MARANA TOWN COUNCIL
STUDY SESSION
NOTICE AND AGENDA
11555 W. Civic Center Drive, Marana, Arizona 85653
Council Chambers April 12, 2016, at or after 6:00 PM

Ed Honea, Mayor
Jon Post, Vice Mayor
David Bowen, Council Member
Patti Comerford, Council Member
Herb Kai, Council Member
Carol McGorray, Council Member
Roxanne Ziegler, Council Member

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Marana Town Council and to the general public that the Town Council will hold a meeting open to the public on April 12, 2016, at or after 6:00 PM located in the Council Chambers of the Marana Municipal Complex, 11555 W. Civic Center Drive, Marana, Arizona.

ACTION MAY BE TAKEN BY THE COUNCIL ON ANY ITEM LISTED ON THIS AGENDA. Revisions to the agenda can occur up to 24 hours prior to the meeting. Revised agenda items appear in *italics*.

The Council Chambers are wheelchair and handicapped accessible. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Town Clerk at (520) 382-1999. Requests should be made as early as possible to arrange the accommodation.

This Notice and Agenda posted no later than Monday, April 11, 2015, 6:00 PM, at the Marana Municipal Complex, 11555 W. Civic Center Drive, the Marana Operations Center, 5100 W. Ina Road, and at www.maranaaz.gov on the Town Clerk page under Agendas, Minutes and Recent Actions.

CALL TO ORDER AND ROLL CALL

PLEDGE OF ALLEGIANCE/INVOCATION/MOMENT OF SILENCE

APPROVAL OF AGENDA

CALL TO THE PUBLIC

At this time any member of the public is allowed to address the Town Council on any issue within the jurisdiction of the Town Council, except for items scheduled for a Public Hearing at this meeting. The speaker may have up to three minutes to speak. Any persons wishing to address the Council must complete a speaker card located outside the Council Chambers and deliver it to the Town Clerk prior to the commencement of the meeting. Individuals addressing a meeting at the Call to the Public will not be provided with electronic technology capabilities beyond the existing voice amplification and recording capabilities in the facilities and the Town's overhead projector/document reader. Pursuant to the Arizona Open Meeting Law, at the conclusion of Call to the Public, individual members of the Council may respond to criticism made by those who have addressed the Council, and may ask staff to review the matter, or may ask that the matter be placed on a future agenda.

DISCUSSION/DIRECTION/POSSIBLE ACTION

D1 Relating to Budget; review, discussion, consideration, and direction to staff regarding the fiscal year 2016-2017 Manager's recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and the Airport Operating Fund (Gilbert Davidson and Erik Montague)

D2 Relating to Personnel; update and discussion regarding employee benefits for fiscal year 2017 (Curry Hale)

EXECUTIVE SESSIONS

Pursuant to A.R.S. § 38-431.03, the Town Council may vote to go into executive session, which will not be open to the public, to discuss certain matters.

E1 Executive Session pursuant to A.R.S. §38-431.03 (A)(3), Council may ask for discussion or consultation for legal advice with the Town Attorney concerning any matter listed on this agenda.

FUTURE AGENDA ITEMS

Notwithstanding the mayor’s discretion regarding the items to be placed on the agenda, if three or more Council members request that an item be placed on the agenda, it must be placed on the agenda for the second regular Town Council meeting after the date of the request, pursuant to Marana Town Code Section 2-4-2(B).

ADJOURNMENT

Council-Study Session **D1**

Meeting Date: 04/12/2016

To: Mayor and Council

From: Erik Montague, Finance Director

Date: April 12, 2016

Strategic Plan Focus Area:
Commerce, Community, Heritage, Recreation, Progress & Innovation

Strategic Plan Focus Area Additional Info:
Marana's strategic plan identifies financial sustainability as an overriding principle of Marana's strategic framework.

Subject: Relating to Budget; review, discussion, consideration, and direction to staff regarding the fiscal year 2016-2017 Manager's recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and the Airport Operating Fund (Gilbert Davidson and Erik Montague)

Discussion:

The Town Manager and Finance Director will present the recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and Airport Operating Fund for fiscal year 2016-2017. Information and direction received from Council will be incorporated into the Town's tentative budget which will be brought back to Mayor and Council for consideration at the regular meeting on May 17, 2016.

The presentation will be provided to Council prior to the meeting.

Staff Recommendation:

Staff requests information and direction regarding the Manager's recommended budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and Airport Operating Fund for fiscal year 2016-2017, which will be incorporated into the tentative budget for Council's consideration on May 17, 2016.

Suggested Motion:

I move to direct the Town Manager to incorporate the item(s) discussed this evening in the preparation of the tentative budget which will be considered for possible adoption on May 17, 2016.

Attachments

2017 Recommended Operating Budget

April 1, 2016

Honorable Mayor and Members of Council,

I am pleased to present to you the Manager's recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Enterprise Operating Fund, Wastewater Enterprise Operating Fund and Airport Enterprise Operating Fund for fiscal year 2016-2017. This recommendation reflects the Town of Marana's commitment to sound fiscal policy and positive investment in our community. Strategic initiatives are balanced against existing priorities, resulting in a robust, yet efficient, financial plan for the coming year. In developing this plan, Town staff were guided by the priority initiatives identified by the Council and the community in the recently adopted Strategic Plan III. These guiding principles, along with the foundational principles of sound financial planning, combine to form the vision of this budget document.

Budget Overview

The budgets reflect a continued increase in several key revenue categories. Overall General Fund revenues are expected to increase by approximately 8.7% to $40.6 million. Over 90% of the Town's General Fund revenues consist of sales taxes, intergovernmental revenues (State shared revenue) and development related revenues. While those revenues are sensitive to fluctuations in the local and national economy, local revenues are expected to grow. In fact, there are a number of exciting commercial and residential projects which are either under way or are expected to begin next budget year.

The revenue estimates include projected, full year revenues for the Premium Outlets in Marana near the Twin Peaks interchange. The premium 360,000 square foot mall opened in October 2015. The premium outlet mall is a regional destination shopping center and continues to draw shoppers throughout Arizona and beyond.

Operating revenues in the Bed Tax Fund, Highway User Revenue Fund, Water, and Wastewater Enterprise Funds are expected to increase by 1.3%, 10.1%, 1.9% and 21.9%, respectively. Revenue increases are largely due to a combination of account growth (new customers) and adjustments to fees and rates previously approved by Council, where applicable. No increases are expected for the Airport.

