

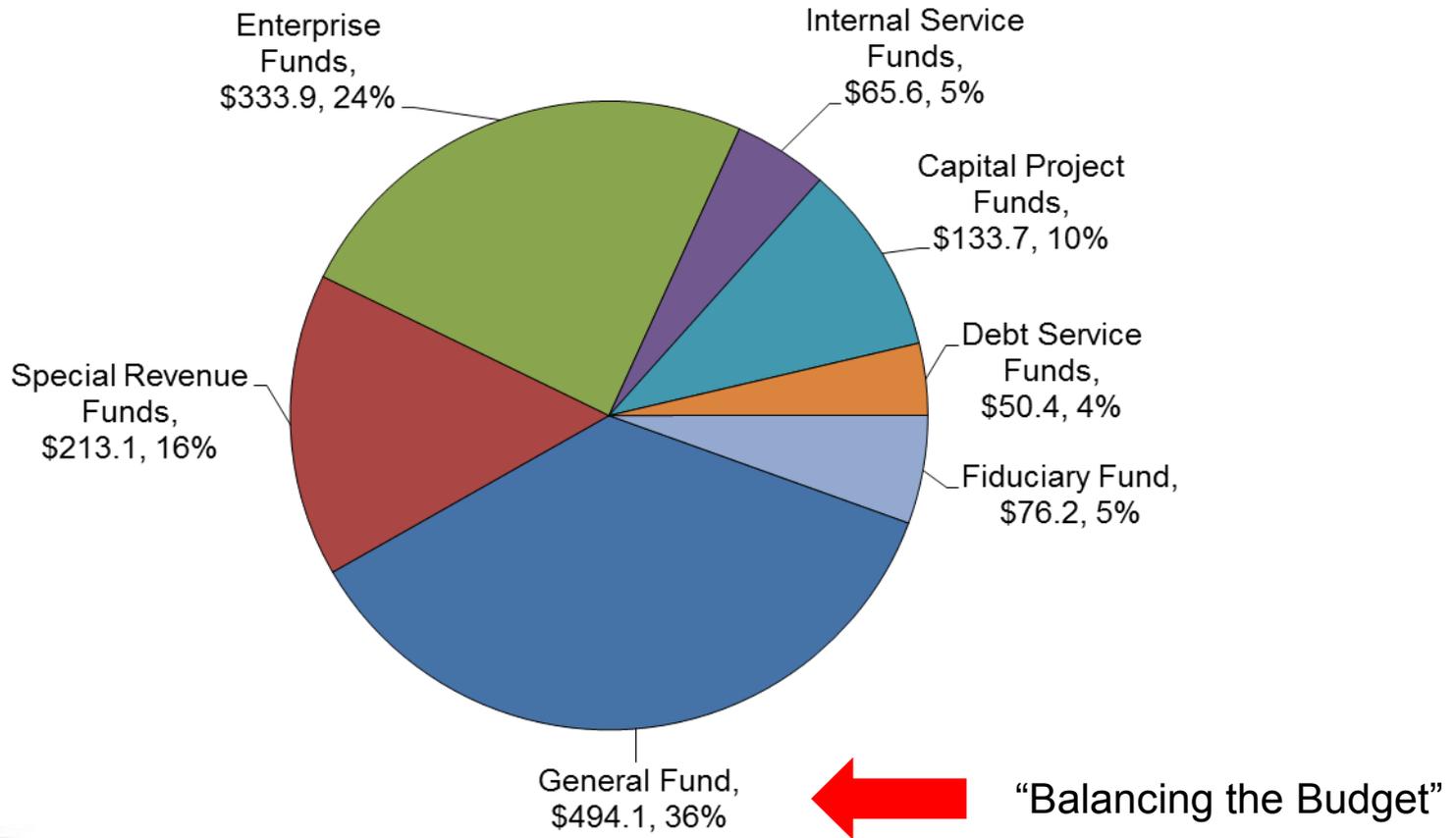


City of Tucson General Fund Budget

***Wards 1, 5, and 6
Town Hall***



FY 15/16 Adopted Budget \$1,367,212,540





City's General Fund Budget Situation

- Since the Great Recession, the City's General Fund budget has been structurally unbalanced
 - It is legally balanced: revenues = expenditures
 - One-time revenues and other funding strategies were used to cover on-going costs
 - Land Sales
 - Proceeds from a lawsuit settlement
 - Restructured debt service to push principal payments out to future years; paying interest only
 - Federal grants for hiring of police and fire commissioned officers
- On-going operating costs continue to outpace revenue growth



