

MAYOR  
PAUL DIAZ

VICE MAYOR  
HERMAN LOPEZ

ACTING MAYOR  
RITA ROGERS

COUNCIL MEMBERS  
CESAR AGUIRRE  
BRIAN FLAGG  
ANITA ROMERO  
ROXANNA VALENZUELA



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INTERIM CITY MANAGER  
VERONICA B. MORENO

## MEMORANDUM

Date: December 2, 2022  
To: All Councilmembers  
Through: Veronica Moreno, Interim City Manager  
From: Lourdes Aguirre, Finance Director

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**Subject: Pension Debt & Public Safety Services**

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Dear Mayor & Council,

In follow-up to recent communications regarding Fire Department services, the attached outline and supporting documentation is being provided for your review.

By now, most of you may already be familiar with this information. Please keep it handy as we will be referencing it going forward in our discussions regarding current finances, our ongoing financial planning process, and areas of concern.

Should you have any questions, please do not hesitate to contact me.

Thank you,

A handwritten signature in cursive script that reads "Lourdes Aguirre".

Lourdes Aguirre  
Finance Director



# OUTLINE: December 2, 2022

## SUBJECT: PENSION DEBT AND PUBLIC SAFETY SERVICES

### 1. LONG-TERM DEBT

**SOURCE:** Page 33 of Fiscal year 2021 Audited Financials

**CONCERN:** The total Long-Term Liability was at \$28.4M as of June 30, 2021, and Net Pension Liability (Unfunded Liability) made up 73% of the long-term liability, sitting at \$20.7M

*(Approximately ¼ of the \$20.7M Net Pension Liability is for Public Safety)*

**RESULT:** As a result, the large Unfunded Liability / Net Pension Liability drives increased pension rates (pension expense) every year on the general fund budget.

### 2. PENSION RATES

**SOURCE:** Page 4 of Fire and Police PSPRS Actuarial Valuation Reports at June 30, 2021

**CONCERN:** Increased pension rates. The rates for Current Fiscal Year 2023 are as follows:

Fire Department: 265.50%

Police Department: 144.37%

**RESULT:** Essentially, this means that for every \$1.00 the City pays a Full-Time employee in salary, it pays \$2.66 to the pension system for Fire and \$1.44 for Police. The cumulative expense has a large impact on the general fund budget...

### 3. GENERAL FUND BUDGET: FIRE AND POLICE

**SOURCE:** Summary and Pages 10-15 of Fiscal Year 2023 Adopted Budget

**CONCERN:** Rising pension costs make up just below 50% of each departmental budget.

Fire Department Budget: \$1M and 40% of it is for pension expense = \$414,210

Police Department Budget: \$2M and 43% of it is for pension expense = \$873,760

Combined Budget for Pension Expense: \$1.288M

*(Pension expense is based on contribution rates of 265.50% for Fire and 144.37% for Police)*

**RESULT:** Continuously rising costs make it difficult to increase staffing levels. The following example shows Fire Department Scenarios meant to increase Full-Time Employee staffing levels...

4.

**FIRE DEPARTMENT BUDGET & SCENARIOS #1-3****Current Budget:** \$1.045M (Fiscal Year 2023)

This total budget includes expenditures for operations and personnel, based on a 3-man crew per shift that is made up of 90% Reserves.

**Scenario 1:** Increase staffing levels to 3 FTE (minimal required) per shift. Total cost: \$2.093M.

This would require a \$1M increase (100%) to the general fund budget and does not include the cost of replacing any of the engines or large emergency equipment.

**Scenario 2:** Increase staffing levels to 4 FTE (optimal required) per shift. Total cost: \$2.762M.

This would require a \$1.7M increase (164%) to the general fund budget and does not include replacing any engines or large emergency equipment.

**Scenario 3:** Explore a cost-effective option that would include full service to South Tucson and eliminate the need for further investment in the replacement of equipment.

Of course, the best recommendation is any cost-effective option that reduces the city's exposure to liability.

5.

**PENSION BONDS**

Transferring long-term debt from Net Pension (Unfunded) Liability with the Public Safety Personnel Retirement System (PSPRS) to Pension Bonds will help yield significant savings for the city.

However, in order to achieve this transfer of debt, the City has to meet [the evaluation criteria for credit rating](#).

**MEETING THE EVALUATION CRITERIA FOR CREDIT RATING**

The evaluation criteria for credit rating are divided into the following three major categories:

**Management:**

Credit rating agencies consider stability in management to be vital for carrying out projects and plans for the city. Lack thereof could lead to setbacks for the city's progress.

**Local Economy:**

Credit rating agencies conduct a thorough review of the local economy (tax base) in order to determine the city's sustainability, and/or areas of concern. For the City of South Tucson, the local economy (tax base) has proven to be very resilient! However, the city is considered to have a restricted economy due to its size and boundaries. As a result, the city relies heavily on the top sales tax-generating industries and state-shared revenues which are based on census population.