The proposed fiscal year 2016-2017 budget is structurally balanced and meets Council's policy direction as it relates to providing exemplary service in core community services and programs.

Accomplishments and Goals
This year, the Town of Marana invested in strategic advancements for the community, focusing on key areas of need as identified in Strategic Plan III. These diverse achievements reflect efforts on the part of Town Council, staff, and the community to foster prosperity throughout Marana.

Commerce
The Town has worked to secure important economic assets, and the results are showing. The premium outlet mall at Marana Center had its ribbon-cutting last October and has enjoyed significant activity since opening day. Marana collaborated closely with the project's developers to ensure that this process could happen as efficiently and effectively as possible.

In the next fiscal year, we anticipate that same commitment to facilitate the rapid progress of other major projects. Last year's extension of the sewer system south to Saguaro Bloom has opened a new corridor of potential growth. We are continuing to develop Town infrastructure to facilitate the growth of our community's economy. With increased investment in needed areas, our commercial environment is primed for development.

Community
To provide the highest quality of community service, Marana's Police Department must keep pace with our Town's growth. As plans progress for Marana PD's new headquarters, we are recognizing the needs of our growing community by reaching out to the public for input on this new facility. Over a period of several months, Marana's Chief of Police and Town staff gathered with the public at events throughout the community. The feedback generated helps ensure that the process moving forward will be infused with civic input, a vital component of our strategy.

Looking ahead, the Town's Pavement Preservation program will continue to successfully treat roads throughout our community, extending their life and lowering long-term costs to the taxpayer. Capital improvement projects will add new connections to our road system over the coming years, while extensions to the Santa Cruz River Shared Use Path promise greater pedestrian and bicycle pathways in the future.

Innovation
Our continued integration of new technologies has led to exciting breakthroughs this year. By uniting business process efficiency and technological innovation, our Technology Services and Building Safety departments have developed an exciting new building permits mobile app for our Development Services customers. Thanks to this innovation, customers can quickly and conveniently check the status of their application and schedule inspections. This is a great example of improved efficiency using technology.

In 2016-2017, we plan to continue improving Development Services through a revision of the Land Development Code. This document guides how development can occur across Marana, and our revisions will aim to make it more user-friendly.

Heritage

Showcasing our Marana heritage reached a new height this year with a special event dedicated to the pride we have in Our Town. October's Cotton Festival put our history and culture on display, honoring our past and celebrating our common future. With over 3,000 attendees, the event was a clear success – evidence of the community's commitment to heritage.

For several years, we have prioritized revitalizing Marana Main Street, and those efforts will continue as we work to invest in this historic part of Marana. The architectural standards of Marana Main Street, which include adobe brick and red Spanish tile, ensure a consistent look and feel in this growing district. Eventually, we envision Marana Main Street as a hub of retail, dining, arts, and residential activity, a hub that will attract visitors and residents of all ages and backgrounds.

Recreation

Living in Marana has never been more fun. Last year we hosted four Signature Events, as well as various movies and concerts in the park, 5Ks, and more. These events give Marana residents the chance to get out and have fun, ensuring that our community enjoys a high quality of life.

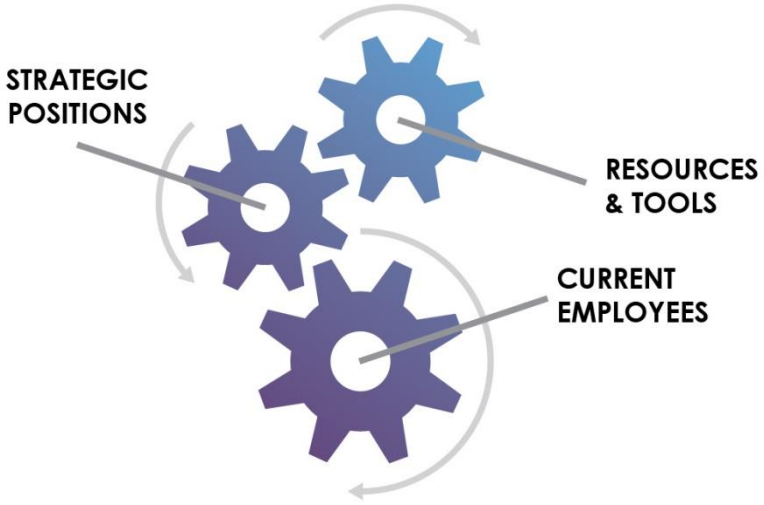
Next year, we are looking forward to hosting a Marana segment of El Tour de Tucson. This world-class cycling event will showcase Marana's stunning landscapes and well-maintained roadways. Our partnership with Perimeter Cycling, the parent organization of El Tour, means that Marana residents will be able to enjoy a family-oriented bike ride that is part of this larger regional event.

In Summary

Providing Marana residents and businesses with high quality, dedicated service does not come free. By investing wisely, though, we can simultaneously satisfy the demands of residents today while ensuring the long-term financial stability of Marana for many years to come. Marana is an exceptional place to live and work, and this budget reflects our commitment to meeting the high expectations of our community.

Investment Planning

As the economy and region continue to improve, it is critical to maintain a framework to guide future decisions. The investment plan will provide a basis to allocate resources to those areas that are critical in providing and maintaining core services.



Plan Investments

The following tables describe the Town's investments into the priority areas for the total town-wide investment and the portions incorporated within the General Fund (GF). These investments represent the additional costs which are included within the recommended budget summaries presented later.

I. Employee Compensation and Benefits Investment = $1,380,635 ($1,216,470 GF)

a. Performance pay adjustments - $851,320 ($761,100 General Fund (GF))
   - Up to 3.5% team performance pay adjustment added to base pay or lump sum for those at the top of their pay range
   - Eligibility and other conditions apply

b. Other pay and benefits $507,140 ($443,945 GF) on other pay and benefits (health, retirement, disability insurance, etc.)
   - Employee Retirement - $72,500 ($62,250 GF)
   - Health Insurance - $212,700 ($191,000 GF)
   - Worker's Compensation - $221,940 ($189,000 GF)
   - Training and development $22,175 ($11,425 GF)

II. Resources and Tools Investment - $1,985,195 ($1,661,949 GF)

a. Vehicle Replacements $1,589,5100 ($625,500 GF)

b. Technology
   - Council chambers podium enhancements $20,000 (GF)
   - Server and network upgrades $38,000 (GF)
   - Police property and evidence software $10,000 (GF)

c. Facilities
   - Maintenance projects $373,100 (GF)

d. Supplies and Equipment
   - Police armory inventory $28,350 (GF)
   - Park utility vehicles, alignment rack system and other items $84,050 (GF)

III. Strategic Positions

Marana continues to be a regional leader in development growth. The addition of key positions is critical in maintaining service levels. For example, the addition of new officers will assist in maintaining service call response times in key portions of our town. A new park, the first in the north-east portion of our community, is expected to open in the spring of 2017 and additional maintenance workers and laborers will be needed to take care of the grounds.

