[City Manager's Communications]** Office.