




MEMORANDUM

Date: March 30, 2021

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

From: C.H. Huckelberry
County Administrator 

Re: **Preparation of the Fiscal Year 2021/2022 Budget: Comparison of Major Cost Components**

Increase in Personnel Benefits

Typically, the largest single increase in the budget relates to personnel benefits. Attached is an analysis of personnel service benefits in Fiscal Year (FY) 2020/21 compared with the same benefits in FY 2021/22 and the changes that have occurred between these fiscal years. (Attachment 1)

As you can see, the total increase in benefits is nearly \$12.3 million with \$8.6 million of those costs impacting the County's General Fund. The largest increase this year is in health insurance premiums. In previous years, these premiums have been held significantly lower due to our establishment of a self-insurance program. I previously indicated to the Board that this year we would need to make an adjustment to retain operational fund balances in accordance with our actuarial experience. This means the premiums increased by 11.48 percent for this year, with only one other increase of 8.61 percent in the last six years.

The second largest increase in benefits relates to the various retirement plans of the County. Their net increase is \$3.2 million with the largest increase of \$1.9 million occurring in the Public Safety Personnel Retirement System (PSPRS). (Attachment 2) This year, we will finance the unfunded liability of that plan at an interest rate significantly lower than that charged by the PSPRS. Increases in the future should be somewhat moderated.

Benefits as a Percentage of Salary

Another interesting fact relates to benefits as a percentage of salary. Attachment 3 shows the percentage of benefit cost as a relationship to actual salary or compensation paid to an employee. For example, with Sheriff's deputies and sergeants, for every \$1 of compensation paid to the individuals by the County, the County also pays over \$1 for employee related benefits.

Supplemental Requests

Supplemental requests for the Board's consideration exceeds \$13 million in costs in the following areas:

The Honorable Chair and Members, Pima County Board of Supervisors

Re: **Preparation of the Fiscal Year 2021/2022 Budget: Comparison of Major Cost Components**

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1. Early childhood learning - \$10 million
2. Superintendent of Schools - \$260,468
3. Constables - \$74,871
4. County Attorney - \$850,000
5. Sheriff Vail District - 672,182
6. Body worn cameras - \$1,143,622

Total: \$13,001,143

Total Budget and Budget Exceedance Discussion on the April 20, 2021 Board of Supervisors Agenda

On the Agenda for April 20, 2021 is a discussion of the Adopted Fiscal Year 2020/21 budget of \$1.422 billion be exceeded by \$150 million based on Coronavirus Relief Funding. These expenditures that caused the County to exceed our adopted budget are unforeseen and required. Therefore, the purpose of the Agenda item is to have the Board formally acknowledge this exceedance caused by a nationwide public health emergency.

It is also likely the budget for FY 2021/22 will exceed \$2 billion, primarily related to the need to budget for the unfunded liability payment of the PSPRS of \$300 million. Additional grants from the Coronavirus Pandemic related to either the Consolidated Act and other miscellaneous appropriations of grants for eviction relief and a portion of the American Recovery Plan Act allocation to the County of approximately \$102 million over two fiscal years that must be spent before 2024.

These are just a number of considerations that are presently being analyzed in preparation for the FY 2021/22 budget that will be sent to the Board by the beginning of May 2021.

CHH/anc

Attachments

c: Jan Leshar, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer,
Health and Community Services

ATTACHMENT 1

Pima County
Fiscal Year 21/22 Requested Budget
Year to Year Benefits Comparison

Object Code and Name	General Fund	Special Revenue	Enterprise	Internal Service	School Reserve Special Programs	Total
FY21/22 Requested Budget						
901F - FTE	4608.49	1677.37	465.95	163.00	3.45	6,918.26
5409 - Social Security & Medicare	18,386,846	5,917,434	1,882,720	704,279	18,124	26,909,403
5410 - Unemployment Insurance	150,280	48,273	15,343	5,736	147	219,779
5411 - Health Insurance Premiums	33,959,966	11,193,981	3,753,725	1,292,593	25,989	50,226,254
5412 - Workers Compensation	3,024,007	1,149,147	425,017	97,504	403	4,696,078
5413 - Life Insurance	152,704	55,584	15,760	5,333	170	229,551
5415 - Employer Paid Subsidy	57,216	10,368	3,360	1,728	-	72,672
5416 - Arizona State Retirement	21,429,336	8,280,040	3,047,203	1,122,365	26,200	33,905,144
5417 - Correction Officer Retirement - Judicial Employees	2,571,080	2,860,452	-	-	-	5,431,532
5418 - AZ Public Safety Retirement - County Attorney	480,464	31,970	-	-	-	512,434
5419 - Elected Official Retirement	3,419,600	-	-	-	-	3,419,600
5420 - Public Safety Retirement	24,550,451	604,463	-	-	-	25,154,914
5421 - Corrections Officer Retirement	8,451,526	47,662	-	-	-	8,499,188
5422 - Dental Insurance Premiums	890,490	277,045	97,978	31,654	681	1,297,848
5431 - Budgeted Benefits	-	28,788	-	-	-	28,788
5435 - Parking Subsidy	15,582	3,620	1,300	100	-	20,602
5457 - HSA Contribution - Employer	6,123,874	2,313,109	655,002	231,000	6,000	9,328,985
5469 - Short-term Disability	1,132,137	362,022	118,452	43,228	1,148	1,656,987
Object Total Excluding FTE	124,795,559	33,183,958	10,015,860	3,535,520	78,862	171,609,759

