




MEMORANDUM

Date: June 22, 2016

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

From: C.H. Huckelberry
County Administrator 

Re: **Fiscal Year 2016/17 Employee Compensation**

As indicated at Tentative Budget Adoption, I am now providing the Board of Supervisors with my recommendation regarding employee compensation for next fiscal year. I have given this subject a great deal of thought and had, at one time, considered providing a number of options. However, I believe a specific recommendation is the most appropriate at this time. The Board may accept, reject or modify my recommendation.

I. INTRODUCTION

A. Fundamental Concepts of Recommended Employee Compensation

The recommendation I am making regarding employee compensation is based on five principles that I believe are key to achieving a balanced, fair and sustainable employee pay plan for the coming year. These concepts are discussed below.

1. Appropriate and reasonable, given the regional average or median wage within the community. County employees provide public services to the community, and they live and work with other employees in the region, in both the public and private sectors. It is important that any pay raise take into consideration the average or median wage of County employees as compared to other private and government employees within our region.

The attached graph shows the wage distribution of all County employees and the number of employees by wage block. Represented in blue are all County employees except commissioned law enforcement and correction officers. Superimposed on this graphic in red are law enforcement and correction officers.

As can be seen, County wages (median \$39,000) relate to the median income within the entire region (\$33,000). A County wage increase would not be appropriate if the County's average or median wage were substantially above that of the private sector or other employment sectors in Pima County. They are not; therefore, it is appropriate to consider a salary/wage increase for the coming fiscal year.

2. Provide Real Income Growth to Lower Paid County Employees. During the Great Recession that began in 2007 and because of wage stagnation, it can be argued that lower wage employees have been the most affected by the economic recession; hence, they deserve first consideration in elevating wages, increases, and cost of living impacts. Deference for wage increases should be weighted toward lower wage employees. My recommendation provides the largest percentage increases to the lower paid employees.
3. Proportionate to the Value of the Employee Class to the County and Community. This, unfortunately, is a controversial measure; often politically distorted by specific employee organizations and groups taking advantage of community concerns. In my opinion, some of our most valuable employees are the least paid; for example, our custodial and clerical staff. Frankly, they perform some of the most difficult jobs. However, I do recognize that in some job descriptions and responsibilities are more important to be conducted correctly and are potentially more dangerous than others. I will acknowledge in my recommendation that some job classifications and services are potentially more important than others; however, I do so with a degree of reservation.
4. Must be Fiscally Sustainable without Significant Future Tax Increase. It would be simple to recommend a substantial wage increase and let the next Board or County Administration worry about how to fund it in the future. Such is irresponsible. It is important that any recommendation I make regarding a wage increase for this fiscal year be fiscally sustainable and not unduly burden any future Board or Administration. It must also not rely on a tax increase not yet enacted by the Board.
5. Funding Pay Raises with One-time or Recurring Revenues. Providing a pay raise to County employees is an ongoing/reoccurring expense that does not decrease in the future. It is important that when considering employee pay raises, the source of revenue to pay for those raises is adequately considered. Providing a significant pay raise with one-time revenues will only create a financial hole for the Board when adopting the next year's budget. I will not recommend a pay increase with substantial reliance on one-time revenues. The funds for employee pay raises must be substantially recurring and rely on one-time revenues only to the extent those one-time allocations can be converted to recurring revenues within one fiscal year.

The order of magnitude of a County pay raise was put in perspective early on when the Pima County Sheriff's Deputy Association requested pay raises that would have cost the County \$17 million for just 920 employees. An across-the-board, annual, five percent raise for all 5,328 other County employees would cost approximately \$18 million. This is more than the

amount for which the County filed suit against the State for unlawful property tax transfers last year. Hence, the numerous proposals by Sheriff unions were, from the beginning, fiscally unsustainable.

Given the probable order of magnitude of an employee pay raise, such should be funded with a mix of actual recurring revenues and one-time revenues, with a clear plan to convert the one-time revenues to recurring after a single fiscal year. This will ensure the County does not begin to incur a structurally unbalanced budget. Hence, I believe it is important to understand the difference between recurring and one-time revenues allocated to an employee pay raise and that there be a clear plan to ensure any pay raise becomes funded with recurring revenues during the second fiscal year after which it is given.