The following table lists the new full time equivalent (FTE) positon added:

Position	FTE	Department	Funding Source
Management Assistant (former TLT)	1.00	Town Manager	General Fund
Asset Coordinator	1.00	Finance	General Fund
Development Engineering Division Manager	1.00	Engineering	General Fund
Police Officer	2.00	Police	General Fund
Senior Maintenance Worker (mid-year)	1.00	Parks	General Fund
Park Laborer (mid-year)	2.00	Parks	General Fund
Recreation Assistant	0.25	Parks	General Fund
Code Enforcement Officer (former TLT)	1.00	Community Development and Neighborhood Services	General Fund

Governmental Funds Budget Summary

General Fund

The following General Fund summary is structurally balanced with ongoing revenues supporting ongoing services and programs. One-time resources support one-time projects and programs. Of the amounts included below, $38.2 million represents ongoing costs and $2.4 million represents one-time costs.

Summary of General Fund Recommended Budget Fiscal Year 2017[2]

Revenues	FY2016 Budget	FY2017 Recommended	$ Change	% Change
Sales tax revenues	$ 22,674,325	$ 24,156,385	1,482,060	6.5%
Intergovernmental revenues	9,014,342	10,186,300	1,171,958	13.0%
Licenses, fees & permits	3,521,000	4,040,385	519,385	14.8%
Charges for services	455,750	491,410	35,660	7.8%
Fines and forfeiture	630,000	640,000	10,000	1.6%
Grants and contributions	161,000	231,264	70,264	43.6%
Investment income	175,000	200,000	25,000	14.3%
Miscellaneous revenues	704,150	655,919	(48,231)	-6.8%
Total Revenue	***37,335,567***	***40,601,663***	***3,266,096***	***8.7%***
Expenditures				
Personnel & benefits	24,946,884	26,920,818	1,973,934	7.9%
Contracted services	6,133,903	6,086,521	(47,382)	-0.8%
Operating supplies & equip	3,501,847	3,592,058	90,211	2.6%
Capital outlay	1,207,900	1,189,400	(18,500)	-1.5%
Total Expenditures	***$ 35,790,534***	***$ 37,788,797***	***1,998,263***	***5.3%***
Over/(Under)	***$ 1,545,033***	***$ 2,812,866***	***1,267,833***	***82.1%***
Other Sources and (Uses)				
Transfers out	(6,591,688)	(2,812,866)	3,778,822	-57.3%
Total Sources and (Uses)	***(6,591,688)***	***(2,812,866)***	***3,778,822***	***-57.3%***
Change in fund balance	***(5,046,655)***	***0***	***5,046,655***	***-100.0%***

Note 2: Both the FY2016 and FY2017 budgets shown here exclude contingency which may only be utilized when approved by Council. The FY2017 budget will include a contingency appropriation.

The following describes major changes between fiscal years:

- Sales tax revenues – Anticipated tax revenue growth of 6.5% includes a full year projection for activity at the Premium Outlets in Marana. Since the mall has been open for less than one year, staff validated its revenue projection with the independent sales tax analysis and forecast completed by Elliot Pollack & Co. in early 2015. We believe that this effort resulted in a reasonably conservative revenue projection.

- Intergovernmental revenues – The shared revenue estimate (intergovernmental revenues) presented here anticipates the passage and signing of HB2483 – Municipal population estimates bill which would utilize the annual Federal

Census population estimate as the basis for allocating state shared revenues to the various cities and towns. However, as of the date of this transmittal, the League of Arizona Cities and Towns has not provided shared revenue estimates using the methodology described in HB2483. *Therefore, the revenue estimate presented in the summary above could change significantly if HB2483 doesn't pass or if the Federal Census estimates used for the final shared revenue allocation are materially different than the population estimates used in the above estimate.*

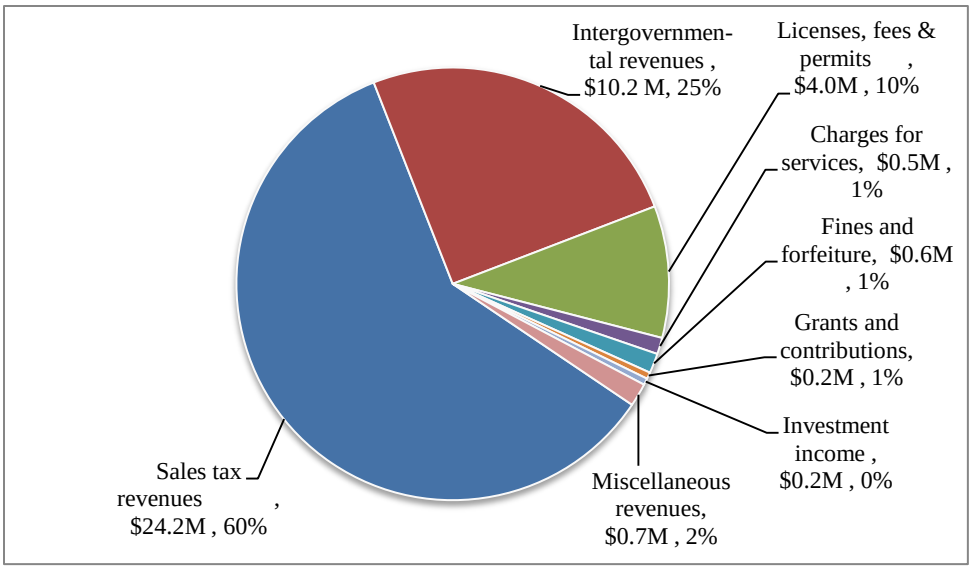
- Charges for services revenue – The majority of this revenue variance is attributable to the estimated average permit valuation for a single family residence. Additional analysis was performed during this budgetary cycle on estimated average permit values.

- Personnel and benefits – The changes in personnel costs include the addition of the new strategic positions listed earlier as well as the costs for all other compensation and benefit changes. Additionally, the change for fiscal year 2016-2017 also includes approximately $356K in personnel and benefit costs which were shifted back to the General Fund from HURF in an effort to increase the availability of road maintenance dollars.