**City Finances and Budget:** Since 2015, the city has been able to provide city services while controlling operating expenses, surviving the effects of the pandemic, and establishing a never-before-seen fund balance policy ("rainy day fund") in 2019 at 20% as recommended by the GFOA (Government Finance Officers Association) for cities and towns.

CITY OF SOUTH TUCSON, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

1.

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2021:

Governmental activities:	July 1, 2020	Additions	Reductions	June 30, 2021	Due Within 1 Year
Revenue bonds payable	\$ 6,128,514	_____	\$ (225,813)	\$ 5,902,701	\$ 234,654
Net bonds payable	6,128,514		(225,813)	5,902,701	234,654
Compensated absences payable	175,403	\$ 47,451	(62,849)	160,005	87,172
Net pension liabilities	15,085,312	5,640,940		20,726,252	
Other commitments	1,715,469	_____	(76,055)	1,639,414	78,031
Governmental activities long-term liabilities	<u>\$ 23,104,698</u>	<u>\$ 5,688,391</u>	<u>\$ (364,717)</u>	<u>\$ 28,428,372</u>	<u>\$ 399,857</u>

Revenue bonds currently outstanding are as follows:

	Original Amount Issued	Interest Rate	Remaining Maturities	Outstanding Principle June 30, 2021	Due Within One Year
Governmental activities:					
Excise Tax Revenue Bond, Series 2019	\$ 6,445,135	2.94%	7/1/20-34	\$ 5,902,701	\$ 234,654
Total				<u>\$ 5,902,701</u>	<u>\$ 234,654</u>

The City has pledged future excise taxes and state shared revenues to repay an outstanding revenue bond and refunding revenue bonds of \$6.4 million as of June 30, 2021. Proceeds from the original bond issuances, including those subsequently refunded, provided financing for public works and other City vehicles and equipment. On December 19, 2019, an advance refunding of \$6.2 million was completed on the series 2007 revenue bonds and replaced with the series 2019 bonds. The bond is payable through 2034. The total principal and interest to be paid on the bonds is \$8.04 million. The current total excise taxes and state shared revenues were \$4,500,056 and the total principal and interest paid on the bond was \$404,332 or 10% of gross revenues.

Other commitments are composed of a long-term agreement with Pima County totaling \$1,100,000 related to the City's settlement of a lawsuit involving the collection of a secondary property tax for the tax years 2011 through 2013. In July 2019, the City entered into a promissory note with the County to finance the settlement. The promissory note matures in October 2038 and has an interest rate of 3.50%.

Other commitments are also composed of a long-term agreement with the Pima County Sheriff's department for service fees and interest charges for housing prisoners. In October 2013, Pima County and the City entered into a settlement agreement whereby \$806,155 of fees and interest charges were forgiven. In August 2017, the City revised the agreement to extend repayment of settlement amount, plus interest at the rate of 1.5%, over a 20-year period.

Compensated absences accrue during each pay period at a rate determined by years of service. Both vacation and personal time can be taken off from work, within certain limitations, or may be payable to employees upon termination or retirement.

<https://www.southtucsonaz.gov/finance/page/annual-financial-statements>

## II. CONTRIBUTION RESULTS

### Contribution Requirements

Development of Employer Contributions - Tiers 1 & 2 Members				
Valuation Date	June 30, 2021		June 30, 2020	
Applicable to Fiscal Year Ending	2023		2022	
	Rate	Dollar	Rate	Dollar
<b>Pension</b>				
Normal Cost				
Total Normal Cost	15.69%	\$ 12,223	19.60%	\$ 13,511
Employee Cost	<u>(7.65%)</u>	<u>(5,960)</u>	<u>(7.65%)</u>	<u>(5,273)</u>
Employer (Net) Normal Cost	8.04%	6,263	11.95%	8,238
Amortization of Unfunded Liability	<u>257.46%</u>	<u>200,566</u>	<u>277.00%</u>	<u>190,944</u>
Total Employer Cost (Pension)	265.50%	206,829	288.95%	199,182
<b>Health</b>				
Normal Cost				
	0.40%	312	0.67%	462
Amortization of Unfunded Liability	<u>(0.40%)</u>	<u>(312)</u>	<u>(0.67%)</u>	<u>(462)</u>
Total Employer Cost (Health)	0.00%	0	0.00%	0
<b>Total Employer Cost (Pension + Health)</b>	<b>265.50%</b>	<b>206,829</b>	<b>288.95%</b>	<b>199,182</b>
Total Minimum Contribution Requirement (if applicable)	0.00%		0.00%	
Alternate Contribution Rate (ACR) *	257.46%		277.00%	
Underlying Payroll (as of valuation date)		75,633		66,602

\* The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.

The results above are shown both prior to and after the application of the statutory minimum contribution requirement of 8% of payroll (5% of payroll if the actual employer contribution is less than 5% for the 2006/2007 Fiscal Year) and are based on the current amortization schedule approved by the Board of Trustees for your individual plan (see "Actuarial Assumptions and Methods").

