



MEMORANDUM

Date: June 1, 2009

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

From: C.H. Huckelberry
County Administrator 

Re: **Additional Budget Adjustments for the Fiscal Year 2009/10 Budget for Employee Benefits and Payment of City Utility Tax**

Following are two expenditure increases that will impact the fiscal year 2009/10 budget that I will be making provisions for through the budget process. They are:

1. **Employee Benefits** - Open enrollment for the County health insurance program for next fiscal year has been completed. Employees have now selected plan options among health insurance programs. Each option has a different cost impact on County-provided health benefits. As the Board recalls, the health insurance premium paid last year increased 14 percent for the coming year, largely because of expenses in the Health Maintenance Organization (HMO) plan option. If our health insurance premiums were to increase in accordance with the expenses in each plan option, the HMO option would have increased 28 percent. However, our contract limits UnitedHealthcare to an overall 14 percent increase. The County has offered incentives to employees to shift from the HMO plan option to two other options provided by the County, those being the Preferred Provider Organization (PPO) and the High Deductible Health Plan (HDHP). To provide an incentive for County employees to shift from the HMO plan to the other plans, the County offered to pay 50 percent of the plan deductibles for both the PPO plan and the HDHP. This incentive, along with the increased employee contribution share for the HMO plan, has caused a significant and desired shift in the number of employees in each plan option.

Table 1 indicates the number of employees last year in the HMO, PPO and HDHP plans, as well as the shift in enrollment in the upcoming plan year for fiscal year 2009/10.

Table 1

Enrollment in County Health Insurance Plan Options

	<u>2008/09</u>	<u>Percent</u>	<u>2009/10</u>	<u>Percent</u>
HMO	3,555	60	1,237	21
PPO	834	14	1,189	20
HDHP	1,582	26	3,407	59

The Honorable Chairman and Members, Pima County Board of Supervisors
**Additional Budget Adjustments for the Fiscal Year 2009/10 Budget for Employee Benefits
and Payment of City Utility Tax**

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As you can see, there has been a significant shift away from the HMO plan to the other plans offered. This shift is desirable as it is anticipated to reduce the growth in health insurance costs for the County in future years. However, by providing the incentive, the County's cost will increase an additional \$1.8 million this year over the total cost paid for health insurance premiums last year. The Human Resources Director has provided a memorandum with more detail on this subject. It is attached as Attachment 1.

2. **City Utility Tax Increase** - The City of Tucson is contemplating a utility tax increase of approximately 2 percent. The County will be expected to pay this tax through our various utility bills associated with electric, gas, water, telephone, and communications. The estimated cost of the proposed City utility tax for the County is \$395,000. The estimated impact of the tax on the various County departments and agencies is shown on Attachment 2.

CHH/jj

Attachments

- c: Martin Willett, Chief Deputy County Administrator
Gwyn Hatcher, Human Resources Director
Reid Spaulding, Facilities Management Director
Tom Burke, Finance and Risk Management Director
Thomas House, Budget Manager, Finance and Risk Management

ATTACHMENT 1



MEMORANDUM

Human Resources Department

\$ 1.8 million

Date: May 27, 2009

To: C. H. Huckelberry
County Administrator

From: Gwyn Hatcher
Human Resources Director

A handwritten signature in cursive script, appearing to read "Gwyn Hatcher", written over the printed name of the sender.

Re: **Open Enrollment**

Open Enrollment for Plan Year 2009-2010 has been completed and 58% of the employees have enrolled in the HDHP plan. The County's cost to continue funding the Health Savings Accounts will result in an annual increase of approximately \$2.9 million of which \$1.6 million will be absorbed by premium reductions realized during the contract renewal process. Approximately \$1.3 million remains to be funded.

Additionally, 20% of the employees have enrolled in the PPO. The proposed PPO funding subsidy will cost the County approximately \$446,750.

Please note that should you decide that the current level of H.S.A. funding or the proposed PPO subsidy cannot be sustained, a limited Open Enrollment period will be needed to allow employees the opportunity to change coverage, or H.S.A. funding amounts, if they so desire. This complex process involving the ADP system and JPMorgan Chase Bank would have to be completed in advance of mid-June and there would be no guarantee that insurance cards would be available prior to the start of the plan year.

