

Robert O. Oakes, Jr.
Mayor

Doug Remaley
Mayor Pro Tem

Cliff Ogburn
Town Manager



Town of Nags Head
Post Office Box 99
Nags Head, North Carolina 27959
Telephone 252-441-5508
Fax 252-441-0776
www.nagsheadnc.gov

Anna D. Sadler
Commissioner

M. Renée Cahoon
Commissioner

Susie Walters
Commissioner

Budget Workshop – May 29, 2013 – 2:00 p.m.

Agenda

Calendar

1. Recycling pilot program – Mike Norris with OB Hauling will be present to answer questions
2. SRO position – see attached
3. Health – information on Affordable Health Care Act
4. Tax discount – I would like to suggest that we no longer offer the 1% discount for payment by September 1 for a savings of \$50,000
5. Summary of Changes to recommended budget to date

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Calendar

Public Hearing Wednesday, June 5, 2013 – 9:00 a.m.

Budget Adoption Wednesday, June 19, 2013 – 7:00 p.m.

Budget Workshop

Wednesday, May 29, 2013 – 2:00 p.m.
Board of Commissioners Room
Nags Head Municipal Complex

Additional workshop dates may be added as needed.

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2. SRO position – see attached

Nags Head Elementary School Police Officer Proposal/Justification

The Nags Head Police Department recognizes the need for a permanent presence of a sworn officer within the Nags Head Elementary School (NHES). Currently, our police department must exclusively rely on officers assigned to general patrol duties whenever a need or special assignment is required at the school. This essentially removes officers from the patrol function and creates a lack of law enforcement presence within our community. Since the events at Sandy Hook Elementary, the Nags Head Police Department has received an increase in requests from parents and teachers for a more permanent presence at NHES.

The Nags Head Police Department is requesting funding for a new, full-time sworn law enforcement officer that will be permanently assigned to NHES during the traditional school year (late August through early June). During the school year, this position will serve as a safety professional and will maintain a visible security presence at NHES. Further, this officer will serve as a first responder during any critical incident occurrence as well as assist with planning for managing crises with school officials. This officer will be a new liaison in the school creating an opportunity for open communication among parents and staff about their concerns for school safety, as well as, crime problems in the community. Agency activities will increase due to the NHES Officer learning of concerns and creating programs and activities that would incorporate other officers who will specifically address items of concerns.

The NHES Officer will provide an open line of communication between both school administrators and local law enforcement. This officer will work with members of our department and other county agencies to ensure accurate and continuous information flow between agencies and continuity through follow-up and case management.

Community Watch meetings would be enhanced to focus on the needs of the community and provide educational programs that discuss bike safety, internet safety, D.A.R.E. lessons for parents, and any other crime problems the citizens would like to have addressed.

This position will create partnerships among guidance counselors, social workers, and youth and family service organizations. Through creating a relationship with various community organizations, this officer will have the resources available to properly refer students and/or parents to professional services. As a problem solver, this officer will assist in developing crime prevention efforts and community justice initiatives for students and help the school in creating policies that address crime and social misbehaviors. This officer will serve as an educator giving classroom presentations, which coincide with educational curriculum. Topics covered will include bullying, alcohol and drug awareness, conflict resolution, bicycling, pedestrian and motor vehicle safety, stranger awareness, and general crime prevention.

The NHES Police Officer will also create a partnership with the Parent/Teacher Organization of the school to educate parents on the importance of having a safe and secure school. More so, the NHES Police Officer will be able to explain various educational programs that will be taught to students to include making good decisions, crime prevention, and personal safety. This will also create a trust between the police officer and parents in the hopes that parents will confide other crime problems and community issues they may be experiencing.

It is the intent of the police department to utilize this new position as a "spring board," making changes from traditional policing ideas toward a community policing philosophy within NHES. This organizational transformation will include changes in relationships between Police Officers and NHES staff/students. It is our belief that, in turn, this will foster an improvement in the quality of life for our residents and school children as well as better relationships for police and all community members.

It is important to not lose sight that although this position will be assigned to NHES during the school year; they are a sworn member of our department and will have other duties as assigned. In addition to working special events and weather emergencies this officer will work closely with police department administration in the research, preparation, submission and management of state and federal grants. This will serve a pivotal role in our department ensuring that we take full advantage of all grant possibilities where we otherwise may not have the manpower to do so.

Funding this full-time law enforcement officer position for NHES will benefit our residents and visitors during the summer months as well. During this time our officer will be assigned to beach patrol, maintaining a permanent presence on our oceanfront, thus eliminating the need for the part-time beach educator. This officer will continue promoting our community policing philosophy on our beaches while educating the public on Town codes and summertime safety. This officer will work closely with Nags Head Ocean Rescue staff to promote a safe, secure and enjoyable experience for our visitors and residents.

The 2013-2014 school year for Dare County students begins on August 13, 2013, and ends on June 10, 2014. The Police Officer assigned to Nags Head Elementary will be on the grounds during the traditional school day, typically 7:30 AM through 2:30 PM, when students are present. Without considering vacation, sick or training days this officer would spend approximately **1295 hours** on the school campus.

During the school year when children are not present (teacher's workday, early dismissal, spring break, holiday, inclement weather, etc.) the NH Elementary police officer will be assigned other duties as needed. Approximately **390 hours** will be spent away from the school campus performing these duties.

During the summer break the NH Elementary officer will be assigned to beach patrol. Just considering the time school is closed for summer break, the officer will spend approximately **410 hours** on beach patrols, weather permitting, or other duties as assigned.

Number of Students enrolled at local elementary schools (September 2012 statistics)

Nags Head: 597

First Flight: 385

Kitty Hawk: 437

Cape Hatteras: 296 (currently has an officer at school)

Manteo: 733 (currently has an officer at school)

School Day at NHES

7:00-7:55 Students arrive to school

7:45 Pre K starts

7:55 Class Starts (K-5)

10:45 (Pre K lunch)

12:35 (Last lunch – 4th grade) (lunch is ½ hour for all grades)

2:15 (Pre K lets out)

2:25 (K-5 lets out)

3:00-4:00 Teachers and Administration leave

School Day for NHES Police Officer

7:00 – 7:55 Meet and greet students as they arrive to school. Foot patrol the area between the bus drop off and parent drop off. If needed, assist with traffic control.

7:55-8:55 Foot patrol NHES campus for late students, students roaming the halls, and/or suspicious activity inside and outside the school building.

8:55 – 9:55 Work on lesson plans for requested programs, Safety Blog

9:55 – 10:45 Foot patrol Board of Education

10:45 – 1:05 Foot patrol the halls and cafeteria during lunch times. Foot patrol outside areas during recess.

1:05 – 2:15 Present class presentation, assist teachers at their request, plan community related events (National Night Out, Bike Rodeo, D.A.R.E., child seat safety, Easter Egg Hunt, etc...)

2:15 – 3:30 Foot patrol the area between the bus drop off and parent drop off during dismissal of classes. If needed, assist with traffic control.

***At any time this schedule could change at the request of school administration, teachers, and/or other staff.**

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3. Health – information on Affordable Health Care Act



When the Affordable Care Act (ACA) was enacted on March 23, 2010, it put in place far-reaching health insurance reforms. MedCost Benefit Services is committed to helping our clients comply with the many regulations governing employer benefit programs by providing expert guidance, generating comprehensive reports, preparing necessary documents and amendments, and ensuring appropriate changes are included with renewal plan changes. This timeline highlights the schedule for implementing specific requirements of the ACA and indicates which of these provisions will directly affect your budget, as well as those which affect grandfathered and non-grandfathered plans.

