

Fiscal Year 2016: Overview of City Manager's Recommended Budget

*Mayor and Council
Study Session
April 21, 2015*



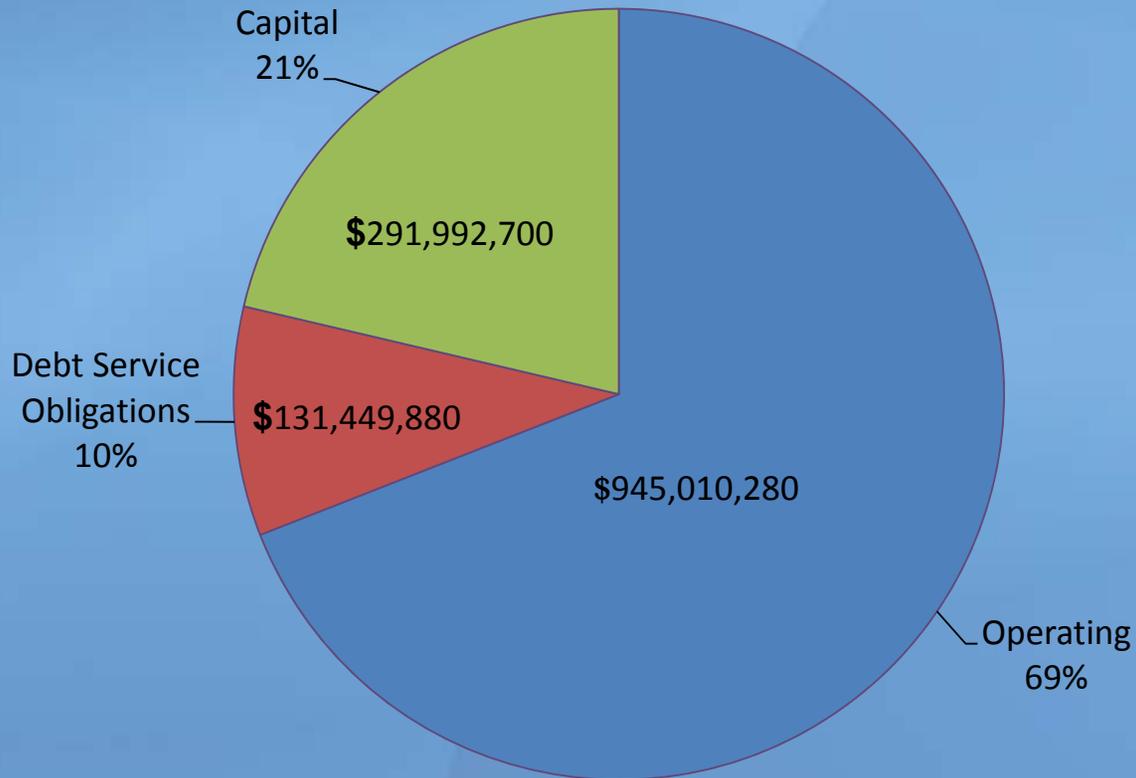
CITY OF
TUCSON

Budget &
Internal Audit



FY 2016 Recommended Expenditures

Citywide Budget: \$1.368 billion



Increase of \$103 million from the FY 2015 Adopted Budget of \$1.265 billion



Total Expenditures by Function FY 2015 to FY 2016 Recommended

(millions)

| Function | Adopted FY 2015 Budget | Recommended FY 2016 Budget | Dollar Amount Change | Percentage Change |
|--------------------------------------|------------------------------|----------------------------------|----------------------------|----------------------|
| Elected and Official* | \$ 22.7 | \$ 20.9 | \$ (1.8) | -7.9% |
| Public Safety and Justice Services | 270.3 | 283.3 | 13.0 | 4.8% |
| Community Enrichment and Development | 262.1 | 260.3 | (1.8) | -0.7% |
| Public Utilities | 160.8 | 166.5 | 5.7 | 3.5% |
| Support Services | 111.4 | 110.1 | (1.3) | -1.2% |
| Non-Departmental | 24.1 | 27.8 | 3.7 | 15.4% |
| Pension Services | 71.4 | 76.2 | 4.8 | 6.7% |
| Capital Projects | 212.4 | 292.0 | 79.6 | 37.5% |
| Debt Service | 129.8 | 131.4 | 1.6 | 1.2% |
| Total | \$ 1,265.0 | \$ 1,368.5 | \$ 103.5 | 8.2% |

*The Elected and Official budget is decreasing mainly due to the transfer of Visit Tucson's budget from City Manager's Office to Non-Departmental.