<https://misc.psprs.com/actuarials.aspx>

## II. CONTRIBUTION RESULTS

### Contribution Requirements

#### Development of Employer Contributions - Tiers 1 & 2 Members

Valuation Date	June 30, 2021		June 30, 2020	
Applicable to Fiscal Year Ending	2023		2022	
	Rate	Dollar	Rate	Dollar
<b>Pension</b>				
Normal Cost				
Total Normal Cost	19.51%	\$ 63,396	20.41%	\$ 90,266
Employee Cost	<u>(7.65%)</u>	<u>(24,858)</u>	<u>(7.65%)</u>	<u>(33,833)</u>
Employer (Net) Normal Cost	11.86%	38,538	12.76%	56,433
Amortization of Unfunded Liability	<u>131.89%</u>	<u>428,566</u>	<u>98.22%</u>	<u>434,392</u>
Total Employer Cost (Pension)	143.75%	467,104	110.98%	490,825
<b>Health</b>				
Normal Cost				
	0.64%	2,080	0.75%	3,317
Amortization of Unfunded Liability	<u>(0.02%)</u>	<u>(65)</u>	<u>0.31%</u>	<u>1,371</u>
Total Employer Cost (Health)	0.62%	2,015	1.06%	4,688
<b>Total Employer Cost (Pension + Health)</b>	<b>144.37%</b>	<b>469,119</b>	<b>112.04%</b>	<b>495,513</b>
Total Minimum Contribution Requirement (if applicable)	0.00%		0.00%	
Alternate Contribution Rate (ACR) *	131.89%		98.53%	
Underlying Payroll (as of valuation date)		315,478		427,308

\* The Alternate Contribution Rate is the sum of the positive amortization rates for Tiers 1 & 2 Pension and Health (subject to an 8% minimum) and is charged when retirees return to active status.

The results above are shown both prior to and after the application of the statutory minimum contribution requirement of 8% of payroll (5% of payroll if the actual employer contribution is less than 5% for the 2006/2007 Fiscal Year) and are based on the current amortization schedule approved by the Board of Trustees for your individual plan (see "Actuarial Assumptions and Methods").

<https://misc.psprs.com/actuarials.aspx>

City of South Tucson  
Fiscal Year 2023 Annual Budget  
General Fund

3.

Summary

Description	Adopted Budget FY 22	Estimated Actuals FY 22	Tentative Budget FY 23	Variance from FY22 Budget	
<u>Revenue Classification</u>					
Taxes	\$3,542,273	\$3,743,889	\$3,946,873	(\$404,600)	
State Shared	\$1,723,164	\$1,422,503	\$1,836,233	(\$113,069)	
Permits & Licenses	\$335,655	\$338,822	\$338,822	(\$3,167)	
Court Fines & Fees	\$90,002	\$80,012	\$90,002	\$0	
Charges for Services	\$1,500	\$1,000	\$43,300	(\$41,800)	
Miscellaneous Revenue	\$56,900	\$43,300	\$1,500	\$55,400	
<b>Total Revenue</b>	<b>\$5,749,494</b>	<b>\$5,629,526</b>	<b>\$6,256,730</b>	<b>(\$507,236)</b>	
<u>Department</u>					
Mayor & Council	\$41,210	\$40,957	\$41,507	(\$297)	
City Manager	\$230,679	\$236,855	\$271,750	(\$41,071)	
City Clerk	\$106,844	\$76,862	\$105,813	\$1,031	
Finance	203,907	\$200,130	\$201,976	\$1,931	
Information Technology	\$98,550	\$97,861	\$98,861	(\$311)	
Development Services	\$245,866	\$173,951	\$237,318	\$8,548	
Magistrate Court	\$260,649	\$255,779	\$261,588	(\$939)	
<b>Fire Department</b>	<b>\$934,026</b>	<b>\$877,405</b>	<b>\$1,045,884</b>	<b>(\$111,858)</b>	<b>\$414,210.00 40%</b>
<b>Police Department</b>	<b>\$2,180,839</b>	<b>\$2,027,811</b>	<b>\$2,037,516</b>	<b>\$143,323</b>	<b>\$873,760.00 43%</b>
Municipal Services (PW)	\$108,918	\$105,703	\$141,054	(\$32,136)	
Non-Departmental	\$1,738,006	\$1,372,689	\$1,854,843	(\$116,837)	
<b>Total Expenses</b>	<b>\$6,149,494</b>	<b>\$5,466,004</b>	<b>\$6,298,110</b>	<b>(\$148,616)</b>	<b>\$1,287,970.00</b>
<b>Net Surplus / (Deficit)</b>	<b>(\$400,000)</b>	<b>\$163,522</b>	<b>(\$41,380)</b>	<b>(\$358,620)</b>	
Beginning Fund Balance (FY2021 Unaudited Financials)		\$1,378,418			
Estimated Beginning Fund Balance (Unaudited at 6/30/2022)			\$1,541,940		
<b>Ending Fund Balance</b>		<b>\$1,541,940</b>	<b>\$1,500,560</b>		