Object Code and Name	General Fund	Special Revenue	Enterprise	Internal Service	School Reserve Special Programs	Total
FY20/21 Adopted Budget						
901F - FTE	4548.63	1647.6	475.00	164.00	4.95	6,840.18
5409 - Social Security & Medicare	18,238,962	5,874,023	1,930,620	713,940	22,637	26,780,182
5410 - Unemployment Insurance	108,212	34,784	11,423	4,223	134	158,776
5411 - Health Insurance Premiums	29,865,642	9,754,725	3,468,170	1,153,212	27,895	44,269,644
5412 - Workers Compensation	3,023,982	1,130,418	435,271	89,118	503	4,679,292
5413 - Life Insurance	146,657	52,293	16,066	5,571	238	220,825
5415 - Employer Paid Subsidy	77,184	14,208	4,896	4,224	-	100,512
5416 - Arizona State Retirement	20,557,452	8,080,210	3,081,310	1,120,763	32,469	32,872,204
5417 - Correction Officer Retirement - Judicial Employees	2,535,342	2,566,222	-	-	-	5,101,564
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	226,737	-	-	-	23,266,780
5421 - Corrections Officer Retirement	8,619,131	49,237	-	-	-	8,668,368
5422 - Dental Insurance Premiums	424,207	145,269	48,716	15,325	468	633,985
5431 - Budgeted Benefits	59,894	-	-	-	-	59,894
5435 - Parking Subsidy	11,020	4,755	1,040	100	-	16,915
5438 - Elected Officials Retirement '2014'	-	-	-	-	-	-
5457 - HSA Contribution - Employer	5,691,012	2,101,476	658,002	228,000	8,000	8,686,490
5469 - Short-term Disability	-	-	-	-	-	-
Object Total Excluding FTE	116,161,835	30,067,766	9,655,514	3,334,476	92,344	159,311,935

Object Code and Name	General Fund	Special Revenue	Enterprise	Internal Service	School Reserve Special Programs	Total
Change (Requested - Adopted)						
901F - FTE	59.86	29.77	(9.05)	(1.00)	(1.50)	78.08
5409 - Social Security & Medicare	147,884	43,411	(47,900)	(9,661)	(4,513)	129,221
5410 - Unemployment Insurance	42,068	13,489	3,920	1,513	13	61,003
5411 - Health Insurance Premiums	4,094,324	1,439,256	285,555	139,381	(1,906)	5,956,610
5412 - Workers Compensation	25	18,729	(10,254)	8,386	(100)	16,786
5413 - Life Insurance	6,047	3,291	(306)	(238)	(68)	8,726
5415 - Employer Paid Subsidy	(19,968)	(3,840)	(1,536)	(2,496)	-	(27,840)
5416 - Arizona State Retirement	871,884	199,830	(34,107)	1,602	(6,269)	1,032,940
5417 - Correction Officer Retirement - Judicial Employees	35,738	294,230	-	-	-	329,968
5418 - AZ Public Safety Retirement - County Attorney	125,622	(1,439)	-	-	-	124,183
5419 - Elected Official Retirement	11,347	-	-	-	-	11,347
5420 - Public Safety Retirement	1,510,408	377,726	-	-	-	1,888,134
5421 - Corrections Officer Retirement	(167,605)	(1,575)	-	-	-	(169,180)
5422 - Dental Insurance Premiums	466,283	131,776	49,262	16,329	213	663,863
5431 - Budgeted Benefits	(59,894)	28,788	-	-	-	(31,106)
5435 - Parking Subsidy	4,562	(1,135)	260	-	-	3,687
5457 - HSA Contribution - Employer	432,862	211,633	(3,000)	3,000	(2,000)	642,495
5469 - Short-term Disability	1,132,137	362,022	118,452	43,228	1,148	1,656,987
Object Total Excluding FTE	8,633,724	3,116,192	360,346	201,044	(13,482)	12,297,824

