



CITY COUNCIL AGENDA REPORT

March 25, 2019

TO: Mayor and Councilmembers

FROM: Lourdes Aguirre, Finance Director

SUBJECT: Discussion & Direction

AFFECTED DEPARTMENTS: City Wide

ITEM REQUEST: Study Session

TITLE OF AGENDA ITEM:

STUDY SESSION: GENERAL FUND - FY2020 BASELINE BUDGET DEFICIT REDUCTION
OPTIONS

EXECUTIVE SUMMARY:

As presented on March 18th, the General Fund Baseline Budget for Fiscal Year 2020 currently sits with a deficit of -\$395,801.00

- 1.) The main driver in this deficit is rising pension costs for public safety.
- 2.) Both cost saving measures and revenue generating options should be considered.

Attached for your consideration is a "Deficit Reduction Plan" with five options.

RECOMMENDATION(S): Study Session, Discussion & Direction

Attachment(s): Fiscal Year 2020 Deficit Reduction Plan & Sales Tax Industry Summary

City Manager Concurrence: _____

City of South Tucson
 Fiscal Year 2020 General Fund Baseline Budget
 Deficit Reduction Plan / Options for balancing the budget

DRAFT 03-20-2018
 (For presentation to Mayor & Council 03/25/2018)

Department	FY 2020 Baseline Budget	Revenue Adjustment	Option #1	Option #2	Option #3	Option #4	Option #5	Total
Revenues								
General Fund Revenue	\$4,937,616	\$102,597	\$123,200					\$5,163,413
Fund Balance							\$79,645	\$79,645
Expenditures								
City Council	\$40,187							\$40,187
Administration	\$862,805			(\$27,000)				\$835,805
Magistrate Court	\$218,189							\$218,189
Fire Department	\$777,084				(\$43,870)	(\$19,489)		\$713,725
Police Department	\$1,997,924							\$1,997,924
Public Works	\$102,547							\$102,547
Non-Departmental	\$1,334,681							\$1,334,681
Total	(\$395,801)	\$102,597	\$123,200	(\$27,000)	(\$43,870)	(\$19,489)	\$79,645	\$0

Option SUMMARY

Revenue Adjustment: State Shared Revenue Estimates received 3/19 increased by \$102,597

Option #1: Half cent sales tax increase on industries below the average 5.50% sales tax rate

Option #2: 6 month savings - P&Z Director (time to evaluate true need)

Option #3: Unfund the vacant Admin Captain position. This position has been vacant for a year and there is a Public Safety Director.

Option #4: Remove line item listed in personnel roster as "Personnel Savings to Pension Payment". Pension contributions on 1 FT position have been calculated based on the contribution rate of 398% and are expected to meet or exceed "required contribution amounts".

Option #5: Dip into fund balance (we hope to limit impact on the estimated Fiscal Year End balance of \$747K)

DEFICIT REDUCTION PLAN SUMMARY

		Running Balance
<i>Baseline Deficit (preliminary draft, 05/07/2018):</i>		(\$395,801)
Revenue Adjustment	\$102,597	(\$293,204)
Option #1	\$123,200	(\$170,004)
Option #2	\$27,000	(\$143,004)
Option #3	\$43,870	(\$99,134)
Option #4	\$19,489	(\$79,645)
Option #5	\$79,645	\$0

**City of South Tucson
Sales Tax Industry Summary**

(7 month actuals - provided 3/18/19)

(12 month estimates)

TAX RATE	BUSINESS CODE	INDUSTRY / BUSINESS CODE	FY 17/18 Jul - Jan	FY 18/19 Jul - Jan	FYTD % change	SALES TAX REVENUE PER 1%	Estimated	SALES TAX	Half Cent	Half Cent
							Annual Revenue	REVENUE PER 1%	12 Months	9 Months
	0		(\$1,387)	(\$11,715)	744.84%					
5.00%	4	Utilities	\$206,314	\$199,820	-3.15%	\$39,963.99	310,000	62,000	31,000	23,250
5.00%	5	Communications	\$44,316	\$26,771	-39.59%	\$5,354.29	55,000	11,000	5,500	4,125
5.50%	6	Transporting	\$0	\$0	0.00%	\$0.00				
5.50%	9	Publication	\$143	(\$444)	-409.32%	-\$80.64				
5.50%	10	Job Printing	\$8,532	\$16,667	95.35%	\$3,030.29				
5.50%	11	Restaurant and Bars	\$381,154	\$441,870	15.93%	\$80,340.03				
5.50%	12	Amusements	\$19,351	\$19,685	1.72%	\$3,579.03				
5.50%	15	Contracting - Prime	\$83,141	\$72,113	-13.26%	\$13,111.44				
4.50%	17	Retail Sales	\$675,864	\$654,653	-3.14%	\$145,478.54	1,150,000	255,556	127,778	95,833
5.50%	18	Advertising	\$296	\$840	184.25%	\$152.81				
3.50%	44	Hotels	\$10,891	\$6,334	-41.84%	\$1,809.84				
2.50%	45	Residential Rental, Leasing & Licensing for	\$22,323	\$36,903	65.31%	\$14,761.22				
	50		\$488	\$571	17.09%					
1.50%	62	Retail Sales Food for Home Consumption	\$81,373	\$83,359	2.44%	\$55,572.35				
2.00%	144	Hotel/Motel (Additional Tax)	\$6,223	\$3,620	-41.84%	\$1,809.84				
2.50%	213	Commercial Rental, Leasing & Licensing fo	\$53,561	\$65,232	21.79%	\$26,092.70				
6.50%	214	Rental, Leasing & Licensing for Use of TPP	\$54,714	\$50,449	-7.80%	\$7,761.35				
4.00%	313	Commercial Lease (Additional Tax)	\$45,864	\$49,498	7.92%	\$12,374.58				
4.50%	315	MRRA Amount	\$56	\$201	258.74%	\$44.61				
	325		\$1,086	\$803	-26.09%					
PROGRAM CITY TOTALS -->			\$1,694,303	\$1,717,231	1.35%	\$411,156.28			164,278	123,208
						Based on:				
% Change from prior year						Jul-Jan				