

Personnel and Benefits Discussion  
Work session – April 10, 2018

# Arizona State Retirement

2013	11.14%
2014	11.54%
2015	11.6%
2016	11.49%
2017	11.48%
2018	11.5%
2019	11.8%

- Annual Rates are Employee & Employer Match set by Arizona State Retirement System
- FY 2018 costs \$ 980,869.85
- FY 2019 est. cost \$ 1,018,121
  - Merit, COLA and Longevity Included
- Arizona State Retirement System unfunded liability
  - Total \$16.1 Billion
  - Cottonwood -\$12.7M

# Public Safety Retirement



	FY 2014	FY 2015	FY 2016	FY2017	FY 2017 Funding Ratio
Police	\$ 7,596,131	\$ 8,058,018	\$ 9,282,683	\$ 10,011,155	39.40%
Fire	\$ 1,496,695	\$ 1,524,935	\$ 2,317,913	\$ 2,611,360	71%
	\$ 9,092,826	\$ 9,582,953	\$ 11,600,596	\$ 12,622,515	
		Phoenix Police	\$ 1,678,743,941	\$ 1,858,903,436	41.80%
		Payson Police	\$ 11,977,909	\$ 13,174,057	53.90%
		Payson Fire	\$ 5,519,477	\$ 6,148,196	53.90%
		Bisbee Police	\$ 7,810,435	\$ 8,656,467	11.90%
		Chino Police	\$ 3,024,946	\$ 3,640,126	55.50%
		Camp Verde Marshall	\$ 2,204,626	\$ 2,572,165	59.90%
		Prescott Police	\$ 37,368,226	\$ 40,953,885	23.70%
		Prescott Fire	\$ 41,007,731	\$ 45,366,240	33.20%

# Public Safety Personnel Retirement System - PSPRS

## **SB 1428 PSPRS Modifications**

- 🕒 Created a new Defined Benefit and Defined Contribution plan starting July 1, 2017
- 🕒 New Employees will enroll in new plan
- 🕒 Current employees can opt to add the Defined Contribution plan to current benefit increasing City's cost by 3% to 4%

## **Current Payoff Options**

- 🕒 Pay DROP contributions though not required
- 🕒 Prepay our budgeted contributions on July 1<sup>st</sup>
- 🕒 Contribute additional funds to pay down liability

# PSPRS Rates- Police

	FY2018	FY2019
Hired Before July 2011		
Police Legacy 1		
Employee	7.65%	7.65%
Employer	47.60%	48.21%
Hired After July 2011 to June 2017		
Police Legacy 2		
Employee	11.65%	11.65%
Employer	47.60%	48.21%
Hired After July 2017		
Police Defined Benefit Plan		
Employee	9.94%	9.94%
Employer Match	9.94%	9.94%
Employer Legacy Tier 1 & 2 addtl	32.03%	35.60%
Total Employer	41.97%	45.54%
Police Defined Contribution Plan		
Employee	9.00%	9.00%
Employee Disability	1.55%	1.51%
Total Employee	10.55%	10.51%
Employer	9%	9%
Employer Disability	1.55%	1.51%
Employer Legacy Tier 1 & 2 addtl	32.03%	35.60%
Total Employer	42.58%	46.11%