Account Number	Account Title	2021-22 Current Year Annual Budget	2021-22 Current Year Actuals	Variance Budget to Actuals	2021-22 Current Year Projected Actuals	2022-23 Future Year Budget	2021-22 Variance From FY20-21 Budget
<b>FIRE DEPARTMENT</b>							
<b>Category: 510</b>							
100-3000-510-111	Salaries	145,880.00	89,352.01	43,028.87	123,559.71	135,729.00	10,151.00
100-3000-510-112	Overtime	22,857.00	19,824.89	1,413.04	27,459.95	29,652.00	6,795.00-
100-3000-510-114	State Retirement	317,267.00	158,633.50	158,833.50	242,615.94	414,210.00	96,943.00-
100-3000-510-118	Health Insurance	11,479.00	4,180.70	6,826.38	5,672.25	27,399.00	15,920.00-
100-3000-510-117	Workers Compensation	5,940.00	4,180.78	1,140.68	5,706.39	5,821.00	119.00
100-3000-510-118	Uniform/Shoe Allowance	1,950.00	1,386.07	358.93	1,859.87	2,925.00	975.00-
100-3000-510-121	Medicare	2,446.00	1,587.90	660.65	2,169.27	2,398.00	48.00
<b>Total Category: 510:</b>		<b>507,819.00</b>	<b>279,085.85</b>	<b>212,062.05</b>	<b>408,043.38</b>	<b>618,134.00</b>	<b>110,315.00-</b>
<b>Category: 610</b>							
100-3000-610-215	Membership, Dues and Subscript	1,100.00	.00	1,100.00	1,100.00	1,100.00	.00
100-3000-610-220	Professional Fees	2,970.00	4,998.50	2,028.50-	2,970.00	2,970.00	.00
100-3000-610-225	Training and Travel	500.00	.00	500.00	500.00	500.00	.00
100-3000-610-227	Physical & Fit Testing Expense	5,000.00	.00	5,000.00	5,000.00	5,000.00	.00
100-3000-610-240	Communications	8,500.00	6,660.24	1,754.08	8,500.00	8,500.00	.00
100-3000-610-270	Contracts	63,783.00	48,328.84	10,206.16	65,000.00	65,000.00	1,217.00-
100-3000-610-280	Miscellaneous Expense	1,500.00	411.76	1,088.24	1,500.00	1,500.00	.00
100-3000-610-310	Gas, Oil and Tires	8,500.00	6,237.54	1,189.22	8,500.00	8,500.00	.00
100-3000-610-320	Vehicle Repair	14,000.00	3,327.18	10,610.92	7,000.00	7,000.00	7,000.00
100-3000-610-330	Office Supplies	400.00	69.09	271.67	400.00	600.00	200.00-
100-3000-610-340	Operating Repairs	2,500.00	97.83	2,402.17	2,500.00	2,500.00	.00
100-3000-610-350	Operating Supplies	5,800.00	14,249.12	9,446.01-	14,000.00	14,000.00	8,400.00-
100-3000-610-355	Community Activities	100.00	.00	100.00	100.00	100.00	.00
100-3000-610-370	Initial Uniform Issue	1,500.00	42.22	1,457.78	1,500.00	1,500.00	.00
100-3000-610-372	Postage and Shipping	500.00	.00	463.28	500.00	750.00	250.00-
<b>Total Category: 610:</b>		<b>116,453.00</b>	<b>84,420.32</b>	<b>24,869.01</b>	<b>119,070.00</b>	<b>119,520.00</b>	<b>3,087.00-</b>
<b>Category: 710</b>							
100-3000-710-410	Equipment	9,000.00	2,308.92	6,691.08	5,000.00	9,000.00	.00
<b>Total Category: 710:</b>		<b>9,000.00</b>	<b>2,308.92</b>	<b>6,691.08</b>	<b>5,000.00</b>	<b>9,000.00</b>	<b>.00</b>
<b>Total FIRE DEPARTMENT:</b>		<b>633,272.00</b>	<b>365,815.09</b>	<b>243,422.14</b>	<b>533,113.38</b>	<b>746,654.00</b>	<b>113,382.00-</b>