Unfunded City Needs

- Vehicle replacements
- Facility repair & maintenance
- Equipment replacements
- IT infrastructure
- Software upgrades/licensing

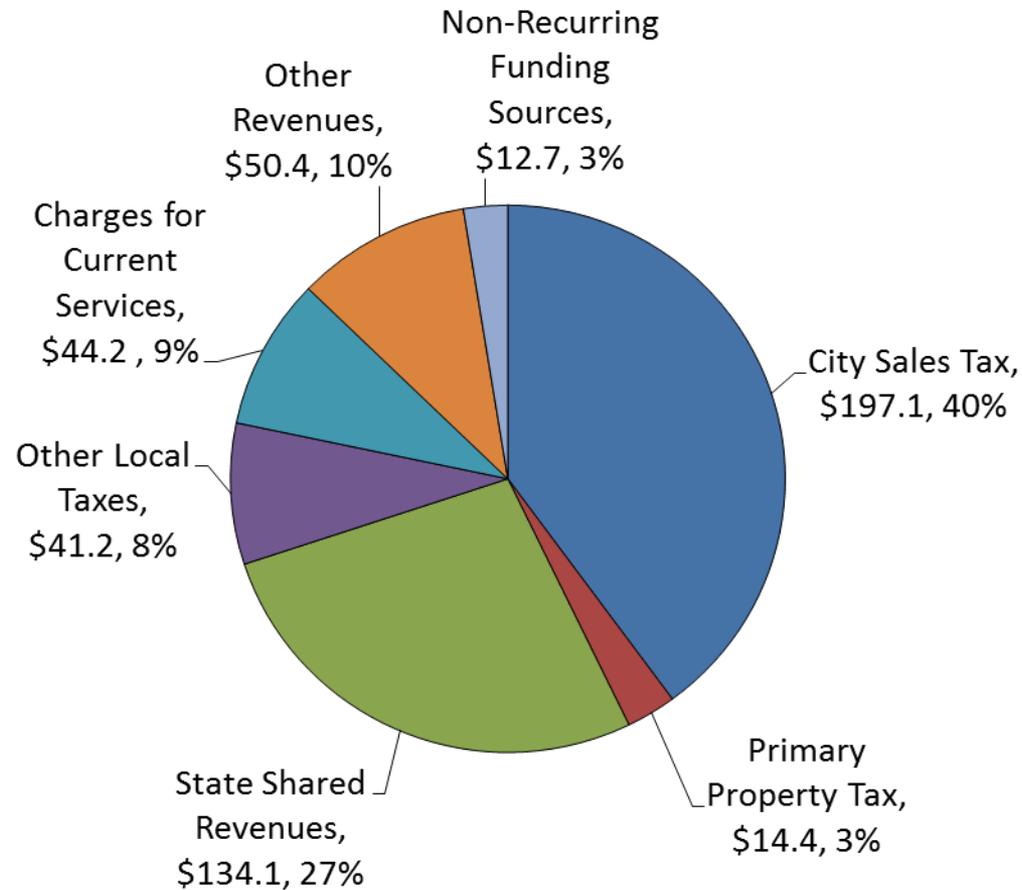


Budget

- Goal
 - Operational Structural Balance by FY 17/18
 - June 30, 2018
 - Structural Balance with Capital by FY 19/20
 - June 30, 2020