# PSPRS Rates- Fire

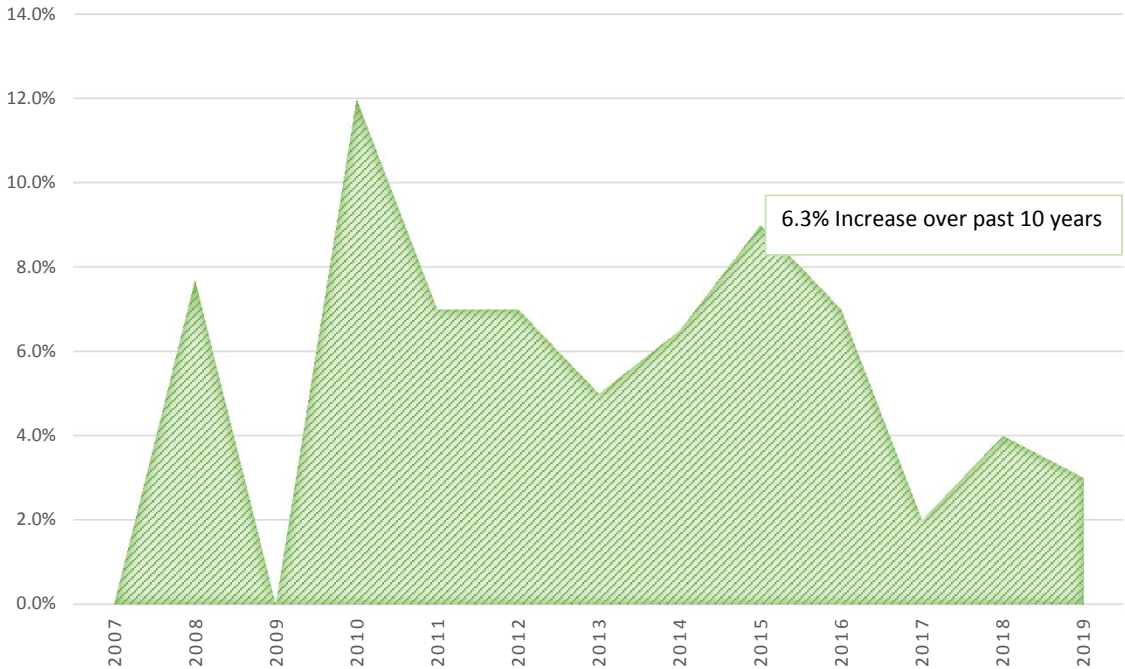
	FY2018	FY2019
Hired Before July 2011		
Fire Legacy 1		
Employee	7.65%	7.65%
Employer	26.61%	27.44%
Hired After July 2011 to June 2017		
Fire Legacy 2		
Employee	11.65%	11.65%
Employer	26.61%	27.44%
Hired After July 2017		
Fire Defined Benefit Plan		
Employee	9.94%	9.94%
Employer Match	9.94%	9.94%
Employer Legacy Tier 1 & 2 addtl	10.78%	12.76%
Total Employer	20.72%	22.70%
Fire Defined Contribution Plan		
Employee	9.00%	9.00%
Employee Disability	1.55%	1.51%
Total Employee	10.55%	10.51%
Employer	9%	9%
Employer Disability	1.55%	1.51%
Employer Legacy Tier 1 & 2 addtl	10.78%	12.76%
Total Employer	21.33%	23.27%
Defined Contribution Additional Available to Non-Social Security Payers		
Employee	3%	3.00%
Employer Match	4%	Varies 3 to 4%

# League of AZ Cities and Towns Survey FY 2018

- Comparisons – League of Cities and Towns Survey -
  - Information from 2017 – PDF included with packet
  - Need to make sure we are in “Market” to get qualified employees
  - Salary Range Comparisons
  - Health Insurance Comparisons
  - Merit and COLA Comparisons

# Health Insurance Rates

HEALTH INSURANCE PREMIUM INCREASES



- 1984 – 2001 - City of Cottonwood Employee Benefits Trust - Self Insured
- 2001 – 2010 - Verde Valley Employee Benefits Pool
- 2010 – 2017 - Arizona Public Employers Health Pool (2018 proposal – 10%)
- 2017 – Kairos – ancient Greek word meaning “the opportune moment” – 4% Increase
- 2018 - Kairos – 2019 proposal 3% increase



# Current Rates vs. New 2019 Rates

Monthly Health Insurance Plans	FY 2017-18	FY 2018-19
Core & Co-Pay Employee only	721	734
Core & Co-Pay Employee & Spouse	1435	1470
Core & Co-Pay Employee & Children	1192	1220
Core & Co-Pay Employee & Family	1811	1857
HDHP Employee Only 1500	531	539
HDHP Emp & Spouse 1500	1053	1076
HDHP Emp & Children 1500	874	892
HDHP Emp & Family 1500	1331	1363
HDHP Employee Only 2500	479	485
HDHP Emp & Spouse 2500	949	969
HDHP Emp & Children 2500	788	803
HDHP Emp & Family 2500	1198	1226
HDHP Employee Only 5000	408	412
HDHP Emp & Spouse 5000	808	824
HDHP Emp & Children 5000	672	684
HDHP Emp & Family 5000	1020	1042

Dental	FY2017-18	FY2018-19
Employee Only	42	42
Employee & Spouse	84	84
Employee & Children	69	69
Employee & Family	107	107

Vision	FY2017-18	FY2018-19
Employee Only	10.77	7.58
Employee & Spouse	16.26	15.16
Employee & Children	17.41	16.22
Employee & Family	27.82	25.92

Basic Life Insurance	FY2017-18	FY2018-19
Employee	\$8.00	\$5.75

\*Open enrollment is scheduled for April 17<sup>th</sup> – Rates need to be determined as soon as possible so employees can make an informed election