If you have any questions about these ACA requirements or how MedCost Benefit Services can support your compliance efforts, please contact your Account Manager.

- \$** - Affects Your Plan's Budget
- NG** - Applies to Non-Grandfathered Plans
- G** - Applies to Grandfathered Plans

2012

Preventive Services for Women **NG**

Must be implemented for plan years beginning on or after 8/1/12.

SBC & Glossary **NG G**

Summary of Benefits & Coverage ("SBC") and Uniform Glossary of Terms must be provided to all employees during open enrollment, to new hires, and to plan participants upon request.

Advance Notice of Plan Changes **NG G**

Notice of off-renewal plan changes that would require revision to the SBC must be provided to plan participants 60 days in advance of the effective date.

PCORI Tax **\$ NG G**

Must be paid by the health plan sponsor by 7/31/13 for plan years ending on or after 10/1/12 and before 1/1/13.

Notice of Exchanges **NG G**

Health plans must provide written notice to all employees about State Exchanges. The compliance date for this has been extended to October 1, 2013. Subsequently, this notice must also be provided to all new hires.

Enrollment in Exchanges **NG G**

Individuals and small employers (1 – 100 employees) may purchase coverage through the Exchanges with anticipated enrollment in the fall of 2013 for a 1/1/14 effective date.

2013

Health FSA Limit **NG G**

Employee contribution to a Health Flexible Spending Account is limited to \$2,500/plan year.

 - Affects Your Plan's Budget

 - Applies to Non-Grandfathered Plans

 - Applies to Grandfathered Plans

2014

The following provisions are effective for plan years¹ beginning on or after 1/1/14:

Exchanges Operational

State Exchanges are expected to be operational for individuals and small employers (1- 100 employees). Regulations forthcoming.

Individual Mandate

Most individuals will be required to obtain Minimum Essential Coverage for themselves and their dependents; failure to do so will result in a penalty. Tax credits and reduced costs will be available to those who cannot afford coverage.

Employer Mandate

Large employers (50 or more employees) are required to offer Minimum Essential Coverage² that satisfies the Individual Mandate. The coverage must be Affordable (single coverage <9.5% of W-2 wages) and provide Minimum Value (employer covers >60% of the cost of benefits provided). Employers that do not comply may be subject to penalties.

Essential Health Benefits

HHS has established standards for coverage of essential health benefits – the core benefits and services that health insurers in the small group and individual markets must offer in 2014, both inside and outside the Exchanges. Self-insured health plans, large group market insurers, and grandfathered plans are not subject to this requirement.

Dependent Coverage to Age 26

All health plans, including grandfathered plans, must permit enrollment of dependent children to age 26, regardless of whether or not other employer sponsored coverage is available to them.

Elimination of Pre-Ex

Pre-existing Condition Limitations must be eliminated for plan participants of all ages.

Elimination of Annual Limits

Annual limits on the dollar value of benefits must be eliminated. The ACA permitted annual limit structure has reached the end of its 3-year phase-out period.

Out-of-Pocket Maximums

Annual out-of-pocket maximums (for copays, co-insurance, deductible) may not exceed the amount applicable to coverage related to Health Savings Accounts. For 2014, these amounts are \$6,350/Individual and \$12,700/Family.

Annual Deductible Maximums

This provision does not apply to self-funded health plans; it applies only to non-grandfathered plans in the small and individual markets. For the impacted health plans, annual deductibles may not exceed \$2,000/Individual and \$4,000/Family.

Waiting Period Limitation

The waiting period for eligibility under an employer-sponsored health plan may not exceed 90 days. Substantive eligibility conditions (for example, job classification or licensure requirements) generally will be permissible under these rules so long as they are not designed to avoid compliance with the 90-day limit. Service hour requirements are permissible (up to at least 1,200 hours) if not designed to avoid the 90-day limit.

Clinical Trial-Related Costs

Health plans will be required to cover routine costs associated with participation in clinical trials for qualified individuals.

Wellness Program Incentives

The maximum incentive amount for participation in wellness programs will increase from 20% to 30% of the cost of individual coverage, and as much as 50% for programs designed to prevent or reduce tobacco use.

Transitional Reinsurance Program

For 3 years beginning in 2014, health plans will be required to pay an assessment to off-set risk in the small group and individual markets from the guaranteed issue requirement and elimination of pre-existing condition limitations. The assessment will be \$63 per covered life in 2014 (calculated for the first 9 months of the 2014 calendar year). The assessment is payable by insurers/TPAs with the first payment due in January 2015. The per covered life amount is expected to decline after 2014.

Quality of Care Reporting

Requires health plans to provide

annual reports to HHS and plan participants explaining plan and provider reimbursement structures that improve the quality of care. Regulations forthcoming.

Employer Reporting to IRS

Employers that provide minimum essential coverage must provide information to the IRS about the employees covered under the health plan (to monitor compliance with the individual mandate). Employers also must provide information to the IRS about the type of health coverage offered to employees (to monitor compliance with the employer mandate). Regulations forthcoming.

Auto-enrollment

Requires employers with 200+ employees to automatically enroll new FT employees in their employer sponsored health plan, and continue enrollment of current employees in the plan. Employees must be provided adequate notice and the opportunity to opt-out. Until final regulations under the Fair Labor Standards Act are issued, employers are not required to comply with this provision.

2015 and beyond

Transparency in Coverage Reporting

(2015 or later) Requires health plans to report data to HHS, including enrollment/disenrollment rates, claims denials, and cost-sharing on OON benefits. Regulations forthcoming.

Excise Tax

(2018) A 40% excise tax will be levied on plans with values that exceed \$10,200 for single coverage and \$27,500 for family coverage. This “cadillac tax” will be paid by the insurer.

¹ “Plan Year” is generally the 12-month period stated in the Summary Plan Description, or for plans filing a Form 5500, the plan year stated in that filing. If your 2014 plan year begins after the date you normally implement renewal benefit changes, you may wish to implement these provisions at renewal to avoid mid-year plan changes.

² If you plan to offer Minimum Essential Coverage, MedCost Benefit Services is prepared to work with you to ensure your plan meets the Affordable and Minimum Value requirements.



New Health Insurance Marketplace Coverage Options and Your Health Coverage

Form Approved
OMB No. 1210-0149
(expires 11-30-2013)

PART A: General Information

When key parts of the health care law take effect in 2014, there will be a new way to buy health insurance: the Health Insurance Marketplace. To assist you as you evaluate options for you and your family, this notice provides some basic information about the new Marketplace and employment-based health coverage offered by your employer.

What is the Health Insurance Marketplace?

The Marketplace is designed to help you find health insurance that meets your needs and fits your budget. The Marketplace offers "one-stop shopping" to find and compare private health insurance options. You may also be eligible for a new kind of tax credit that lowers your monthly premium right away. Open enrollment for health insurance coverage through the Marketplace begins in October 2013 for coverage starting as early as January 1, 2014.

Can I Save Money on my Health Insurance Premiums in the Marketplace?

You may qualify to save money and lower your monthly premium, but only if your employer does not offer coverage, or offers coverage that doesn't meet certain standards. The savings on your premium that you're eligible for depends on your household income.

Does Employer Health Coverage Affect Eligibility for Premium Savings through the Marketplace?