II. RELATIONSHIP BETWEEN BENEFITS AND PAY TO TOTAL COMPENSATION

Total compensation is the combination of employer-paid benefits and salary. The County provides significant benefits to our employees, perhaps the best of any regional employer in the public or private sector. These benefits range from substantial contributions to employee State retirement plans to medical insurance where the employee pays little, if any, of the premium. In fact, for our employees who take advantage of all of the offered health insurance premium discounts, there is essentially no out-of-pocket health insurance premium cost.

In addition to these nearly no-cost health insurance premiums, the County also provides a significant contribution to an employee's Health Savings Account (HSA), \$2,000 to an employee with family/spouse coverage and \$1,000 for employee only coverage. These contributions to the HSA of employees will cost the County \$8.1 million this year.

In last year's and this year's budget, the County has borne the majority of the cost of employee retirement benefits. For example, the County's contribution to the retirement plans for Sheriff's Deputies over the last two years has increased by \$4 million. This is equivalent to a 5.9 percent pay raise for deputies; since the deputies will, upon retirement, receive these contributions through retirement benefits. The same is true for regular County employees, but to a significantly lesser degree.

When considering pay raises, it is very important to consider the level and amount of benefits provided by the employer. I will be recommending the rate of increase for employee benefits be reduced in the future and some benefits be discontinued for new employees.

III. ELECTED OFFICIAL, COURTS, DEPARTMENT AND AGENCY MANAGEMENT COMMITMENT NECESSARY TO ENSURE FISCALLY SUSTAINABLE PAY INCREASES

In the past, when the County has authorized compensation increases, in some cases, they were on the condition that departments, agencies and others create a savings within their department to fund the pay increase. This is the case when the County authorized a 50-cent per hour across-the-board pay increase in Fiscal Year 2014/15. We have also given certain pay raises in previous years with the requirement that a certain component of the increase be achieved through budget savings and/or attrition. At the time the raise was given, no one objected to funding pay raises within their own budget. Usually, a short time later, department and agency heads and/or elected officials or the courts complained in the following budget year they needed the pay raise funding added to their budget because the Board authorized a pay increase and did not fund it.

Any pay increase given this year will include, as a component, a small percentage of the raise being absorbed in the elected official, court, department and/or agency budget. Hence, before any funds are transferred to employees within a specific elected official, court, department or agency office, I will ask the agency head to certify they clearly understand the funding required for the proposed salary adjustment and are fully prepared to meet the necessary internal budget reduction and/or specified percentage of attrition necessary to meet the fiscally sustainable criteria I previously discussed regarding employee compensation and/or salary increases. If they do not, funds will not be transferred to that elected official, court, department and/or agency, and their employees will not receive a pay raise.

IV. PAY PLAN PROPOSAL FOR COUNTY EMPLOYEES, INCLUDING SHERIFF CIVILIAN EMPLOYEES

The FY 2016/17 pay plan I am recommending for all eligible County employees, including civilians employed in the Pima County Sheriff's Department, is detailed below. As can be seen, it is weighted toward lower paid employees. These pay increases will be effective with the pay period beginning August 21, 2016 and will be given to all eligible employees. Full eligibility requirements will be provided to employees following the approval of any pay plan by the Board. Further, before any salary adjustment is given to employees in departments, agencies, elected officials' offices, or the courts, the responsible management official must certify their compliance with the budget savings measures outlined in this memorandum to ensure the long-term financial sustainability of the pay adjustment. Finally, any new employee hired after July 1, 2016 is not eligible for this pay increase.

I will recommend the Board approve raises for all County employees as follows:

- 6 percent for employees earning \$35,000 or less per year;
- 5 percent for employees earning between \$35,001 and \$55,000 per year;

- 3.5 percent for employees earning between \$55,001 and \$90,000 per year; and
- 2 percent for employees earning over \$90,001 per year.

Employees at the beginning of the 5 percent, 3.5 percent and 2 percent thresholds will receive a slightly higher salary adjustment to ensure a balanced transition between thresholds. Table 1 below shows the fiscal impact of these raises.