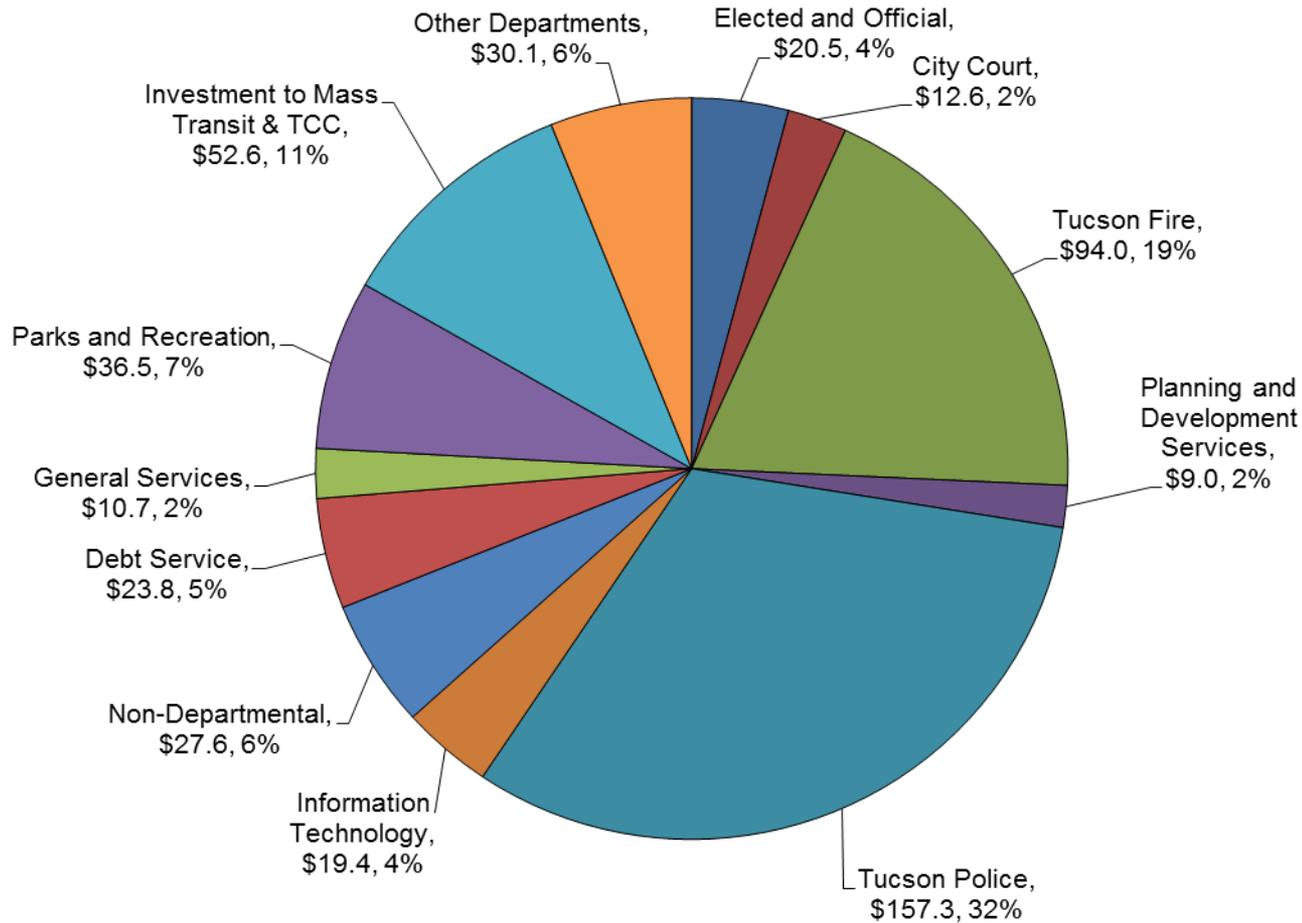


FY 15/16 General Fund Budgeted Revenues \$494.1M





FY 15/16 General Fund Services Provided \$494.1M

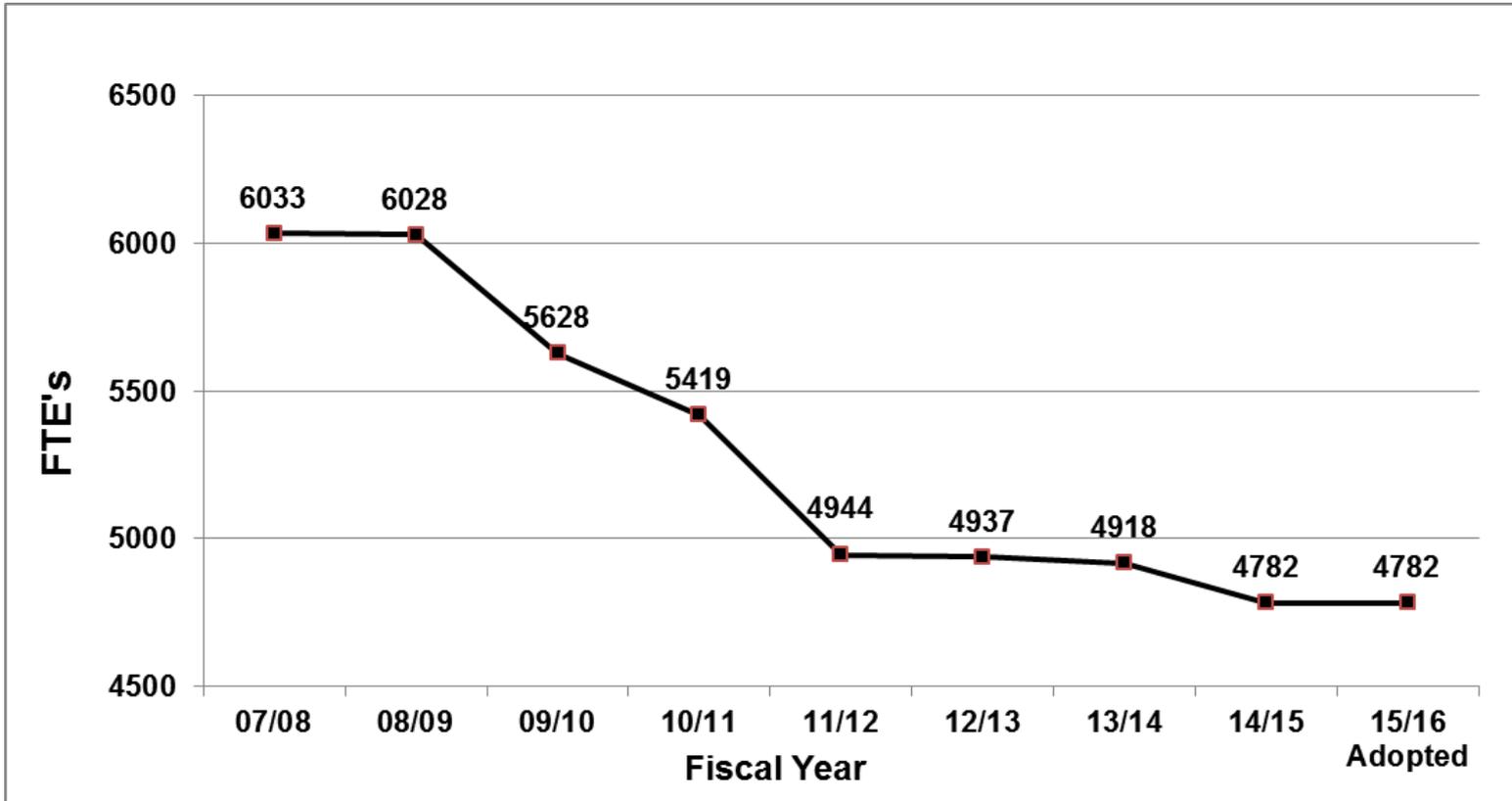


¹ Elected and Official includes Mayor and Council, City Manager Office, City Attorney, and City Clerk

² Other departments includes Public Defender, Budget and Internal Audit, Finance, Procurement, Human Resources, Office of Integrated Planning, and Housing and Community Development



