



MEMORANDUM

Date: February 26, 2020

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "C.H. Huckelberry", is written over the typed name and title.

Re: **Budgeted Employee Benefit Costs**

Each year, before finalizing the Recommended Budget, I provide the Board of Supervisors with information regarding cost increases associated with employee benefits. I am providing this information again this year for your information. The overall increase of benefits is largely beyond the County's control, with few exceptions. An increase in employee benefits consumes resources that could otherwise be directed to programs.

This year, budgeted benefits will increase in overall cost from \$158.9 million to \$164.2 million, an increase of approximately \$5.3 million. The largest benefit cost increase occurs in the employer's share of health insurance premiums that are increasing by \$3.2 million. This particular benefit cost has been well-managed in the past. This cost and increase could be shifted to the employee; however, given the past performance of our Self Insurance Medical and Health Program, which has had no cost increase in the previous three years, the eight percent this year (equivalent to \$3.2 million) is to be expected. It is appropriate the County fund this increase.

The other major cost increase occurred in our retirement plans. The plan that covers almost all of our employees, the Arizona State Retirement System, increased in cost by \$1.7 million and the Public Safety Personnel Retirement System (PSPRS) increased by \$1.3 million. Retirement costs are also largely out of the County's management, with one exception, that being control over overtime as it may contribute to increased pension costs, particularly for those employees nearing retirement. I have asked the Sheriff to closely monitor overtime after our quantitative analysis associated with overtime from federal grants demonstrated such was potentially a significant contributor to our increased pension costs in the PSPRS.

Overall, these benefit costs are manageable, but require analysis each year to determine how best to minimize cost increases. The two major cost components – retirement and health insurance – are out of our control since we do not control increases associated with the cost of providing medical services and retirement is largely out of our control, with the one exception of managing overtime payments more proactively in the future.

Attachment

c: Jan Leshar, Chief Deputy County Administrator
Michelle Campagne, Director, Finance and Risk Management
Robert Johnson, Deputy Director, Finance and Risk Management

Pima County
 Fiscal Year 20/21 Requested Budget
 FY20/21 Requested VS FY19/20 Adopted

	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	School Reserve Special Programs	Total
FY20/21 Requested Budget								
FTE	4,795.04	1,720.07	-	-	482.00	173.00	6.95	7,177.06
5409 - Social Security & Medicare	19,072,532	6,084,614	-	-	1,950,400	748,020	26,494	27,882,060
5410 - Unemployment Insurance	113,144	36,026	-	-	11,540	4,423	156	165,289
5411 - Health Insurance Premiums	31,137,028	9,937,414	-	-	3,495,528	1,185,273	37,165	45,792,408
5412 - Workers Compensation	3,138,840	1,155,766	-	-	443,917	91,083	589	4,830,195
5413 - Life Insurance	154,299	53,484	-	-	16,201	5,876	306	230,166
5415 - Employer Paid Subsidy	81,312	14,208	-	-	4,512	4,224	-	104,256
5416 - Arizona State Retirement	21,840,579	8,282,769	-	-	3,105,010	1,175,202	38,630	34,442,190
5417 - Correction Officer Retirement - Judicial Employees	2,700,436	2,663,222	-	-	-	-	-	5,363,658
5418 - AZ Public Safety Retirement - County Attorney	354,842	33,409	-	-	-	-	-	388,251
5419 - Elected Official Retirement	3,408,253	-	-	-	-	-	-	3,408,253
5420 - Public Safety Retirement	23,040,043	167,993	-	-	-	-	-	23,208,036
5421 - Corrections Officer Retirement	8,619,131	49,237	-	-	-	-	-	8,668,368
5422 - Dental Insurance Premiums	442,670	147,144	-	-	48,929	15,771	574	655,088
5431 - Budgeted Benefits	(1,269)	-	-	-	-	-	-	(1,269)
5435 - Parking Subsidy	11,020	4,755	-	-	1,040	100	-	16,915
5438 - Elected Officials Retirement '2014'	-	-	-	-	-	-	-	-
5457 - HSA Contribution - Employer	6,017,512	2,165,476	-	-	667,002	238,000	12,000	9,099,990
Object Total Excluding FTE	120,130,372	30,795,517	-	-	9,744,079	3,467,972	115,914	164,253,854