Account Number	Account Title	2021-22 Current Year Annual Budget	2021-22 Current Year Actuals	Variance Budget to Actuals	2021-22 Current Year Projected Actuals	2022-23 Future Year Budget	2021-22 Variance From FY20-21 Budget
<b>RESERVE FIRE DEPARTMENT</b>							
<b>Category: 510</b>							
100-3750-510-111	Salaries	252,061.00	201,579.14	14,461.13	276,058.66	256,289.00	4,228.00-
100-3750-510-112	Overtime	5,344.00	15,502.16	13,703.22-	17,743.33	.00	5,344.00
100-3750-510-113	FICA	15,959.00	13,459.31	46.59	18,218.14	15,890.00	69.00
100-3750-510-114	Volunteer Pension Plan	12,870.00	10,568.69	329.32	14,253.63	12,814.00	56.00
100-3750-510-117	Workers Compensation	9,061.00	9,049.41	1,664.30-	12,259.63	9,021.00	40.00
100-3750-510-121	Medicare	3,732.00	3,147.74	10.58	4,260.22	3,716.00	16.00
<b>Total Category: 510:</b>		<b>299,027.00</b>	<b>253,306.45</b>	<b>519.90-</b>	<b>342,791.61</b>	<b>297,730.00</b>	<b>1,297.00</b>
<b>Category: 610</b>							
100-3750-610-370	Initial Uniform Issue	1,500.00	1,472.90	27.10	1,500.00	1,500.00	.00
<b>Total Category: 610:</b>		<b>1,500.00</b>	<b>1,472.90</b>	<b>27.10</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>.00</b>
<b>Total RESERVE FIRE DEPARTMENT:</b>		<b>300,527.00</b>	<b>254,779.35</b>	<b>492.80-</b>	<b>344,291.61</b>	<b>299,230.00</b>	<b>1,297.00</b>

Account Number	Account Title	2021-22 Current Year Annual Budget	2021-22 Current Year Actuals	Variance Budget to Actuals	2021-22 Current Year Projected Actuals	2022-23 Future Year Budget	2021-22 Variance From FY20-21 Budget
<b>POLICE DEPARTMENT</b>							
<b>Category: 510</b>							
100-4000-510-111	Salaries	750,023.00	381,913.17	310,025.08	571,339.67	576,258.00	173,765.00
100-4000-510-112	Overtime	12,000.00	52,809.52	50,219.30-	80,497.23	12,000.00	.00
100-4000-510-113	FICA	47,246.00	26,413.89	16,700.74	38,543.43	36,472.00	10,774.00
100-4000-510-114	State Retirement	785,154.00	530,708.10	184,321.71	785,154.00	846,330.00	61,176.00-
100-4000-510-116	Health Insurance	99,560.00	37,970.75	56,878.59	60,521.73	93,038.00	6,522.00
100-4000-510-117	Workers Compensation	33,875.00	20,506.28	10,186.78	29,477.99	26,150.00	7,725.00
100-4000-510-118	Uniform/Shoe Allowance	9,130.00	9,191.72	326.27-	9,130.00	12,000.00	2,870.00-
100-4000-510-121	Medicare	11,049.00	6,177.46	3,905.36	9,014.12	8,530.00	2,519.00
Total Category: 510:		1,748,037.00	1,085,690.89	531,472.69	1,583,678.17	1,610,778.00	137,259.00
<b>Category: 530</b>							
100-4000-530-310	Gas, Oil and Tires (Gas Only)	32,081.00	17,526.90	11,965.67	32,081.00	35,000.00	2,919.00-
Total Category: 530:		32,081.00	17,526.90	11,965.67	32,081.00	35,000.00	2,919.00-
<b>Category: 610</b>							
100-4000-610-210	Advertising	150.00	.00	150.00	150.00	150.00	.00
100-4000-610-215	Membership, Dues and Subscript	1,500.00	375.00	1,125.00	1,500.00	1,500.00	.00
100-4000-610-220	Professional Fees	2,500.00	10,521.60	8,021.60-	2,500.00	2,500.00	.00
100-4000-610-225	Training and Travel	7,000.00	8,853.24	100.74-	7,000.00	7,000.00	.00
100-4000-610-230	Insurance	.00	168.90	289.95-	.00	.00	.00
100-4000-610-240	Communications	50,000.00	40,738.89	7,171.14	50,000.00	50,000.00	.00
100-4000-610-270	Contracts	86,000.00	77,194.05	1,757.04	86,000.00	86,000.00	.00
100-4000-610-280	Miscellaneous Expense	2,000.00	1,865.63	134.37	2,000.00	2,000.00	.00
100-4000-610-281	Towing and Storage - Impound	500.00	200.00	300.00	500.00	500.00	.00
100-4000-610-287	Undercover Investigative	2,000.00	.00	2,000.00	2,000.00	2,000.00	.00
100-4000-610-310	Gas, Oil and Tires (Non-Gas)	8,000.00	1,271.48	6,728.52	8,000.00	8,000.00	.00
100-4000-610-320	Vehicle Repair	13,000.00	11,083.02	1,047.16-	13,000.00	13,000.00	.00
100-4000-610-330	Office Supplies	800.00	401.75	579.35-	800.00	900.00	300.00-
100-4000-610-340	Operating Repairs	1,000.00	.00	710.00	1,000.00	1,000.00	.00
100-4000-610-350	Operating Supplies	5,000.00	749.53	3,735.47	5,000.00	7,500.00	2,500.00-
100-4000-610-370	Initial Uniform Issue	2,000.00	.00	2,000.00	2,000.00	2,000.00	.00
100-4000-610-372	Postage and Shipping	696.00	24.00	591.52	696.00	1,044.00	348.00-
Total Category: 610:		181,946.00	151,445.09	16,364.26	181,946.00	185,094.00	3,148.00-
<b>Category: 710</b>							
100-4000-710-410	Equipment	20,000.00	20,347.37	347.37-	20,000.00	20,000.00	.00
Total Category: 710:		20,000.00	20,347.37	347.37-	20,000.00	20,000.00	.00
Total POLICE DEPARTMENT:		1,982,064.00	1,255,010.25	559,455.25	1,817,705.17	1,850,872.00	131,192.00

