

# General Fund

## Projected FY 2015 Results Preliminary FY 2016 Budget

February 18, 2015



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# Agenda

- Guiding Principles
- FY 2015 Achievements
- FY 2015 General Fund Projected Revenues and Expenditures
- FY 2016 Preliminary Projected Revenues and Expenditures



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# Guiding Principles

- Invest in planning efforts that will invigorate our City's economy.
- Maintain or enhance the provision of services with processes that are observable and beneficial to the community.
- Recognize the new workplace model and designate the resources and tools to promote delivery of mandated fundamental services.
- Eliminate redundant services.
- Provide a comprehensive stewardship plan.
- Salary packages attracting and retaining a quality workforce.



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# FY 2015 Achievements

- ✓ Operating 4 year-round, 5 extended use, and 9 seasonal pools
- ✓ Partnering with the Arizona Conservation Corps to perform various maintenance functions and repairs within parks and facilities
- ✓ Field enhancements (increase fertilization and weed control, improved irrigation and mowing practices) for 173 sports fields
- ✓ Issue 3,069 commercial and 5,981 residential building permits of which 388 are new permits



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# FY 2015 Achievements

- ✓ Processed 225,000 charges; collecting close to \$27 million by City Court (General Fund = \$11.0 million)
- ✓ Complete 11 annexation agreements projected to bring in approximately \$400,000 in revenue the first year and \$39.6 million over 10 years
- ✓ Complete 19,100 inspections by Code Enforcement
- ✓ Successfully implement case management system for City Attorney Prosecutor and Public Defender



# FY 2015 Achievements

- ✓ Complete kitchen remodel and other needed repairs in the convention center
- ✓ Purchase new election equipment
- ✓ Purchase software for the open data portal project

- ✓ Purchase vehicles:

Parks and Recreation	13
City Attorney – Criminal Division	1
Information Technology	1
Finance – License & Revenue	2
Tucson Fire	3
Tucson Police	<u>46</u>
Total	65



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# Goal

Exercise sound financial management to ensure the City of Tucson's long-term fiscal strength while providing responsive, cost-effective, and innovative local government services.



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# Fiscal Year 2015 Projected Revenues and Expenditures



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# FY 2015 Projected Revenues

Revenue (\$ 000,000)	FY 2015 Budget	FY 2015 Projection	Dollar Change	Percent Change
Business Privilege Tax	\$192.1	\$189.3	(\$2.8)	-1.5%
Property Taxes	13.6	13.8	0.2	1.4%
Other Local Taxes	43.6	40.7	(2.9)	-7.1%
State Shared Taxes	131.5	130.1	(1.4)	-1.1%
Licenses & Permits	20.5	21.4	0.9	4.2%
Fines, Forfeitures, Penalties	14.8	15.3	0.5	3.3%
Charges for Services	30.8	31.6	0.8	2.5%
Other Agencies	2.5	2.6	0.1	3.8%
Sale of Real Property	3.1	3.4	0.3	8.8%
Administrative Fee	11.2	11.2	0.0	0.0%
In-Lieu of Property Tax	1.6	1.6	0.0	0.0%
Other Revenues	4.2	4.2	0.0	0.0%
Lease Proceeds	0.0	1.3	1.3	100.0%
Use of Fund Balance:				
Restricted	1.3	0.5	(0.8)	
Assigned	3.6	3.2	(0.4)	
Unassigned	2.5	5.5	3.0	
<b>Total</b>	<b>\$476.9</b>	<b>\$475.7</b>	<b>\$0.0</b>	



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# FY 2015 Projected Expenditures

Expenditures (\$ 000,000)	FY 2015 Revised Budget	FY 2015 Projection	Positive/ (Negative) Variance
Elected and Official <sup>1</sup>	\$ 23.6	\$ 22.7	\$ 0.9
Public Safety and Justice Services	253.6	252.0	1.6
Community Enrichment and Development	52.3	52.7	(0.4)
Support Services	48.3	48.2	0.1
Non-Departmental:			
General Government	19.2	18.7	0.5
Outside Agencies	4.5	4.7	(0.2)
Debt Service <sup>2</sup>	25.6	24.8	0.8
Investments:			
Mass Transit (SunTran, SunVan, SunLink) <sup>2</sup>	46.3	47.1	(0.8)
Tucson Convention Center	4.8	4.8	0.0
<b>Total</b>	<b>\$ 478.2</b>	<b>\$ 475.7</b>	<b>\$ 2.5</b>

<sup>1</sup>The City Clerk's budget was revised by \$1.3 million to account for the purchase of the financed election equipment.