Yes. If you have an offer of health coverage from your employer that meets certain standards, you will not be eligible for a tax credit through the Marketplace and may wish to enroll in your employer's health plan. However, you may be eligible for a tax credit that lowers your monthly premium, or a reduction in certain cost-sharing if your employer does not offer coverage to you at all or does not offer coverage that meets certain standards. If the cost of a plan from your employer that would cover you (and not any other members of your family) is more than 9.5% of your household income for the year, or if the coverage your employer provides does not meet the "minimum value" standard set by the Affordable Care Act, you may be eligible for a tax credit.¹

Note: If you purchase a health plan through the Marketplace instead of accepting health coverage offered by your employer, then you may lose the employer contribution (if any) to the employer-offered coverage. Also, this employer contribution—as well as your employee contribution to employer-offered coverage—is often excluded from income for Federal and State income tax purposes. Your payments for coverage through the Marketplace are made on an after-tax basis.

How Can I Get More Information?

For more information about your coverage offered by your employer, please check your summary plan description or contact _____.

The Marketplace can help you evaluate your coverage options, including your eligibility for coverage through the Marketplace and its cost. Please visit HealthCare.gov for more information, including an online application for health insurance coverage and contact information for a Health Insurance Marketplace in your area.

¹ An employer-sponsored health plan meets the "minimum value standard" if the plan's share of the total allowed benefit costs covered by the plan is no less than 60 percent of such costs.

PART B: Information About Health Coverage Offered by Your Employer

This section contains information about any health coverage offered by your employer. If you decide to complete an application for coverage in the Marketplace, you will be asked to provide this information. This information is numbered to correspond to the Marketplace application.

3. Employer name		4. Employer Identification Number (EIN)	
5. Employer address		6. Employer phone number	
7. City	8. State	9. ZIP code	
10. Who can we contact about employee health coverage at this job?			
11. Phone number (if different from above)		12. Email address	

Here is some basic information about health coverage offered by this employer:

- As your employer, we offer a health plan to:
 - All employees.
 - Some employees. Eligible employees are:

 - With respect to dependents:
 - We do offer coverage. Eligible dependents are:

 - We do not offer coverage.
 - If checked, this coverage meets the minimum value standard, and the cost of this coverage to you is intended to be affordable, based on employee wages.
- ** Even if your employer intends your coverage to be affordable, you may still be eligible for a premium discount through the Marketplace. The Marketplace will use your household income, along with other factors, to determine whether you may be eligible for a premium discount. If, for example, your wages vary from week to week (perhaps you are an hourly employee or you work on a commission basis), if you are newly employed mid-year, or if you have other income losses, you may still qualify for a premium discount.

If you decide to shop for coverage in the Marketplace, [HealthCare.gov](https://www.healthcare.gov) will guide you through the process. Here's the employer information you'll enter when you visit [HealthCare.gov](https://www.healthcare.gov) to find out if you can get a tax credit to lower your monthly premiums.

The information below corresponds to the Marketplace Employer Coverage Tool. Completing this section is optional for employers, but will help ensure employees understand their coverage choices.

13. Is the employee currently eligible for coverage offered by this employer, or will the employee be eligible in the next 3 months?

Yes (Continue)

13a. If the employee is not eligible today, including as a result of a waiting or probationary period, when is the employee eligible for coverage? _____ (mm/dd/yyyy) (Continue)

No (STOP and return this form to employee)

14. Does the employer offer a health plan that meets the minimum value standard*?

Yes (Go to question 15) No (STOP and return form to employee)

15. For the lowest-cost plan that meets the minimum value standard* offered **only to the employee (don't include family plans): If the employer has wellness programs, provide the premium that the employee would pay if he/ she received the maximum discount for any tobacco cessation programs, and didn't receive any other discounts based on wellness programs.**

a. How much would the employee have to pay in premiums for this plan? \$

b. How often? Weekly Every 2 weeks Twice a month Monthly Quarterly Yearly

If the plan year will end soon and you know that the health plans offered will change, go to question 16. If you don't know, STOP and return form to employee.

16. What change will the employer make for the new plan year?

Employer won't offer health coverage

Employer will start offering health coverage to employees or change the premium for the lowest-cost plan available only to the employee that meets the minimum value standard.* (Premium should reflect the discount for wellness programs. See question 15.)

a. How much will the employee have to pay in premiums for that plan? \$

b. How often? Weekly Every 2 weeks Twice a month Monthly Quarterly Yearly

Date of change (mm/dd/yyyy):

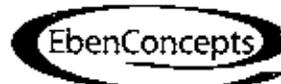
* An employer-sponsored health plan meets the "minimum value standard" if the plan's share of the total allowed benefit costs covered by the plan is no less than 60 percent of such costs (Section 36B(c)(2)(C)(ii) of the Internal Revenue Code of 1986)

Health Care Reform

Patient Protection and Affordable Care Act (PPACA)

David Smith, Vice President
EBENCONCEPTS

North Carolina Finance Officers Association
March 6, 2013



Employee Benefits
We do the Work

Version 43
February 5, 2013

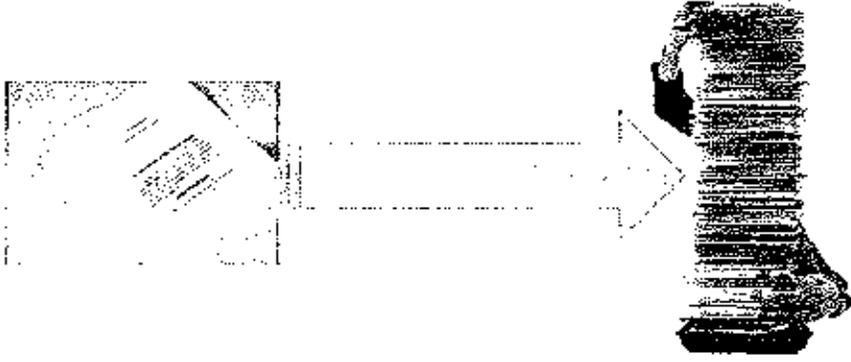
Questions?



Just stop me
and ask....
this is more fun
when you
participate.

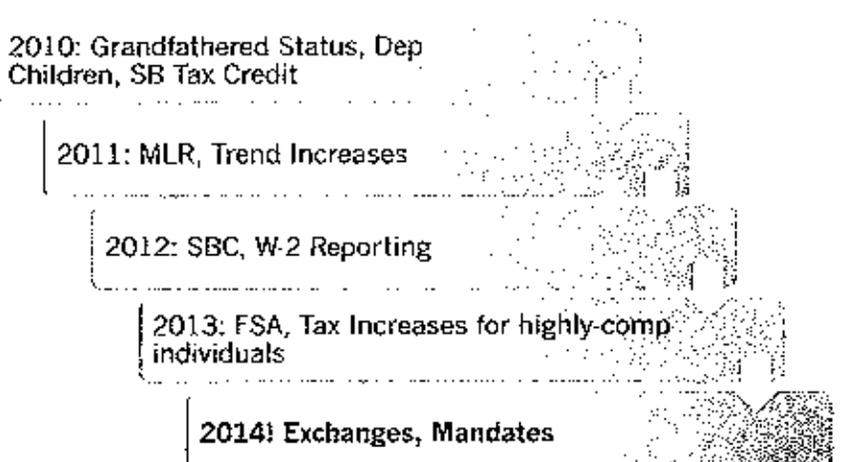
Deadlines & Regulations

2010	2011	2012	2013	2014
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EbenConcepts
Employment Benefits
Risk Solutions

Timeline



- 2010: Grandfathered Status, Dep Children, SB Tax Credit
- 2011: MLR, Trend Increases
- 2012: SBC, W-2 Reporting
- 2013: FSA, Tax Increases for highly-comp individuals
- 2014! Exchanges, Mandates

EbenConcepts
Employment Benefits
Risk Solutions

2014

Individual Mandate

- All American citizens and legal residents to purchase qualified health insurance coverage.
 - Exceptions (which really aren't exceptions):
 - religious objectors
 - individuals not lawfully present
 - incarcerated individuals
 - taxpayers with income under 100 percent of poverty, and those who have a hardship waiver
 - members of Indian tribes
 - those who were not covered for a period of less than three months during the year
 - People with no income tax liability
 - Undocumented workers



2014

Individual Mandate

- Were you insured for the whole year through a combination of any of the following sources?
 - Medicare
 - Medicaid or the Children's Health Insurance Program (CHIP)
 - TRICARE (for service members, retirees, and their families)
 - The veteran's health program
 - A plan offered by an employer
 - Insurance bought on your own that is at least at the Bronze level
 - A grandfathered health plan in existence before the health reform law was enacted

If so – no penalty to be paid...



