

General Fund Overview

The General Fund serves as the City of Tucson's primary operating fund, encompassing the majority of governmental activities unless a specific requirement dictates reporting in a separate fund. Such exceptions typically arise from generally accepted accounting principles (GAAP), statutory or legal mandates, or specialized financial management considerations.

Within the General Fund, the City's major revenue sources are derived from City Business Privilege (Sales) Tax, State-Shared Revenues, Public Utility Tax, Primary Property Tax, Charges for Services, Licenses and Permits, Fines and Forfeitures, In Lieu of Taxes, and Other Financing Sources. These revenues collectively provide the foundation for delivering essential services and maintaining the City's fiscal stability.

General Fund Summary

The City of Tucson's Fiscal Year 2025 target budget, General Fund expenses, was set at \$749.3 million, a marginal increase of 0.03% from the prior year, reflecting a stable expenditure plan.

Budgeted revenues are projected at \$688 million, up 0.44% from the previous year, indicating modest revenue growth.

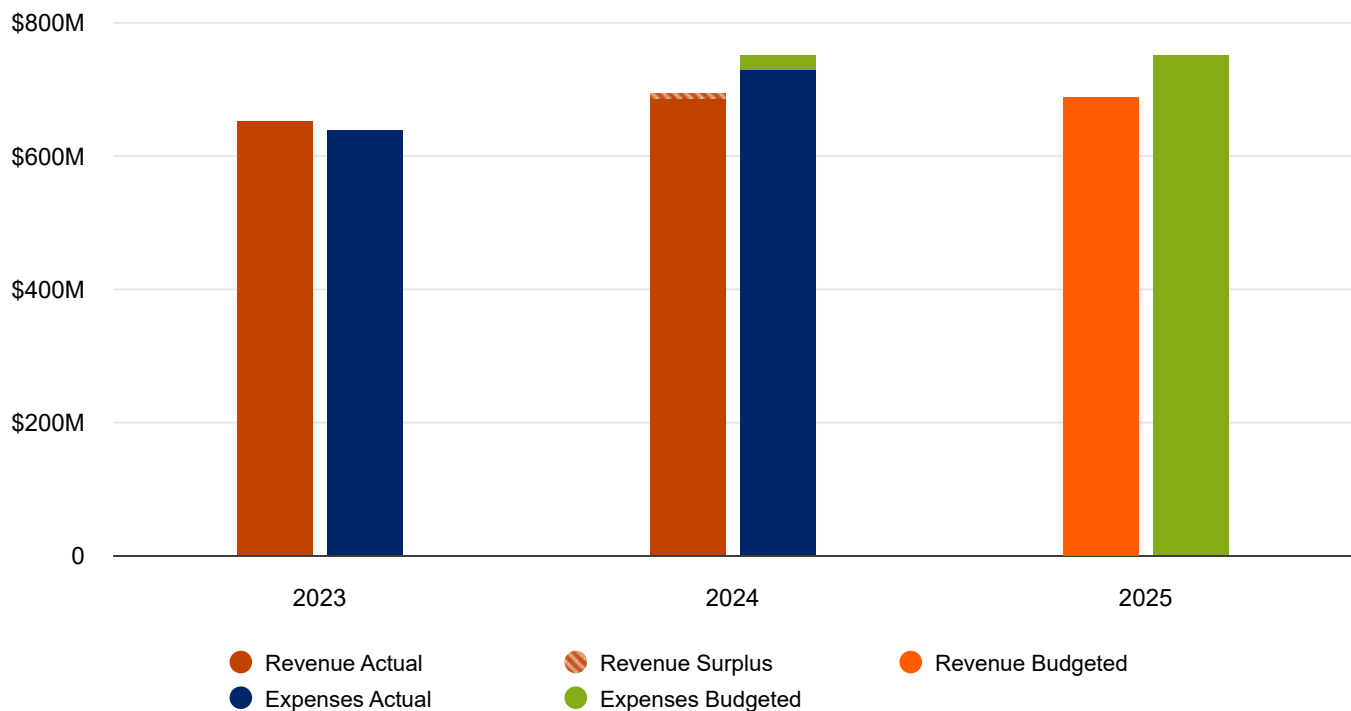
The City of Tucson ended Fiscal Year 2023 with a slight surplus, as revenues modestly exceeded expenditures, demonstrating conservative budgeting and strong fiscal management. In Fiscal Year 2024, revenues met expectations, but expenditures slightly outpaced them, requiring responsible use of reserves to support community needs.