<sup>2</sup>The debt service budget for the streetcars of \$1.1 million was transferred from Non-Department to Mass Transit therefore increasing the investment by the same amount.



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# Fiscal Year 2016 Preliminary Projected Revenues and Expenditures



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# FY 2016 Preliminary Revenue Forecast



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# General Fund Revenue Highlights

- City sales tax increase of \$2.9 million or 3% over the FY 2015 projection
- State shared Sales Tax increase of \$2.9 million or 6% over the FY 2015 Projection
- State shared Income Tax increase of \$0.3 million or 0.5% over FY 2015 Projection
- State shared Auto Lieu Tax increase of \$0.9 million or 4% over FY 2015 Projection
- Land sale proceeds of \$4.0 million already in process



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# Revenue Trends

- Over 81% of general fund revenues are derived from taxes
- Over \$134 million or 28% of general fund revenues come from state shared revenues
- Over \$15.9 million or 3% of general fund revenues come from Fines, Forfeitures, and penalties
- Over \$31.2 million or 7% of general fund revenues come from Charges for Service

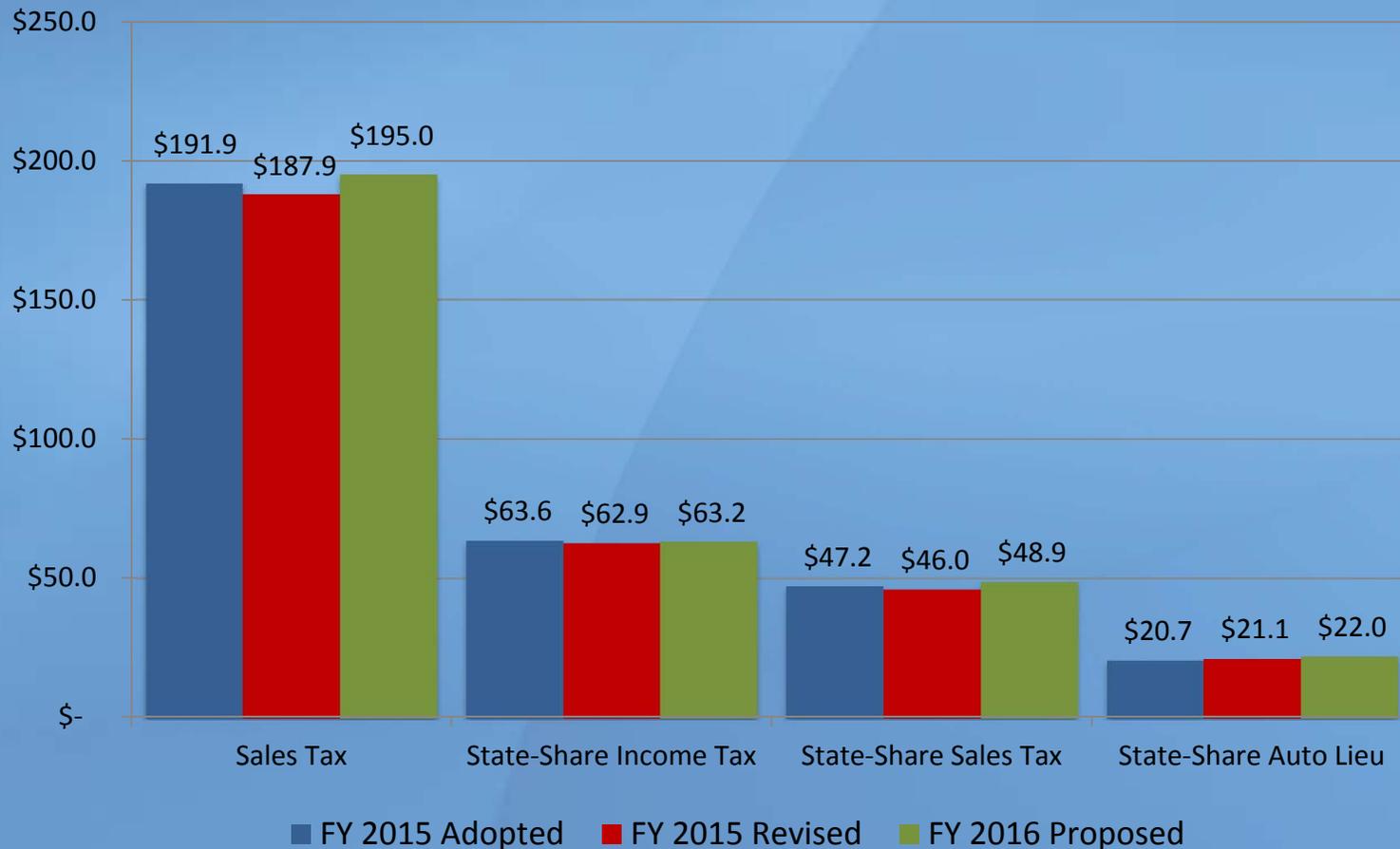


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# Total General Fund Revenue



# Total General Fund Revenue

Revenue (\$ 000,000)	FY 2015 Budget	FY 2016 Projection	Dollar Change	Percent Change
Business Privilege Tax	\$ 192.1	\$ 195.0	\$ 2.9	1.5%
Property Taxes	13.6	14.2	0.6	4.2%
Other Local Taxes	43.6	41.1	(2.5)	-6.1%
State Shared Taxes	131.5	134.0	2.5	1.9%
Licenses & Permits	20.5	21.3	0.8	3.8%
Fines, Forfeitures, Penalties	14.8	15.9	1.1	6.9%
Charges for Services	30.8	31.2	0.4	1.3%
Other Agencies	2.5	2.5	0.0	0.0%
Sale of Real Property	3.1	4.0	0.9	22.5%
Administrative Fee	11.2	11.2	0.0	0.0%
In-Lieu of Property Tax	1.6	1.6	0.0	0.0%
Other Revenues	4.2	4.2	0.0	0.0%
Use of Fund Balance:				