ATTACHMENT 2

FY 2021/22 Requested Retirement Contributions versus FY 2020/21 Adopted for all plans and funds:

Comparison of Year-to-Year Changes in Retirement Plan Costs FY 2020/21 Adopted to FY 2021/22 Requested			
Retirement Plan	FY 2020/21 Adopted Cost	FY 2021/22 Requested Cost	Increase/ Decrease
Administrative Office of the Courts - Probation Officer Retirement Plan	\$5,101,564	\$5,431,532	\$329,968
Arizona State Retirement System (ASRS)	32,872,204	33,905,144	1,032,940
Corrections Officers Retirement Plan (CORP)	8,668,368	8,499,188	(169,180)
County Attorney Investigators Retirement Plan	388,251	512,434	124,183
Elected Official Retirement Plan (EORP)	3,408,253	3,419,600	11,347
Public Safety Personnel Retirement System (PSPRS)	23,266,780	25,154,914	1,888,134
Totals	\$73,705,420	\$76,922,812	\$3,217,392

CORP – The original CORP defined benefit plan closed to new members effective July 1, 2018. After that date, new members of the plan were required to participate in a new defined contribution plan. This resulted in a second tier of County contributions to CORP for new employees.

AOC-Probation Officers Retirement Plan – As of July 1, 2018, new Probation Officers have the choice of participating in a defined benefit or a defined contribution plan.

EORP–Elected Officials Retirement Plan – Prior to FY 2018/19, the County’s employer contribution rate was set by statute at 23.5 percent. The plan was underfunded and the statutory employer rate was unsustainable. State legislation enacted in 2020 allowed for employer contributions to be determined actuarially based on the plan’s funding requirements. The FY 2021/22 employer contribution rate is set actuarially at 61.43 percent.

PSPRS and CORP - rates will decrease significantly once we fund \$300M of our \$343M combined unfunded liabilities for these plans and obtain updated actuarial reports.

ATTACHMENT 3

**FY 2021/22 Benefits as a Percentage of Salary
Based on FY 2021/22 Requested Budget**

Benefit	Average County Employee	All Elected Officials Excluding Judges & Constables	Superior Court Judges	Court Judges Other Than Superior Court Judges	Constables	Sheriff's Deputies & Sergeants	Corrections Officers	AOC Probation	County Atty Criminal Investigator
Workmen's Comp	0.17%	0.17%	0.14%	0.14%	2.55%	2.55%	2.55%	2.55%	0.14%
FICA	6.20%	6.20%	0.00%	0.00%	6.20%	6.20%	6.20%	6.20%	6.20%
Retirement Rate	12.22%	61.43%	61.43%	61.43%	61.43%	79.93%	35.29%	37.06%	74.02%
Medicare	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
Unemployment	<u>0.06%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.06%</u>	<u>0.06%</u>	<u>0.06%</u>	<u>0.06%</u>
Total Variable	20.10%	69.25%	63.02%	63.02%	71.63%	90.19%	45.55%	47.32%	81.87%
Fixed									
Dental	0.09%	0.06%	0.06%	0.04%	0.07%	0.08%	0.10%	0.10%	0.09%
Life Insurance	0.06%	0.04%	0.05%	0.03%	0.05%	0.06%	0.07%	0.07%	0.06%
Medical	13.43%	9.22%	9.45%	5.84%	10.54%	11.46%	14.66%	15.00%	13.34%
Total Benefits as a Percentage of Salary	33.69%	78.58%	72.59%	68.93%	82.29%	101.78%	60.40%	62.50%	95.37%

Note 1: Medical and dental rates are consistent with rates used for vacant positions in PB.

Note 2: Average county employee's salary assumed to be 52,569 for 2,080 hours.

Note 3: Using 76,600 as the salary for All Elected Officials Excluding Judges & Constables.

Note 4: Using 74,692 as salary for Superior Court Judges.

Note 5: Using 120,953 as the average salary for Court Judges Other Than Superior Court Judges.

Note 6: Using 67,000 as the average salary for a Constable.

Note 7: Using 61,633 as the average salary for a Deputy/Sergeant.

Note 8: Using 48,157 as the average salary for a Corrections Officer/Specialist/Sergeant.

Note 9: Using 47,069 as the average salary for an AOC Probation employee.

Note 10: Using 52,941 as the average salary for a County Attorney Criminal Investigator.