2014

Individual Mandate

Other new ways out....

- Individual is eligible for expanded Medicaid but live in a state that does not expand
- The cost of paying for EE only coverage is more than 8% of household income (if less, EE must purchase it)
- The cost of paying for family coverage is more than 8% of household income, no mandate that EE purchases coverage for entire family

If so – no penalty to be paid...



2014

Individual Mandate

"Individual Responsibility Penalty"

- 2014:
 - \$95 per adult and \$47.50 per child (up to \$285 for a family) or
 - 1.0% of family income whichever is greater.
- 2015
 - \$325 per adult and \$162.50 per child (up to \$975 for a family) or
 - 2.0% of family income whichever is greater.
- 2016 and beyond
 - \$695 per adult and \$347.50 per child (up to \$2,085 for a family) or
 - 2.5% of family income whichever is greater.




2014

Individual Mandate

• But it could be even higher...



PHARMA & HEALTHCARE | HEALTH CARE COSTS | 2/18/2014

Health Insurers to Obama: Make Obamacare's Individual Mandate Stronger



2014

Health Insurance Marketplaces

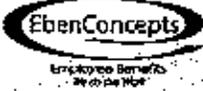
AHB Marketplaces for Individual Purchasers

- Open to individuals whose:
 - employers do not offer coverage
 - employer-sponsored coverage is deemed inadequate or unaffordable
 - are ineligible for Medicaid
- The only place where premium subsidies can be received

SHOP Marketplace for Small Employers

- Open to individuals who are employed by employers with less than 50 FTEs
- No premium subsidies – employer receives 50% tax credit for the non-elective costs of coverage

fka Exchanges
officially changed 1/16/13



2014

Health Insurance Marketplaces

Main purposes

- Marketplace where individuals and small employers will be able to shop for insurance coverage.
- Facilitate the sale of qualified benefit plans to individuals, including new federally administered multi-state plans and non-profit "CO-OP" plans
- Determine if non-Medicaid eligible individuals can receive a premium credit based on a sliding scale
- Will also direct people to Medicaid if they're eligible
- Must have a website for comparative data about health plan options and create a common enrollment form



2014

Health Insurance Marketplaces

State-based or Federal or a Combination?

- 18 states are setting up their own exchanges
 - Some will have a state-based HIMs
 - Others will have a "partnership" HIMs
 - *Deadline for implementation plan: March 1*
- All other states will fall under the federally-facilitated state HIMs
 - meaning it will be run by the US Government and its contractors



2014

How Premium/Tax Credit Will Work?

- AHB Health Insurance Marketplaces will determine:
 - If the individual satisfies the income and other requirements for advance credit payments
 - Cannot be eligible for "minimum essential coverage," other than coverage in the individual market, defined to include:
 - government-sponsored programs; eligible employer-sponsored programs; grandfathered health plans; and certain other health benefits coverage
 - The amount of the premium tax credit the individual is entitled to
 - Older Americans will be entitled to larger subsidies because of higher costs
 - Make the advance payments to the insurer in which the individual enrolls

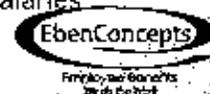


2014

How Premium/Tax Credit Will Work?

Actual credit for the tax year computed on a tax return with the amount of advance payments must be reconciled with their annual taxes

- if a taxpayer's credit amount is greater than the amount of the taxpayer's advance payments for a tax year
 - the taxpayer may receive the excess as an income tax refund
- if a taxpayer's advance payments are greater than the taxpayer's credit amount
 - the taxpayer owes the excess as an additional income tax liability
- We are advising employers to be prepared to remind new employees about notifying exchange about new salaries



2014

Role of Employer Information

Employers will have to provide information to Marketplaces to assist in determining an employee's eligibility for subsidy

- Confirm eligibility for group coverage
- Confirm contribution percentage
- Confirm benefits meeting standard

Just because they might be eligible for other coverage does not mean that your employee might not still buy from HIM

- ...just may not be eligible for a subsidy
Exception for family coverage subsidy is forthcoming...



2014

Who falls where?

Family Size	Individual	Health care exchange	Eligible costs for Family coverage
1	\$0 to \$14,856	\$14,857 to \$44,680	\$30.95 - \$353.72
2	\$0 to \$20,123	\$20,123 to \$60,520	\$41.92 - \$479.12
3	\$0 to \$25,390	\$25,390 to \$76,360	\$52.90 - \$604.52
4	\$0 to \$30,657	\$30,657 to \$92,200	\$63.87 - \$729.92
5	\$0 to \$35,923	\$35,923 to \$108,040	\$74.84 - \$855.32
6	\$0 to \$41,190	\$41,190 to \$123,880	\$85.81 - \$980.72
7	\$0 to \$46,457	\$46,457 to \$139,720	\$96.79 - \$1,106.12
8	\$0 to \$51,724	\$51,724 to \$155,560	\$107.17 - \$1,231.52

To see what the subsidy amounts look like:
<http://healthreform.kff.org/SubsidyCalculator.aspx>



2014

Small Employer Options

- New Market Options
 - **AHB Marketplace**
 - **SHOP Marketplace**
 - **Small Group Market**

EbenConcepts
Employee Benefits
Middle Market

2014

Taxes and Fees

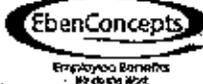
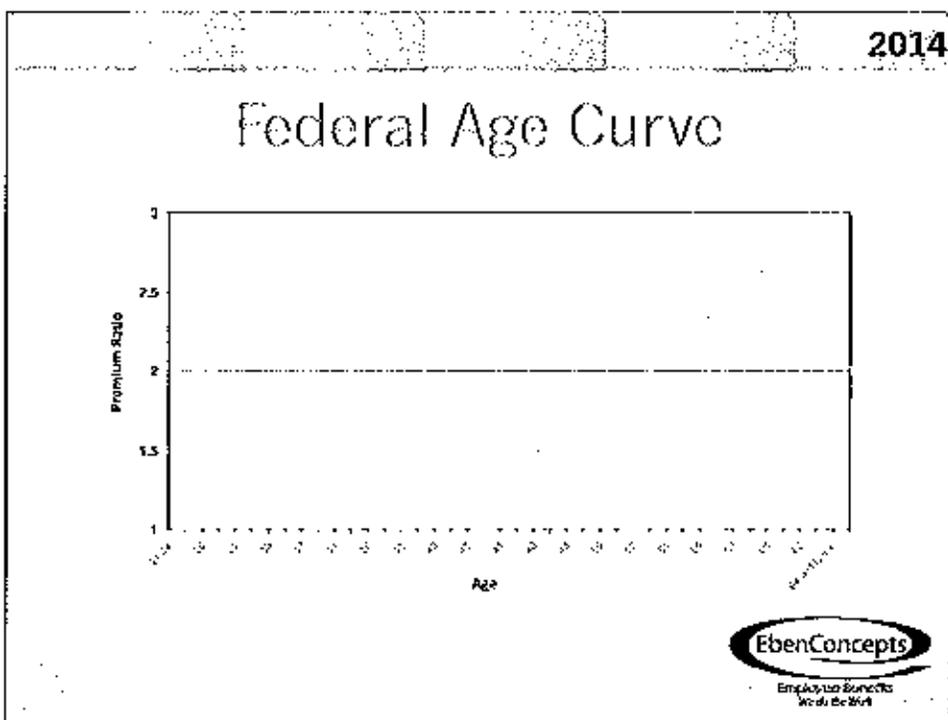
- Imposes annual taxes on health insurers based on net premiums (premium tax)
 - Estimated to raise \$101.7B over 10 years
- Fee will be charged to cover reinsurance for the individual market - \$20B to be collected from 2014-16
 - A federally-established amount will be collected during first 3 yrs
 - Designed to spread risk among carriers in individual market
 - Current estimates:
 - \$63/participant for first year transitional reinsurance program
 - \$47 second year (projected)
 - \$26 third year (projected)
 - Applies to all fully-insured and self-funded plans, including COBRA
 - Will be collected by insurers and TPAs