Restricted	1.3			
Assigned	3.6			
Unassigned	2.5			
<b>Total</b>	<b>\$ 476.9</b>	<b>\$ 476.2</b>		



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# FY 2016 Preliminary Expenditures



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# Personnel Costs

Personnel Costs	FY15 Adopted	FY16 Proposed	FY 2016 Change
Salary and Wages	\$ 174.9	\$ 174.1	\$ (0.8)
Transition of Police Officers from COPs Hiring Grant <sup>1</sup>	1.4	3.1	1.7
Pensions:			
Fire	18.4	24.2	5.8
Police	26.2	38.4	12.2
TSRS	19.0	19.0	0.0
FICA	7.8	6.9	(0.9)
DROP Payouts:			
Fire	0.4	1.5	1.1
Police	1.2	1.5	0.3
Public Safety Overtime	6.6	8.6	2.0
Group Insurance	28.0	33.0	5.0
Miscellaneous Benefit Changes	6.9	7.0	0.1
Workers Compensation	4.8	5.1	0.3
<b>Total</b>	<b>\$ 295.6</b>	<b>\$ 322.4</b>	<b>\$ 26.8</b>

<sup>1</sup>Includes FICA and Pension



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# Personnel Assumptions

- Salary and wages
  - Transition of COPS hiring grant police officers to General Fund
  - Overtime is increasing due to vacant public safety commissioned positions
- Medical insurance increase of 14%; may change depending on plan design
- Actuary rates for workers' compensation and public liability decrease is due to favorable settlement of claims



# Personnel Assumptions

- Pension Rate Changes
  - Police 64.94% up from FY 2015 of 48.59% (option is the 3-year phase-in rate of 52.95%)
  - Fire 66.79% up from FY 2015 of 51.15% (option is the 3-year phase-in rate of 53.11%)
  - TSRS 27.5% blended rate for all TSRS system members; unchanged from FY 2015 blended rate
  - Elected and Official 23.5% unchanged from FY 2015 rate



# Additional Expenditures listed by Department

(millions)

Raytheon Annexation Agreement Restriction	\$ 0.8
Public Liability Decrease	\$ (1.5)
City Clerk	
Election Costs	\$ 1.2
Economic Development	\$ 0.3
Parks and Recreation	
Additional operating costs to open seasonal pools	\$ 0.6
Water and sewer rate increases	\$ 0.2
Transporation	
Graffiti (Total \$1.6 million)	\$ 0.9