**Table 1: FY 2016/17 Budgeted Base Salary Percentage Increase
 Distribution Chart, Effective August 21, 2016.**

General Fund							
Salary Range	Percentage Increase	Number of Employees	Percentage of Employees	Cumulative Percentage	Salary	Variable Benefits	Total
\$35,000 and below	6.0%	1,025	32%	32%	1,560,398	316,221	1,876,619
\$35,001 to \$55,000	5.0%	1,272	40%	72%	2,318,783	498,243	2,817,026
\$55,001 to \$90,000	3.5%	710	22%	94%	1,446,236	305,347	1,751,583
\$90,001 and above	2.0%	193	6%	100%	386,255	110,133	496,388
Total		3,200	100%		5,711,672	1,229,944	6,941,616
All Funds							
Salary Range	Percentage Increase	Number of Employees	Percentage of Employees	Cumulative Percentage	Salary	Variable Benefits	Total
\$35,000 and below	6.0%	1,551	29%	29%	2,388,546	481,860	2,870,406
\$35,001 to \$55,000	5.0%	2,390	45%	74%	4,414,582	952,308	5,366,890
\$55,001 to \$90,000	3.5%	1,126	21%	95%	2,273,039	471,105	2,744,144
\$90,001 and above	2.0%	265	5%	100%	523,570	137,649	661,219
Total		5,332	100%		9,599,737	2,042,922	11,642,659

Notes:

1. Only budgeted filled positions are included; vacant positions are excluded.
2. Job classifications excluded: Correction Officer, Correction Sergeant, Deputy Sheriff and Sergeant

As can be seen by reviewing Table 1 above, 74 percent of County employees will receive a pay increase of 5 percent or greater. This is the largest pay increase in over 10 years.

It should be noted the full year cost of the raise in FY 2017/18 will be \$8.1 million for the General Fund, or \$1.2 million more than the \$6.9 million cost this year. This additional amount must be budgeted for FY 2017/18. Likewise, the total annual cost of the raise will be \$13.5 million for all funds, or \$1.9 million more than this year. For deputies and correction officer raises discussed in the next section of this memorandum, the total annual cost of their raise will be \$4.4 million, or an additional \$800,000 that will be needed in FY 2017/18.

The cost to the General Fund for FY 2016/17 is \$3.8 million for deputies and correction officers. The total cost to the General Fund for FY 2016/17 is approximately \$10.7 million.

V. PAY PLAN FOR DEPUTIES AND CORRECTION OFFICERS

On February 12, 2016, I transmitted to the Board a memorandum detailing all of the pay proposal requests the County had received. In total, the requested salary increases from elected officials, courts and other County departments and agencies exceeded \$32.1 million. We also received three substantially different pay proposals from the Pima County Deputy Sheriff's Association (PCDSA) or the Fraternal Order of Police (FOP); and we received two different compression proposals from the Sheriff. All of the proposals from the PCDSA, FOP and Sheriff were financially unsustainable. The Sheriff's original proposal for decompression would have cost approximately \$7.4 million and would have resulted in 67 employees receiving a pay increase of 30 to 40 percent. Such is both unreasonable and unacceptable.

I asked the Sheriff to restructure his decompression plan, and he provided a plan I can now support with the understanding the Sheriff's Department itself must provide at least \$2 million of one-time and recurring savings to support the plan in FY 2016/17. The Sheriff has agreed to provide these funds, which allows larger pay increases to be given to other County employees. Had the Sheriff not agreed to this financial support, I would have recommended significantly smaller pay increases for deputies and correction officers.

I asked the Sheriff to further reduce the cost of his revised plan to \$3.8 million for his 807 out of 924 deputies and correction officers eligible to receive adjustments. He has done so. It is essential to understand that steps in a pay plan have no relationship to expected progression in the plan, and that any salary adjustments or change from step to step is subject to the annual budget process and appropriation of funds by the Board of Supervisors. It is not, and never has been, a contractual relationship between the County and the employee as erroneously asserted by some.

The Sheriff's proposal included a 2 percent increase for 204 topped out deputy sheriffs and correction officers. Originally, I objected to providing a 2 percent increase to employees now at the top of the step plan because the plan was designed for decompression. However, because all County employees are receiving an increase of at least 2 percent, it is reasonable to provide topped out deputies and correction officers in the Sheriff's Department with a 2 percent salary adjustment.

