



City of Goodyear

Meeting Minutes

City Council Worksession

Mayor Georgia Lord
Vice Mayor Joe Pizzillo
Councilmember Joanne Osborne
Councilmember Sheri Lauritano
Councilmember Wally Campbell
Councilmember Bill Stipp
Councilmember Sharolyn Hohman

Meeting Location:
Goodyear Justice Center
14455 W. Van Buren St.,
Suite B101
Goodyear, AZ 85338

Monday, April 21, 2014

5:00 PM

Goodyear Justice Center

1 CALL TO ORDER

Mayor Lord called the Worksession to order at 5:00 p.m.

2. ROLL CALL

Present 6 - Mayor Lord, Vice Mayor Pizzillo, Councilmember Lauritano, Councilmember Campbell, Councilmember Stipp, and Councilmember Hohman

Absent 1 - Councilmember Osborne

Staff Present: City Manager Brian Dalke, City Attorney Roric Massey and City Clerk Maureen Scott

3. AGENDA ITEMS FOR DISCUSSION:

- 3.1 [14-5255ws](#) Council will receive a presentation and discuss the health care program of the City of Goodyear and alternatives for fiscal year 2014-2015.

Lyman Locket, Human Resources Director, presented.

Locket introduced the Insurance Committee, the City's Cigna representative, Ray Brandenburg, and broker, Rick Shuckerow, representing the Leavitt Group.

Locket reviewed the health care program. Staff worked closely with Cigna throughout the year and also contracted with a new Broker/Consultant. An employee benefits survey was conducted. The Insurance Committee is newly formed within the City.

Locket reviewed the employee survey:

*Highest level of satisfaction was the Health Savings Account (HSA) \$1,250/\$2,500 plan. The second highest satisfaction plan was the HSA \$2,400/\$4,800 plan. The CMG Plan came in last.

*Top three areas of importance for employees in Plan selection were:

- Cost of plan premium
- Out of pocket maximum costs

-Ability to select doctors

Current Plan

- *HMO-\$750/\$1,500 (279 employees)
- *HSA-\$1,250/\$2,500 (118 employees)
- *HSA-\$2,400/\$4,800 (26 employees)

Renewal Overview

- *Based on Loss Ratio of 96.18% (Cigna's target is 83%)
- *Target renewal increase 16.91%
- *Status Quo Renewal increase will be 11.32% if we stay with our same plans and coverage
- *Large claim report
- *\$50,000 wellness fund is included

Proposed Plan Options

1. Option 1 (Status Quo) No cost shift to employees
 - *HMO (\$750/\$1,500) Deductible - 3 pediatrician groups with 77 doctors were added
 - *HSA (\$1,250/\$2,500 Deductible
 - *HSA (\$2,400/\$4,800) Deductible

Locket reviewed proposed plan premiums against current premiums.

2. Option 2 includes a new IPA option, which is Cigna's version of the PPO.
 - *IPA (\$800/\$1,600) - This plan would be a buy-up option for employees and does not have a co-insurance
 - *HMO (\$750/\$1,500) - The same coverage as in Option 1
 - *HSA (\$1,500/\$3,000) - This is a new HSA from current options

There is only one HSA option under Option 2.

Option 2 would be a 15.87% premium increase:

Total plan increase - \$1,028,811

City's cost increase - \$781,546

Total Employee cost increase - \$238,059

Employees selected the following:

72.76%-Option 1

20.52%-Option 2

6.72%-Opt Out

Plan Types Offered at 16 other cities:

*PPO-8

*HMO-4

*High Deductible Health Plan (HDHP)-4

Medical Insurance Rate Increase compared to other cities:

- *Goodyear-11.37% (Fully Insured)
- *Avondale-6.00% (Self Funded)
- *Chandler-4.5% (Self Funded)
- *Gilbert-2.00% (Self Funded)
- *Phoenix-4.80% Self Funded)
- *Scottsdale-3.30% (Self Funded)

Locket stated that once we get to a point that we are balancing out our loss ratio, we can look into the self funded option. Many other cities are currently using the self funded option and have lower premium increases because of this.

Council Discussion:

>Asked about the limited selection of doctors with the HMO plan and if employees can use any hospital with the HMO Plan.

Locket responded that hospitals are the same for both the HMO and HSA plans. Sixty-six percent of employees on the HMO plan have selected the Goodyear Wellness Clinic as their primary care provider. The other option is to visit a Cigna HMO medical facility and use one of their HMO doctors.

>Can prescriptions still be obtained outside a Cigna Pharmacy?

Yes.

>Can specialists outside of the Cigna facilities be used?

Yes, referrals can be made to qualified Cigna specialists.

>Has there been a cost shift to employees for any of these options?

Locket responded that Option 1 does not shift any costs to employees. Under Option 2, one model is a buy up plan that will be an employee choice.