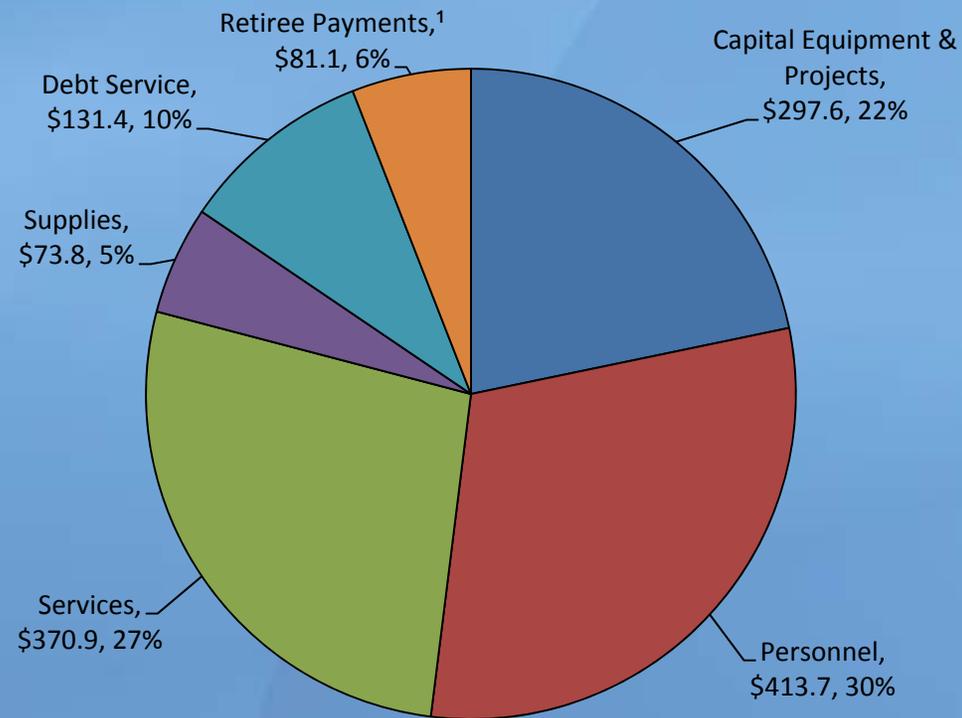
CITY OF
TUCSON

Budget &
Internal Audit



Total Expenditures by Type

(millions)



¹Retiree payments include pension, medical and life insurance



City-wide Personnel Expenditures

| Total Personnel Expenditures (\$ millions) | | | | | |
|---|------------------------------|----------------------------------|----------------------------|----------------------|--|
| | Adopted FY 2015 Budget | Recommended FY 2016 Budget | Dollar Amount Change | Percentage Change | |
| Personnel Cost | | | | | |
| Salaries and wages - permanent and non-perman | \$ 241.0 | \$ 239.0 | \$ (2.0) | -0.8% | |
| Extra and overtime | 16.4 | 19.0 | 2.6 | 15.9% | |
| Employer Pension Contributions: | | | | | |
| Police | 28.2 | 33.3 | 5.1 | 18.1% | |
| Fire | 18.5 | 21.1 | 2.6 | 14.1% | |
| Tucson Supplemental Retirement System | 36.8 | 36.0 | (0.8) | -2.2% | |
| FICA | 13.2 | 12.0 | (1.2) | -9.1% | |
| Workers' Compensation | 6.6 | 7.0 | 0.4 | 6.1% | |
| Group Health Plans | 41.7 | 45.6 | 3.9 | 9.4% | |
| Compensation for earned leave accrual | 2.6 | 2.6 | - | 0.0% | |
| Sick leave payout upon retirement | 1.6 | 2.9 | 1.3 | 81.3% | |
| Other personnel expenditures ¹ | 4.8 | 5.1 | 0.3 | 6.3% | |
| Personnel costs allocated to capital projects | (9.2) | (9.9) | (0.7) | 7.6% | |
| Total | \$ 402.2 | \$ 413.7 | \$ 11.5 | 2.9% | |

¹Other personnel expenditures include uniform allowance, second language pay, downtown employee allowance, state unemployment, meal allowance, paramedic certification, and fire prevention pay as approved by labor contracts.