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Middle Market

2014

Rating Changes

- Strict modified community rating standards for pricing all small group and individual products
 - Premium variations only allowed for age (3:1), tobacco use (up to 50%), family composition and geography
 - Age bands: 0-20, 21-63, 64 or older
 - Prefer one-year bands for 21-63 other two categories must be single rates
 - Geographic regions to be defined by the states and experience rating would be prohibited.
 - Wellness discounts are allowed for group plans under specific circumstances.
 - Grandfathered groups are exempt from these changes

2014

Market Reforms

- Coverage must be offered on a guarantee issue basis in all markets and be guarantee renewable.
 - Preexisting conditions limitations prohibited
- Prohibition on any annual limits or lifetime limits in all group (even self-funded plans) or individual plans
- Allows catastrophic-only policies available for those under 30 and certified exempt because of affordability or hardship



2014

Employer Mandate

- Requires large employers to offer coverage to their employees and that those benefits meet certain minimum standards and maximum contribution levels
- What does it not do?
 - PART-TIME EMPLOYEES:
 - Does not mandate coverage for those who are working less than 30 hours a week -- they would be covered through the Exchanges
 - SMALL EMPLOYERS
 - Does not apply to employers with less than fifty employees who work thirty (30) or more hours a week or less than 50 FTEs
 - Small groups and their employees could buy coverage through the Exchanges or the open market

33% of Small Employers believe mandate applies to them



2014

Employer Mandate

There is no true requirement to buy:

- “Pay or Play”
 - If an employer does not offer health benefits to their employees, then they will pay a penalty
- Quality or Pay
 - If the plan doesn't meet the coverage levels required, then the employer pays a penalty
- Limit contributions or pay
 - If the amount that an employee pays is more than a certain threshold, the employer pays a penalty



2014

Exceptions?

December 28, 2012 Guidance:

- All employers that employ at least 50 full-time employees or an equivalent combination of full-time and part-time employees are subject to the Employer Shared Responsibility provisions, including:
 - for-profit employers
 - non-profit employers
 - government entities



2014

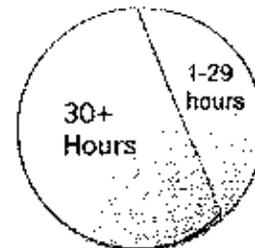
FTEs and FT Employees

FTEs: How many hours do each employee work?

- Impacts whether the group must comply with mandates
- Going to focus on this first...

FT Employees: How many employees work thirty hours or more a week?

- Who must be offered benefits and the basis for measurement of penalties



2014

Determining the FTE count

How many total employees do you have?

- Employees who work thirty or more hours per week will each count as ONE toward the total
- How do you count those who work less?
 - Consistently work less than 30 hours
 - Fractions of 1
 - Example: Always works 25 hours per week = 0.8333

If more than 50 FTEs, mandates apply

- Unless the "over 50" is not for more than four months in the prior calendar year



2014

Work consistent hours

Some employees work usual hours and some have variable schedules

- Look to normal schedule
 - Salaried or Hourly – assign hours based on schedule
 - Most salaried, full-time employees will always be counted as one FTE
- If schedule changes regularly, follow “variable hour employee” method
 - Those whose numbers of hours work may change from week to week are called “variable hour employees”



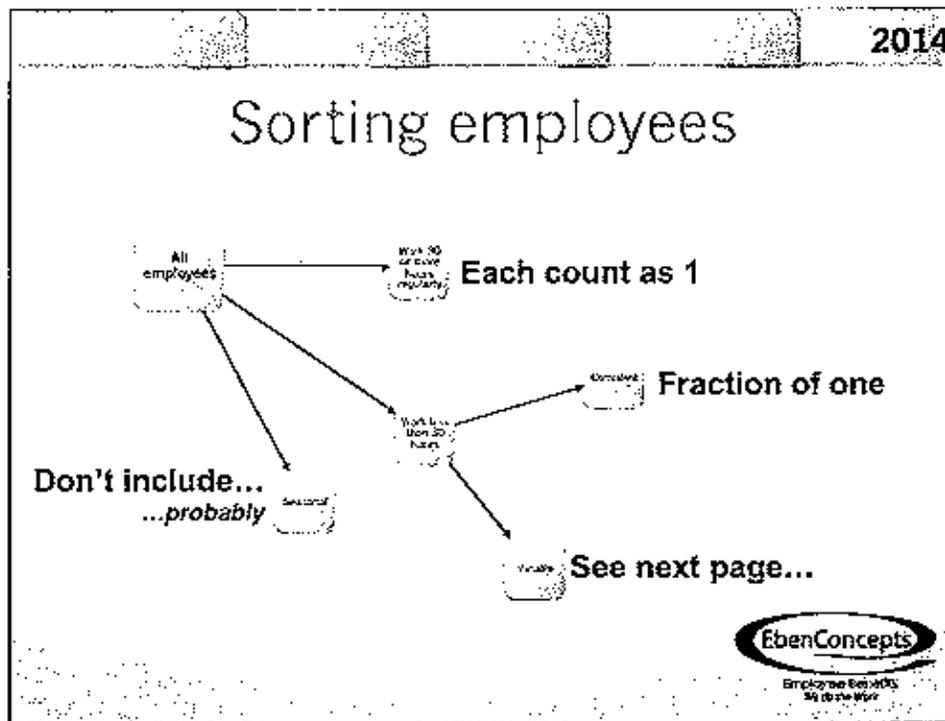
2014

Seasonal Employees

Most will not be counted toward FTE count or eligible for benefits

- A seasonal employee is defined in the context of whether the employer is subject to the shared responsibility requirements
- These requirements indicate that a seasonal employee is works 120 days or less during the calendar year
 - However, it does NOT appear that an employee working more than 120 days automatically would lose seasonal status
 - *Labor is performed on a seasonal basis where, ordinarily, the employment pertains to or is the kind exclusively performed at certain seasons or periods of the year and which, from its nature, may not be continuous or carries on throughout the year*
- Employer must make a “good faith interpretation” of whether employees are or are not seasonal
- Further guidance is definitely needed...





