



Mayor & Council Retreat

December 4, 2015

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Plan for today

- Report on meetings
 - M&C
 - Staff
 - Community
- Observations
- Budget
- Opportunities
- Next steps



Report on meetings

- M&C
 - Pride in Tucson
 - Economic Development
 - Infrastructure Improvement
 - Customer service
 - Internal and external
- Staff
 - No raises for past several years
 - Concern over their future (budget)
 - Proud of what they do
 - Do not feel appreciated
 - Apathy



Report (Cont'd)

- Community members
 - Pride in Tucson
 - City/County Relationship
 - Budget stability
 - Roads
 - Turnover of managers/leadership



Observations

- M&C want:
 - to do the right thing
 - a strong Tucson economy
 - excellent customer service
 - structurally balanced budget
- Staff want:
 - clarity/clear direction
 - security
 - support
 - positive work environment
 - a raise
 - better equipment



Observations (Cont'd)

- Community wants
 - City/County relationships to be strong
 - Regional approach
 - better roads
 - efficiency
 - to have confidence in City Government
 - leadership



Observations (Cont'd)

- Budget is the black cloud we all point to
- Staff morale
- Past Budget reductions driven by our culture
 - Political
 - Competitiveness
 - Scarcity
 - Bureaucracy
 - Survival
- Culture drives everything we do



Observations (Cont'd)

- Survival has turned staff against staff (scarcity)
- Disconnect between us (all)
- Plan Tucson not thought of as direction



Culture

- What does it look like 5 years from now?
- What does M&C want?
- What does staff want?
- What does community want?



Thoughts on Culture (future)

- Security (Financially stable)
- Extraordinary customer service
- Part of something larger (winning team)
- Confidence
 - From community
 - Internally in each other
- Happy workforce/community
- Plan Tucson guides direction



Budget

- Situation
 - Structurally unbalanced
 - Increasing costs above revenues
- Goal
 - Operational Structural Balance by FY 17/18
 - June 30, 2018
 - Structural Balance with Capital by FY 19/20
 - June 30, 2020



Projected GF FY 15/16 – FY 19/20

Changes year to year

	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
Revenues					
City Sales Tax		\$ 3,900,000	\$ 3,975,000	\$ 4,050,000	\$ 4,140,000
State Shared Sales Tax		\$ 2,400,000	\$ 2,500,000	\$ 2,700,000	\$ 2,800,000
State Shared Income Tax		\$ 2,500,000	\$ 2,600,000	\$ 2,000,000	\$ 1,000,000
Auto Lieu (VLT)		\$ 1,100,000	\$ 1,300,000	\$ 1,400,000	\$ 1,500,000
Fines/Forfeitures		\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Sale of Prop		\$ 2,000,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Other		\$ 1,100,000	\$ 600,000	\$ 500,000	\$ 500,000
Subtotal Revenues		\$ 13,000,000	\$ 13,975,000	\$ 12,650,000	\$ 11,940,000
Expenditures					
PSPRS		\$ 25,000,000	\$ 12,000,000	\$ 7,000,000	\$ 2,000,000
TSRS		\$ -	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Fully Budget All Positions		\$ 6,184,000	\$ -	\$ -	\$ -
Health Insurance		\$ 6,000,000	\$ 2,160,000	\$ 2,322,000	\$ 2,500,000
Fuel		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Transit		\$ 1,670,000	\$ 1,010,000	\$ 5,450,000	\$ -
COPS Hiring		\$ 870,000	\$ -	\$ -	\$ -
SAFER Grant		\$ (1,783,000)	\$ 1,783,000	\$ -	\$ -
Election		\$ 1,200,000	\$ 1,200,000	\$ -	\$ 1,200,000
Debt Service		\$ 1,552,000	\$ 80,000	\$ 277,000	\$ (1,337,000)
Other		\$ 871,000	\$ -	\$ -	\$ -
Capital Investment		\$ -	\$ -	\$ 7,000,000	\$ 8,000,000
Subtotal Expenditures		\$ 42,564,000	\$ 21,233,000	\$ 24,049,000	\$ 14,363,000
Total change per year		\$ (29,564,000)	\$ (7,258,000)	\$ (11,399,000)	\$ (2,423,000)
Cumulative per year	\$ (12,700,000)	\$ (42,264,000)	\$ (49,522,000)	\$ (60,921,000)	\$ (63,344,000)