For Fiscal Year 2025, expenditures are again projected to exceed revenues, with a planned drawdown of reserves to support key initiatives, including the Investment Plan Reserve, particularly in response to declining state-shared revenues.

In Fiscal Year 2024, the City's actual revenues totaled \$694.4 million (6.54% higher than the prior year and 101.38% of the budget), while actual expenditures reached \$726.5 million (14.15% higher than the prior year but only 96.98% of the budget), underscoring disciplined spending.

Overall, the City of Tucson's Fiscal Year Overall, the 2025 budget, maintains expenses nearly flat with a very small increase, while revenue budgeted shows a modest rise, continuing the trend of revenues slightly exceeding budgeted amounts in the previous year.

Revenues vs Expenditures Summary



General Fund Expenditures by Fund

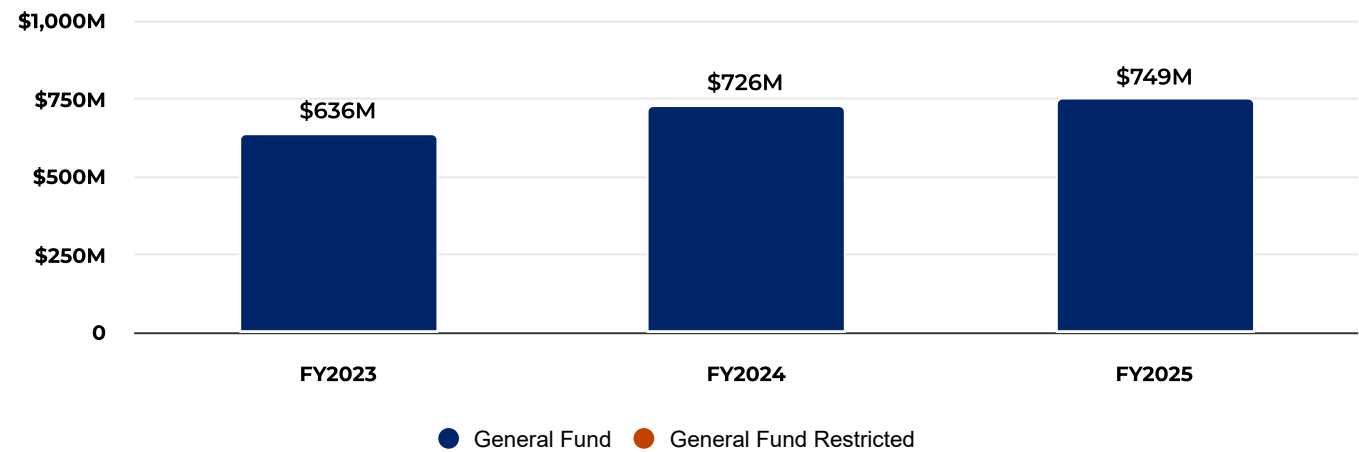
In Fiscal Year 2025, the City of Tucson's General Fund expenditures are projected at \$749.3 million, a 3.15% increase from the prior year's \$726.5 million. The unrestricted General Fund remains the dominant category, accounting for \$744.3 million, or 99.33% of total expenditures—an increase of \$23 million (3.18%) compared to Fiscal Year 2024.

By contrast, the General Fund Restricted category declined slightly to \$5 million (0.67% of total expenditures), a reduction of \$113,834 (2.23%) from the prior year. Restricted funds generally represent allocations designated for specific legal or contractual purposes.