# Employer Covered Costs

Employer Health, Life and Dental for Employee Only			
		Monthly	Annually
100% of Employee Coverage			
Health @194	\$734 Per Employee	\$ 142,396	\$ 1,708,752
Dental @194	\$42 per Employee	\$ 8,148	\$ 97,776
Life @194	\$5.75 per Employee	\$ 1,115.50	\$ 13,386
<b>Total City Cost of Employee Coverage</b>		<b>\$ 151,659.50</b>	<b>\$ 1,819,914</b>

Employer Health and Dental for Dependents			
Dependent Health	80% Child, 70% Spouse, 60% Family	\$ 25,875.84	\$ 310,510.08
Dependent Dental	80% Child, 70% Spouse, 60% Family	\$ 3,708.60	\$ 44,503.20
<b>Total City Cost of Dependent Coverage</b>		<b>\$ 29,584.44</b>	<b>\$ 355,013.28</b>

Employee Costs for Health & Dental			
Dependent Health	Employee	\$ 23,692.30	\$ 284,307.60
Dependent Dental	Employee	\$ 1,977.40	\$ 23,728.80
<b>Total Charged to Employees of Dependent Coverage</b>		<b>\$ 25,669.70</b>	<b>\$ 308,036.40</b>

Total City Cost of Employee & Dependent Coverage	\$ 2,174,927.28
Total of Employee Cost of Dependent Coverage	\$ 308,036.40
<b>Total Employee &amp; Employer Costs Health, Dental and Life Annually</b>	<b>\$ 2,482,963.68</b>

Comparison Cities	Employee Coverage %	Dependent Coverage %	Employee Only Monthly Cost
Camp Verde	100%	40%	\$ 721.00
Chino Valley	100%	30%	\$ 615.00
Coolidge	100%	70%	\$ 550.00
Cottonwood	100%	60% to 80%	\$ 721.00
Douglas	100%	65%	\$ 460.00
Florence	100%	80%	\$ 489.45
Fountain Hills	100%	71%	\$ 864.25
Kingman	96%	70%	\$ 570.00
Nogales	85%	85%	\$ 780.00
Paradise Valley	100%	75%	\$ 934.00
Payson	70%	70%	\$ 721.00
Prescott	100%	57.5% to 95%	\$ 491.33
Prescott Valley	100%	60%	\$ 546.80
Sahuarita	96%	75%	\$ 510.00
Sedona	100%	70% to 100%	\$ 721.00
Show Low	100%	80%	\$ 608.00

# Changing Employee Benefit Contributions

	Current Employee Pays 20% Child, 30% Spouse, 40% Family	Employee Pays 30% Child, 40% Spouse, 50% Family	Employee Pays 40% Child, 50% Spouse, 60% Family	Employee Pays 50% Child, 60% Spouse, 70% Family	50% Dependent All plans	Charge 5% to Employee for Employee	Charge 10% to Employee for Employee
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Monthly Employee	\$ 23,692.30	\$ 30,644.20	\$ 37,596.10	\$ 44,548.00	\$ 34,759.50	\$ 28,720.20	\$ 34,773.30
Monthly Employer	\$ 25,875.84	\$ 18,923.94	\$ 11,972.04	\$ 5,020.14	\$ 14,808.64	\$ 20,847.94	\$ 14,794.84
Annual Employee	\$ 284,307.60	\$ 367,730.40	\$ 451,153.20	\$ 534,576.00	\$ 417,114.00	\$ 344,642.40	\$ 417,279.60
Annual Employer	\$ 310,510.08	\$ 227,087.28	\$ 143,664.48	\$ 60,241.68	\$ 177,703.68	\$ 250,175.28	\$ 177,538.08
Annual Savings		\$ 83,422.80	\$ 166,845.60	\$ 250,268.40	\$ 132,806.40	\$ 60,334.80	\$ 132,972.00

\*Cities average monthly dependent cost per employee \$233.12

\* Rates included in packet for your information

# Affordable Care Act

- Must provide Insurance Coverage to 95 % of Employees & their Dependents
- Must be affordable and provide “minimum value”
  - 60% of costs of benefits incurred under plan
  - If one employee applies for and receives the premium tax credit for purchasing insurance on the Marketplace the fine is up to \$3480 per employee

# Questions and Discussion

## Health Insurance –

- 1) Keep Current Structure
- 2) Add Employee cost
  - 1) By what percentage?
- 3) Increase employee dependent costs
  - 1) By what percentage?

