



OUTLINE: February 21, 2023

AGENDA ITEM TITLE: FINANCE DIRECTOR'S REPORT & UPDATE: FINANCIAL OVERVIEW

1.) FISCAL YEAR 2022 & 2023: GENERAL FUND NET POSITION (Preliminary Unaudited)

Statements of Revenues & Expenditures

<u>Income Statement (Prior FY22)</u>		<u>Income Statement (Current FY23)</u>	
	<u>General Fund</u>		<u>General Fund</u>
FY22 Revenues	\$ 6,205,964	FY23 Revenues	\$ 2,634,860
FY22 Expenditures	5,884,487	FY23 Expenditures	2,430,774
Net Surplus / (Deficit)	321,477	Net Surplus / (Deficit)	204,086 <i>Unaudited</i>
Fund Balance (Deficits), 06-30-21	1,805,293	Fund Balance (Deficits), 06-30-22	2,126,770 <i>Unaudited</i>
Fund Balance (Deficits), 06-30-22	\$ 2,126,770 <i>Unaudited</i>	Fund Balance (Deficits), 12/31/22	\$ 2,330,857
% Fund Balance Policy Met	30.5%	% Fund Balance Policy Met	37.0%
<u>Fund Balance Policy (FY22)</u>		<u>Fund Balance Policy (FY23)</u>	
FY22 General Fund Budget	\$ 6,976,964	FY23 General Fund Budget	\$ 6,298,110
Adopted Fund Balance Policy	20.0%	Adopted Fund Balance Policy	20.0%
Fund Balance Policy	\$ 1,395,393	Fund Balance Policy	\$ 1,259,622
		Fund Balance (Deficits), 12/31/22	\$ 2,330,857
		FY23 Fund Balance Policy Met	1,259,622
		Available for Contingency	\$ 1,071,235
		FY23 Adopted Contingency	191,540
		Contingency Variance Above / (Below)	879,695

Important things to keep in mind:

- Excess surplus is made up of one-time savings and includes the current year's surplus at 6 months (12/31/2022).
- The fund balance policy (20% requirement) will grow proportionately with any new growth in the upcoming FY2024 Budget.
- Excess surplus in fund balance can be used to cover upcoming challenges.

2.) CURRENT AND FUTURE FISCAL YEAR MAJOR CHALLENGES

A. Decreased census population = decreased State Share Revenues

Luckily, the City of South Tucson was able to stay revenue neutral because of overall growth in state shared revenue.

B. State Income Tax (URS/Urban Revenue Sharing), sweep

This measure was established a few years ago and is set to decrease incrementally over the next few years. It is estimated to reach a reduction of almost \$95K/year by Fiscal Year 2029.

Incremental revenue loss, set to reach \$95K/year by FY2029

C. Revenue Bond, 2019 Series

By refinancing the 2007 Series Bonds in the amount of \$6.5M in old debt, the City was able to reduce the interest rate from 6.125% to 2.94% and extend the maturity date by 5 years, from FY2029 to FY2034 in order to allow the City the following budgetary savings:

Fiscal Year	Annual Payment	Budgetary Savings (\$600K/Yr)	Cummulative Savings
2020	\$ 401,891	\$ 198,109	\$ 198,109
2021	\$ 404,331	\$ 195,669	\$ 393,778
2022	\$ 406,469	\$ 193,531	\$ 587,309
2023	\$ 402,688	\$ 197,313	\$ 784,622
Next Year 2024	\$ 403,294	\$ 196,706	\$ 981,328
2025	\$ 600,181	\$ (196,888)	\$ 784,441

Debt service (bond) payment will Increase by \$200K/year in FY2025

D. Potential sales tax elimination in the following industries (FY2024+):

- Food for Home Consumption, sales tax rate currently at 1.50%
- Residential Rental Tax, sales tax rate currently at 2.50%

Total revenue loss of approximately \$170K /year in FY2024

E. Pension contribution rates & expense – Public Safety (FY2024)

Contribution Rate (%)

Department	Public Safety Retirement Contribution Rates		
	FY23	FY24	Difference
Fire Department	265.50%	219.07%	-46.43%
Police Department	144.37%	153.52%	9.15%

Expense

	FY23	FY24	Total
Pension Expense	1,376,152.90	1,271,428.40	(104,724.50)

Important Notes:

- Employer retirement contribution rates are meant to help pay for employee normal costs, plus historical debt commonly referred to as "legacy".
- Although the Employer contribution rates for the Fire Department reflect a decrease, the rates do not account for an increase in salaries or added staff (full time employees); the 219.07% is based on the published minimum required contribution amount of \$235,662 and added salaries of \$111,652 for the two Full Time Employees, plus an additional 8% for normal costs.
- If Full Time position on the roster are filled, the expected long term debt for each employee will be added to the City's plan and the Employer Contribution Rates will be adjusted upward, accordingly.

F. Pension Funding Policy (FY2024)

Proposed = \$1.0M

3.) UPCOMING PRESENTATIONS / PLANNING

- I. Development of 5 Year Model
- II. Mid-March: FY2024 Baseline Budget (status quo), Mid-March
- III. April: Department Head / Mayor & Council discussions to update list of needs

4.) REVIEW OF RESTRICTED / SPECIAL FUNDS