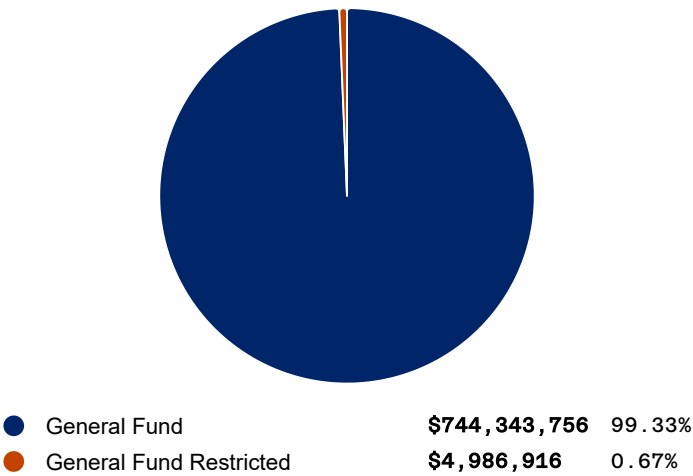
Looking at historical trends from Fiscal Year 2023 to Fiscal Year 2025, General Fund expenditures totaled \$636 million in Fiscal Year 2023, rose to \$726 million in Fiscal Year 2024 to support expanded services and operations, and are expected to reach \$749 million in Fiscal Year 2025, reflecting continued investment in core services and rising service demands.

This chart provides a three-year summary of General Fund expenditures, highlighting the City's ongoing commitment to maintaining essential services while responsibly managing both unrestricted and restricted resources.

Historical Expenditures by Fund



Fiscal Year 2025 Expenditures by Fund



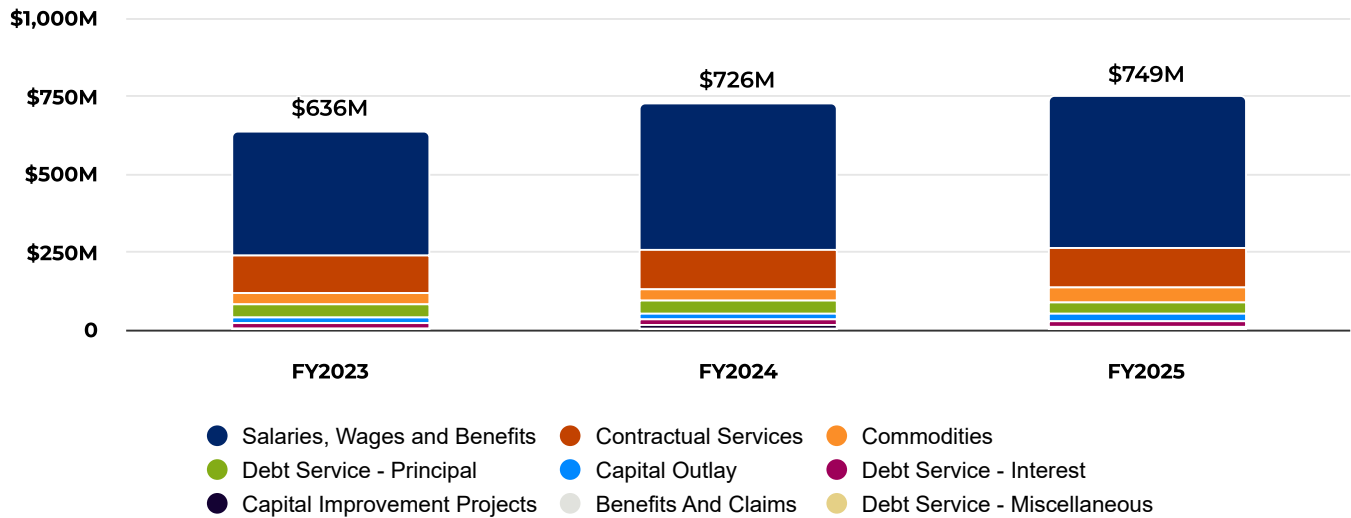
For the General Fund in Fiscal Year 2025, expenditures total \$744.3 million, representing 99.33% of the fund's total expenditures. Additionally, the General Fund Restricted accounts for \$5 million, which is 0.67% of the total expenditures.