2014

Variable Hour Employees

Measurement period

- how many hours worked during this period and determine what each employee's hours are (for the FTE count) and to see if they are eligible (for FTE count)
- Could be any length of time between 3 and 12 months

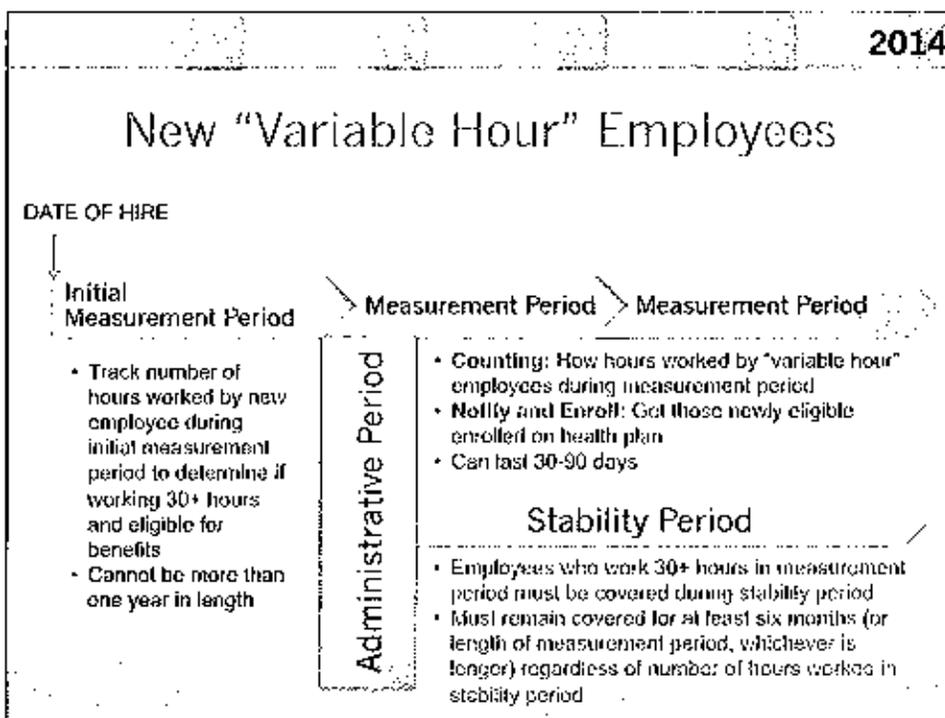
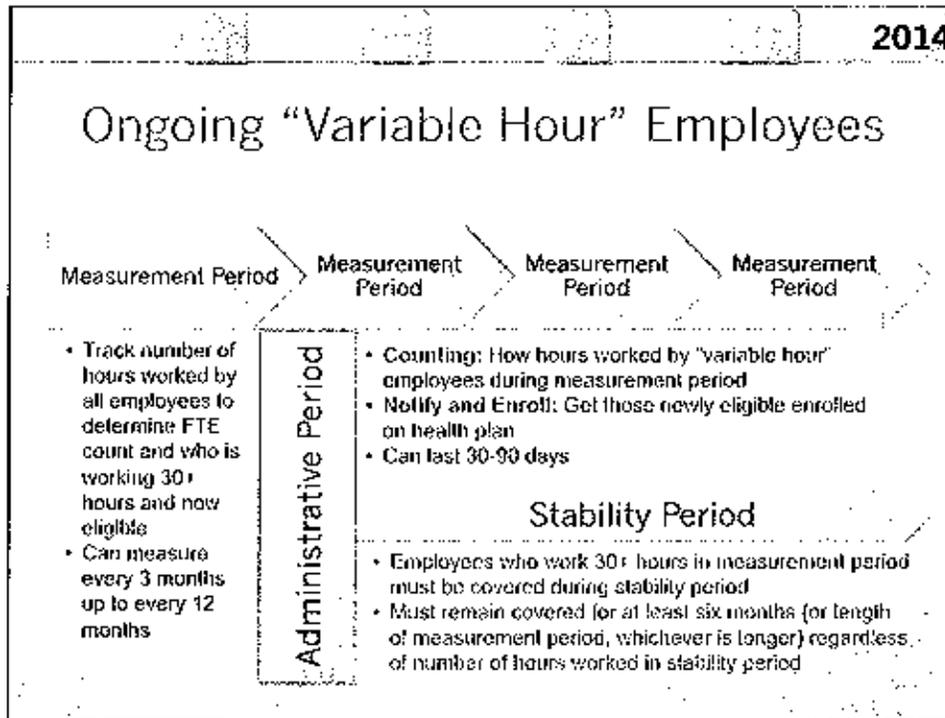
Administrative period

- Time period during which you are doing the counting for measurement period (cannot be longer than 90 days, or one month is measurement period is twelve months)
- Counting, notifying those newly eligible, enrolling

Stability period

- Variable hour employee is working more than thirty hours during the measurement period – remain eligible for benefits during the stability period
- Period must be the same period as the measurement period or 6 months, whichever is longer

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2014

Stability Period Exception

- Worked more than 30 but not expected to on an ongoing basis
 - Hired to work part-time or not sure if full or part-time (seasonal) and 30+ hour average during measurement period:
 - If representative of hours to be worked: eligible
 - If not, not eligible
 - Example:
 - Sally works an average of 25 hrs a week
 - However for a three month period, she works full-time to fill in for someone...
 - Since the number of hours worked was not represent what Sally would normally work, then she would not be eligible to go on health plan.
 - Document this determination



2014

So are you a “large employer”

- Example:
 - Work more than 30 hours a week
 - 30 employees
 - Work less than 30 hours a week, but a consistent number of hours each week
 - 40 employees who work 20 hours/week (on average)
 - Variable hour employees
 - 5 employees
 - two over 30 hours
 - three work average of 25 hours/week



2014

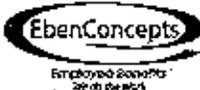
So are you a “large employer”

Now add it up

- Group 1: 30
- Group 2: 26.667
- Group 3: 2 + 2.5
- TOTAL: 61+ FTEs

Conclusion

- **Employer Pay or Play Mandate applies**
 - Only required to cover those employees who work 30 or more hours a week
 - Adding two variable hour employees who worked over 30 hours for a stability period



2014

Common Ownership

What if there are multiple employers which are commonly owned?

- Common Law Test
- Control Group rules apply (IRC §414(c))
 - Look at percentage of ownership

0-20%	20-50%	50-80%	80-100%
<ul style="list-style-type: none"> • Rarely found to have common ownership 	<ul style="list-style-type: none"> • Assumed to not have common ownership • Burden on employer to show why there is common ownership 	<ul style="list-style-type: none"> • Assumed to have common ownership • Burden on employer to show why there is NOT common ownership 	<ul style="list-style-type: none"> • Common ownership



2014

Common Ownership

- Multiple owners at different shares of different businesses
 - Look at the common percentage of ownership among the various businesses
- Why does this matter?
 - Business 1: 20 employees
 - Business 2: 40 employees
 - Business 3: 5 employees
 - On their own, none have the mandate
 - Under common ownership, all three must offer coverage to their respective employees



2014

Common Ownership

- If multiple entities
 - Considered as one to determine whether the employer mandate applies
 - Each entity responsible for their share of the penalty for either not offering or for other penalties
 - Focusing penalty on noncompliant instead of entire group of companies



2014

Must offer coverage to...

All full-time employees

- Working 30 or more hours a week, meaning...
 - Each hour the employee is paid for working
 - Each hour the employee is paid but not working due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence

Their eligible dependent children up to the age of 26 years

- **NOT** required to offer to spouse

But I don't consider 30 hours full-time?

- Doesn't matter...



2014

What doesn't count as offering coverage

Employer cannot provide cash or reimbursements to help employees buy individual coverage

- Specifically prohibited:
 - Using HRA dollars to buy individual coverage or purchase through the exchange
 - Limiting HRA contribution amounts for stand-alone HRAs
- Employer payments will keep an employee from being eligible for a subsidy
- This rule applies to small group too...