	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	School Reserve Special Programs	Total
FY19/20 Adopted Budget								
FTE	4,738.32	1,707.70	-	-	499.50	166.00	-	7,111.52
5409 - Social Security & Medicare	18,289,059	5,936,240	-	-	1,970,652	734,947	-	26,930,898
5410 - Unemployment Insurance	109,525	35,440	-	-	11,763	4,381	-	161,109
5411 - Health Insurance Premiums	28,607,371	9,548,652	-	-	3,253,644	1,161,314	-	42,570,981
5412 - Workers Compensation	3,840,178	1,354,306	-	-	517,180	108,525	-	5,820,189
5413 - Life Insurance	152,950	54,577	-	-	16,745	5,638	-	229,910
5415 - Employer Paid Subsidy	77,992	18,720	-	-	6,624	3,840	-	107,176
5416 - Arizona State Retirement	20,476,151	8,020,487	-	-	3,105,470	1,162,355	-	32,764,463
5417 - Correction Officer Retirement - Judicial Employees	2,458,060	2,425,969	-	-	-	-	-	4,884,029
5418 - AZ Public Safety Retirement - County Attorney	379,924	35,506	-	-	-	-	-	415,430
5419 - Elected Official Retirement	3,458,267	-	-	-	-	-	-	3,458,267
5420 - Public Safety Retirement	21,787,694	156,406	-	-	-	-	-	21,944,100
5421 - Corrections Officer Retirement	7,721,264	29,894	-	-	-	-	-	7,751,158
5422 - Dental Insurance Premiums	572,305	195,454	-	-	62,957	21,056	-	851,772
5431 - Budgeted Benefits	1,306,067	389,316	-	-	88,294	30,428	-	1,814,105
5435 - Parking Subsidy	15,440	5,080	-	-	2,080	-	-	22,600
5438 - Elected Officials Retirement '2014'	47,055	-	-	-	-	-	-	47,055
5457 - HSA Contribution - Employer	6,069,020	2,203,681	-	-	664,002	232,001	-	9,168,704
Object Total Excluding FTE	115,368,322	30,409,728	-	-	9,699,411	3,464,485	-	158,941,946

	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	School Reserve Special Programs	Total
Change (AFTER - BEFORE)								
FTE	56.72	12.37	-	-	(17.50)	7.00	6.95	65.54
5409 - Social Security & Medicare	783,473	148,374	-	-	(20,252)	13,073	26,494	951,162
5410 - Unemployment Insurance	3,619	586	-	-	(223)	42	156	4,180
5411 - Health Insurance Premiums	2,529,657	388,762	-	-	241,884	23,959	37,165	3,221,427
5412 - Workers Compensation	(701,338)	(198,540)	-	-	(73,263)	(17,442)	589	(989,994)
5413 - Life Insurance	1,349	(1,093)	-	-	(544)	238	306	256
5415 - Employer Paid Subsidy	3,320	(4,512)	-	-	(2,112)	384	-	(2,920)
5416 - Arizona State Retirement	1,364,428	262,282	-	-	(460)	12,847	38,630	1,677,727
5417 - Correction Officer Retirement - Judicial Employees	242,376	237,253	-	-	-	-	-	479,629
5418 - AZ Public Safety Retirement - County Attorney	(25,082)	(2,097)	-	-	-	-	-	(27,179)
5419 - Elected Official Retirement	(50,014)	0	-	-	-	-	-	(50,014)
5420 - Public Safety Retirement	1,252,349	11,587	-	-	-	-	-	1,263,936
5421 - Corrections Officer Retirement	897,867	19,343	-	-	-	-	-	917,210
5422 - Dental Insurance Premiums	(129,635)	(48,310)	-	-	(14,028)	(5,285)	574	(196,684)
5431 - Budgeted Benefits	(1,307,336)	(389,316)	-	-	(88,294)	(30,428)	-	(1,815,374)
5435 - Parking Subsidy	(4,420)	(325)	-	-	(1,040)	100	-	(5,685)
5438 - Elected Officials Retirement '2014'	(47,055)	0	-	-	-	-	-	(47,055)
5457 - HSA Contribution - Employer	(51,508)	(38,205)	-	-	3,000	5,999	12,000	(68,714)
Object Total Excluding FTE	4,762,050	385,789	-	-	44,668	3,487	115,914	5,311,908