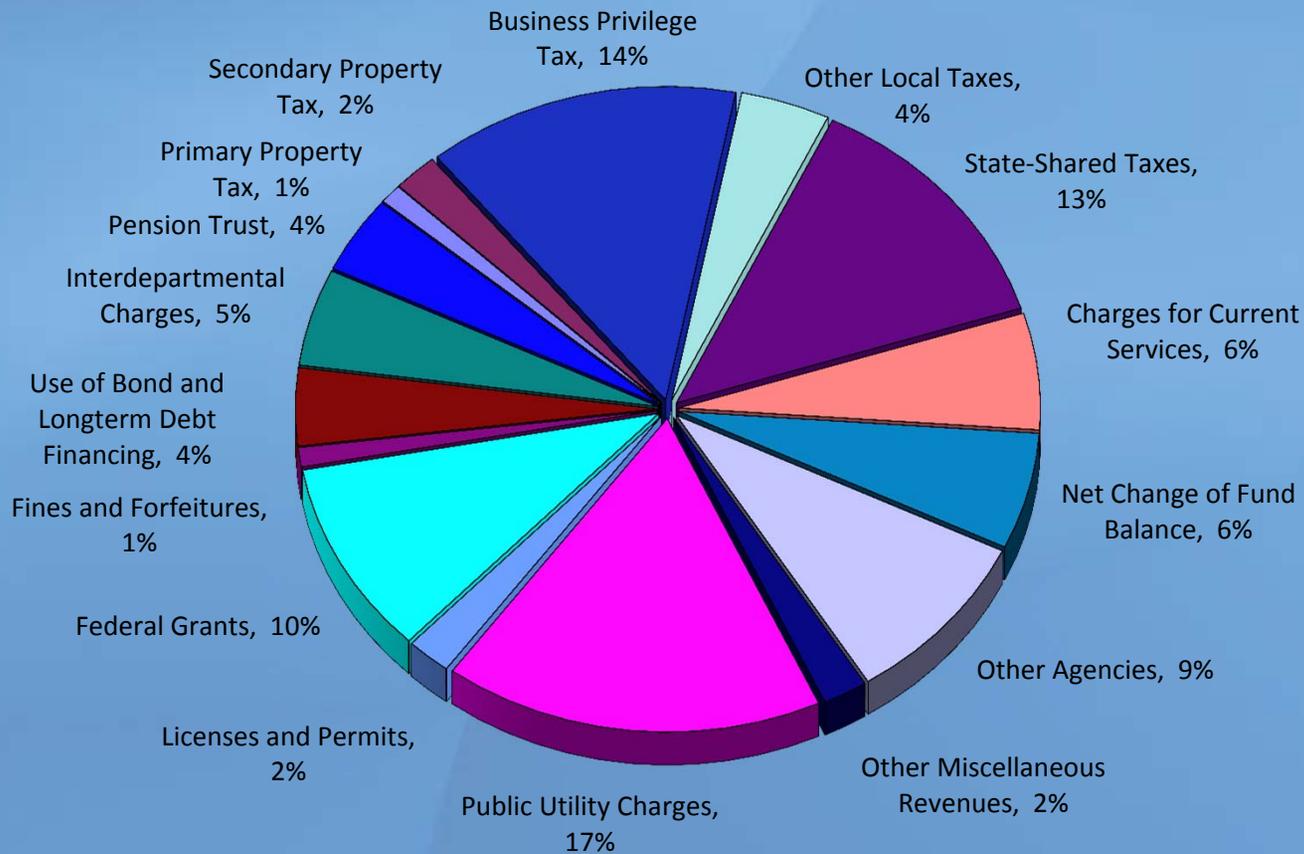
CITY OF
TUCSON

Budget &
Internal Audit



FY 2016 Projected Revenues

Citywide Budget: \$1.368 billion



CITY OF
TUCSON

Budget &
Internal Audit



City Property Taxes

| City of Tucson Property Tax Comparison | | | | |
|---|-------------------|------------------------|-----------------------------------|---------------|
| | Actual FY 2015 | Recommended FY 2016 | Change Increase/ (Decrease) | |
| Rate Changes: | | | | |
| Primary Property Tax | \$ 0.4386 | \$ 0.4514 | \$ | 0.0128 |
| Primary Property Tax - Involuntary Torts | 0.0443 | 0.0812 | | 0.0369 |
| Secondary Property Tax | 0.9777 | 1.0634 | | 0.0857 |
| Total | <u>\$ 1.4606</u> | <u>1.5960</u> | \$ | <u>0.1354</u> |

Involuntary tort levy amount is \$2,535,470, which is a decrease from the FY 2015 levy amount of \$1,374,150.