Account Number	Account Title	2021-22 Current Year Annual Budget	2021-22 Current Year Actuals	Variance Budget to Actuals	2021-22 Current Year Projected Actuals	2022-23 Future Year Budget	2021-22 Variance From FY20-21 Budget
<b>DEA AGENT</b>							
<b>Category: 510</b>							
100-4200-510-112	Overtime	19,000.00	15,690.98	1,208.57	19,000.00	19,000.00	.00
100-4200-510-113	FICA	1,178.00	870.50	182.81	1,178.00	1,178.00	.00
100-4200-510-114	State Retirement	21,288.00	16,548.94	2,385.72	21,288.00	27,430.00	6,142.00-
100-4200-510-116	Health Insurance	00	1,726.71	1,916.86-	.00	.00	.00
100-4200-510-117	Workers Compensation	1,620.00	492.10	1,057.98	1,620.00	1,621.00	1.00-
100-4200-510-121	Medicare	276.00	203.58	43.28	276.00	276.00	00
<b>Total Category: 510:</b>		<b>43,362.00</b>	<b>35,532.79</b>	<b>2,961.50</b>	<b>43,362.00</b>	<b>49,505.00</b>	<b>6,143.00-</b>
<b>Total DEA AGENT:</b>		<b>43,362.00</b>	<b>35,532.79</b>	<b>2,961.50</b>	<b>43,362.00</b>	<b>49,505.00</b>	<b>6,143.00-</b>

Account Number	Account Title	2021-22 Current Year Annual Budget	2021-22 Current Year Actuals	Variance Budget to Actuals	2021-22 Current Year Projected Actuals	2022-23 Future Year Budget	2021-22 Variance From FY20-21 Budget
<b>POLICE RESERVES</b>							
<b>Category: 510</b>							
100-4300-510-111	Salaries	39,411.00	59,450.73	31,142.29-	70,265.85	39,411.00	.00
100-4300-510-112	Overtime	.00	108.86	163.44-	149.34	.00	.00
100-4300-510-113	FICA	2,443.00	3,692.69	1,941.42-	4,385.73	2,443.00	.00
100-4300-510-117	Workers Compensation	1,696.00	2,731.19	1,591.37-	3,183.29	1,696.00	.00
100-4300-510-121	Medicare	572.00	863.87	453.45-	1,021.07	572.00	.00
<b>Total Category: 510:</b>		<b>44,122.00</b>	<b>66,847.24</b>	<b>35,291.97-</b>	<b>78,985.28</b>	<b>44,122.00</b>	<b>.00</b>
<b>Total POLICE RESERVES:</b>		<b>44,122.00</b>	<b>66,847.24</b>	<b>35,291.97-</b>	<b>78,985.28</b>	<b>44,122.00</b>	<b>.00</b>

Account Number	Account Title	2021-22 Current Year Annual Budget	2021-22 Current Year Actuals	Variance Budget to Actuals	2021-22 Current Year Projected Actuals	2022-23 Future Year Budget	2021-22 Variance From FY20-21 Budget
<b>RESERVE DETECTIVE(S)</b>							
<b>Category: 510</b>							
100-4400-510-111	Salaries	17,706.00	11,835.20	2,320.52	17,706.00	17,706.00	.00
100-4400-510-113	FICA	1,098.00	733.78	144.10	1,098.00	1,098.00	.00
100-4400-510-117	Workers Compensation	776.00	574.73	24.00	776.00	776.00	.00
100-4400-510-121	Medicare	256.00	171.60	32.92	256.00	256.00	.00
<b>Total Category: 510:</b>		<b>19,836.00</b>	<b>13,315.31</b>	<b>2,521.54</b>	<b>19,836.00</b>	<b>19,836.00</b>	<b>.00</b>
<b>Total RESERVE DETECTIVE(S):</b>		<b>19,836.00</b>	<b>13,315.31</b>	<b>2,521.54</b>	<b>19,836.00</b>	<b>19,836.00</b>	<b>.00</b>

**Lourdes Aguirre**

**From:** Lourdes Aguirre  
**Sent:** Tuesday, November 22, 2022 12:58 PM  
**To:** Veronica Moreno  
**Subject:** FD Cost Estimates - Scenario 1 & 2  
**Attachments:** FD Scenario 1 - Add 2 FTE Per Shift\_11-22-2022.pdf; FD Scenario 2 - Add 3 FTE Per Shift\_11-22-2022.pdf  
**Importance:** High

Hi Veronica,

Here are the cost estimates for the scenarios we discussed. The detailed reports for each scenario are attached. Please let me know if you have any questions.