2014

Play-or-Pay Penalty

Large Employer and Do Not Offer Coverage

- \$2,000 per FT Employee annual penalty
- Credit for 30 (or \$60,000) under current rules
- Example:
 - 75 FTEs but only 40 FTs within group, but no coverage offered
 - Penalty: \$20,000 annually
 - The penalty is an excise tax, which means it will be paid with after tax dollars (increasing the "real" value of the penalty by the effective tax rate)
 - Companies taxed as a partnership will have the penalty paid by their owners



2014

Play-or-Pay Penalty

- There are new anti-abuse provisions to prevent employers from using temporary staffing agencies to evade their obligations under PPACA
- Example: One individual performs services as an employee of an employer, and another performs the same or similar services for that employer in the purported employment at a temporary staffing agency or other staffing agency of which the employer is a client, then all the hours of service are attributed to the employer



2014

Unaffordable Coverage

The rule: Coverage is deemed "unaffordable" if the employee spends more than 9.5% of their household income

- Example:
 - Employee pays \$250 per month for coverage
 - Employer pays penalty for each employee who makes less than \$31,250 annually

Problems with the rule...

- Do you know your employees' household income?
- Do you want to know?
- What about paying for dependent coverage?



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We do it right

2014

Unaffordable Coverage

Three "safe havens" for affordability question

- **W-2 Safe Harbor:** Affordability is based on:
 - the employee is paying less than 9.5% of the employee's W-2 (Box 1) income for self-only coverage
- **Pay Safe Harbor:** Affordability is based on:
 - For salaried employees: monthly salary
 - For hourly employees: the hourly rate of pay x 130 hours/mo
 - If the employee's required monthly contribution for self-only coverage does not exceed 9.5% of the monthly wages, the employer coverage would be affordable
- **FPL Safe Harbor:** Affordability is based on:
 - the federal poverty level for a single individual
 - if the employee contribution for self-only coverage does not exceed 9.5% of the FPL, the employer coverage would be deemed affordable for all employees.



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2014

Unaffordable Coverage

EXAMPLE: Employee earns \$9.50/hour, but monthly cost of employee only coverage is \$148.75

- **W-2 Safe Harbor:**
 - Box 1 income is gross income after pre-tax deductions
 - EE earns \$19,750, but \$1,785 on a pre-tax basis = Box 1: \$17,975
 - FAILS 9.5% of Box 1 income: \$142.30 less than \$148.30
- **Pay Safe Harbor:**
 - Hourly rate of pay (\$9.50) x 130 hours/mo = \$1,235.00
 - FAILS 9.5% of \$1,235: \$117.32 is less than \$148.30
- **FPL Safe Harbor:**
 - Federal Poverty Level: \$11,170
 - FAILS 9.5% of FPL: \$88.43 is less than \$148.30



2014

Unaffordable Coverage

- Problem: Employee contributions fall below 9.5% for EE only coverage, but what about covering family?
 - Medicaid? Probably won't qualify...
 - Exchanges? FINAL ANSWER (for now): No subsidies because employee is "eligible" for group coverage



2014

Unaffordable Coverage

Penalties if "unaffordable" coverage

- \$3,000 per affected employee annual penalty (no reduction)
- Capped at the employer's maximum penalty for not offering coverage
- Example:
 - 75 FTEs within group, but only 40 FT employees
 - 5 employees spend more than 9.5% of their income for EE only coverage
 - Penalty: \$15,000 Excise Tax
 - Capped at \$20,000
- If they don't go to exchanges – no penalty

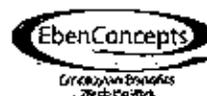


2014

Inadequate Benefits

If benefits are not "minimum level"

- Each plan must have benefits at or above the actuarial value of the "bronze" level benefit
- If benefits do not meet that level, \$3,000 per employee excise tax penalty
 - Capped at the employer's maximum penalty for not offering coverage
- Who is responsible for actuarial determination?
 - Employer or insurance company? Depends
 - How do you determine if a plan is creditable or noncreditable for Medicare Part D notices?
 - Employer ultimately responsible



2014

Inadequate Benefits

- What does not count as minimum essential coverage?
 - Various insurance products: accidental death and dismemberment, disability, general liability, automobile liability, workers' compensation, credit-only, and coverage for employer-provided on-site medical clinics.
 - Limited-scope dental or vision benefits, long-term care benefits, and benefits provided under certain health flexible spending arrangements.
 - policies covering "only for a specified disease or illness" (for example, cancer-only policies)
 - fixed indemnity insurance (for example, a policy that pays a fixed dollar amount, such as \$100, per day of hospitalization or illness regardless of the amount of medical expense incurred.)
 - Medicare supplemental policies (Medigap or MedSupp insurance), TRICARE supplemental policies, or supplemental coverage under a group health plan.



2014

How caught?

- Just one employee gets coverage from Exchange would cause employer to be reviewed for penalties
 - But if offered to 95%, no penalty – let's something slip through the cracks and not create significant issue
- How will they know?
 - Each individual's income **must** be reviewed to determine the level of premium subsidy that they are eligible for
 - HIMs will obviously review tax information for each applicant and therefore they find employers not offering coverage
 - W-2 Reporting



2014

Monthly or Annual?

- For an employer that offers coverage (or coverage unaffordable or benefits below standard) for some months but not others during the calendar year
 - Payment is computed separately for each month
 - Example:
 - amount of the payment for the month equals the number of full-time employees the employer employed for the month (minus up to 30) multiplied by 1/12 of \$2,000



2014

Appeals

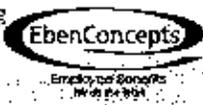
- Just created process to appeal penalty determinations or decisions
 - 90 days to file
 - Very flexible opportunity to provide information
 - Some deference to employer on eligibility and contribution rules
 - Benefit adequacy testing may be the carrier responsibility



2014

What are larger businesses considering?

- Drop employer coverage completely
 - Pay the \$2,000 penalty and absorb productivity issues
- Keep existing coverage and not add other populations
 - Pay \$3,000 per non-covered employee penalty
- Reduce number of hours worked by certain employees to stay below 30 hours each week
- Drop employer coverage and subsidize employee coverage through exchanges
 - Pay \$2,000 penalty and pay all or some portion of coverage cost
 - Other issues:
 - Employees not eligible for subsidies if they are receiving some employer money
 - Employer cannot use HRA to give money tax-free to EEs



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Web 401(k)

2014

The option most employers are taking...

- Continue employer-based coverage
 - Employee recruitment and retention
 - Keeping tax advantages of employer based coverage
 - Retain flexibility with plan design, risk and cost
 - Cheaper to provide benefits than pay employees more
 - Not offering coverage doesn't eliminate reporting mandates



Forbes

Wake up CEOs: You're about to Lose Your Best Employees

2014

Transition

What about non-calendar year plans?