Historical Staffing Levels



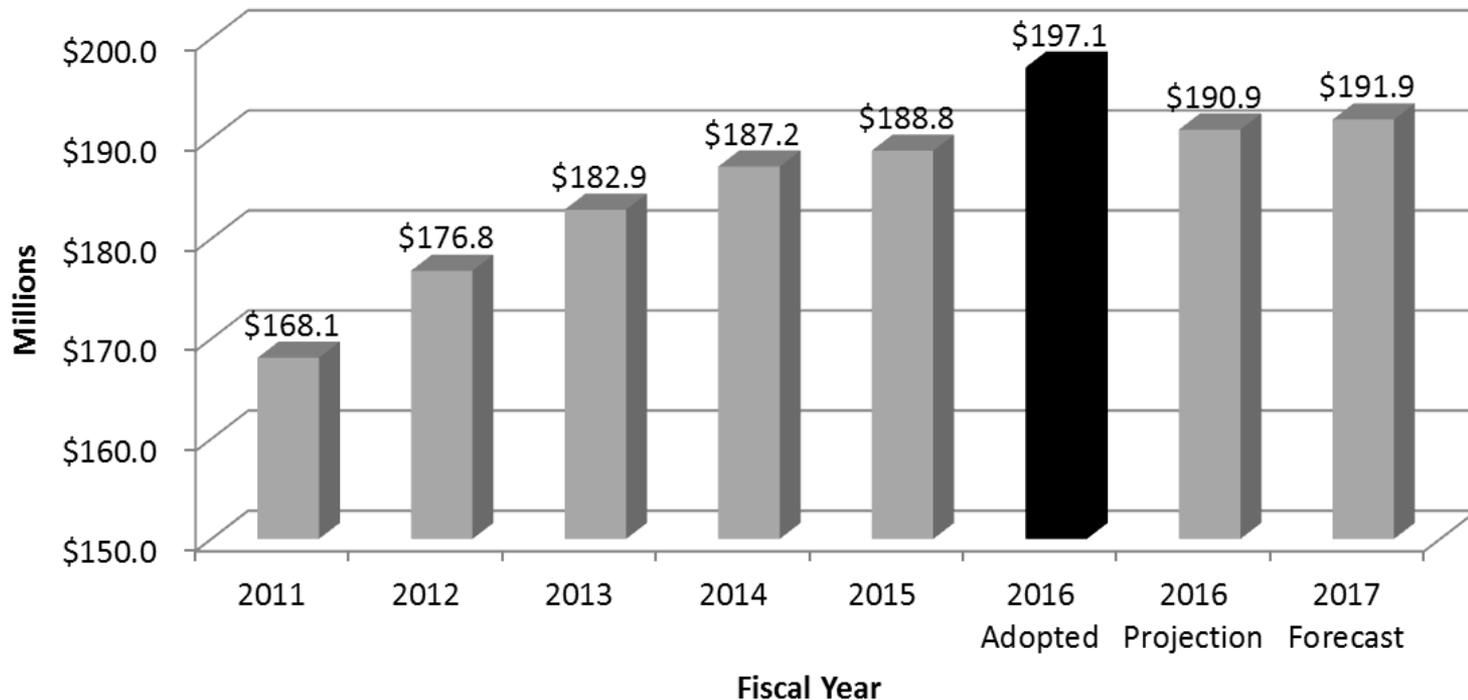
Since FY 07/08, FTEs have decreased by 1,251;
an almost 21% reduction.



FY 15/16 Revenue Highlights

Sales Tax

- Adopted budget was an increase of 3% from FY 15 projected revenues plus annexation (\$2.1M) and tax amnesty (\$1.0M)
- Actual revenues significantly lower than budgeted
- Change in projection from \$197.1M to \$190.9M; a reduction of (\$6.2M) or (3.1%)





Vacancy Savings

- A hiring freeze is in effect
 - Projected FY 15/16 citywide vacancy savings are \$9.1M:
 - Police and Fire continue to recruit for commissioned officers
 - Police academy scheduled