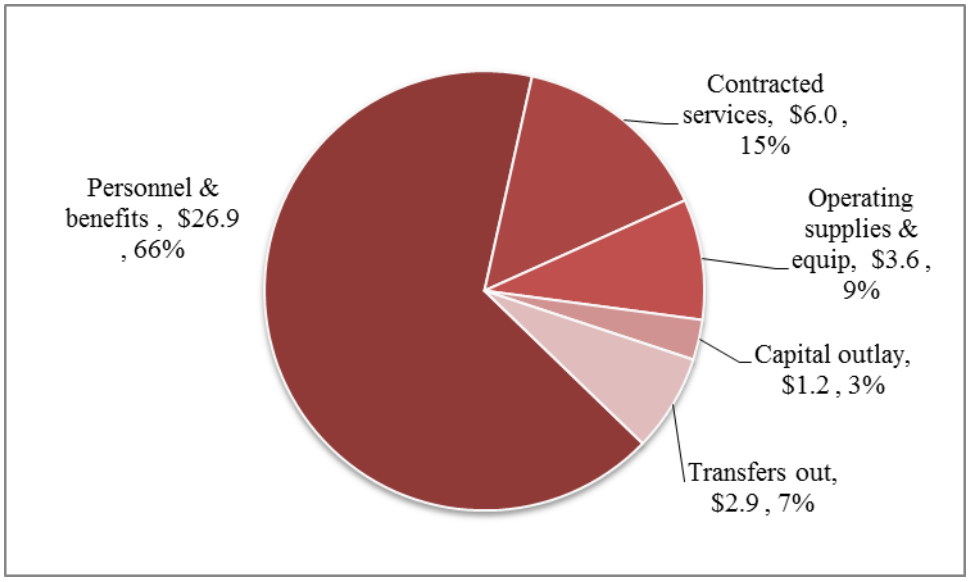
- Transfers out – The reduction in transfers out is primarily due to significant completion of the gravity portion of the downtown sewer conveyance project. It is expected to be complete in August 2016.

The charts on the following page present the overall General Fund sources and uses of projected resources.

FY2016-2017 General Fund - Sources

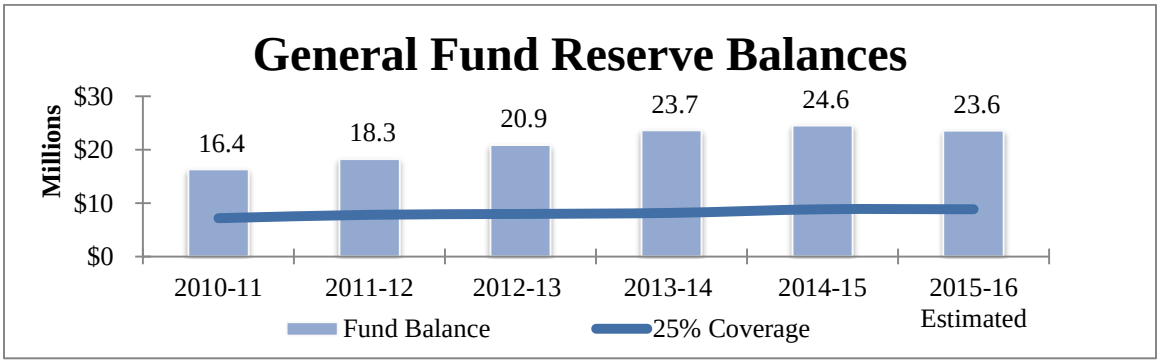


FY2016-2017 General Fund - Uses



General Fund Reserve Balances

Fund balance reserves provide the Town with the liquidity to meet current cash needs, the capacity to invest in key initiatives and flexibility in determining how certain items are funded. Recognizing the importance of healthy reserve balances, Town Council adopted a target, minimum reserve balance of 25% of estimated revenues for the budget year. As depicted in the chart below, the Town exceeded the minimum reserve balance in all fiscal years.



The Town has been modestly adding back to General Fund reserve balances since fiscal year 2008-2009 and is now at $24.6 million at the end of fiscal year 2014-2015. The estimated dip in reserves for fiscal year 2015-2016 is primarily driven by the General Fund mechanism to fund the gravity portion of the downtown sewer conveyance project which is expected to be completed around August 2016.

Reserves are, by definition, a one-time resource which can be deployed toward one-time projects and programs. Often the nature of these one-time project uses are beyond the

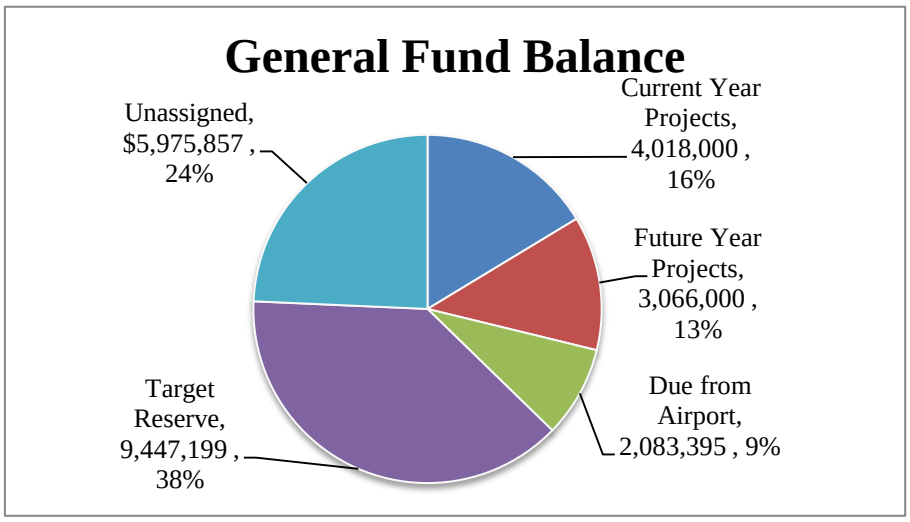
normal operating capital needs of the organization. Other times, the use of reserves may advance an important initiative.

The following projects and initiatives are being considered in the 2016-2017 fiscal year budget. The chart below also includes estimated future year costs which must also be considered when determining to fund projects through reserves.