>What is the timeline when we can start looking at self funded options?

Locket responded that staff will start looking at different self funding options with our broker as soon as next year.

>Will there be pricing sheets available to consumers for health care services?

Ray Brandenburg responded that Cigna currently has transparency tools on mycigna.com that allow customers to see some of the contracted rates. Some physician contracts currently prevent disclosure, but healthcare reform is pushing toward transparency in that area as well.

>How will the new healthcare exchange impact employer plans going forward?

Brandenburg responded that it is too early to predict.

Locket reviewed employee compensation. Fire and Police Department sworn employees, per a Memo or Understanding, will receive a 5.0% increase (1 step). Employees at the maximum salary range will receive a 5.0% lump sum payment. There was no pay increase during the current fiscal year for Fire or Police. This increase represents a combined two-year increase.

The proposed salary increase for non-represented employees is an average of 3.0%.

- *1st Quartile-3.55% (156 employees)
- *2nd Quartile-3.15% (66 employees)
- *3rd Quartile-2.9% (48 employees)
- *4th Quartile-2.3% and .50% one-time (22 employees)
- *Above max-2.80% one-time (16 employees)

This will help with getting employees closer to market.

Proposed Pay Increases with other cities:

- *Avondale - (Police 5%) (Fire 4%) (Others 4%)
- *Buckeye - (Police 1%) (Fire 1%) (Others 1%)
- *El Mirage - (Police 5%) (Fire 3%) (Others 3%)
- *Glendale - (Police 5%) (Fire 5%) (Others 2.5%)
- *Goodyear - (Police 5%) (Fire 5%) (Others 3%)
- *Tolleson - (Police 4%) (Fire 4%) (Others 4%)

Locket provided information regarding the net impact for employee paychecks under each insurance proposal option. Under each plan, there will be a net gain in compensation. These figures did not include an increase in employee contribution rates to the Arizona State Retirement System (ASRS) of 0.06%, or the Public Safety Personnel Retirement System (PSPRS) increases of 0.70%.

Recommendation:

- *Option 1 - Insurance plan Design
- *An overall 3.0% average increase for non-represented employees.

Council Discussion:

>Comments regarding Buckeye receiving a large increase last year.

Locket responded that Buckeye, Tolleson and Gilbert both gave large increases last year.

>Will the new health care plans be taxed?

Locket explained that our health care plans are considered Cadillac Plans, so there will be no additional tax or impact to our employees.

>Will health care benefits be taxed for employees and employers in the future under the Affordable Healthcare Act?

Rick Shuckerow responded that this was talked about, but was not passed in legislation.

>Are our health care increases due to the Affordable Healthcare Act?

Shuckerow responded that most of the increases are driven by our claim rates running at 96% of the loss ratio. Up to 4% of the increase is attributed to the Affordable Healthcare Act.

Employers are ultimately paying for the exchange system.

>Thanked staff for their hard work and employees who are involved on the Insurance Committee.

- 3.2** [14-5206ws](#) Council will receive information on and discuss the estimated fiscal year (FY) 2014-15 revenues.

Kim Bradford, Interim Budget and Research Manager, and Larry Lange, Finance Director, presented. Bradford reviewed the Budget and Financial Policies. The City is in full compliance with all Budget and Financial Policies.

Bradford reviewed the Revenue Assumptions:

- *Property Tax-Primary: 6% (actual from Assessor's Office)
- *Non-Construction Sales Tax-4% Growth

*Construction Sales Tax-held steady from FY 13-14

*Development-Related Revenue-Mid-point between FY 13-14 budget and projected actual.

This is consistent with trends.

General Fund Revenues

*Currently 9% above what we budgeted

*Overall seeing strong numbers in sales tax

The Assessed Valuation is the foundation for the total property tax levy that we can collect.

Assessed values are showing their first increase since FY 08/09.

Property Tax Levy:

*Primary Property Tax Levy: FY 14-\$7,012,561; FY 15-\$7,431,367 (Includes a 2% maximum allowed increase under Truth in Taxation (TNT), plus new growth)

- \$145,444 TNT

- \$273,362 new growth

*Secondary Property Tax Levy: FY 14-\$4,131,351; FY15-\$4,527,130 (Floating Rate to support debt service requirements on previously-issued bonds)

The projected Property Tax levy for FY 15 is \$11.9 Million, which is an increase of 7.27%. The City property tax rate will be \$1.87 per \$100 of assessed value, which is down from \$1.90. The proposed tax rate would cost \$265.91 for a Goodyear home with a median value of \$142,200.

Enterprise Fund Revenues

Bradford reviewed Enterprise Fund revenue assumptions for Water/Wastewater for FY 15. The Water Revenue Fund totals \$12.7 Million, Wastewater totals \$13.2 Million, Sanitation totals \$6.7 Million, Stadium totals \$9.5 Million, and Highway User Revenue Fund (HURF) totals \$6.1 Million.