General Fund Expenditures by Type

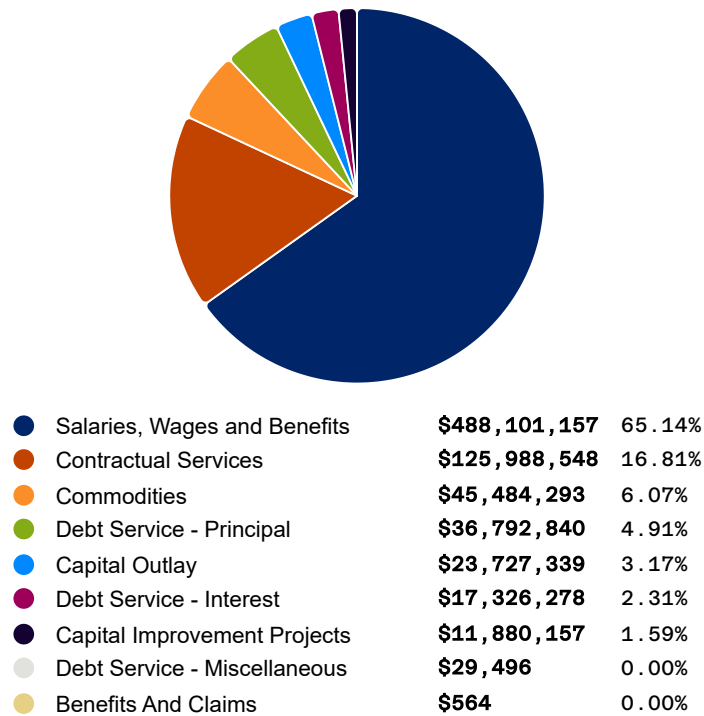
This chart illustrates how the City of Tucson has allocated General Fund expenditures by expense type over the last three fiscal years.

The largest expense category each year is Salaries, Wages, and Benefits, increasing by \$17.6 million in Fiscal Year 2025. This emphasizes the City's continued investment in its workforce to deliver high-quality public services.

Historical Expenditures by Type



Fiscal Year 2025 Expenditures by Type



General Fund Revenues by Funding Source

This chart illustrates the historical trends in General Fund revenues by funding source for the past three fiscal years, offering a detailed view of how the City of Tucson finances its core services.

- In Fiscal Year 2023, General Fund revenues totaled \$727 million.
- Revenue rose to \$768 million in Fiscal Year 2024, then slightly decreased to \$763 million in Fiscal Year 2025.

The City of Tucson's adopted General Fund revenues include both unrestricted and restricted portions. For Fiscal Year 2025, General Fund revenues are \$688 million (net of transfers out), an increase of \$3.1 million or less than 1% from the Fiscal Year 2024 adopted budget of \$684.9 million. Although economic trends suggested a potential for greater growth, the flat income tax rate's impact on the state-shared income tax distribution from the Arizona Department of Revenue resulted in only a slight increase. In addition to the current year's revenue, the City plans to utilize \$61.4 million from its fund balance primarily on the investment plan reserve in Fiscal Year 2025. This represents a decrease of \$10.8 million or 15% from the Fiscal Year 2024 adopted budget.

The largest revenue source remains taxes, including sales tax, property tax, and utility taxes, which continue to provide a stable financial foundation. Fiscal Year 2025 tax revenues increased \$22.7 million over Fiscal Year 2024. Other key funding sources include:

State Shared Revenues

Cities and towns in Arizona receive a portion of revenues collected by the State of Arizona. The allocations for these revenues are primarily based on U.S. Census population figures. These state-shared revenues represent 33.4% of the General Fund budget. Revenues from these sources may be used for any general government activity. For Fiscal Year 2025, the projected state-shared revenues are \$229.5 million, representing a 10.1% decrease from the \$25.8 million estimate for Fiscal Year 2024, primarily driven by the decrease in state shared income revenue.

Charges for Services – for city programs and facilities

City departments may charge fees for a certain level of cost recovery. The Planning and Development Services Department charges fees for project planning, review, and zoning. The Fire Department charges fees for services provided for emergency medical transport and fire inspections. The Parks and Recreation Department has fees for recreational programs and classes. The Environmental and General Services Department charges other funds for vehicle servicing, building maintenance, and fuel usage.