**Fiscal Year 2023 Fire Dept. General Fund Adopted Budget**

\$ 615,209 Full-Time Personnel Budget  
297,730 Reserve Personnel Budget  
 912,939 Total Personnel Expenses  
132,945 Operating Budget  
 \$1,045,884 Total Fire Dept. Budget

**SCENARIO 1: Add Full-Time Positions (For Minimal 3 Per Shift)**

\$ 615,209 Full-Time Personnel Budget  
297,730 Reserve Personnel Budget  
 912,939 Total Personnel Expenses  
1,047,431 Cost of Adding 6 FTE Positions (2 per shift)  
 \$1,960,370 Total Personnel  
132,945 Operating Budget  
 \$2,093,315 Total Fire Dept. Budget (100% Increase)

**SCENARIO 2: Add Full-Time Positions (For Optimal 4 Per Shift)**

\$ 615,209 Full-Time Personnel Budget  
297,730 Reserve Personnel Budget  
 912,939 Total Personnel Expenses  
1,716,562 Cost of Adding 9 FTE Positions (3 per shift)  
 \$2,629,501 Total Personnel  
132,945 Operating Budget  
 \$2,762,446 Total Fire Dept. Budget (164% Increase)

Thank you.

Lourdes Aguirre, Finance Director

City of South Tucson

[laguirre@southtucson.org](mailto:laguirre@southtucson.org)

1601 S. 6th Ave, South Tucson AZ 85713

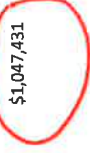
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City of South Tucson

Fiscal Year 2023 General Fund Personnel Roster

SCENARIO 1: Add Full-Time Positions (Minimal 3 Per Shift)

Name	Hourly Rate	Hourly Rate INCREASE	Annualized INCREASE	FTE	Man Hours	Annual Salary	Social Security	Medicare	Pension	Medical	Worker's Comp	Total ERE Costs	Total
<b>Fire Department</b>													
<b>Full Time Personnel</b>													
Unfunded, Fire Chief	\$26.40			0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unfunded, Admin Captain	\$14.16			0.0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leyvas, Robert - Captain (Jul/Aug '22)	\$19.21	\$19.21	\$0	0.2	482.7	\$1,545	\$0	\$22	\$0	\$348	\$54	\$425	\$1,970
Captain (Vacant Funded Sep-Jun '23)	\$16.82	\$16.82	\$0	0.8	2413.3	\$33,827	\$0	\$490	\$89,810	\$10,455	\$1,191	\$101,947	\$135,773
Luna, Charles - Captain	\$18.39	\$18.39	\$0	1.0	2896	\$53,244	\$0	\$772	\$141,364	\$6,141	\$1,874	\$150,152	\$203,396
New Full Time - Captain (Vacant Funded)	\$16.82	\$16.82	\$0	1.0	2896	\$48,711	\$0	\$706	\$129,327	\$10,455	\$1,715	\$142,203	\$190,914
FTE Captain Overtime						\$30,133	\$0	\$437	\$58,428	\$0	\$1,061	\$59,926	\$90,058
<b>SHIFT A</b>													
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
FTE Overtime						\$19,164	\$0	\$278	\$50,880	\$0	\$675	\$51,833	\$70,997
<b>SHIFT B</b>													
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
FTE Overtime						\$19,164	\$0	\$278	\$50,880	\$0	\$675	\$51,833	\$70,997
<b>SHIFT C</b>													
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
FTE Overtime						\$19,164	\$0	\$278	\$50,880	\$0	\$675	\$51,833	\$70,997
Subtotal - Full Time Fire Personnel			\$0	9.0	26064	\$502,360	\$0	\$7,284	\$1,308,088	\$124,957	\$17,683	\$1,458,012	\$1,960,372
MINUS - FY2023 ADOPTED GENERAL FUND BUDGET (Fire Dept)						(\$421,669)	(\$15,890)	(\$6,114)	(\$427,025)	(\$27,399)	(\$14,843)	(\$491,271)	(\$912,941)
Total Budget Increase						\$80,690	(\$15,890)	\$1,170	\$881,063	\$97,557	\$2,840	\$966,741	\$1,047,431



City of South Tucson

Fiscal Year 2023 General Fund Personnel Roster

SCENARIO 2: Add Full-Time Positions (Optimal - 4 Per Shift)