CITY OF
TUCSON

Budget &
Internal Audit



City Staffing Levels

- Citywide FTEs = 4,782
 - Increase of 14 commissioned FTEs from Raytheon Agreement to the Tucson Fire Department
 - Increase of 4 commissioned FTEs in the Tucson Police Department for school resource officers
 - Increase of 6 FTEs in the City Clerk's Office for election
- Overall, no net increase of total FTEs from FY 2015 Authorized

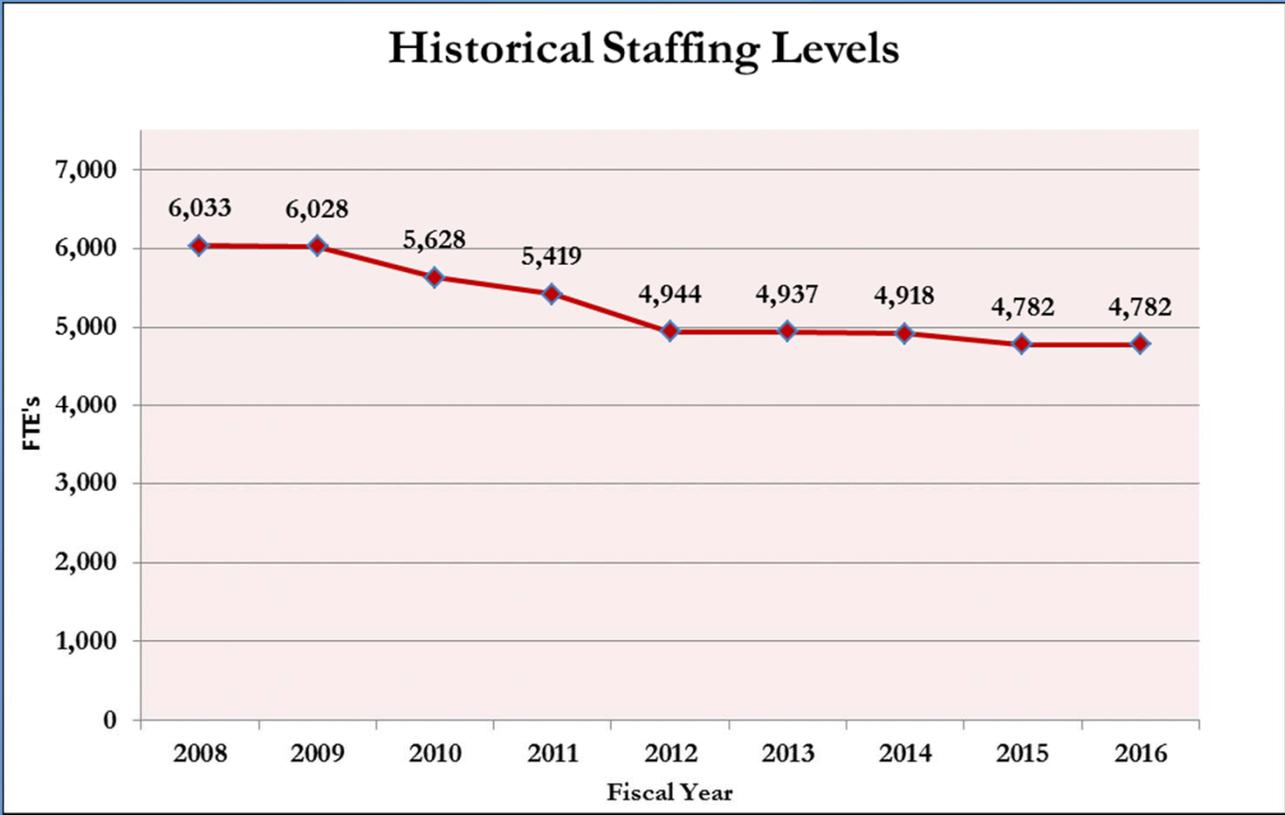


CITY OF
TUCSON

Budget &
Internal Audit



Citywide Staffing Levels



CITY OF
TUCSON

Budget &
Internal Audit



General Fund



CITY OF
TUCSON

Budget &
Internal Audit



Revenues and Fund Balance



CITY OF
TUCSON

Budget &
Internal Audit



General Fund

(millions)