Because step plans create an expectation of progression, they have been or will be discontinued for all County employees. Beginning in FY 2017/18, all step plans will transition to pay ranges and employee progress in the range based on merit, not longevity.

Today, the average wage of a Pima County Sheriff's Deputy is \$52,322. Adding the 3.65 percent of County-paid additional state retirement plan contribution means the average pay for a Pima County law enforcement officer is \$54,232. This is the amount that needs to be compared with our regional competition for law enforcement. After the Sheriff's recommended decompression salary adjustment, the average wage will be \$58,388, with the 3.65 percent additional County-paid state retirement contribution. These averages do not include premium pay, which may significantly increase these averages. Hence, we will have the second most competitive average actual Sheriff Deputy base salary in the State. Essentially, the only law enforcement with higher average wages is the Maricopa County Sheriff's Office.

The Sheriff's most recent decompression plan moves a deputy/correction officer to rate of pay based on the individual's longevity in the department and is effective in late August 2016. Employees with less than one year of experience in their current classification will not receive an adjustment at that time. Based on the difference in the percentages between steps, no employee will receive more than a 20 percent adjustment in their base salary as the result of this decompression adjustment. The Sheriff's plan presumes the County will continue to pay 3.65 percent of qualifying deputies required employee contributions to the Public Safety Retirement Plan.

Table 2 below shows the distribution of raises for eligible deputies and correction officers.

Table 2: Eligible Deputies and Correction Officers Raise Distribution.

Position Type	2 to 5 Percent	5 to 10 Percent	10 to 15 Percent	15 to 20 Percent	Total
Deputies	130	110	37	105	382
Deputy Sergeants	18	37	0	0	55
Correction Officers	56	171	57	40	324
Correction Sergeants	0	46	0	0	46
Totals	204	364	94	145	807

My main objection to the Sheriff's decompression plan was that it disproportionately rewarded certain employee classes over others. In my view, that was unfair. The Sheriff, however, has restructured his plan to represent a degree of fairness to other employees. Based on my salary recommendation, 74 percent of our employees will get a 5 percent or greater raise. If 5 percent across-the-board raises were given to deputies and correction officers, the cost would be \$3.4 million for a full year. The now recommended step plan will cost \$3.8 million beginning in late August. While this amount is somewhat greater than the across-the-board 5 percent, it is not so dissimilar as to be unreasonable.

VI. FUNDING COMPONENTS OF SALARY ADJUSTMENTS FOR ALL COUNTY EMPLOYEES

In my budget transmittal to the Board dated April 29, 2016 (Pages 31 and 32), I referenced a Property Tax Rate Stabilization and Compensation Fund. In essence, this is a sub-fund of the Budget Reserve Fund. In that April 29 reference, I indicated \$12 million was being reserved to meet the additional fiscal obligations of the additional State Aid to Education imposed by the Property Tax Oversight Commission and to fund a portion of employee compensation adjustments. Because of decreased State cost transfers for Juvenile Corrections and full reimbursement of the Presidential Preference Election, this fund has grown to \$13,226,900 as stated in my May 24, 2016 Tentative Budget Adoption memorandum. Further, because the County prevailed in our litigation against the State, the full amount of the fund is available for stabilizing the tax rate, adding to the planned fund balance, or compensation.

It should be noted that a substantial amount of the funds in this sub-fund of the Budget Reserve are considered one-time funding; hence, some of this fund can legitimately be used for an employee salary increase. However, as cautioned in this memorandum, these one-time funds need to be replaced with recurring revenues in future budget years.

In order to achieve the fiscal model described previously to sustain employee wage adjustments or raises, a number of actions should be taken, including future employee benefits. These are itemized below.

- A. Eliminate Employer Health Savings Account Contributions for New Employees. As stated previously, the County has the richest health insurance benefit program, which includes a County cash contribution to employee health savings accounts (HSAs); \$2,000 for an employee/spouse or employee/family and \$1,000 for an employee only. Due to the richness of our health insurance program, these contributions could be discontinued for new employees only. I recommend we evaluate whether and at what levels to continue County HSA contributions for future years. For example, given the County attrition rate, it is estimated that discontinuing this health insurance benefit for new hires would save the County \$770,000 in the first year of ongoing cost. In FY 2017/18, I will recommend the HSA contribution be a match program, wherein for an employee to receive County funds, the employee must match the employer contribution.
- B. Minimum Health Insurance Premium Contribution for New Employees After January 1, 2017. In reviewing health insurance premiums of other employers, their employees pay substantially more than County employees. In the private sector, these premium costs can sometimes be hundreds of dollars per month. Today, the premium split

between the County or taxpayer and the employee is approximately 86 percent for the County and 14 percent for the employee.