	Under Consideration	
Project Name	FY2017	FY2018
Marana Public Safety Facility	2,000,000	1,000,000
Marana Road TI Landscaping	280,000	-
Twin Peaks TI Landscaping	415,000	-
Adonis Road	310,000	1,900,000
Ora Mae Ball Field Improvements	388,000	166,000
Tangerine-Downtown Sewer Conveyance System[3]	625,000	-
Total	$4,018,000	$3,066,000

Note 3: Amount for sewer conveyance project excludes projected carry over from the 2015-2016 budget. Actual carry over and amount budgeted may change based upon project spend during the remainder of current fiscal year. Total General Fund contribution approximates the gravity portion of project which is non-impact fee financed.

The chart and table below depict the possible impact on reserves should all projects under consideration move forward in the amounts originally requested.



Fund Balance at 6/30/15	$	24,590,451
Current Year Projects		4,018,000
Future Year Projects		3,066,000
Due from Airport		2,083,395
Target Reserve		9,447,199
Unassigned		$5,975,857

Bed Tax Fund

The Bed Tax Fund accounts for the discriminatory portion of the transient lodging (bed tax) rate which exceeds the Town's regular tax rate on other businesses. This portion must be used exclusively for the promotion of tourism as required by A.R.S. § 9-500.06(C).

Summary of Bed Tax Fund
Recommended Budget
Fiscal Year 2017

Revenues	FY2016 Budget	FY2017 Recommend	$ Change	% Change
Sales tax revenues	$ 925,450	$ 937,884	12,434	1.3%
Total Revenue	***925,450***	***937,884***	***12,434***	***1.3%***
Expenditures				
Personnel & benefits	98,956	91,562	(7,394)	-7.5%
Contracted services	718,287	739,322	21,035	2.9%
Operating supplies & equip	112,500	107,000	(5,500)	-4.9%
Capital outlay	0	0	-	0.0%
Total Expenditures	***$ 929,743***	***$ 937,884***	***8,141***	***0.9%***
Over/(Under)	***$ (4,293)***	***$ -***	***4,293***	***-100.0%***
Change in fund balance	***(4,293)***	***-***	***4,293***	***-100.0%***

There were no major changes in funding between fiscal years. Anticipated revenues will continue to advance the Town's tourism initiatives including the new Discover Marana website.

Highway User Revenue Fund

The Highway User Revenue Fund (HURF) accounts for our portion of state shared taxes on the sale of gasoline, sale of diesel fuels and other transportation related fees. A state constitutional restriction on the use of the highway user revenues requires that these funds be used solely for street and highway purposes within the public right-of-way. This shared gas tax is the primary source of revenue used for the maintenance of our transportation system.

Summary of Highway User Revenue Fund
Recommended Budget
Fiscal Year 2017

Revenues	FY2016 Budget	FY2017 Recommend	$ Change	% Change
Intergovernmental revenues	$ 2,452,929	$ 2,700,813	247,884	10.1%
Investment income	7,500	7,500	-	0.0%
Total Revenue	***2,460,429***	***2,708,313***	***247,884***	***10.1%***
Expenditures				
Personnel & benefits	620,485	264,280	(356,205)	-57.4%
Contracted services	1,971,430	2,479,582	508,152	25.8%
Operating supplies & equip	188,000	190,700	2,700	1.4%
Capital outlay	230,372	342,710	112,338	48.8%
Total Expenditures	***$ 3,010,287***	***$ 3,277,272***	***266,985***	***8.1%***
Over/(Under)	***$ (549,858)***	***$ (568,959)***	***(19,101)***	***3.5%***
Other Sources and (Uses)				
Transfers out	-	-	-	0.0%
Total Sources and (Uses)	***-***	***-***	***-***	***0.0%***
Change in fund balance	***(549,858)***	***(568,959)***	***(19,101)***	***3.5%***

The following describes major changes between fiscal years:

- Intergovernmental revenues – The shared HURF revenue estimate (intergovernmental revenues) presented here anticipates the passage and signing of HB2483 – Municipal population estimates bill which would utilize the annual Federal Census population estimate as the basis for allocating state shared revenues, including HURF, to the various cities and towns. However, as of the date of this transmittal, the League of Arizona Cities and Towns has not provided shared revenue estimates using the new methodology described in HB2483. *Therefore, the revenue estimate presented in the summary above could change significantly if HB2483 doesn't pass or if the Federal Census estimates used for*

the final shared revenue allocation are materially different than the population estimates used in the above estimate.

- Personnel and benefits – The variance of 57% or approximately $356K in costs where shifted back to the General Fund in an effort to increase the availability of maintenance dollars.

- Contracted services – The full $1.5 million in pavement preservation program costs were budgeted within the HURF fund. This amount represents the approximate average annual costs for both minor and moderate improvements. In fiscal year 2015-2016 $717K in moderate pavement preservation costs were budgeted in the General Fund.

- Capital outlay – The majority of the change is due to the replacement of an asphalt patch truck which is needed to complete various maintenance projects which require the application of hot asphalt and the preplacement of a semi-tractor used to move large equipment like the road grader and front loader around portions of our community. Both pieces of equipment are at the end of their useful lives.

- Change in fund balance – HURF fund balances were $1.9 million at the end of fiscal year 2014-2015 and are projected to be close to $1.0 million at the end of fiscal year which will be adequate to support the budgeted change in fund balance.

Enterprise Funds

Water Operating Fund

The primary revenues for the Water Operating Fund are for charges for water delivered and sold to customers outside of the organization. As such, it is set up and operates as a stand-alone enterprise fund.

Summary of Water Operating Fund
Recommended Budget
Fiscal Year 2017

Revenues	FY2016 Budget	FY2017 Recommend	$ Change	% Change
Licenses, fees and permits	$ 25,000	$ 25,000	-	0.0%
Charges for services	4,205,050	4,311,258	106,208	2.5%
Investment income	700	5,000	4,300	614.3%
Miscellaneous	30,000	-	(30,000)	-100.0%
Total Revenue	***4,260,750***	***4,341,258***	***80,508***	***1.9%***
Expenditures				
Personnel & benefits	1,799,166	1,775,930	(23,236)	-1.3%
Contracted services	1,040,728	1,148,533	107,805	10.4%
Operating supplies & equip	1,052,661	1,346,403	293,742	27.9%
Capital outlay	100,000	99,000	(1,000)	-1.0%
Debt service	360,448	317,859	(42,589)	-11.8%
Total Expenditures	***$ 4,353,003***	***$ 4,687,725***	***334,722***	***7.1%***
Over/(Under)	***$ (92,253)***	***$ (346,467)***	***(254,214)***	***275.6%***
Other Sources and (Uses)				
Transfers in	253,597	222,501	(31,096)	-12.3%
Transfers out	(161,344)	-	161,344	-100.0%
Total Sources and (Uses)	***92,253***	***222,501***	***130,248***	***141.2%***
Change in fund balance	***-***	***(123,966)***	***(123,966)***	***0.0%***

The following describes major changes between fiscal years:

- Charges for services – Water revenues are anticipated to increase by approximately 2.5% in fiscal year 2016-2017. This is primarily due to a combination of account growth (new customers) and water rate and fee increases previously approved by Council which have or will be implemented in the new fiscal year.