| Revenue | FY 2015 Adopted | FY 2015 Estimated | FY 2016 Recommended | Dollar Change from Estimated | Percent Change |
|---------------------------|--------------------|----------------------|------------------------|---------------------------------|-------------------|
| Sales Tax | \$ 192.1 | \$ 189.3 | \$ 197.1 | \$ 7.8 | 4.1% |
| Primary Property Tax | 13.6 | 13.8 | 14.4 | 0.6 | 4.3% |
| Other Local Taxes | 43.6 | 40.8 | 41.2 | 0.4 | 1.0% |
| State Shared Revenue | 131.5 | 130.0 | 134.1 | 4.1 | 3.2% |
| Licenses and Permits | 20.5 | 21.7 | 21.2 | (0.5) | -2.3% |
| Fines and Forfeitures | 14.8 | 15.3 | 14.3 | (1.0) | -6.5% |
| Charges for Services | 30.8 | 31.6 | 31.3 | (0.3) | -0.9% |
| Administrative Charge | 11.2 | 11.2 | 12.9 | 1.7 | 15.2% |
| Use of Money and Property | 0.5 | 0.5 | 0.6 | 0.1 | 20.0% |
| Other Agencies | 2.5 | 2.6 | 2.6 | - | - |
| Non-Grant Contributions | 2.2 | 3.1 | 3.5 | 0.4 | 12.9% |
| Sale of Property | 3.1 | 3.4 | 9.0 | 5.6 | 164.7% |
| Capital Lease Proceeds | - | 1.3 | - | (1.3) | -100.0% |
| Other Revenues | 1.5 | 1.8 | 1.4 | (0.4) | -22.2% |
| In Lieu of Tax | 1.6 | 1.6 | 1.6 | - | - |
| Subtotal | 469.5 | 468.0 | 485.2 | 17.2 | 3.7% |
| Use of Fund Balance: | | | | | |
| Restricted | 1.3 | 0.2 | 5.2 | 5.0 | |
| Assigned | 3.6 | 3.6 | - | (3.6) | |
| Stabilization Fund | - | - | 3.2 | 3.2 | |
| Unrestricted | 2.5 | 6.3 | - | (6.3) | |
| Subtotal | 7.4 | 10.1 | 8.4 | (1.7) | -16.8% |
| Revenue Total | \$ 476.9 | \$ 478.1 | \$ 493.6 | \$ 15.5 | 3.2% |



CITY OF
TUCSON

Budget &
Internal Audit



The Recommended Budget revenues include:

- Land Sales \$9.0 million
- Administrative Central Service Fee increase of \$1.7 million
- Tax Amnesty Program projection of \$1.0 million
- Animal License Fee increase of \$0.1 million
- Continue payment in lieu of taxes \$1.6 million



CITY OF
TUCSON

Budget &
Internal Audit



Use of Fund Balance

- Use of Restricted Fund Balance
 - Payment to Police Public Safety Pension Plan of \$3.0 million from vehicle impound fees
- The Recommended Budget is balanced by using \$3.2 million of the Stabilization Fund
- Revenues and expenditures will be monitored throughout the year
- If needed, expenditures will be controlled so no more that \$3.2 million will be used from the Stabilization Fund
- Each fiscal year \$1.1 million will be repaid to the Stabilization Fund beginning in FY 2017