The City charges an administrative fee to the Water and Environmental Services Enterprise Funds, as well as the Park Tucson and Highway User Revenue Funds (HURF). This charge covers the cost of General Fund central support services provided for the business-type activities of the City.

Fines, Forfeitures, and Penalties – such as parking and code violations

This revenue is derived from fines for violations of State Statutes and the Tucson City Code, and from forfeitures collected by the Tucson Police Department and the City Attorney. Fines include driving under the influence and other criminal misdemeanors, along with civil traffic violations.

Fines and penalty revenues are accounted for in both the General Fund and the Special Revenue Funds. Forfeitures, which are accounted for in the General Fund, are restricted to specific law enforcement expenses. The adopted Fiscal Year 2025 revenues of \$6 million are projected to slightly increase from Fiscal Year 2024 estimated revenues of \$5.7 million.

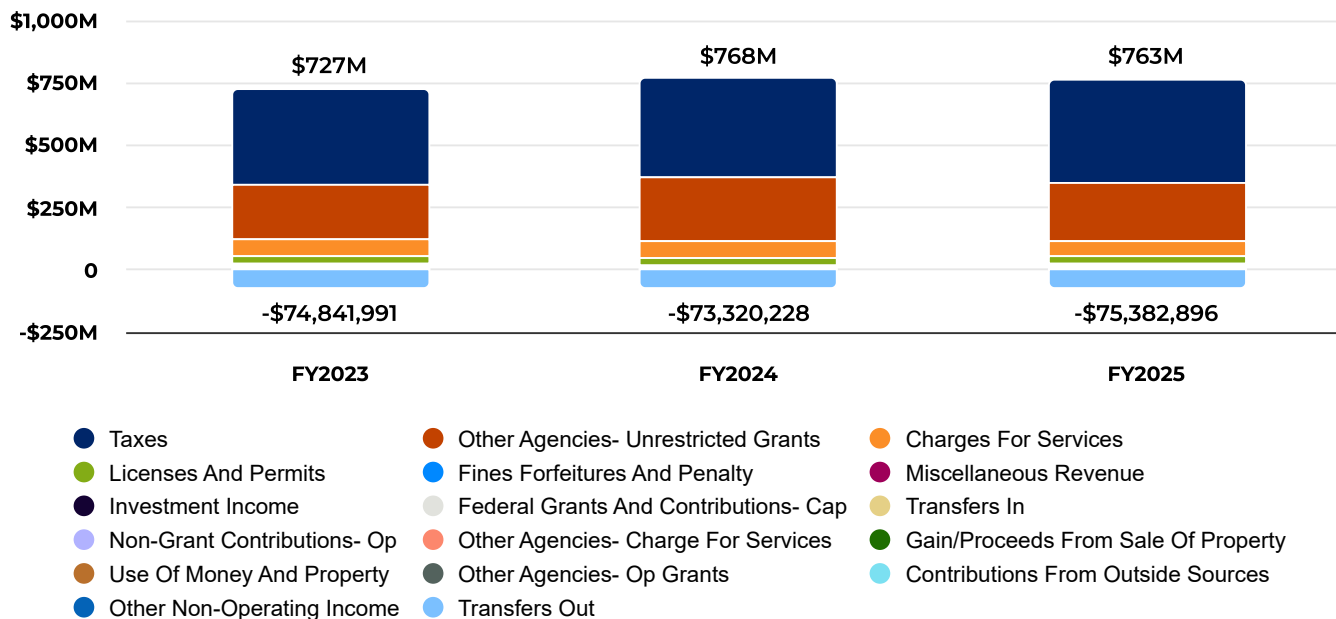
Licenses and Permits – for building, businesses, and other regulated activities

Licenses and permits revenues include franchise fees, licenses for various business activities, and permits for signs, alarms, and trash hauling. For Fiscal Year 2025, the adopted licenses and permits revenues are \$33.6 million, representing a slight increase from the \$30.5 million Fiscal Year 2024 estimated.