- Contracted services – The major change between fiscal years is primarily due to the addition of a water tank and reservoir preventative maintenance program. This is new program is intended to take a proactive stance in the inspection and maintenance of the tanks and reservoirs.

- Operating supplies and equipment – The majority of the budget change between fiscal years is attributable to increased water purchase costs and an increase in the administrative charge that the water utility pays the General Fund for central services (human resources, legal, finance, etc.).

- Change in fund balance – Current assets were $4.1 million at the end of fiscal year 2014-2015 and are projected to be close to $3.7 million at the end of fiscal year which will be adequate to support the budgeted change p.

Wastewater Operating

The primary revenues for the Wastewater Operating Fund are for customer charges to treat sewer flows to the north Marana Water Reclamation Facility. The primary customers are outside of the organization. As such, it is set up and operates as a stand-alone enterprise fund.

Summary of Wastewater Operating Fund
Recommended Budget
Fiscal Year 2017

Revenues	FY2016 Budget	FY2017 Recommend	$ Change	% Change
Licenses, fees and permits	$ 3,000	$ 3,000	-	0.0%
Charges for services	934,614	1,156,696	222,082	23.8%
Investment income	13,375	-	(13,375)	-100.0%
Total Revenue	***950,989***	***1,159,696***	***208,707***	***21.9%***
Expenditures				
Personnel & benefits	353,197	359,382	6,185	1.8%
Contracted services	463,977	664,254	200,277	43.2%
Operating supplies & equip	133,815	136,060	2,245	1.7%
Capital outlay	-	-	-	0.0%
Debt service	-	1,807,725	1,807,725	0.0%
Total Expenditures	***$ 950,989***	***$ 2,967,421***	***2,016,432***	***68.0%***
Over/(Under)	***$ -***	***$ (1,807,725)***	***(1,807,725)***	***0.0%***
Other Sources and (Uses)				
Transfers in	-	1,807,725	1,807,725	0.0%
Transfers out	-	-	-	0.0%
Total Sources and (Uses)	***-***	***1,807,725***	***1,807,725***	***0.0%***
Change in fund balance	***-***	***-***	***-***	***0.0%***

The following describes major changes between fiscal years:

- Charges for services – Wastewater revenues are anticipated to increase by approximately 23.5% in fiscal year 2016-2017. This is primarily due to a combination of account growth (new customers) within existing areas and projected new customers in Saguaro Bloom once both the gravity and force main sewer lines are connected to the development.

- Contracted services – The major change between fiscal years is primarily due to the anticipated increases in the volume of bio solid handling during the fiscal year.

- Debt service – The fiscal year budget included projected debt service on the portions of the 2013 Series bonds issued to acquire the plant, complete required initial improvements and reimburse the General Fund. The debt repayment has

been structured to be paid from current and future impact fees, as included within the respective plans.

Wastewater revenues are anticipated to increase by approximately 12.1% in fiscal year 2015-2016. This is primarily due to the anticipated account growth (new customers) to a relatively small rate base.

Expense increases in salary are attributable to investments in existing employees, including increased compensation and benefit costs. The change in contracted services is largely due to planned system maintenance and repairs. Other increases are attributable to one-time projects or costs.

Airport Operating Fund

The primary revenues for the Airport Operating Fund are for customer charges for facility or ground lease revenues, open tie-down permits and fueling fees for planes at the airport. The primary services are to customers outside of the organization. As such, it is set up and operates as a stand-alone enterprise fund.

Summary of Airport Operating Fund
Recommended Budget
Fiscal Year 2016

Revenues	FY2016 Budget	FY2017 Recommend	$ Change	% Change
Licenses, fees and permits	$ 244,000	$ 244,000	-	0.0%
Miscellaneous	14,000	14,000	-	0.0%
Total Revenue	***258,000***	***258,000***	***-***	***0.0%***
Expenditures				
Personnel & benefits	231,241	247,009	15,768	6.8%
Contracted services	94,988	143,469	48,481	51.0%
Operating supplies & equip	71,900	71,700	(200)	-0.3%
Capital outlay	64,000	17,000	(47,000)	-73.4%
Total Expenditures	***$ 462,129***	***$ 479,178***	***17,049***	***3.6%***
Over/(Under)	***$ (204,129)***	***$ (221,178)***	***(17,049)***	***8.4%***
Other Sources and (Uses)				
Transfers in	93,591	221,178	127,587	136.3%
Transfers out	-	-	-	0.0%
Total Sources and (Uses)	***93,591***	***221,178***	***127,587***	***136.3%***
Change in fund balance	***(110,538)***	***-***	***110,538***	***-100.0%***

The following describes major changes between fiscal years:

- Contracted services – The major change between fiscal years is primarily due to the anticipated need for airport facility maintenance projects including security improvements, replacement of wind socks and gate controller replacements.

- Transfers in – The budgeted transfer for fiscal year 2016-2017 represents what may likely be an ongoing, operating subsidy from the General Fund. In fact, over the years, these operating deficiencies have accumulated to balance of approximately $2M which the airport owes the General Fund. In The airport does not generate revenues adequate to support the needs of an airport with significantly aged infrastructure. Additional airport planning is underway in an effort to improve its ability to generate adequate revenues.

Summary of Positions

The largest portion of the Town's operating budget reflects its investment in personnel and related benefits. Our employees provide the core services that the citizens require and those costs comprise the largest operating cost within the General Fund at approximately 66% of the operating budget. The strategic plan along with the economic recovery plan will continue to guide the allocation of resources in future years. This fiscal year 2017 budget recommends the addition of 7.9 full time equivalent (FTE) positions. The following tables present an overall, multi-year summary of FTE and a detailed listing of recommended changes for fiscal year 2017.