12/15/15 – Retirement Situation

- Citywide there were 443 TSRS employees eligible to retire
 - General Fund = 206
 - Other Funds = 237
- Between December 15 and February 5, 110 employees elected to retire for a potential annual savings of \$9.3M
 - General Fund = 52 retirements; \$4.5M annual savings; average is \$86,538 per employee
 - Other Funds = 58 retirements; \$4.8M annual savings; average is \$82,759 per employee



FY 16/17 GENERAL FUND PROJECTION



General Fund

FY 16/17 Projected Revenues

Expenditures (\$ millions)	FY 16/17 Projected Revenues as of 2/15/16	FY 15/16 Adopted Budget	Variance to FY15/16 Adopted Budget Increase/ (Decrease)
Sales Tax	\$ 192.1	\$ 197.1	\$ (5.0)
Primary Property Tax	14.8	14.4	0.4
Other Local Taxes	44.5	40.3	4.2
State-Shared Revenues:			
Income Tax	65.6	63.2	2.4
Sales Tax	52.6	48.9	3.7
Auto Lieu	23.3	22.0	1.3
Licenses and Permits	28.8	28.3	0.5
Fines and Forfeitures	10.4	14.3	(3.9)
Charges for Services	41.3	39.1	2.2
Other Agencies	1.6	1.4	0.2
Non-Grant Contributions (Raytheon)	4.5	3.5	1.0
Sale of Property	2.0	9.0	(7.0)
Use of Money and Property	0.4	0.6	(0.2)
Payment in Lieu of Taxes	1.9	1.6	0.3
Miscellaneous Revenues	1.2	1.4	(0.2)
Use of Fund Balance:			
Restricted	2.1	5.2	(3.1)
Unrestricted	????	3.7	????
Total	\$ 487.1	\$ 494.0	\$ (6.9)



General Fund

FY 16/17 Projected Expenditures

Expenditures (\$ millions)	FY 16/17 Projected Expenditures as of 2/15/16	FY 15/16 Adopted Budget	Variance to FY15/16 Adopted Budget Increase/ (Decrease)
Personnel Costs:			
Salaries, Wages & Other Pay Allowances	\$ 177.0	\$ 178.9	\$ (1.9)
Extra- and Over-time	13.9	13.8	0.1
Pensions:			
Police	39.5	32.1	7.4
Fire	25.5	20.1	5.4
Tucson Supplemental Retirement Plan	18.5	19.0	(0.5)
FICA	6.4	7.1	(0.7)
Sick Leave Paid at Retirement	0.3	3.0	(2.7)
Workers Compensation	4.8	5.2	(0.4)
Medical Insurance	31.7	30.9	0.8
Retiree Medical & Life Insurance	8.8	8.3	0.5
Utilities	14.5	12.9	1.6
Jail Board (Pima County & Santa Cruz)	6.9	6.9	-
Animal Care	4.5	3.7	0.8
Other Services	58.4	56.2	2.2
Liquid & CNG Fuel	2.9	3.1	(0.2)
Other Supplies	14.1	12.4	1.7
Capital Equipment (e.g. software, vehicles, computers)	5.3	3.0	2.3
Capital Projects (Kronos, ERP)	0.9	1.0	(0.1)
Debt Service	24.7	23.9	0.8
Transfers Out:			
Mass Transit (SunTran, SunVan, SunLink)	48.0	47.8	0.2
Tucson Convention Center	4.8	4.8	-
Development Impact Fee (Housing Waivers)	1.3	0.0	1.3
Total	\$ 512.7	\$ 494.1	\$ 18.6



Expenditure Assumptions: Department/Program Transfers

- Office of Integrated Planning
 - Transferred 3 FTEs to TDOT, HCD and Tucson Water
 - Projected GF savings of \$338K
- Office of Budget and Internal Audit
 - Combine Budget and Finance
 - Program Director position eliminated
 - Projected GF savings of \$179K
- Environmental Services
 - Transfer code enforcement from PDSD
 - Transfer graffiti abatement from TDOT
 - Projected GF savings of \$1.0M