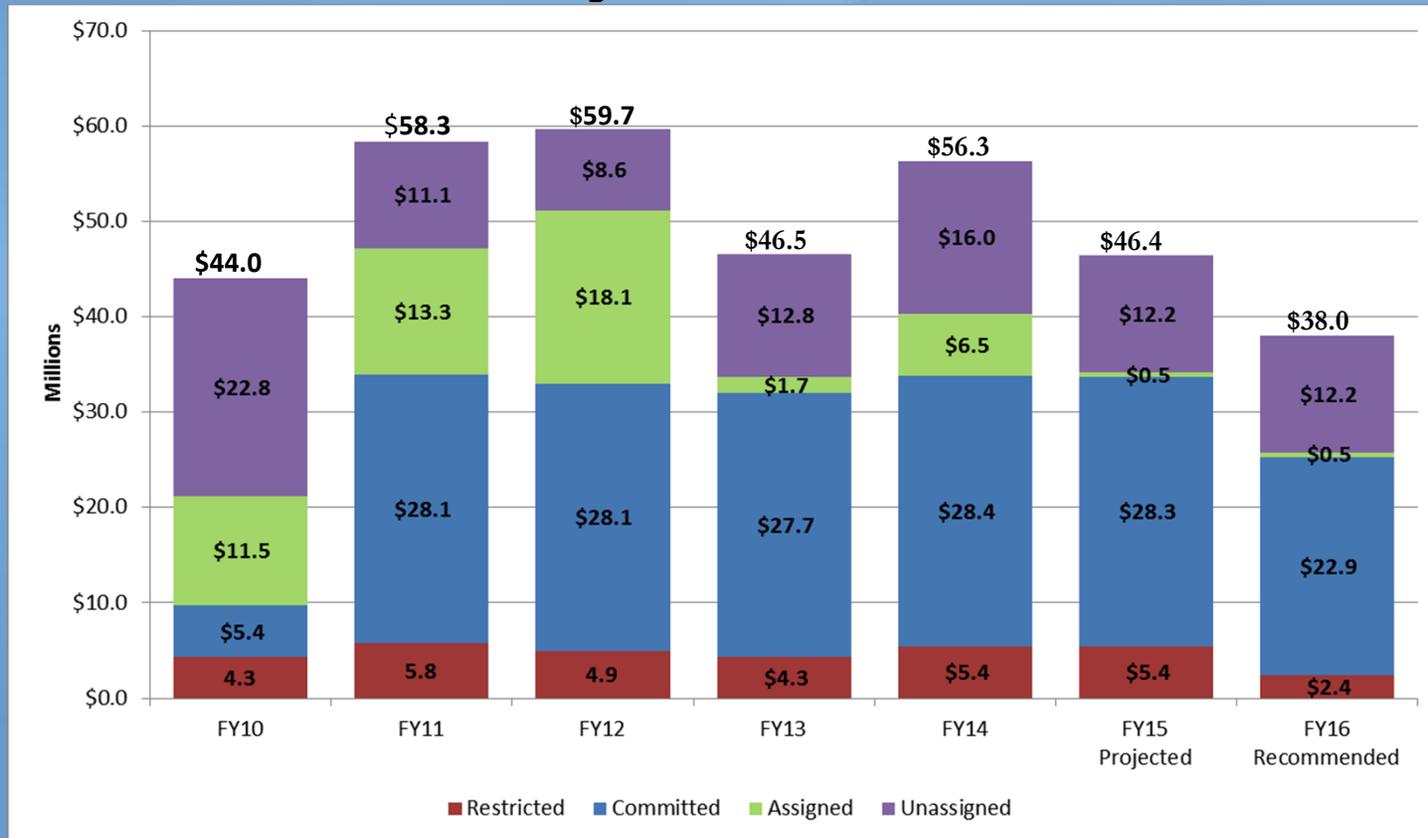


CITY OF
TUCSON

Budget &
Internal Audit



General Fund Actual and Projected Fund Balance



The amounts do not include Nonspendable Fund Balance.



Expenditures



CITY OF
TUCSON

Budget &
Internal Audit



General Fund

| Total General Fund Expenditures (\$ millions) | | | | | |
|---|------------------------------|----------------------------------|----------------------------|----------------------|--|
| Function | Adopted FY 2015 Budget | Recommended FY 2016 Budget | Dollar Amount Change | Percentage Change | |
| Elected and Official | \$ 22.3 | \$ 20.5 | \$ (1.8) | -8.1% | |
| Public Safety and Justice Services | 253.5 | 267.1 | 13.6 | 5.4% | |
| Community Enrichment and Developme | 52.3 | 53.6 | 1.3 | 2.5% | |
| Support Services | 48.3 | 48.0 | (0.3) | -0.6% | |
| Non-Departmental | 50.5 | 51.3 | 0.8 | 1.6% | |
| Investments to Other Funds | 50.0 | 53.1 | 3.1 | 6.2% | |
| Total | \$ 476.9 | \$ 493.6 | \$ 16.7 | 3.5% | |



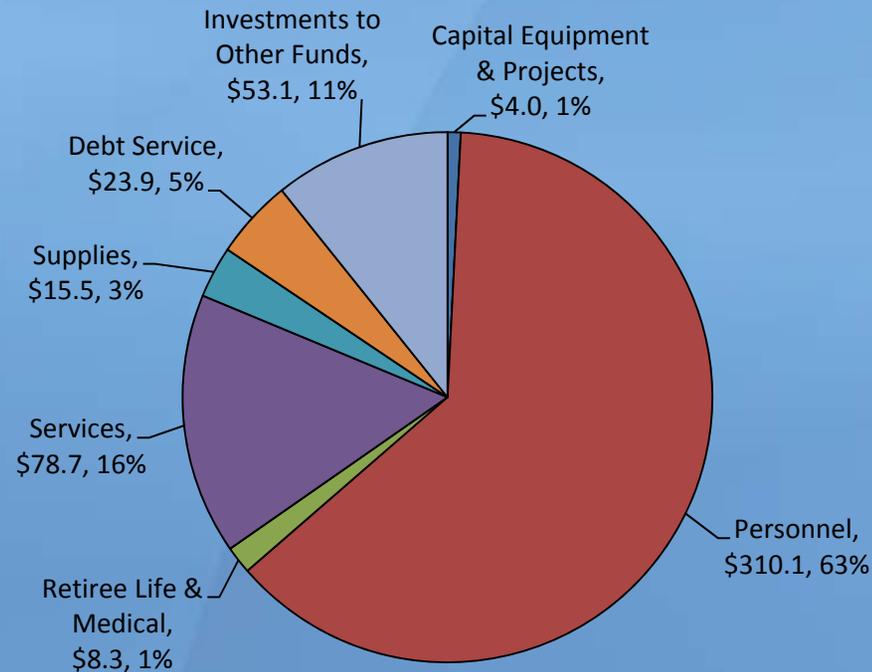
CITY OF
TUCSON

Budget &
Internal Audit



General Fund Expenditures by Type

\$493.6 million



CITY OF
TUCSON

Budget &
Internal Audit



The Recommended Budget proposed expenditures include:

- Graffiti contract increase of \$880,000
- Civic Events Funding for Veterans Day, Martin Luther King Day, and Cesar Chavez Day
- Jail Board \$6.9 million and Pima Animal Care \$3.7 million, the same amount as FY 2015
- A new television program involving the government channel, Channel 12, and the current public channel, Access Tucson, is undergoing a RFP process
- Contingency \$250,000



CITY OF
TUCSON

Budget &
Internal Audit



The Recommended Budget proposed benefit changes:

- Medical and dental health insurance costs will increase by 10.5% and 2%, respectively if the plan designs do not change
- The City will cover the increased costs for the medical insurance plans
- Employees may choose to remain in the Dental PPO will see an increase in the premium cost
- Employees who enroll in the Dental HMO for no cost

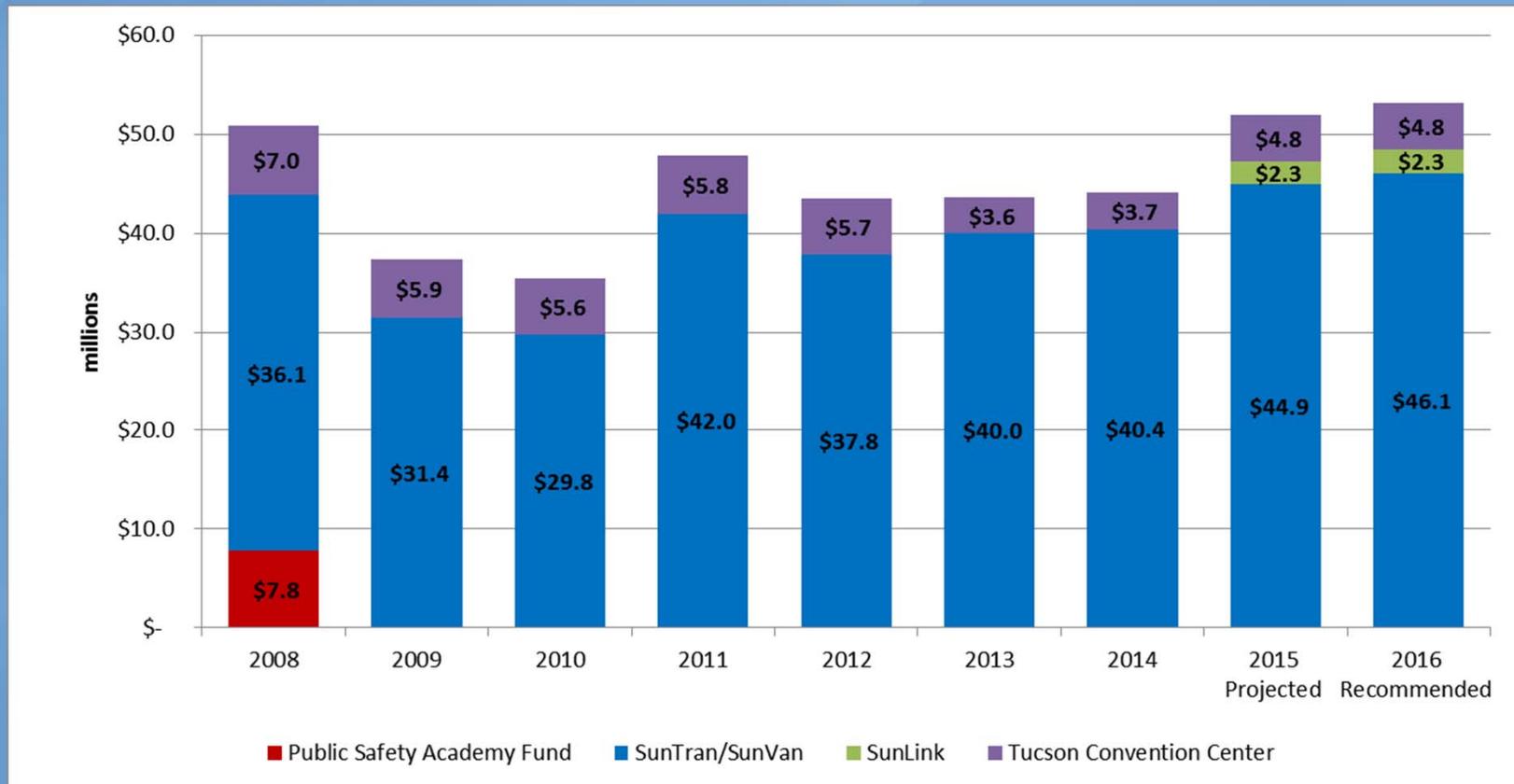


The Recommended Budget proposed General Fund Investments are:

- Tucson Convention Center \$4.8 million; the same as FY 2015
- Sun Link \$2.3 million; the same as FY 2015
 - Maintain RTA funding of \$2.0 million
 - Streetcar debt service of \$1.5 million
- Mass Transit (Sun Tran and Sun Van) \$46.1 million; an increase of \$1.2 million from FY 2015 Projected of \$44.9 million; and an increase of \$1.8 million from FY 2015 Adopted of \$44.3 million



General Fund Investments



CITY OF
TUCSON

Budget &
Internal Audit



Mass Transit Recommended Budget

- Sun Tran and Sun Van recommended budget is \$103.6 million
 - Funded by
 - Passenger Revenue \$11.5 million
 - Regional Transportation Authority \$8.3 million
 - County/Local Operating Assistance \$5.6 million
 - Other revenues \$2.0 million
 - Federal Transit grants \$30.1 million
 - General Fund Investment \$46.1 million



Mass Transit

Recommended Budget (continued)

- The increase in the General Fund investment is mainly due to Sun Tran and Sun Van capital purchases for:
 - Sun Tran replacement buses \$8.4 million
 - Sun Van replacement vans \$5.8 million
 - Administration building upgrades to replace elevator system, HVAC systems, roof repair and repaving parking lots \$0.4 million
 - ADA Transit Enhancements \$0.7 million
 - Fueling facility at Sun Tran's northwest maintenance facility \$0.5 million
 - Intermodal Center Projects \$1.8 million
 - Security for Transit \$0.2 million
 - Transit Facility Improvements to construct a storm water conveyance system \$4.0 million
 - Renovation and rehabilitation to include refurbishing restrooms at Laos and Ronstadt Transit Centers \$0.5 million

Capital projects are funded by Federal Grants \$18.1 million and General Fund match \$4.3 million for a total of \$22.3 million.



CITY OF
TUCSON

Budget &
Internal Audit



Mass Transit Budget Assumes the Following Identified Savings:

- Internal Cost Savings. Reduced health insurance costs estimated at \$485,000.
- Service Changes:
 - Phase I - Implement minor route service changes, which do not require Title VI equity analysis or Public Hearing, in August 2015. The proposed changes would focus on improving service efficiencies. A public outreach process and Transit Task Force review will be undertaken for these minor route service changes. An initial estimated savings for Phase I service changes is \$1.1 million for FY2016.
 - Phase II - Implement major route service changes, which require Title VI equity analysis and Public Hearing, in February 2016. A public outreach process, Transit Task Force review, and Mayor and Council Public Hearing will be undertaken for these major service changes. The initial estimated savings for Phase II service changes is \$ 0.5 million for FY2016.
- Capital Program. Delay start of Sun Tran South Garage storm water and paving project until May 2016. Estimated General Fund savings is \$0.4 million for FY2016.



Sun Link

Recommended Budget

- Sun Link recommended budget is \$5.7 million
 - Funded by
 - Passenger Revenue \$1.3 million
 - Regional Transportation Authority \$2.0 million
 - Advertising \$0.1 million
 - General Fund Investment \$2.3 million



Next Steps

- May 5 Study Session
 - Staff will provide an update on General Fund projected revenues and expenditures for FY 2015 yearend
 - Mayor and Council will have the opportunity to provide input to the City Manager's Recommended Budget



CITY OF
TUCSON

Budget &
Internal Audit



Budget Calendar

- May 5
 - Study Session discussion of Recommended Budget
 - Public Hearing
- May 19
 - Study Session discussion of Recommended Budget
 - Study Session discussion of the Pima Animal Care and Jail Board Intergovernmental Agreements
 - Regular Agenda: Adoption of a Tentative Budget



CITY OF
TUCSON

Budget &
Internal Audit



Budget Calendar

- June 9
 - Public hearing on the budget as tentatively adopted
 - Special Mayor and Council meeting for the purpose of final budget adoption
- June 23
 - Regular Agenda for the adoption of property tax levies



CITY OF
TUCSON

Budget &
Internal Audit



Comments and Questions?



CITY OF
TUCSON

Budget &
Internal Audit