While under insurance plans, as opposed to the self-insurance program, the cost ratio was closer to 80 percent Pima County and 20 percent employee; and in the past, it was closer to 75/25. We need to begin to return to this ratio for purposes of long-term financial stability in providing employee health benefits. To do so will require a change in strategy for the minimum contribution for new employees. I propose new employees pay a minimum of \$10 per pay period, or approximately \$20 per month, for their health insurance. This is still substantially below comparable employers within the region. This will result in \$140,000 in savings annually.

- C. Shared Health Benefit Cost in the Future. As the County transitioned to the self-insurance model, we have covered most of any increases in health insurance costs, which kept premiums paid by employees near zero. In FY 2016/17, the County's share of the health insurance benefit cost is \$40.3 million, or 86 percent, and the employees' share \$6.3 million, or 14 percent. Beginning in FY 2017/18, health insurance cost increases need to be shared equally by the County and employees. For example, if, for any reason, health insurance costs increase \$3 million for FY 2017/18, the County would pay \$1.5 million of the increase and the employees would pay \$1.5 million. It is estimated such a policy will save between and \$1 and \$2 million per year in ongoing costs.

- D. One-percent Attrition Savings for Employee and Benefit Costs. Given the magnitude of the cost of ongoing wage adjustments recommended, I believe it is appropriate the County impose a one-percent, across-the-board attrition savings for personnel services and benefits realized by unfunding existing budgeted vacant positions in each department's tentative adopted budget. This would impact all funds, all agencies, all departments and the courts. Savings from such an action for all funds, including internal service funds, would be \$4.2 million; for the General Fund \$3.2 million. (Note that the amount was recalculated based on total personnel services for a particular department or bureau and excludes grants and most special fund programs.) These savings will offset the ongoing expense attributed to any wage adjustment. There may be some small County agencies whose budgets are driven almost exclusively by personnel costs that will find it difficult to achieve a one-percent savings. I will work with those agencies that have such difficulty as the fiscal year progresses. If departments or agencies, including the Courts, believe this is a management burden, a hiring freeze can be implemented for the first quarter of the budget year to achieve these savings.

- E. Reduced Electrical Energy Costs. The budget includes a reserve of nearly \$3 million for anticipated electrical energy costs related to rate increases proposed by TRICO

and Tucson Electric Power (TEP). These rate increases are currently pending before the Arizona Corporation Commission (ACC). At the \$3 million increase, the rate increase would represent a nearly 20 percent increase in cost. The current rate case of just TEP represents an approximate 14 percent annual increase in cost. We believe the ACC will significantly moderate these rate increases; and as you know, the County has intervened in the rate case but has been a relatively passive participant to date. As I obtain more information regarding the structure of the rate increase and whether it represents the true cost rather than an attempt to shift costs between classes of users or to different users within the same class, it is possible we will become much more active in the rate case. Hence, I would recommend \$1.5 million of the electrical energy increase reserve be freed as ongoing revenue for employee compensation.

- F. Reductions in Specific Budget Line Items. As I began to examine budget line items that are generally funded in every County department and agency, I found it is likely additional savings could be generated by a more detailed review of certain cost categories. They include travel and training accounts, utility accounts, professional services accounts, and a number of other areas. In just the travel and training accounts, over \$645,000 of General Funds is allocated. In all funds, this amount increases to \$2,053,000. I have asked Budget staff to target a \$1 million reduction in all of these accounts that are General Fund related; freeing up \$1 million in recurring revenues for wage and salary adjustments.
- G. Historically Overfunded Departments. Year after year, a number of departments end the fiscal year with a surplus that is returned to the General Fund. It is certainly admirable these departments do so. Some would cite good management; others would simply say they were overfunded. Regardless, it is likely these departments, which are the Assessor and the Treasurer, could fund the wage increase without an additional allocation of funds. Such would further reduce the ongoing expense of wage and salary adjustments by approximately \$347,000.
- H. Conversion of Certain Budget Line Items or Accounts that are Used Intermittently. Two accounts, Board of Supervisors Contingency and Judgments and Damages, are both in the General Fund and represent approximately \$1.27 million. These accounts are used sparingly during the year. These accounts should be converted and transferred to the Budget Reserve; and as emergencies or contingencies arise during the year, it would be a simple matter to appropriate funds from the Budget Reserve for such. Assuming the continued historical trend, it is likely at least half of these funds could be used for the ongoing cost of wage adjustments. I will allocate \$600,000 for this purpose.

