



**CITY OF BUCKEYE
COUNCIL WORKSHOP
MAY 3, 2016
MINUTES**

**Executive Conference Room
530 E. Monroe Ave.
Buckeye, AZ 85326
3:00 p.m.**

1. Call to Order/Roll Call

Mayor Meck called the meeting to order at 3:08 p.m.

Members Present: Councilmember Orsborn (excused at 4:42 p.m.; returned at 4:45 p.m.), Councilmember McAchran (excused at 4:37 p.m.; returned at 4:40 p.m.), Councilmember Heustis (excused at 4:40 p.m.; returned at 4:44 p.m.), Vice Mayor Hess, and Mayor Meck.

Members Absent: Councilmember Garza and Councilmember Strauss.

Departments Present: City Manager Stephen Cleveland, Assistant City Manager Roger Klingler, City Attorney Scott Ruby, City Clerk Lucinda Aja, Deputy City Clerk Summer Stewart, Assistant to Council Carol Conley, Finance Director Larry Price, Fire Chief Bob Costello, Human Resources Director Nancy Love, Economic Development Director Len Becker, Community Services Director Cheryl Sedig, and Benefits Administrator Lori Otto.

2. Presentation and discussion of the Proposed 16/17 Fiscal Year budget to include employee health insurance premium cost sharing alternatives and their potential budget implications

Staff Liaison: Larry Price, Finance Director
Nancy Love, Human Resources Director

Mr. Price opened the presentation and provided a brief overview of the proposed Fiscal Year (FY) 2016/2017 budget. A history of the General Fund, from FY 2011/2012 to present, was reviewed. Primary property tax levies and rates were summarized and discussed. Capital investments dollars were presented which reflect \$800 million in contracts being awarded; the trend is an increase in invested dollars and revenues received. General Fund revenues were listed and reviewed; General Fund revenues reflect a total increase of 29 percent. General Fund expenditures were listed and reviewed; operating expenditures have increased by 46 percent, total General Fund expenditures and transfers have increased by 49.02 percent. Mr. Price stated expenditures are increasing faster than revenues; revenues are still greater than expenditures, however the acceleration of expenditures is greater than revenues. Expenditures by cost centers were reviewed; 75 new positions have been authorized from FY 2011/2012 to present. Personnel services are the largest operational cost from the General Fund; the City is a service based industry and personnel services will always be the largest cost. A table depicting general fund positions per 1000 capita was displayed. General Fund sources and uses were listed and discussed; operating revenues have increased by 20.41 percent, operating expenditures have increased by 46.43 percent. Recurring revenues and one-time revenues were defined and discussed.

Councilmember Heustis requested clarification regarding personnel pay increases and personnel services costs. Mr. Price stated there were employee wage reductions prior to FY 2011/2012; wages were restored in FY 2011/2012 at the time State Shared Revenues increased. Further discussion was held regarding personnel positions per 1000 capita.

Highlights of the draft FY 2016/2017 budget proposal were presented; this FY, the Permanent Base Adjustment Option begins; State Shared Revenues presented are approximate as final estimates have not been provided by the State; property tax remains the same at \$1.80 per \$100 of Taxable Assessed Value (TAV); the 3 percent Transaction Privilege Tax rate is unchanged; proposed operating revenues increase by 14 percent; proposed operating expenditures increase by 17 percent; 25.5 new positions are proposed; a Cost of Living Adjustment (COLA) of 1.7 percent for each employee is proposed at a cost of \$690,000; and proposed General Fund reserves of \$7.0 million reflects 13 percent of operating expenditures.

Councilmember Orsborn requested clarification regarding the State Shared Revenues and preliminary proposed amounts; Mr. Price stated estimates provided in the draft are expected to be less than final State Shared Revenue distributions.

The proposed 1.7 percent COLA was discussed. Health insurance cost estimates include all authorized positions, including vacant and new positions; the proposed budget estimates costs based on vacant and new positions electing employee plus family coverage. Proposed position estimates take into account retirement and health insurance contributions.

Councilmember Orsborn requested clarification regarding General Fund reserve funds. Mr. Price stated Council policy is to have a General Fund reserve amount equal to 25 percent of operating expenditures. A summary of General Fund sources and uses was presented. Strategies for preparing budget proposals each year were discussed. Clarification was provided regarding contingency fund expenditures authorized in FY 2015/2016 and reflected in the proposed budget for FY 2016/2017. General Fund revenue details were presented; total revenues increase, however population increase and demand for service increase affects General Fund expenditures. General discussion was held regarding State Shared Revenues and potential increases over time based on growth. General Fund expenditure details were listed and described. Contingency fund uses were discussed and include emergency uses and an active grant program. Annual transfer activity was addressed. A General Fund sources and uses summary was displayed. Mr. Price clarified that positions per 1000 capita have not drastically changed since FY 2011/2012 even with the proposed personnel increase.