## Prop 206 – Minimum Wage Law

- 🕒 01/01/2017 - \$10.00 per hour
- 🕒 01/01/2018 - \$10.50 per hour
- 🕒 01/01/2019 - \$11.00 per hour
- 🕒 01/01/2020 - \$12.00 per hour
- 🕒 Starting in 2021, the minimum wage would be adjusted annually based on cost of living.
- 🕒 Also required to give 1 hour of sick time per 30 hours worked

# New Personnel Requests FY 2019

- Ranked by all department heads at a department head meeting

FY 2019 - REQUESTED NEW FULL-TIME POSITIONS				
Rank	Dept.	Job Title	Requested Range	Est. Annual Costs w Benefits
1	P&Z/Community Dev	Building Official	23	76,157
2	Econ. Dev.	Business Specialist (grant funded for FY 2018)	18	59,671
3	Maintenance	Maintenance Technician III	17	56,829
4	Finance	Accounting Specialist	13	46,754
5	Transit	Training/Safety/Security Supervisor	14	49,091
6	Police	Records Clerk	13	46,754
7	Municipal Court	Court Clerk I	13	46,754
8	Engineering	Project Manager - Utilities (funding by Utilities)	25	83,963
9	Streets	Maintenance Technician II	13	46,754
10	Communications	Communications Specialist (reinstatement from FY 2018 cut position)	15	51,546
				\$564,275



# Reclassification Requests For FY2019

FY 2019 - REQUESTED POSITION RECLASSIFICATIONS						
	Dept.	Job Title	Notes	Current Range	Requested Range	Est. FY19 Costs
1	Library	Library Public Service and Outreach Coordinator (from Library Asst. II) – Mainly a title Change	1	17	17	-
1	Library	Library Specialist - Teens (from Library Clerk)	2	11	14	4,530
1	Library	Library Specialist Audio/Visual (from Library Clerk)	2	11	14	4,989
1	Library	Library Specialist - Early Literacy (from Library Clerk)	2	11	14	-
1	Library	Library Specialist - Reference Desk (from Library Clerk)	2	11	14	-
1	Rec Center	Aquatics Coordinator II	2	11	16	7,217
1	Rec Center	Facility Maintenance Tech I [3]	2	11	12	2,021
1	Maintenance	Maintenance Technician I [5]	2	10	12	0
1	Streets	Maintenance Technician II [4]	2	13	14	3,943
2	Engineering	City Engineer		28	30	11,626
3	Finance	Finance Director (from Accounting/Budget Manager)		30	33	-
4	Fire	Fire Fighter "Acting Officer" Stipend - Per hour \$1.50				9,180
5	P & R	Recreation Information and Business Specialist (from Administrative Assistant)		13	17	-
				Total Amount Requested		49,206

- Note
1. These reclassifications are to ensure that full-time employees make more than Minimum Wage
  2. Title Change only

# Merit Other Cities

City	Merit-2017
Apache Junction	0%
Avondale	3%
Buckeye	4.34%
Camp Verde	2%
Carefree	0-7.5%
Casa Grande	2.50%
Chino Valley	2%
Coolidge	2%
Cottonwood	3-5%
Douglas	0%
Flagstaff	Varies
Florence	no merit but 3% stipend
Good Year	Varies
Kingman	0%
Marana	3%
Mesa	3%
Nogales	5%

City	Merit -2017
Oro Valley	3.5% or 4%
Paradise Valley	0-4.5%
Payson	0-3%
Prescott	3%
Prescott Valley	3%
Safford	0%
Sahuarita	up to 4%
Sahuarita	4%
Scottsdale	3% to 4%
Sedona	1.5% to 3.5%
Show Low	2%
Sierra Vista	2%
Sommerton	1.50%
Surprise	2%
Tolleson	0-6%
Tucson	5%
Yuma	1.50%

# Merit

- Merit– currently 3% to 5%
  - Average is 4%
  - No merit earned if at top of Salary Range -14 Employees
  - Est. FY2019 \$308,815 w/benefits \$405,207
- Options
  - Keep current 3% to 5%
  - Change percentages to 0% to 3%
  - Eliminate all together

# COLA

- Cost of Living Adjustment
  - FY 2019 est. 264,365 w/benefits \$353,600
  - Based on Social Security COLA
  - FY 2019 2.3 %
    - 2% for current plus .3% from previous year not applied



# Longevity

- Adopted in FY 2013
- Funded in FY2014
- FY 2019 Costs would be \$52,000 w/benefits \$63,837
  - 113 Employees - 5+ years of service

# Discussion and Direction

- Merit
  - Fund the current Merit Program
  - Change the ranges of Merit Program
  - Eliminate Merit Program for FY 2019
- COLA
  - Fund COLA
  - Change Ranges to Include COLA but don't fund COLA
  - Eliminate COLA from FY 2019 Budget
- Longevity
  - Fund Longevity
  - Fund Longevity but only for those at top of Range
  - Eliminate Longevity from FY2019 Budget