- I. Cost of Special Equipment Fit Up for Sheriff Patrol Vehicles. Since the Sheriff will not purchase new patrol vehicles in the coming fiscal year, the significant cost of equipping the vehicles with emergency lights, siren, telecommunications, paint and identification is avoided. This is estimated at approximately \$750,000 for 47 patrol vehicles. Therefore, this is an additional savings that can be applied to Sheriff salary increases. It is, however, a one-time savings.

- J. Overall Mileage Cost Adjustment due to Reduced Fuel Costs. Over the past two years, the County has moved to a new model of charging departments for vehicle and associated fuel costs. In the past, departments paid for most of their vehicle costs via a mileage charge based on the type of vehicle driven. Beginning in FY 2015/16 departments now pay a fixed monthly charge based on the type of vehicle driven and separately pay their own fuel related costs.

The price of Fleet Services purchasing diesel, gasoline and other fuels over the year from the previous budget has varied widely, from as high as an average of \$1.96 per gallon in 2015 to an average of \$1.75 per gallon today. The Fleet Services Department spent \$4.5 million on fuel in FY 2014/15. While budgeting for \$5.1 million of fuel costs in FY 2015/16, the department is on track to spend between \$3 to \$4 million. Fleet Services has budgeted \$5.1 million for fuel in FY 2016/17. As an internal service fund, Fleet Services passes these costs to departments as they purchase fuel in the motor pool charges object.

Presuming that our cost per gallon of fuel remains in the \$1.75 to \$2.00 range, it is reasonable to expect that the County can realize a fuel cost savings of \$500,000 in FY 2016/17 in individual departmental fuel costs.

- K. Elected Officials Not Participating in Information Technology Program. As part of the significant investment the County has made in the last two years in information technology, several Elected Officials are not fully participating in the program. The County has set aside one-time funds in the amount of \$1,238,873, assuming that at some point in time, the Elected Officials would participate in the modernization program of information technology program for hardware, software, systems and networks. Given their reluctance, I recommend these funds be reverted to County use for employee compensation and, if unnecessary, revert to the overall County budget reserve or fund balance.

- L. Cost Savings from Criminal Justice System Reforms. As the Board knows, the County has embarked on a series of criminal justice system reforms designed to improve outcomes for public safety within the community, decrease recidivism, and reduce jail costs. In addition, I have required significant additional efficiencies from our Public Defense Services agency, particularly in reducing costs for contract

attorneys. In many cases, these costs are beyond anyone’s control; but they are important, and they collectively comprise 49 percent of the County’s General Fund budget.

If we are to significantly reduce property taxes in the future, it would only be through significant reforms in the criminal justice system. We have taken very small steps at reform that carry little or no risk; our Drug Alternatives to Prison program, while good, only scratches the surface of reform. Our MacArthur Foundation grant should help reduce our daily jail population, thereby reducing costs in the detention component of the Sheriff’s budget. Further efficiencies and case disposition commitments by the courts will also certainly help.

Criminal justice cost factors are driven by almost all the agencies involved in the system. Actions of one often impact the others. For example, this year, due to arrests for crime by law enforcement, there has been an unusual spike in the felony case filings by the County Attorney – an 11.5 percent increase over last year. This obviously has an effect on public defense costs.

I would expect that beginning this year, with implementation of the MacArthur Foundation grant; our efforts at reducing contract attorney defense costs; and other actions of the various elected officials, agency officials and the courts, we should be able to realize a net reduction of at least \$2 million in operating costs for the criminal justice system component of County government. Such cost savings are considered ongoing savings and could be applied to future compensation adjustments.