Human Resources recommends that County funding of the H.S.A.s continue at the current levels and that the PPO subsidy offered to the employees be implemented. Both plans are consistent with the stated goal of reducing future healthcare costs by encouraging employees to enroll in more cost effective plans.

If additional information or detail is required, please advise.

Attachments: Medical Enrollment Comparison
H.S.A./PPO Funding Exhibit

Medical Enrollment Comparison

	5/23/2009		7/1/2009	
HMO				
Employee Only	1914		664	
Employee + Spouse	500		263	
Employee + Child(ren)	475		135	
Employee + Family	668		175	
	3555	60%	1237	21%
PPO				
Employee Only	315		691	
Employee + Spouse	150		194	
Employee + Child(ren)	121		154	
Employee + Family	248		250	
	834	14%	1189	20%
HDHP/HSA				
Employee Only	635		1489	
Employee + Spouse	249		483	
Employee + Child(ren)	210		458	
Employee + Family	488		977	
	1582	26%	3407	59%
	5971		5833	

H.S.A. and PPO Funding Exhibit As of May 23, 2009

County Costs

HDHP	H.S.A.	Total
1489	\$ 1,000.00	\$ 1,489,000.00
483	\$ 2,000.00	\$ 966,000.00
458	\$ 2,000.00	\$ 916,000.00
977	\$ 2,000.00	\$ 1,954,000.00
3407		\$ 5,325,000.00
Fees	\$ 36.00	\$ 122,652.00
Total		\$ 5,447,652.00

PPO	Subsidy	Total
591	\$ 250.00	\$ 147,750.00
194	\$ 500.00	\$ 97,000.00
154	\$ 500.00	\$ 77,000.00
250	\$ 500.00	\$ 125,000.00
1189		\$ 446,750.00
Total		\$ 446,750.00

ATTACHMENT 2

Julie Johnson

From: Thomas House
Sent: Thursday, May 28, 2009 8:46 AM
To: Chuck Huckelberry
Cc: Martin Willett; Tom Burke; Julie Johnson
Subject: Utility Tax
Attachments: Utilities Costs.xls

The attached shows that it will cost Pima County an additional estimated \$395,417 for the City of Tucson's proposed additional 2% utility tax, with 45% of that amount (or, \$178,894) paid by the County's General Fund.