Investment Income and Miscellaneous Revenue – supporting general operations**Intergovernmental Transfers and Grants – from other public agencies**

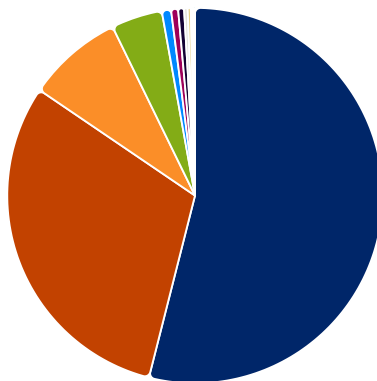
The chart also includes Transfers Out, which are deducted from revenues as they are allocated to other funds or obligations.

Overall, this diverse revenue portfolio reflects the City's approach to financial resilience, ensuring essential services remain funded while adapting to economic shifts and legislative impacts.

Historical Revenue by Funding Source

Notes: Fiscal Year 2023 (-\$74,841,991), Fiscal Year 2024 (-\$73,320,228) and Fiscal Year 2025 (-\$75,382,896) indicate transfer out.

Fiscal Year 2025 Revenues by Revenue Type



| | | |
|---|----------------------|---------|
| ● Taxes | \$411,778,534 | 59.85% |
| ● Other Agencies- Unrestricted Grants | \$233,212,069 | 33.90% |
| ● Charges For Services | \$63,171,480 | 9.18% |
| ● Licenses And Permits | \$33,567,860 | 4.88% |
| ● Fines Forfeitures And Penalty | \$6,031,520 | 0.88% |
| ● Investment Income | \$4,655,091 | 0.68% |
| ● Miscellaneous Revenue | \$3,834,294 | 0.56% |
| ● Federal Grants And Contributions- Cap | \$2,259,240 | 0.33% |
| ● Transfers In | \$2,072,316 | 0.30% |
| ● Other Agencies- Charge For Services | \$1,085,060 | 0.16% |
| ● Non-Grant Contributions- Op | \$977,470 | 0.14% |
| ● Gain/Proceeds From Sale Of Property | \$455,070 | 0.07% |
| ● Use Of Money And Property | \$144,170 | 0.02% |
| ● Other Agencies- Op Grants | \$110,660 | 0.02% |
| ● Contributions From Outside Sources | \$696 | 0.00% |
| ● Transfers Out | -\$75,382,896 | -10.96% |

Property Tax

The City imposes a primary property tax on real and personal property located within city limits. Revenues from the primary property tax can be used to pay any expenditure legally chargeable to the General Fund.

The Arizona State Constitution limits the amount of ad valorem taxes levied by a city to an amount not to exceed 2% greater than the maximum allowable levy in the preceding year. This levy limitation permits additional taxes to be levied on new or annexed property which may be taxed at the allowable rate computed for property taxed in the preceding year. Property annexed by November 1 will be taxable in the following year.

The primary property tax rate adopted by the Mayor and Council is \$0.4134 per \$100 assessed value (up to the levy of \$18,780,645) and the Involuntary Tort Judgment Primary Tax rate is \$0.0177 per \$100 assessed value (up to the levy of \$806,090).

| Property Tax Rates and Levy's Comparison | | | | |
|--|-----------|-------------------|-----------|-------------------|
| | FY 2023 | | FY 2024 | |
| | | | | FY 2025 |
| Primary Property Tax | \$ | 0.4254 | \$ | 0.4207 |
| Primary Property Tax-Involuntary | | | | |
| Tort | \$ | 0.0990 | \$ | 0.0254 |
| Secondary Property Tax | \$ | 0.9048 | \$ | 0.6040 |
| Total | \$ | 1.4292 | \$ | 1.0501 |
| | | | | |
| Combined Property Tax Levy on a Home Value at \$100K | \$ | 142.92 | \$ | 105.01 |
| | | | | |
| Primary Property Tax Levy | \$ | 21,791,530 | \$ | 19,325,110.00 |
| Secondary Property Tax Levy | \$ | 37,598,880 | \$ | 26,168,170.00 |
| Total | \$ | 59,390,410 | \$ | 45,493,280 |
| | | | \$ | 46,999,405 |