



# Mayor & Council Retreat

December 4, 2015

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City Manager



# 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>
<b>Revenues</b>					
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
<b>Subtotal Revenues</b>		<b>\$ 13,000,000</b>	<b>\$ 13,975,000</b>	<b>\$ 12,650,000</b>	<b>\$ 11,940,000</b>
<b>Expenditures</b>					
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
<b>Subtotal Expenditures</b>		<b>\$ 42,564,000</b>	<b>\$ 21,233,000</b>	<b>\$ 24,049,000</b>	<b>\$ 14,363,000</b>
<b>Total change per year</b>		<b>\$ (29,564,000)</b>	<b>\$ (7,258,000)</b>	<b>\$ (11,399,000)</b>	<b>\$ (2,423,000)</b>
<b>Cumulative per year</b>	<b>\$ (12,700,000)</b>	<b>\$ (42,264,000)</b>	<b>\$ (49,522,000)</b>	<b>\$ (60,921,000)</b>	<b>\$ (63,344,000)</b>



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

<b>Projected Shortfall</b>		<b>\$ (42,264,000)</b>
<b>One-time from FY 15/16</b>		
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
<b>Subtotal one-time</b>		<b>\$ 17,000,000</b>
<b>Ongoing for FY 16/17</b>		
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
<b>Subtotal ongoing</b>		<b>\$ 20,200,000</b>
<b>Total FY 16/17</b>		<b>\$ 37,200,000</b>
<b>Remaining shortfall</b>		<b>\$ (5,064,000)</b>



# 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