ADDITIONAL 2% UTILITY TAX

DEPARTMENT	TELECOMM	ELECTRICITY	GAS	WATER	TOTAL
GENERAL FUND					
ASSESSOR	218	0	0	0	218
BOARD OF SUPERVISORS	48	0	0	0	48
CLERK OF SUPERIOR COURT	281	300	0	0	581
CLERK OF THE BOARD	23	432	0	56	511
COMM & ECONOMIC DEV ADMIN	14	60	0	2	76
COMM DEV & NEIGHBORHOOD CONSERV	38	255	0	8	301
COMMUNITY SERVICES	253	1,141	50	111	1,554
CONSTABLES	50	0	0	0	50
COUNTY ADMINISTRATOR	52	0	0	0	52
COUNTY ATTORNEY	691	408	14	12	1,125
ELECTIONS	191	200	30	0	421
FACILITIES MANAGEMENT	322	76,385	4,805	4,543	88,055
FINANCE	91	0	0	0	91
FORENSIC SCIENCE CENTER	53	1,400	180	24	1,657
GRAPHIC SERVICES DESIGN	9	0	0	0	9
HUMAN RESOURCES	48	0	0	0	48
INDIGENT DEFENSE	264	0	12	12	288
INFORMATION TECHNOLOGY	177	0	0	0	177
INSTITUTIONAL HEALTH	44	0	0	0	44
JUSTICE COURT AJO	17	317	12	18	364
JUSTICE COURT GREEN VALLEY	9	0	0	0	9
JUSTICE COURTS TUCSON	177	0	0	0	177
JUVENILE COURT	712	8,800	4,540	1,040	15,092
KINO SPORTS COMPLEX	33	1,760	130	330	2,253
NATURAL RESOURCES, PARKS & REC	469	13,902	1,095	12,458	27,924
NON DEPARTMENTAL	1,832	0	0	0	1,832
OFFICE OF COURT APPOINTED COUNSEL	10	0	0	0	10
PROCUREMENT	70	0	0	0	70
PUBLIC FIDUCIARY	45	0	0	4	49
PUBLIC WORKS ADMINISTRATION	53	0	0	0	53
RECORDER	99	25	0	0	124
SCHOOL SUPERINTENDENT	51	0	0	0	51
SHERIFF	4,089	16,800	6,200	6,100	33,189
SUPERIOR COURT	1,379	2,573	190	190	4,332
TREASURER	58	0	0	0	58
TOTAL GENERAL FUND	11,971	124,757	17,258	24,907	178,894
SPECIAL REVENUE FUNDS					
TRANSPORTATION	1,174	8,327	608	3,434	13,543
PUBLIC HEALTH	823	1,371	596	327	3,117
PUBLIC HEALTH GRANTS	359	480	0	0	839
REGIONAL FLOOD CONTROL DISTRICT	167	170	0	800	1,137
EMPLOYMENT & TRAINING	104	821	0	84	1,009
PIMA VOCATIONAL HIGH SCHOOL	24	102	4	8	138
CO ATTY BAD CHECK PROGRAM	30	0	0	0	30
CO ATTY EMPLOYER SANCTIONS	12	0	0	0	12
CTY LAW ENFORCE ANTIRACKETEERING	241	0	0	0	241
ECONOMIC DEVELOPMENT & TOURISM	21	0	0	0	21
INDIGENT DEFENSE FILL THE GAP	128	0	0	0	128
JUVENILE PROBATION SERVICES	81	0	0	0	81
PARKS SPECIAL PROGRAMS	0	0	0	1,100	1,100
PHOTO TRAFFIC ENFORCEMENT	14	0	0	0	14
RECORDER DOC STORAGE & RETRIEVAL	84	0	0	0	84
SHERIFF COMMISSARY OPERATIONS	0	100	20	14	134
SHERIFF INMATE WELFARE FUND	36	0	0	0	36
SUPERIOR COURT CONCILIATION	7	0	0	0	7
COMMUNITY DEVELOPMENT GRANTS	18	440	0	20	478
COUNTY ATTORNEY GRANTS	5	0	0	0	5
JUVENILE COURT GRANTS	143	0	0	0	143
SHERIFF GRANTS	8	0	0	0	8
SUPERIOR COURT GRANTS	4	0	0	0	4
ENVIRONMENTAL QUALITY	123	8	0	0	131
ENVIRONMENTAL QUALITY GRANTS	48	179	0	0	227
SOLID WASTE MANAGEMENT	80	632	12	100	824
TIRE FUND	0	0	0	0	0
COUNTY FREE LIBRARY	729	13,730	1,660	1,262	17,380
STADIUM DISTRICT	102	6,850	480	2,096	9,528
TOTAL SPECIAL REVENUE FUNDS	4,565	33,210	3,380	9,244	50,400
CAPITAL PROJECTS	18	0	0	0	18
ENTERPRISE FUNDS					
PIMA HEALTH SYSTEM & SERVICES	966	5,808	664	1,084	8,523
DEVELOPMENT SERVICES	398	60	7	0	465
WASTEWATER RECLAMATION	1,687	82,284	59,567	4,305	147,843
PARKING GARAGES	25	4,432	0	12	4,469
TOTAL ENTERPRISE FUNDS	3,077	92,585	60,238	5,401	181,300
INTERNAL SERVICE FUNDS					
COMMUNICATIONS	2,214	200	0	12	2,426
FLEET SERVICES	99	1,592	607	0	2,298
GRAPHIC SERVICES PRODUCTION	15	0	0	0	15
RISK MANAGEMENT	84	0	0	0	84
TOTAL INTERNAL SERVICE FUNDS	2,412	1,792	607	12	4,823
TOTAL COUNTY	22,025	252,345	81,484	39,563	395,417

	rate	average monthly	what 1% =	what add'l 2% =	12 months =
alltel	2	410	205	410	4920
sprint/nextel	2	232	116	232	2784
at&t	1.7	300	176	353	4235
qwest	5.5	2200	400	800	9600
t-mobile	2	42	21	42	504
time warner	0				
verizon	0				

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