Multi-year FTE Position Change Summary

	FY2014	FY2015	FY2016	FY2017
Budgeted FTE	319.33	328.58	338.73	346.63
Position change from previous year	6.00	9.25	10.15	7.90
Percentage change from previous year	2%	3%	3%	2%

Detailed Listing of Recommended Full Time Equivalent (FTE)
Position Changes for FY2017

Position	FTE	Department	Funding Source
Management Assistant	1.00	Town Manager	General Fund
Asset Coordinator	1.00	Finance	General Fund
Document Imaging Clerk	(0.50)	Development Records	General Fund
Development Engineering Division Manager	1.00	Engineering	General Fund
Police Officer	2.00	Police	General Fund
Senior Maintenance Worker (mid-year)	1.00	Parks	General Fund
Park Laborer (mid-year)	2.00	Parks	General Fund
Recreation Assistant	0.25	Parks	General Fund
Code Enforcement Officer	1.00	Community Development and Neighborhood Services	General Fund
Development Coordinator	(0.85)	Planning	General Fund
Total FTE Changes	7.90		

Detailed Listing of Recommended Short Term Temporary (STT)/Term Limited Temporary (TLT) Position Changes for FY2017

Position	STT/ TLT	Department	Funding Source
Police Sergeant (TLT)	1.00	Police	Grant Fund
Administrative Assistant (STT)	1.00	Police	General Fund
Code Enforcement Officer (TLT)	(1.00)	Community Development and Neighborhood Services	General Fund
Construction Inspectors (TLT)	3.00	Engineering	Transportation Fund
Right of Way Inspector (TLT)	1.00	Engineering	General Fund
Project Manager (TLT)	1.00	Engineering	General Fund
Total STT/TLT Changes	7.00		

Acknowledgements
I would like to thank our department heads, senior management team, finance, human resources and legal staff for their efforts in submitting their recommendations incorporated within this recommended budget for fiscal year 2016-2017.

Respectfully,



Gilbert Davidson,
Town Manger

Council-Study Session **D2**

Meeting Date: 04/12/2016

To: Mayor and Council

Submitted For: Curry C. Hale, Human Resources Director

From: Suzanne Sutherland, Assistant to the Town Clerk

Date: April 12, 2016

Strategic Plan Focus Area:
Not Applicable

Subject: Relating to Personnel; update and discussion regarding employee benefits for fiscal year 2017 (Curry Hale)

Discussion:

The purpose of tonight's presentation is to communicate the plan design changes and premium changes on medical, dental and vision. Open enrollment is scheduled for May 9 - 20, 2016. This is the time that employees may make changes to their benefits selections without a "qualifying event."

The changes presented this evening are a result of working with the Town's benefits consultant (Gallagher Benefit Services) to negotiate the health related employee benefits. Input from the Town's benefits committee members assisted in making plan changes that align with our goals of financial sustainability, maintaining a competitive benefits plan, and meeting our employees' benefits needs.

Health Insurance

The increase to health insurance is 7.3%. The employee cost for FY17 will range from $3.02 to $215.87 depending on the plan and tier selected per pay check compared to FY16 employee cost of $2.67 to $184.50. The overall cost sharing formula has been adjusted to reflect utilization and supports a fiscally sustainable model. The employer cost share of this health benefit will range from 74.5% to 98.6%, depending on the plan tier choices employees make.

Dental Insurance

There were no increases to the dental insurance for either the EDS or Delta Dental plans. Delta

Dental tiers will be realigned to reflect appropriate premium based on utilization in each tier. No overall cost increase.

Vision Insurance

Plan design change to cover frames every 12 months instead of every 24 months. Premiums increase by $.40 to $1.21 depending on tier to accommodate the added benefit.

All Other Benefits

Life, accidental death and disability, and short-term disability (base plan) remain 100% employer covered and the coverage will remain the same for FY17. Additionally, there is no increase to the employer provided EAP program.

Financial Impact:

The overall financial impact of these changes is estimated to be $260,777. Of that amount, $214,164 or 7.2% of that increase will be absorbed by the Town and will be incorporated within the Manager's recommended budget. The employee increase will be 7.3% or $46,613.

Staff Recommendation:

Presentation only.

Suggested Motion:

Presentation only.

Attachments

FY17 OE Presentation

FY 17 Benefits Summary

FY 2016 Plan Performance Jun-December

Town of Marana
Estimated Plan Status
July 1, 2015 through December 31, 2015

	Copper	Teal	Heritage	Total Medical
Medical[1] and Dental Funding[2]	$1,214,428	$425,416	$119,740	$1,759,584
Plan Costs				
Paid Claims Information				
Gross Medical or Dental Claims	$917,649	$121,438	$22,565	$1,061,652
Claims over $125,000	$0	$0	$0	$0
Rx Claims	$249,558	$46,165	$4,200	$299,923
CIGNA Collaborative Fee	$2,300	$943	$410	$3,653
Flu Shot Clinic [3]	$794	$330	$135	$1,259
Total Net Claims	$1,170,301	$168,876	$27,310	$1,366,487
Fixed Expenses				
Administration	$43,869	$17,987	$8,910	$70,766
Individual Stop Loss Premium	$139,086	$57,028	$24,795	$220,909
Aggregate Stop Loss Premium	$7,221	$2,961	$1,287	$11,469
Total Fixed Expenses	$190,176	$77,976	$34,992	$303,144
Total Costs:	$1,360,477	$246,852	$62,302	$1,669,631
Plan Status (Premium/Funding minus Total Costs):	($146,049)	$178,564	$57,438	$89,953
Plan Statistics:				
Total Cost to Premium:	112.0%	58.0%	52.0%	94.9%
Average Enrollment (EE's)	196	81	35	312

FY 17 Medical Plan Changes

Cooper Plan

PLAN DESIGN - Medical	Current	New as of 7/1/16
Deductible (Indiv. / Family)	$200 / $400	$300 / $750
Coinsurance	90%	90%
Out-Of-Pocket Maximum	$1,250 / $2,500	$1,500 / $3,750

Teal Plan

PLAN DESIGN - Medical	Current	New as of 7/1/16
Deductible (Indiv. / Family)	$750 / $1,500	$750 / $1,500
Coinsurance	70%	70%
Out-Of-Pocket Maximum	$4,500 / $9,000	$3,000 / $6,000

Heritage Plan (HDHP) [2]

PLAN DESIGN - Medical	Current	New as of 7/1/16
Deductible (Indiv. / Family)	$1,300 / $2,600	$1,300 / $2,600
Coinsurance	90%	90%
Out-Of-Pocket Maximum	$4,500 / $9,000	$3,750 / $7,500