Table 3 below summarizes the various cost savings opportunities available for funding additional employee compensation. Each option is classified as one-time or ongoing, and an attainment assessment regarding availability of the revenue is shown.

Table 3: Pay Raise Funding Matrix.

Item	Source	Ongoing Savings	One-time Savings	Amount	Attainment ^{1,3}	Cumulative Weighted Amount ²
A	Eliminate employer HSA contributions for new employees	✓		\$ 770,000	High (AF)	\$ 693,000
B	Minimum health insurance premium contribution for new employees	✓		140,000	High (AF)	126,000

Table 3: Pay Raise Funding Matrix.

Item	Source	Ongoing Savings	One-time Savings	Amount	Attainment ^{1,3}	Cumulative Weighted Amount ²
C	Shared future health benefit costs	✓		1,000,000	High (AF)	900,000
D	One-percent attrition savings	✓		3,200,000	High (AF)	2,880,000
E	Reduced electrical energy costs	✓		1,500,000	Medium (GF)	900,000
F	Reductions in certain budget line items	✓		1,000,000	Low (AF)	300,000
G	Historically overfunded departments	✓		347,000	High (GF)	312,300
H	Conversion of intermittently used budget line items	✓		600,000	High (GF)	540,000
I	Special Equipment Fit-up for new Sheriff vehicles		✓	750,000	High (GF)	675,000
J	Mileage cost adjustment for reduced fuel costs		✓	500,000	Medium (AF)	300,000
K	Elected officials non-participation in Information Technology program		✓	1,238,900	Medium (GF)	743,340
L	Criminal justice reforms	✓		2,000,000	Low (GF)	600,000
Estimated Total Available for Pay Raises⁴						\$8,969,640

Notes

¹The targeted budget reductions to achieve funding for a Countywide pay increase is evaluated as to its attainability, i.e., how likely each savings is to occur given the cost reduction measure. Reduction items are rated High, Medium or Low. High means the projected savings amount is highly likely to be attained; Medium means it is likely but possibly difficult; and Low means some of the savings could be achieved, but achieving a

Table 3: Pay Raise Funding Matrix.

Item	Source	Ongoing Savings	One-time Savings	Amount	Attainment^{1,3}	Cumulative Weighted Amount²
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significant amount may be difficult. These factors are weighted at 90 percent for High, 60 percent for Medium and 30 percent for Low.

²The cumulative weighted amount is the product of the attainment multiplied by the amount projected to be saved. For example, if a cost savings measure is rated High and the amount expected is \$1 million, the achievable amount would be \$900,000.

³The savings in Items A through N are a mix of all funds. In the Attainment column, the General Fund is mixed with All Funds. Those that are exclusively General Fund savings are identified with "GF." All Funds are designed as "AF."

⁴All Non-General Fund departments will be required to cover the entire portion of their salary adjustments within their individual departments. No General Fund support will be provided.

As can be seen, a total of \$8,969,640 could be made available for employee pay raises for all funds toward a needed \$15.4 million. The total amount needed from the General Fund in FY 2016/17 is \$10.7 million. Of this amount, \$5.7 will come from budget adjustments within the individual General Fund departmental expenditure budgets and the remaining \$5 million coming from the Property Tax Rate Stabilization and Compensation Fund included in the General Fund Budget Reserve. The final calculated amount for General Fund support in future years will depend on the success of each cost saving measure.

The remaining \$4.7 million of this year's \$15.4 million in employee salary adjustments will be made by budget adjustments within the County's current enterprise and special revenue funds budgets that include personnel services costs. These funds are required to pay for this increase in employee compensation from their own distinct revenues.

