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Requested By: BOARD OF SUPERVISORS
Navajo County Recorder - Laurette Justman
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ORDINANCE NO. 61 -04

AN ORDINANCE OF THE NAVAJO COUNTY BOARD OF SUPERVISORS, ESTABLISHING THE NAVAJO COUNTY EMPLOYEE HEALTH BENEFITS TRUST FUND PURSUANT TO A.R.S. § 11-981.

Whereas, A.R.S. § 11-981 provides that the County may establish a self-insurance program for the management and administration of a system for the direct payment of benefits, losses or claims, or any combination of insurance and direct payments, to provide health, accident, life or disability benefits for employees and officers of the County and their dependents; and

Whereas, section 11-981 further provides that if the County establishes such a self-insurance program, the Board of Supervisors shall place all funds into a trust fund in amounts as determined appropriate by the Board; and

Whereas, section 11-981 further provides that the Board of Supervisors shall designate a risk management consultant or insurance administrator licensed pursuant to Title 20, Chapter 2, Article 3 or 9 of the Arizona Revised Statutes, and such license shall be verified by the Board; and

Whereas, section 11-981 further provides that the trust fund shall be administered by at least five joint trustees, of whom no more than one may be a member of the Board of Supervisors and no more than one may be an employee of the County; and

Whereas, section 11-981 further provides that the trustees must be bonded; and

Whereas, section 11-981 further provides that the trust fund must incorporate a stop-loss provision; and

Whereas, section 11-981 further provides that an annual audit of the trust fund must be performed by an external auditor and a copy of the report must be kept on file in the office of the Clerk of the Board of Supervisors for a period of not less than five years; and

Whereas, section 11-981 further provides that the County shall not make any expenditure from the trust fund for any purpose not specified in the statute; and

Whereas, section 11-981 further provides that expenditures during the fiscal year from the trust fund and monies in the trust fund at the close of the fiscal year shall not be subject to the provisions of Title 42, Chapter 17, Article 3 of the Arizona Revised Statutes (Local Government Budgeting Process); and

Whereas, section 11-981 further provides that the authority granted to the County by the statute is not subject to the provisions of Title 20 of the Arizona Revised Statutes, except that any health, life, accident or disability benefit plan shall conform to the benefits required by the provisions of Title 20; and

Whereas, the County wishes to establish an employee health benefits trust fund pursuant to section 11-981 for the management and administration of a system for direct payment of benefits, losses or claims, or any combination of insurance and direct payments, to provide health benefits for employees and officers of the County and their dependents (and such other allowable purposes as the Board of Supervisors may authorize from time to time by amendment of this Ordinance),

Now, therefore, be it ordained by the Board of Supervisors of Navajo County as follows:

Section 1 – Establishment of trust fund.

There is hereby established the Navajo County Employee Health Benefits Trust Fund. The County Manager is directed to segregate all funds previously and hereafter budgeted for trust fund purposes as described in this Ordinance and to maintain the trust fund separate and apart from the County general fund. This Ordinance and the trust fund established herein shall supersede and replace any and all prior documents and funds relating to the same subject matter.

Section 2 – Purpose of trust fund.

The purpose of the trust fund is to provide for the payment of administrative costs, claims adjusting costs, claims, reserves for anticipated claims, insurance costs including premiums, external audit and other expenses related to the operation of the County's program of health benefits for employees and officers of the County and their dependents . Each year, the Board of Supervisors, upon recommendation from the County Manager, will determine the amount deemed appropriate for this purpose.

Section 3 – Designation of risk management consultant or insurance administrator.

Pursuant to A.R.S. § 11-981, the Board of Supervisors will designate a licensed risk management consultant or insurance administrator licensed pursuant to Title 20, Chapter 2, Articles 3 or 9 of the Arizona Revised Statutes, and such license shall be verified by the Board at the time of the designation.

Section 4 – Administration of trust fund.

A. Trustees. The trust fund shall be administered by five joint trustees who shall serve in an advisory capacity at the sole pleasure of the Board of Supervisors. The Board shall appoint the five trustees, of whom no more than one may be a member of the Board and no more than one may be an employee of the County. A majority of the trustees shall constitute a quorum for the purpose of conducting business.

B. Duties. The trustees shall meet at least once each year and shall make recommendations thereafter to the Board of Supervisors, through the County Manager, regarding the investment and administration of the trust fund. The trustees shall submit an annual report to the Board through the County Manager relating to the status of the trust fund and making such recommendations as the trustees deem necessary and appropriate. The Human Resources Director and Finance Director shall coordinate the activities of the trustees and assist in the facilitation and administration of the trust fund in whatever manner is appropriate and necessary.

C. Bonding Requirements. The trustees shall be bonded in the same manner and procedure as for County employees.

D. Stop Loss Provision. Pursuant to the provisions of the County's employee health benefits program, only a certain portion of the claims exposure will be self-insured. Fiscally sound and appropriate levels of self-insured retention shall be recommended by the County Manager and Finance Director in consultation with the trustees and the insurance administrator and shall be established and approved by the Board.

E. Annual Audit. An annual audit shall be performed by an external auditor and a copy of the report shall be kept on file in the office of the Clerk of the Board of Supervisors for a period of not less than five years. The Finance Director shall coordinate this audit.

F. Expenditures from Trust Fund. There shall be no expenditures from the trust fund for any purpose not specified in Title11, Chapter 7, Article 5 of the Arizona Revised Statutes and the terms and conditions of the County's employee health benefits program as set forth in the program documents.

Section 5 – Trust fund not subject to budget law.

Expenditures during the fiscal year from the trust fund and money in the trust fund at the close of the fiscal year shall not be subject to the provisions of Title 42, Chapter 17, Article 3 of the Arizona Revised Statutes.

Section 6 – Lapse of trust fund.

In the event the trust fund is no longer used by the County for the purposes stated in this Ordinance and in A.R.S. § 11-981, the fund shall revert during that fiscal year to the County general fund and account.

Section 7 – Payment of benefits, losses and claims.

The County has established and hereby ratifies an employee health benefits program which combines the purchase of insurance and self-insurance to deal with health-related claims involving County employees and officers and their dependents.

Section 8 – Administration of claims within self-insurance retention.

With regard to any claim which is within the retention limits established by the County, the responsibility for administering and adjusting such claim shall be with the Human Resources Director and the risk management consultant or insurance administrator designated pursuant to Section 3. The Board of Supervisors shall be supplied with an annual report reflecting, among other things, the number and amount of claims paid during that fiscal year. Quarterly reports shall be submitted to the County Manager.

Passed, adopted and approved at Holbrook, Arizona on May 17, 2004.

NAVAJO COUNTY BOARD OF SUPERVISORS

By R DeSpain
J. R. DeSpain
Chairman

ATTEST:

Kathy Hub, Deputy Clerk for
Judy Jones, Clerk of the Board