



**GENERAL FUND:  
FY2020 BASELINE BUDGET  
DEFICIT REDUCTION OPTIONS**

***Presentation: March 25, 2019***

# WHAT WE WILL DISCUSS TODAY...

## Recap from 3/18 Meeting

- Baseline Budget Deficit for FY2020
- Challenges

## Available Options

- Review Deficit Reduction Options & Impact
- Discuss Timeline

## FY2020 BASELINE BUDGET (GENERAL FUND)

Fiscal Year 2020 General Fund Baseline Budget, Summary, page 2

<b>\$4,937,616</b>	<b>Estimated Revenues</b>
<u><b>-5,333,417</b></u>	<b>Expenditures</b>
<b>-\$ 395,801</b>	<b>Baseline Deficit</b>

## CHALLENGES...

- 1.) Budget is structurally imbalanced:  
Insufficient revenues to sustain operational expenditures
- 2.) Rising pension costs

# BASIC BUDGET STRUCTURE (FY 2020)

## Revenues

City Sales Tax 60%  
                   \$2.9 million

State Shared Revenues 31%  
                   \$1.5 million

Permits & Licenses 6%  
                   \$307,248

Court Fines & Fees 2%  
                   \$90,000

Primary Property Tax 1%  
                   \$55,000

**TOTAL REVENUE: \$4.9 million**

## Expenditures

Police Department 37%  
                                   \$2 million

Non-Departmental 25%  
                                   \$1.3 million

Administration & Public Works 18%  
                                   \$965,352

Fire Department 15%  
                                   \$777,084

Courts 4%  
                                   \$218,189

**TOTAL EXPENDITURES: \$5.3 million**

Police Pension Expense:  
                                   \$685,478

Fire Pension Expense:  
                                   \$224,998

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

**DRAFT 03-20-2019**  
(For presentation to Mayor & Council 03/25/2019)

Department	FY 2020 Baseline Budget	Revenue Adjustment	Option #1	Option #2	Option #3	Option #4	Option #5	Total
<b>Revenues</b>								
General Fund Revenue	\$4,937,616	\$102,597	\$123,200					\$5,163,413
Fund Balance							\$79,645	\$79,645
<b>Expenditures</b>								
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
<b>Total</b>	<b>(\$395,801)</b>	<b>\$102,597</b>	<b>\$123,200</b>	<b>(\$27,000)</b>	<b>(\$43,870)</b>	<b>(\$19,489)</b>	<b>\$79,645</b>	<b>\$0</b>

**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, 03/18/2019):</i>		
Revenue Adjustment	\$102,597	(\$395,801)
Option #1	\$123,200	(\$293,204)
Option #2	\$27,000	(\$170,004)
Option #3	\$43,870	(\$143,004)
Option #4	\$19,489	(\$99,134)
Option #5	\$79,645	(\$79,645)
		\$0

# STATE SHARED REVENUE ESTIMATES (FY 2020)

UPDATE 03-19-19

General Fund Revenue Line Item	FY19 Adopted Budget / FY20 Baseline	Released Revenue Estimates	Increase Amount	Increase Percent
Urban Revenue (income tax)	\$683,344	\$746,895	\$63,551	9%
State Shared Sales Tax	\$562,600	\$593,011	\$30,411	5%
Auto Lieu (VLT)	\$269,090	\$277,725	\$8,635	3%
<b>Total</b>	<b>\$1,515,034</b>	<b>\$1,617,631</b>	<b>\$102,597</b>	

# 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	FY 18/19	FYTD	SALES TAX REVENUE	Estimated	SALES TAX REVENUE	Half Cent	Half Cent
			Jul - Jan	Jul - Jan	% change	PER 1%	Annual 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 fo	\$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%					
<b>PROGRAM CITY TOTALS --&gt;</b>			<b>\$1,694,303</b>	<b>\$1,717,231</b>	<b>1.35%</b>	<b>\$411,156.28</b>			164,278	123,208
						Based on:				
<b>% Change from prior year</b>						<b>Jul-Jan</b>				



# SALES TAX ANALYSIS: RETAIL SALES (CALENDAR YEAR 2018)

## City of South Tucson

Business Code: 17 Retail Sales

Analysis Period: 14 months (Jan 2018 - Feb 2019)

(large retail taxpayer Jan-Jun 2018 not included due to loss of business)

### Data Set by Quarter

(Amount)

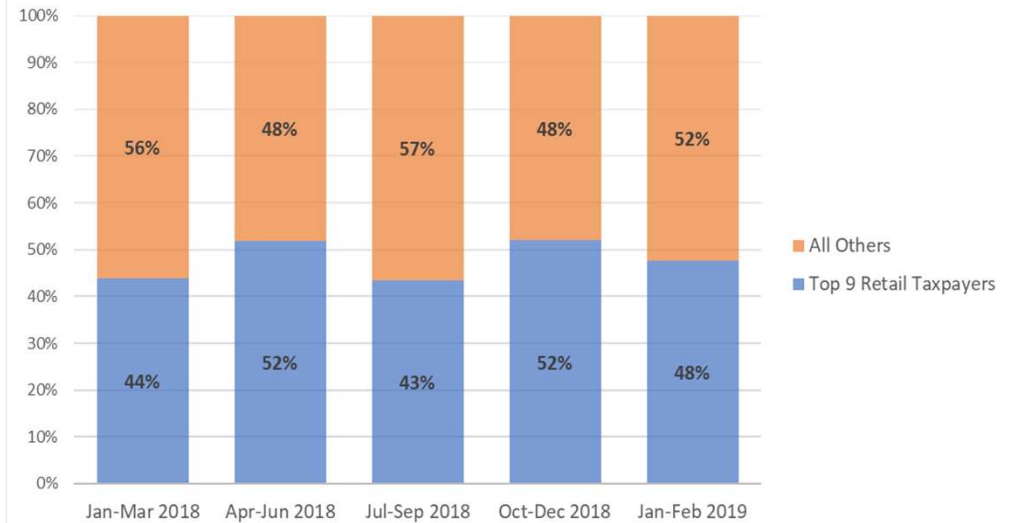
	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	Jan-Feb 2019	Avg / Qtr	Avg / Mo.
Top 9 Retail Taxpayers	137,192	162,446	112,224	157,070	82,314	142,233	46,518
All Others	175,035	150,437	146,615	144,811	90,594	154,224	50,535
<b>Total Retail Sales Tax</b>	<b>312,227</b>	<b>312,883</b>	<b>258,839</b>	<b>301,881</b>	<b>172,907</b>	<b>296,457</b>	<b>97,053</b>

Total Collections in Calendar Year 2018: **1,185,830**

(Percent)

	Jan-Mar 2018	Apr-Jun 2018	Jul-Sep 2018	Oct-Dec 2018	Jan-Feb 2019	Avg / Qtr
Top 9 Retail Taxpayers	44%	52%	43%	52%	48%	48%
All Others	56%	48%	57%	48%	52%	52%
	100%	100%	100%	100%	100%	100%

### PERCENT DISTRIBUTION BY QUARTER



# OPTION #1

## Timeline for implementation

- Must be approved by middle of April to allow for:
  - Online posting for 60 days (5/1/19-6/30/19)
  - ADOR implementation 60 days (7/1/19-8/31/19)
  - Soonest Effective Date: 9/1/2019

## IN CONCLUSION

**Combination of cost saving measures and revenue generating options will be required to balance the budget.**