- If in existence as of December 31, 2012:
 - 50+ FTEs: If employer offers employees affordable coverage that satisfies the minimum value requirement by the first day of the plan year starting in 2014 – no penalty
 - All employers: may permit participants who pay for health coverage through a cafeteria plan to make one mid-year election change to drop the coverage to enroll in Exchange coverage.
 - may also permit employees who previously declined employer coverage to enroll in that coverage through the cafeteria plan, even if they had experienced no change in status event.
 - Must amend plan to permit these election changes by December 31, 2013



2014

Essential Health Benefits (EHB)

The law requires health plans offer a comprehensive package of items and services

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and Substance use disorder services
- Prescription drugs
 - Plans must cover at least one drug per class or the same number of drugs per class as the state's EHB benchmark plan, whichever is greater
- Rehabilitative services and devices
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care



2014

Essential Health Benefits (EHB)

- The law requires health plans offered in the individual and small group markets, both inside and outside of the Exchanges, offer a comprehensive package of items and services
 - Standards will not apply to large group (100+) or self-funded, but may not meet employer mandate requirements if they don't comply
 - Multiple levels available based on actuarial equivalents
 - Metal standards: Platinum, Gold, Silver & Bronze
 - State mandates will be included within each state's EHB



2014

Essential Health Benefits (EHB)

- Health insurance companies will define maximum cost-sharing amounts, benefit mandates, and other minimum covered benefits based on benchmark plans
 - What is a benchmark plan?
 - Largest of the three small group products
 - Largest of the commercial non-Medicaid HMO
 - Largest of the three state employee plan
 - Largest of the three federal employees plans
 - Benchmark Plan: new deadline: 12/31/12
 - 17 states have set EHB Plans
 - If no choice is made, the largest small group plan is default benchmark
 - Most states will do this



2014

Essential Health Benefits (EHB)

- Cost sharing and deductible limits
 - Annual max out-of-pocket – align with HSA limits
 - \$6,350 self only
 - \$12,500 family coverage
 - Deductible
 - \$2,000 self only
 - \$4,000 family coverage
 - A plan may exceed the cap if it cannot reasonably reach a level of coverage without doing so

Employer contributions to HSA and HRA reimbursements can “lower” deductibles in risk-sharing model



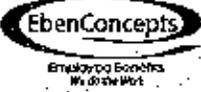
2014

What is actuarial value?

- Estimate of the overall financial protection provided by a health insurance plan – how measured?
 - Four level of benefits, based on % insurance pays of all covered benefits
 - Flexibility allowed +/- 2% of actuarial value

		Coverage Levels			
		Metal Tier	Actuarial Value Target*		
Less out of pocket ↑ ↓ More out of pocket	Platinum	90%	Richer benefits ↑ ↓ Less Rich Benefits		
	Gold	80%			
	Silver	70%			
	Bronze	60%			

Tax credits and subsidies are tied to the Silver plan



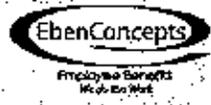
2014

What is actuarial value?

- Different health plans can offer a mix of benefits and cost sharing to achieve the same actuarial value.
- Credit will be given toward AV for employer contributions to HSA or HRA reimbursements

Alternate Plan Designs with 70% Actuarial Value

	Plan 1	Plan 2
Actuarial Value	70%	70%
Deductible	\$1,500	\$1,900
Max Out-of-pocket	\$5,950	\$2,975



Plan Design Comparison Summary

Plan 1: 70% AV, \$1,500 Deductible, \$5,950 OOP

Plan 2: 70% AV, \$1,900 Deductible, \$2,975 OOP

Benefit Category	Plan 1	Plan 2
Medical
Dental
Prescription
Life Insurance
Disability
Health Savings Account (HSA)
Health Reimbursement Account (HRA)

Notes: This table provides a detailed comparison of various benefit components between Plan 1 and Plan 2. It includes details on deductibles, out-of-pocket maximums, and specific benefit features like dental, vision, and life insurance. The actuarial value for both plans is 70%.

2014

Essential Health Benefits (EHB)

Impact:

- Increased premiums
 - Rich benefits
 - Minimal out of pocket
 - Increased mandates
- Most significant increase in the individual market



What happens from here?

Regulatory Process

- Numerous federal agencies in charge of drafting rules for implementing law
- What's expected soon?
 - Exchange – state and federally-facilitated
 - Essential Health Benefit Plans
 - Further clarification on employer rules -- who's part-time, how to calculate EE contributions, minimum coverage

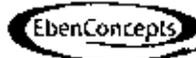
State Implementation

- Legislatures, Governors, Insurance Commissioners



Preventative Maintenance

- Your team will work with you at renewal to identify issues that need to be resolved now
 - Taking steps now to avoid issues for 2014



Compliance Review

Reviewing Status Today &
Preparing for 2014

EbenConcepts

- We are actively involved in the “next steps”
- We will be updating our clients regularly
 - COBRA Subsidy
 - HIRE Act compliance work today
 - Modified HCR Notices
- We will work cooperatively with our clients to find the best product, to protect their status as grandfathered plans, and to continue to advocate for your needs with carriers or administrators



Questions?

David C. Smith
dcsmith@ebenconcepts.com



Robert O. Oakes, Jr.
Mayor

Doug Remaley
Mayor Pro Tem

Cliff Ogburn
Town Manager



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Fax 252-441-0776
www.nagsheadnc.gov

Anna D. Sadler
Commissioner

M. Renée Cahoon
Commissioner

Susie Walters
Commissioner

Budget Workshop – May 29, 2013 – 2:00 p.m.

4. Tax discount – I would like to suggest that we no longer offer the 1% discount for payment by September 1 for a savings of \$50,000

Robert O. Oakes, Jr.
Mayor

Doug Remaley
Mayor Pro Tem

Cliff Ogburn
Town Manager



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Commissioner

Susie Walters
Commissioner

Budget Workshop – May 29, 2013 – 2:00 p.m.

5. Summary of Changes to recommended budget to date

159,490	10-3150	Add .70 to tax rate to keep townwide support of beach renourishment consistent
1,785	10-3180	Add .70 to DMV tax rate to keep townwide support of beach renourishment consistent
2,550	10-3180	Add penny for parks and path to DMV tax rate
125,000	10-3990	Increase use of Fund Balance from unspent Contingency
-4,325	10-3340	Adjust CAMA grant to 75/25 not 80/20
30,875	10-3302-01	Move Fire grant to fy 14-15 from 13-14
-1,250	10-3310	Eliminate NCLM Safety grant
2,000	10-3420	Increase beach driving permit revenues
20,000	10-324045	Increase hold harmless based on current year actual
	10-3140	Eliminate 1% tax discount (50,000)

336,125 Change in revenues

2,300	440-5440	increase audit fee
22,000	440-5218	increase unemployment based on revised estimate
4,042	440-5102	increase vacant position salary
272	440-5206	increase vacant position benefits
243	440-5208	increase vacant position benefits
41	440-5210	increase vacant position benefits
277,448	900-5900-82	increase contribution to CRF to keep townwide beach nourishment funding consistent
3,485	420-5210	increase 401k funding to 2% for town match
3,372	440-5210	increase 401k funding to 2% for town match
1,199	441-5210	increase 401k funding to 2% for town match
4,975	490-5210	increase 401k funding to 2% for town match
2,715	500-5210	increase 401k funding to 2% for town match
3,615	530-5210	increase 401k funding to 2% for town match
1,944	555-5210	increase 401k funding to 2% for town match
3,620	580-5210	increase 401k funding to 2% for town match
968	610-5210	increase 401k funding to 2% for town match
13,188	730-5210	increase 401k funding to 2% for town match
531	792-5210	increase 401k funding to 2% for town match
32,500	730-5664	move Fire FEMA grant from FY12-13 to FY13-14
-1,250	730-5666	Eliminate NCLM Safety Grant
2,500	610-5104	Add overtime dollars for police for Marathon

379,708 Change in Expenditure

-43,583 Net Change

4,263	720-5785	add vendor financing, omitted due to software error
695	720-5210	increase funding for 401k to 2% with employee match
488	725-5210	increase funding for 401k to 2% with employee match
1,949	810-5210	increase funding for 401k to 2% with employee match
1,568	818-5210	increase funding for 401k to 2% with employee match

8,963