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# Additional Expenses listed by Department

(continued)

(millions)

## Information Technology

Optic fiber relocation	\$ 0.5
Software and hardware maintenance contract increases	\$ 0.4

## General Services

PCWIN subscriber rate increase; annual Utility Management System software license; and increase in annual cost of City Hall security	\$ 0.1
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## Non-Departmental

Retiree medical	\$ (0.6)
Rio Nuevo archeology	\$ (0.2)
Primary Jobs Incentive Payments	\$ 0.6



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# Additional Expenses listed by Department

(continued)

(millions)

Lease agreements for Depot Garage & W 22nd/I-10	\$ 0.1
Starpass Enhancement Fee	\$ 0.2
Pima Animal Care	\$ 0.4
Pima County Jail Board	\$ 0.5
Debt Service	
Principal and interest payments	\$ (1.4)
	<hr/>
Total additional expenses	<u>\$ 3.1</u>



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# Change to Program Investments

(millions)

SunTran and SunVan	
Operating	\$ 2.7
Match for capital improvement program	\$ 1.8
Total change to program investments	<u>\$ 4.5</u>



# Other Critical Needs

(millions)

Tucson Fire Department	
Fire alerting equipment replacement	\$ 1.0
Station equipment/furniture replacement	\$ 0.5
Apparatus and fleet replacement	\$ 4.5
Tucson Police Department	
Replace vehicle computers	\$ 1.9
General Services	
Restore minimally acceptable maintenance to city assets	\$ 3.0
Vehicle replacement funding	\$ 4.4
Information Technology	
Microsoft OS licensing for VDI Project	\$ 0.3
Server, switches and other hardware replacement.	\$ 0.9
Enterprise SQL Database Infrastructure	\$ 0.3
Non-Departmental	
Funding for Gem Show preparation	\$ 0.1



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# State Legislation Issues

- An allocation of \$8.2 million from cities' TPT shared revenue statewide for DOR operations. A permanent charge for administering cities' and towns' portion of DOR operations for TPT collections. **(Potential loss \$820,000)**
- A permanent charge of \$2 million to create the DOR Collections Fund for additional collections staff. This money will come out of the base TPT revenues before distribution to the state, counties, and cities. **(Potential loss of \$200,000)**
- The Governor's budget assumes cities and towns will receive an additional \$6.5 million in TPT revenue due to enhanced collections activities. **(Potential increase of \$650,000)**

**Total estimated loss in revenue \$370,000**



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# Ongoing Efforts

- Work with the department directors to determine how to allocate available resources
- Continue discussions with labor groups
- Partner with other jurisdictions to negotiate Pima Animal Care and Jail Board Intergovernmental Agreements



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# Ongoing Efforts

- Negotiate renewal rates with the healthcare provider
- Continue discussions with partners regarding long-term contracts (e.g. YMCA, Rodeo Committee, Visit Tucson)



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# Budget Calendar

- March 3
  - Update on the progress of Proposition 409 Street Improvements
  - Study Session: City Technology Plan
  - Study Session: LED Lighting Project
- March 17
  - Study Session: Update on the FY 2016 budget process; direction from Mayor and Council on the PSPRS rate
  - Study Session: Mass Transit 5-year financial forecast



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# Budget Calendar

(continued)

- April 7
  - Study Session: Study Session: Significant capital improvement projects
- April 21
  - City Manager's Recommended Budget including the 5-year Capital Improvement Plan to Mayor and Council



# Budget Calendar

(continued)

- May 5
  - Study Session: Park Tucson 5-year financial plan
  - Study Session: Discussion of Recommended Budget
  - Regular Agenda: Public Hearing on Recommended Budget
- May 19
  - Study Session: Pima Animal Care and Jail Board Intergovernmental Agreements
  - Study Session: Discussion of Recommended Budget
  - Regular Agenda: Adoption of a Tentative Budget



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# Budget Calendar

(continued)

- June 9
  - Public Hearing: (Truth in Taxation) on primary property tax rate
  - Public Hearing: Tentatively Adopt FY 2016 Budget
  - Special Mayor and Council meeting: Final budget adoption
- June 17
  - Regular Agenda: Adoption of property tax levies



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# Questions or Comments?



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