Projected GF FY 15/16 – FY 19/20 Cumulative analysis

	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
Total change per year	\$ -	\$ (29,564,000)	\$ (7,258,000)	\$ (11,399,000)	\$ (2,423,000)
Cumulative per year	\$ (12,700,000)	\$ (42,264,000)	\$ (49,522,000)	\$ (60,921,000)	\$ (63,344,000)



What we have done in the past

- Based on the situation one-time solutions were appropriate
- Did not pay principal on COPs
- Restructured debt
 - Interest
 - Defer payment
- Furloughs of staff
 - 9 days/employee ~ 3.4% cut in pay (one time)
- Expenditure reductions
- Reduced staffing (layoffs)
- Sold land/assets
- Settlement of lawsuit
- Reduced amounts to outside agencies
- Established new revenue source
 - False alarm fee
 - Photo enforcement
 - Medical transport deductible



PSPRS

- FY 16/17 ~ \$25M
 - 2nd payment of Fields Case
 - Normal actuarial calculations
 - Change in return 7.65% to 7.5%
- FY 17/18 ~ \$12M
 - 3rd payment of Fields Case
 - Expected 1st payment of Hall Case
 - Normal actuarial calculations
- FY 18/19 ~ \$7M
 - 2nd payment of Hall Case
 - Normal actuarial calculations



PSPRS (Cont'd)

- A few other thoughts:
 - NOT THE FAULT OF FIRE OR POLICE EMPLOYEES
 - Prepayment of contribution (some risk on return)
 - Calculations annually assume all FTEs pay
 - Nothing we can really do locally to change
 - Legislative
 - Voter
 - Will look at Com vs. Non Com. Functions
 - Current unfunded liability approximately \$785M



GF Fund Balance

- Current total fund balance \$65.7M
- Restricted \$27.2M

- Actual Available Fund Balance \$38.5M
 - Stabilization Fund (4.9%) \$22.8M
 - Unassigned Fund (3.4%) \$15.7M



Thoughts for FY 16/17

- Institute Hiring Freeze
 - \$15-18M/year
 - Use \$12M from FY 15/16 to FY 16/17 (one-time) \$12M
- Offer Retirement incentive (TSRS only)
 - 443 citywide (206 GF)
 - 3 month salary (not pensionable)
 - \$3.4M Cost (included in FY 15/16 Budget) if all 206 retire
 - \$2.4M Savings in FY 15/16 if all 206 retire
 - Assuming 90 GF positions ~ FY 16/17 (ongoing) \$6.2M
 - Could be additional \$1.0M savings in FY 15/16 (Jan cutoff) (one-time)
 - Could assume EF and SRF will see about 120 FTE's vacant \$2.8M
 - Could see movement from GF to EF/SRF – 40 positions ~ \$2.8M (ongoing)
- Attrition (above budgeted 2%)
 - 1% ~ \$3M positions held (ongoing) \$3M
- Probationary employees (strategic)
 - 40 FTE's \$2.8M



Thoughts for FY 16/17 (Cont'd)

Projected Shortfall		\$ (42,264,000)
One-time from FY 15/16		
CCF (Hiring Freeze FY 15/16)		\$ 12,000,000
Retirement incentive		\$ 1,000,000
Probationary employees		\$ 1,000,000
Add'l proceeds Civano		\$ 3,000,000
Subtotal one-time		\$ 17,000,000
Ongoing for FY 16/17		
Fine/Forfeitures		\$ (3,000,000)
Retirement incentive GF		\$ 6,200,000
Retirement incentive EF/SRF		\$ 2,800,000
Attrition 3% (1% above FY 15/16)		\$ 8,400,000
Probationary employees		\$ 2,800,000
Health Benefits change		\$ 3,000,000
Subtotal ongoing		\$ 20,200,000
Total FY 16/17		\$ 37,200,000
Remaining shortfall		\$ (5,064,000)