*Water-current Rate Structure-3.5% growth

-User Fees \$10.6 million

-Service Connects & Disconnects \$851,000

-Other \$1.3 million

-Total FY 14-15 Water Fund Revenue: \$12.7 million

*Wastewater

-User Fees \$12.1 million

-Other \$1.1 million

-Total FY 14-15 Waste Water Fund Revenue: \$13.2 million

*Sanitation-4% Growth

-User Fees \$6.7 million

-Other \$45,000

-Total FY 14-15 Sanitation Fund Revenue: \$6.7 million

*Stadium-Revenues are steady

-Debt Service Transfer from General Fund-\$5.3 million

-Non-Spring Training \$500,000

- Spring Training \$1.2 million
- Projected Operating Transfer from General Fund \$2.5 million
- Total FY 14-15 Stadium Fund Revenue: \$9.6 million

Highway User Revenue Fund-State Revenues Provided

- Transfer from General Fund \$2.4 million - Includes our Pavement Management Program
- State Shared Revenue \$3.7 million
- Total FY 14-15 HURF Revenue: \$6.1 million

Mayor Lord recessed the Worksession at 6:40 p.m.

Mayor Lord reconvened the Worksession at 7:00 p.m.

Lange reviewed the policy considerations regarding utility revenue.

1. Water and Wastewater costs are increasing due to:

- *Inflation
- *General increases in the cost of service-chemicals, electricity, insurance, etc.
- *Capital Improvement Plan needed to repair and replace water and wastewater infrastructure
- *Acquisition of new water resources

Water and Wastewater Rates in the 21st Century:

- *Average utility has been increasing rates 5-6% per year
- *American Water Works Association (AWWA) expects water and wastewater rates to triple in the next 15 years
- *30-40% of utilities have rates in place that do not cover their costs

It will be January 1, 2016 before we can have a new rate implemented. The last rate increase took effect on January 1, 2013. Discussion at a recent Worksession involved consideration of an interim rate increase to cover the costs of normal business in order to reduce the risk of a large increase later.

Analysis of 2015 Adjustment:

- *Consultants performed a revenue-based analysis
 - Addresses operating expenses only
 - Increases water rates only (no increases to wastewater rates)

Based on the consultant's analysis, staff is proposing an overall average of a 5% increase to water and wastewater revenue effective January 1, 2015. Lange reviewed the proposed rates and the timeline of events that must be followed in order to implement the proposed rate increase.

Lange reviewed the proposed rate adjustment and impacts of the adjustment. The percentage impact will vary based on usage levels. As more water is used, the water portion of the monthly bill becomes a greater percentage of the total.

Council Discussion:

>Do we need to get more specific within the area of replacement of equipment through the depreciation replacement reserves?

Lange stated that we can look at that over the next year. Staff is working on an asset management program that will provide the data that is necessary to propose changes.

>Would like to see a percentage breakdown regarding how much of the increase to the Secondary Property Tax is attributed to new growth.

>What would the impact be on the community if we did not take the allowable 2% increase in the property tax levy?

Lange explained that the 2% allows cities to plan for the future. In the mid 2000's, Goodyear and other cities elected not to levy the maximum amount. An initiative was taken to the voters that said since the taxes were not levied, they were not needed, and those taxes were permanently eliminated. The impact to Goodyear was a revenue loss of approximately \$1.5M per year. The impact on the public is affected in the quality of life. The City Council established a policy about three years ago that states that we will implement the maximum TNT Primary Levy each year.

>What is the Commercial shifting for assessed values this year?

Lange responded that it amounts to a Commercial reduction of .50%. Because of this shift, Commercial will pay less, and Residential will pay more.

>Would like figures on uncollectable percentages for water utilities.

>Would like breakdown on Stadium Fund Non-Spring Training costs.

>Water bill is very hard to read. It would help citizens to see what they used last year compared to this year in a graph format.

>Stressed an immediate need for an outreach program to get the word out and explain why we are raising the rates.

Lange stated that our Communications staff has done an excellent job keeping water issues in the forefront in our newsletters, and we need to broaden our communication methods in as many different ways as possible in order to get the word out on this issue.

4. INFORMATION

1. Council attended or reported on the following:

None.

2. Manager's Summary of Current Events and Reports

On April 5th, the Desert Dogs Canine Trials were held. Sixty teams from all around the country competed. Goodyear Officer White and his dog, Rudy, took first place in the Building Search category.

5. ADJOURNMENT

There being no further business to discuss, Mayor Lord adjourned the Worksession at 7:15 p.m.

Maureen Scott, City Clerk

Georgia Lord, Mayor

Date: _____