Mr. Cleveland stated Community Budget Meetings will be scheduled prior to budget adoption.

Councilmember Heustis requested further information regarding water rate increase implementation and effects to the budget if approved water rate increases are vacated. Mr. Price stated utility rate increases are not taken into account when preparing the proposed budget.

Councilmember McAchran asked for clarification regarding the strategy for moving forward with the pay policy. Mr. Cleveland stated the pay policy, to include step increases for Police and Fire, will be effective at the time Council identifies revenues to support increases; this proposed budget reflects an increase of 1.7 percent for each employee. The issue of being competitive in the market was addressed by the pay structure previously adopted. The remaining portions of the pay policy, including parameters for merit and step increases, have yet to be adopted. Mr. Cleveland stated additional options will be provided to Council that reflect possible merit increases and a reduced number of new personnel.

Councilmember McAchran requested further detail of each project listed in the proposed budget be provided to Council for review.

Councilmember Orsborn requested further options be provided that align with policy and requested budget predictions for future fiscal years.

Ms. Love provided an overview of Cigna health insurance renewal and cost sharing options. A Council Workshop was held on April 19, 2016; at that time, Council requested information related to costs for offering the current Open Access Plan (OAP) only and equally sharing the cost of the increase in premiums between the City and employee. This additional strategy (strategy no. 4) was presented and discussed. Ms. Love stated the Benefits Committee, made up of current employees, was interested in maintaining affordable benefits to the employee and that the contribution remain the same for each employee regardless of the plan chosen. Cost sharing strategies were summarized. Strategy no. 1 included the current percentage ratio of cost sharing be applied to the OAP, with the same dollar amount applied to the Health Maintenance Organization (HMO) and High Deductible Health Plan with Health Savings Account (HDHP/HSA) plan premiums. Strategy no. 2 does not include an increase in premium contributions for the employee; the increase would be paid 100 percent by the City. Strategy no. 3 does not include an employee contribution rate increase for the HMO plan, with the option for the employee to pay an increased premium amount for the OAP; the same dollar amount paid by the City will be applied to the OAP and HDHP/HSA. Financial impacts with each strategy to the City and employees were listed and reviewed. Employee premium cost comparisons were summarized. Cost sharing comparisons were listed with each strategy. Comparator city health insurance rates and premiums were addressed. Ms. Love stated it was important to understand it was difficult to compare to other cities as plan designs differ. Health Savings Account contribution options were discussed. A table depicting annual HSA contribution comparisons with other cities was presented. Mr. Price stated the proposed budget took into account a premium increase of approximately 21 percent. Ms. Love clarified many cities offer employees more than one health plan and many current employees have expressed interest in health plans other than the current OAP. Strategy no. 1 and strategy no. 2 were recommended by the Benefits Committee. Details of these strategies were further discussed. General discussion was held regarding cost sharing options and impacts to the budget along with HSA contribution options. Clarification was provided regarding HSA uses; contributions to the HSA may only be used by the employee for healthcare related costs. Ms. Love discussed the importance of educating employees to be better consumers with regard to healthcare.

Councilmember Orsborn discussed the importance of maintaining expenditures that are supported by revenues.

Councilmember Heustis discussed the importance of sharing costs of increases between employees and the City along with the importance of offering additional plan options.

Mr. Price clarified the proposed budget includes an amount of approximately 6.7 million for health insurance costs.

Mayor Meck stated it was important to take into consideration recommendations of the Benefits Committee.

Ms. Love stated open enrollment is scheduled for May 16 through June 2, 2016; actual numbers will be provided to Council upon completion of open enrollment. Ms. Otto clarified 37 employees do not currently elect health coverage through the City.

3. Council will motion to adjourn.

A motion was made by Vice Mayor Hess and seconded by Councilmember McAchran to adjourn the meeting at 5:48 p.m. Motion passed unanimously.

Jackie A. Meck, Mayor

ATTEST:

Lucinda J. Aja, City Clerk

I hereby certify that the foregoing minutes are a true and correct copy of the Council Workshop held on the 3rd day of May, 2016. I further certify that a quorum was present.

Lucinda J. Aja, City Clerk