Expenditure Assumptions: City Manager's Office Reductions

- Positions eliminated
 - Economic Development Program Director
 - Real Estate Program Director
 - Intergovernmental Relations Program Director
 - Executive Assistants to the City Manager (2 FTEs)
 - Deputy City Manager
- Transferred Real Estate Program (including 8 FTEs) to TDOT
- Savings from FY 15/16 adopted budget = \$1.0M



Fiscal Year 2016/17

General Fund Projection

- Action taken by Mayor & Council this Fiscal Year have improved our financial situation going forward.
 - Retirement /medical incentive
 - Medical Plan Changes
 - Prepayment of PSPRS
 - Department reorganizations

Revenues	\$487.1
Expenditures	<u>512.7</u>
Remaining Deficit	(\$25.6)



Projected General Fund Changes Year to Year Delta from FY 15/16 Adopted Budget

	From Retreat on Dec. 4, 2015	Projection as of Feb. 15, 2016	FY 17/18	FY 18/19	FY 19/20
<u>Revenues</u>					
City Sales Tax	\$ 3,900,000	\$ (5,000,000)	\$ 3,975,000	\$ 4,050,000	\$ 4,140,000
State Shared Sales Tax	\$ 2,400,000	\$ 3,700,000	\$ 2,500,000	\$ 2,700,000	\$ 2,800,000
State Shared Income Tax	\$ 2,500,000	\$ 2,400,000	\$ 2,600,000	\$ 2,000,000	\$ 1,000,000
Auto Lieu (VLT)	\$ 1,100,000	\$ 1,300,000	\$ 1,300,000	\$ 1,400,000	\$ 1,500,000
Fines/Forfeitures	\$ -	\$ (3,900,000)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Sale of Property	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Other	\$ 1,100,000	\$ (7,500,000)		\$ 500,000	\$ 500,000
Subtotal Revenues	\$ 13,000,000	\$ (7,000,000)	\$ 13,375,000	\$ 12,650,000	\$ 11,940,000
<u>Expenditures</u>					
PSPRS	\$ 25,000,000	\$ 12,800,000	\$ 12,000,000	\$ 7,000,000	\$ 2,000,000
TSRS	\$ -	\$ (500,000)	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Fully Budget All Positions	\$ 6,184,000	\$ (5,100,000)	\$ -	\$ -	\$ -
Health Insurance	\$ 6,000,000	\$ 800,000	\$ 2,160,000	\$ 2,322,000	\$ 2,500,000
Fuel	\$ 1,000,000	\$ (200,000)	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Transit	\$ 1,670,000	\$ 200,000	\$ 1,010,000	\$ 5,450,000	\$ -
COPS Hiring	\$ 870,000	\$ 870,000	\$ -	\$ -	\$ -
SAFER Grant	\$ (1,783,000)	\$ -	\$ 1,783,000	\$ -	\$ -
Election	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ -	\$ 12,000,000
Utilities	\$ -	\$ 1,600,000	\$ -	\$ -	\$ -
Debt Service	\$ 1,552,000	\$ 800,000	\$ 80,000	\$ 277,000	\$ (1,337,000)
Other	\$ 871,000	\$ 3,930,000	\$ -	\$ -	\$ -
Capital Investment	\$ -	\$ 2,200,000	\$ -	\$ 7,000,000	\$ 8,000,000
Subtotal Expenditures	\$ 42,564,000	\$ 18,600,000	\$ 21,233,000	\$ 24,049,000	\$ 25,163,000
Total change per year	\$ (29,564,000)	\$ (25,600,000)	\$ (7,858,000)	\$ (11,399,000)	\$ (13,223,000)
Cumulative per year	\$ (29,564,000)	\$ (25,600,000)	\$ (33,458,000)	\$ (44,857,000)	\$ (58,080,000)



Next Steps

- Staff review and development of recommendations
- Joint effort with Mayor & Council to develop strategies
- Budget forums
 - Internal: Employee Town Halls
 - External
- Formal presentation of budget to Mayor and Council for consideration



Up-to-date City of Tucson Budget Information may be found at “Hot Topics” and “Budget and Internal Audit Office” websites