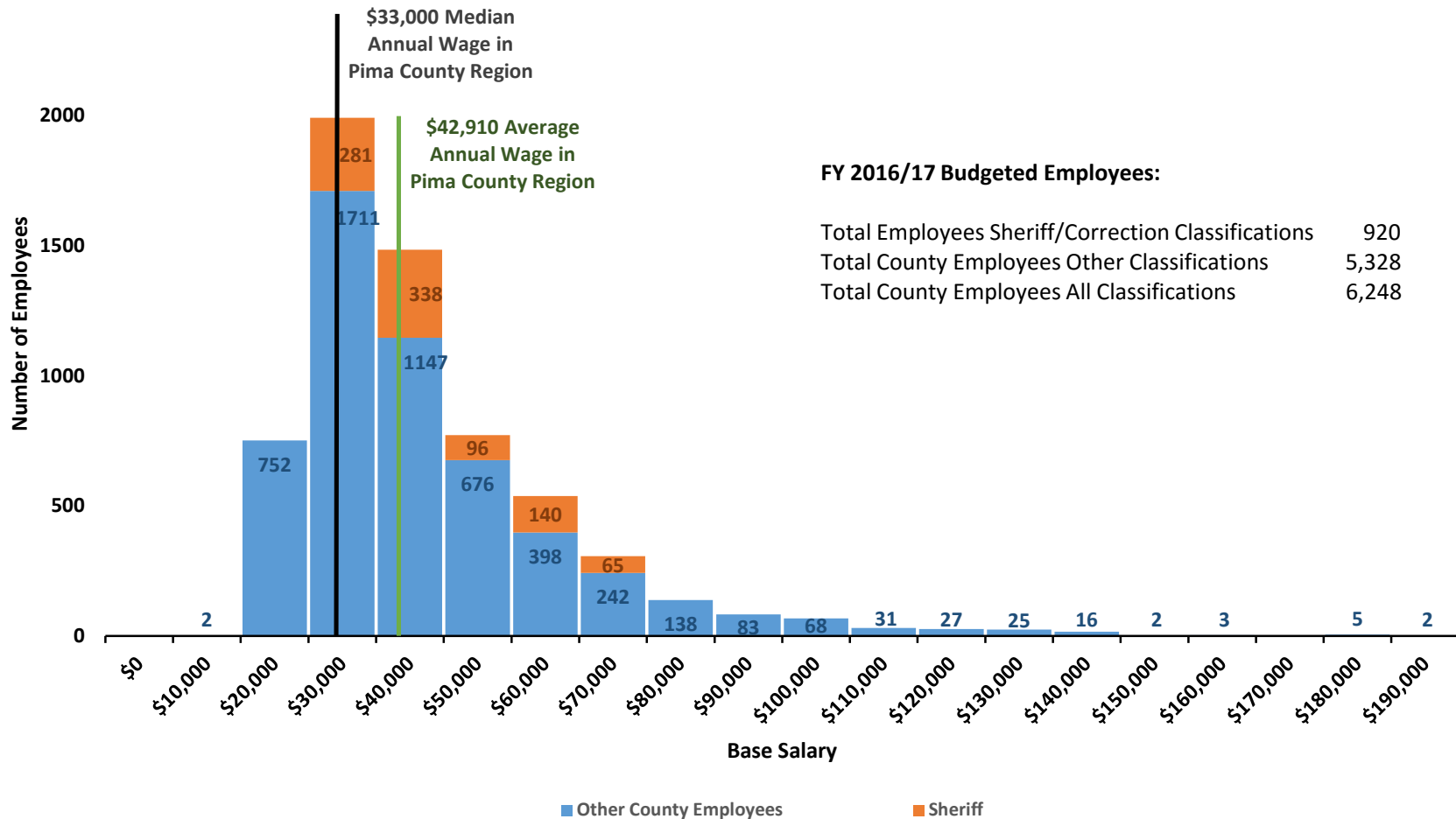
Based on the above, the cost of all raises is fiscally sustainable. I recommend Board approval of this proposed FY 2016/17 employee compensation plan.

CHH/mjk

Attachment

c: Presiding Judge, Superior Court
 Elected Officials
 Appointing Authorities

FY 2016/17 BUDGETED BASE SALARY DISTRIBUTION



Notes:

- 1) Only budgeted filled positions are included, vacant positions are excluded.
- 2) Only the following Sheriff job classifications are included:
 - Corrections Officer
 - Corrections Sergeant
 - Deputy Sheriff
 - Sergeant
- 3) \$33,000 median and \$42,910 average annual wage reported by Arizona Department of Administration, Office of Population & Employment Statistics, May 2015. Wage Survey of Occupations in Pima County (<https://laborstats.az.gov/sites/default/files/documents/files/oes-0446060-2015.pdf>).