Considerations for FY 17/18

Projected Shortfall		\$ (49,522,000)
FY 16/17 Ongoing Reductions		\$ 20,200,000
Revised projected Shortfall		\$ (29,322,000)



Our plan “1 city/1 team”

(Examples of actions to be taken)

- Implement retirement incentive
- “Employee Town Halls”
- Communicate with public
- Meet with M&C regularly
- Reorganize Departments
 - Efficiency/effectiveness
- Prepare for election
- Review funding to all programs
- Begin combining functions
 - HR
 - Finance/Budget
- Deliver Manager’s Budget (balanced)
- Reach out to potential partners
- Evaluate staffing resource distribution
- Evaluate Probationary Employees
- Employee training



Criteria to Consider

- General Fund
 - \$494M/year ~ \$1.9M/day (52 wks @ 5 days/wk)
 - \$49.5M shortfall in FY 17/18 ~ \$76k/day
- FTE costs
 - Including Commissioned ~ \$81k/year
 - Excluding Commissioned ~ \$69k/year



Other Considerations

- Staff
 - Morale
 - Positive Work Environment
 - Pay – need to work towards 103% of market
- Cuts to staffing probable
 - Depends on when
- Economy
 - We are due for another recession
 - Hits from State
- Additional Revenue Opportunities
 - Voter confidence
- Two year for operational balance
 - Buys time to have more accurate numbers (rev & exp)
 - Prolongs the difficulty
- Four year for capital balance
 - Softens reduction amount in first three years
 - Assumes no catastrophic failures - unlikely



Other Considerations (Cont'd)

- Consolidation
 - Finance/Budget
 - HR
 - PIO
 - M&C Offices
 - Constituent services
 - CMO
 - OIP/PDS/EI/IGR
- Transit review
- All programs and services will be reviewed
- Partnerships
 - TPD/SO
 - Air Support
 - SWAT
 - Bomb Squad
 - TFD/Districts
 - Ambulance Service
 - EOC
 - County
 - IT
 - Parks
 - PDS
 - Facility Maintenance
 - Vehicle Maintenance



Other Considerations (Cont'd)

- How we do business
 - Com. vs. non com.
 - AD's/forms/processes
- Transfers
 - Water
 - Environmental Services
 - HURF
 - Housing
- Revenue
 - Sales Tax
 - Bed Tax
 - Annexation
 - Property Tax
- Roads need maintenance
- Lack of Replacement Programs
 - Vehicles
 - Equipment
 - Facilities



Funding Opportunities

- Sales Tax
- ½¢ ~ \$50M/yr for 5 years
- 3-1/5¢ ~ \$20M/yr for 5 years
 - \$20M – transit
 - \$20M – capital replacement programs
 - \$5M Vehicles
 - \$5M Equipment
 - \$5M Facilities
 - \$5M Parks
 - \$20M – roads
 - Maintenance vs. capacity
- Property tax
 - \$75-100M in capacity – City
 - \$300M – County projects



Next Steps

- Implement FY 16/17 thoughts now
 - Hard Hiring Freeze – all
 - Retirement incentive (12/15 – M&C)
 - Shut down expenses
 - Cut back on Probationary Employees (strategic)
- Begin addressing FY 17/18 shortfall now
 - Increase CCF for FY 15/16
 - Implement changes strategically
- M&C engaged regularly throughout process



Summary

- Continue meet/communicate
 - M&C regularly
 - Clarity of direction
 - Staff (continue to reach out)
 - Community
- Work with staff on Culture
 - Culture drives everything
- Address budget shortfalls now
 - Expense reductions
 - Revenue increases