Benchmarking

	Copper	Teal	HDHP w/ HSA	100-499 FTEs(1)	West Region(1)	Not for Profit(1)
Deductible (Ind. / Family)	$200 / $400	$750 / $1,500	$1,250 / $2,500	$1,000 / $2,500	$750 / $1,800	$1,000 / $2,000
OOP (Ind. / Family)	$1,250 / $2,500	$4,500 / $9,000	$4,500 / $9,000	$3,000 / $6,000	$2,750 / $6,000	$2,500 / $5,000
Coinsurance	10%	30%	10%	20%	20%	20%
Office Visits (PCP/SPC)	$15 / $25	$15 / $45	10% after deductible	$25 / $35	$20 / $25	$20 / $30
ER	$125	$150	10% after deductible	$100	$100	$100
Rx Retail Mail Order	$10/$40/$75 2x Retail	$10/$40/$75 2x Retail	***After ded.*** $10/$40/$75 2x Retail	$10/$30/$50 2x Retail	$10/$28/$50 2x Retail	$10/$30/$50 2x Retail
HSA Offer HSA qualified plan Avg. ER contribution			$650 Ind. $1,300 Family	38% $1,000	37% $1,090	33% $1,200

(1) Benchmarking data from 2014 GBS National Employer Survey
(2) Not for profit includes: Public Entity, Healthcare, Education, Associations and Religious Institutions

FY 17 Medical Plan Projections

Assumptions:

- Self-funded medical renewal, with data through Dec 2015, estimated at 7.3%
- Renewal includes the following:
  - Annual medical/Rx trends at 6%/12% - weighted values of 7.3%
  - CIGNA administrative renewal - does not include disease management programs
  - Stop loss deductible at $125,000 (alternatives would not affect forecast)
  - Claims fluctuation margin of 5%
  - Healthcare reform reinsurance fee of $27 per member per year for second half of 2016
  - Plan design changes as contemplated at December meeting
- Renewal does not include:
  - Any required change in reserve
  - PCORI fee, estimated at roughly $1,600 annual cost for 2016

FY 17 Medical Premiums

	FY 16 Premiums			FY 17 Premiums			
Copper Plan	**No. of Ee's**	**Town**	**EE**	**Town**	**EE**	**$ Increase**	**% Increase**
EE Only	71	$482.76	$63.70	$496.10	$68.80	$5.10	8.0%
EE + Spouse	20	$879.36	$268.17	$896.62	$289.62	$21.45	8.0%
EE + Child(ren)	48	$836.58	$201.67	$855.47	$217.81	$16.13	8.0%
EE + Family	57	$1,239.59	$399.75	$1,262.91	$431.73	$31.98	8.0%
Annual Subtotal	196	$1,952,106	$508,226	$1,994,444	$548,884		

					Monthly EE	
Teal Plan	**No. of Ee's**	**Town**	**EE**	**Town**	**EE**	**$ Increase**	**% Increase**
EE Only	31	$428.94	$6.41	$484.46	$6.75	$0.34	5.2%
EE + Spouse	4	$802.29	$111.89	$913.72	$117.76	$5.87	5.2%
EE + Child(ren)	14	$729.98	$97.18	$831.01	$102.28	$5.10	5.2%
EE + Family	34	$1,107.81	$198.21	$1,264.99	$208.61	$10.40	5.2%
Annual Subtotal	83	$772,698	$104,950	$879,805	$110,459		

					Monthly EE	
Heritage Plan [1]	**No. of Ee's**	**Town**	**EE**	**Town**	**EE**	**$ Increase**	**% Increase**
EE Only	19	$346.80	$5.98	$436.02	$6.08	$0.10	1.6%
EE + Spouse	5	$636.95	$103.96	$822.87	$105.61	$1.65	1.6%
EE + Child(ren)	7	$578.84	$91.48	$747.09	$92.93	$1.45	1.6%
EE + Family	6	$881.38	$177.06	$1,146.53	$179.87	$2.81	1.6%
Annual Subtotal	37	$229,370	$28,033	$294,089	$28,479		
All Plans Total	316	$2,954,174	$641,209	$3,168,338	$687,822		
% Increase from Current				7.2%	7.3%		

FY 17 Dental Tier Realignment

FY 16 Premiums

Delta Plan	No. of Ee's	ER	EE
EE Only	56	$30.49	$4.16
EE + Spouse	11	$57.81	$17.27
EE + Child(ren)	25	$55.42	$13.85
EE + Family	55	$83.37	$26.33
Annual Subtotal	**147**	**$99,770**	**$26,603**

Delta Plus Plan	No. of Ee's	ER	EE
EE Only	40	$30.49	$9.71
EE + Spouse	16	$57.81	$29.27
EE + Child(ren)	23	$55.42	$24.94
EE + Family	53	$83.37	$43.85
Annual Subtotal	**132**	**$94,054**	**$45,053**

FY 17 Premiums

ER	EE	$ Increase	% Increase
$27.26	$3.72	($0.44)	-10.6%
$48.90	$14.61	($2.66)	-15.4%
$63.21	$15.79	$1.95	14.0%
$84.77	$26.76	$0.43	1.7%
$99,686	$26,827		

		Monthly EE	
ER	EE	$ Increase	% Increase
$27.26	$8.68	($1.03)	-10.6%
$48.90	$24.77	($4.50)	-15.4%
$63.21	$28.43	$3.49	14.0%
$84.77	$44.60	$0.75	1.7%
$93,835	$45,132		

FY 17 Vision Plan Changes

Benefits	Current Plan	Proposed Plan
Copays - Exam - Materials - Contact Lens Fitting	 $10 $25 $25	 $10 $25 $25
Frequency Exams / Lenses / Frames	 12 / 12 / 24	 12 / 12 / 12
Lenses	Covered in full single / bifocal / trifocal	Covered in full single / bifocal / trifocal
Contacts	$120 retail allowance	$120 retail allowance
Frames	$125 retail allowance	$125 retail allowance
Rates (Guaranteed until 7/1/17)		
Employee Only Employee + Spouse Employee + Child(ren) Employee + Family	$4.79 $9.47 $9.27 $14.13	$5.19 $10.28 $10.07 $15.34

FY 17 Benefit Changes

Benefit premium deductions are moving from a 26-pay period schedule to a 24-pay period schedule

- Pay dates for earnings will remain on the 26-pay period schedule; only the deduction schedule is changing
- Administratively this will align the deduction of benefits with the payment of premiums to the vendors
  - This allows Finance to balance on a monthly basis instead of an annual basis
- Premiums will be whole for employees who term mid-plan year (because employees are paying in month in full for the coverage for that month in full)
- Employees who convert to COBRA coverage (which is billed monthly) will see the correlation to premiums while actively employed

Questions ?