\$0.00

Name	Hourly Rate	Hourly Rate INCREASE	Annualized INCREASE	FTE	Man Hours	Annual Salary	Social Security	Medicare	Pension	Medical	Worker's Comp	Total ERE Costs	Total
<b>Fire Department</b>													
<b>Full Time Personnel</b>													
Unfunded, Fire Chief	\$26.40			0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unfunded, Admin Captain	\$14.16			0.0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Leyvas, Robert - Captain (Jul/Aug '22)	\$19.21	\$19.21	\$0	0.2	482.7	\$1,545	\$0	\$22	\$0	\$348	\$54	\$425	\$1,970
Captain (Vacant Funded Sep-Jun '23)	\$16.82	\$16.82	\$0	0.8	2413.3	\$33,827	\$0	\$490	\$89,810	\$10,455	\$1,191	\$101,947	\$135,773
Luna, Charles - Captain	\$18.39	\$18.39	\$0	1.0	2896	\$53,244	\$0	\$772	\$141,364	\$6,141	\$1,874	\$150,152	\$203,396
New Full Time - Captain (Vacant Funded)	\$16.82	\$16.82	\$0	1.0	2896	\$48,711	\$0	\$706	\$129,327	\$10,455	\$1,715	\$142,203	\$190,914
FTE Captain Overtime						\$30,133	\$0	\$437	\$58,428	\$0	\$1,061	\$59,926	\$90,058
<b>SHIFT A</b>													
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
FTE Overtime						\$28,746	\$0	\$417	\$76,321	\$0	\$1,012	\$77,749	\$106,495
<b>SHIFT B</b>													
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
FTE Overtime						\$28,746	\$0	\$417	\$76,321	\$0	\$1,012	\$77,749	\$106,495
<b>SHIFT C</b>													
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
SCENARIO: ADD Full Time Firefighter	\$15.97	\$15.97	\$0	1.0	2896	\$46,235	\$0	\$670	\$122,753	\$16,260	\$1,627	\$141,310	\$187,545
FTE Overtime						\$28,746	\$0	\$417	\$76,321	\$0	\$1,012	\$77,749	\$106,495
Subtotal - Full Time Fire Personnel		\$0		12.0	34752	\$669,810	\$0	\$9,712	\$1,752,668	\$173,735	\$23,577	\$1,959,693	\$2,629,502
MINUS - FY2023 ADOPTED GENERAL FUND BUDGET (Fire Dept)						(\$421,669)	(\$15,890)	(\$6,114)	(\$427,025)	(\$27,399)	(\$14,843)	(\$491,271)	(\$912,941)
Total Budget Increase						\$248,140	(\$15,890)	\$3,598	\$1,325,643	\$146,336	\$8,735	\$1,468,421	\$1,716,562







# Scenario 1: Refinancing to Smooth Pension Liability with Insurance<sup>1,2,3</sup>

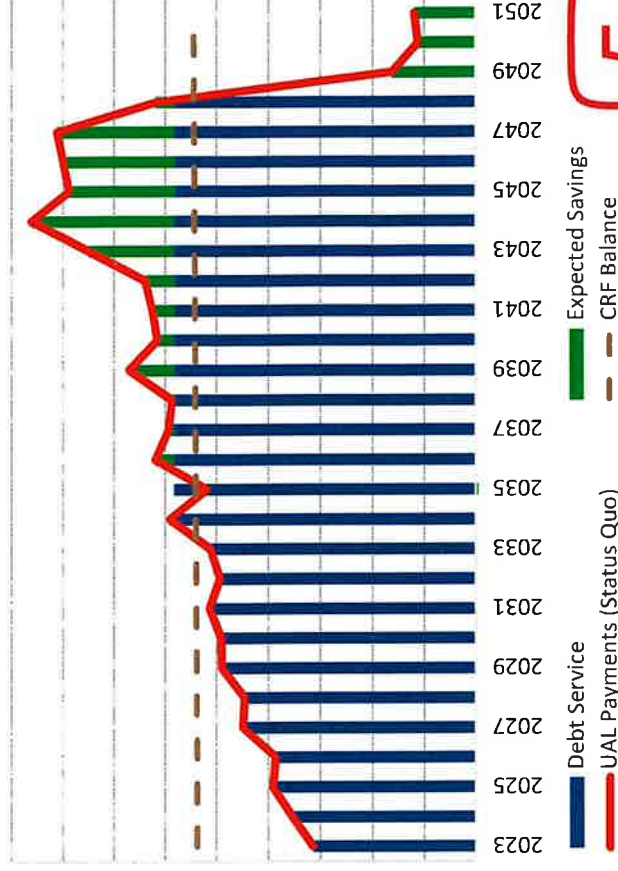
Issuing pension bonds to fully fund the City's unfunded pension liabilities could allow the City to generate significant expected net present value benefit totaling \$2.1 million (14.92% of Par Issued), including establishing Contingency Reserve Funds ("CRFs") while leveling out year-over-year payments

- Replacing the City's upward curving pension UAL amortizations with level debt bonds could reduce the cost and life of the City's pension liability
- The proposed structure is designed to shorten the final repayment date by three years and produce level debt service without exceeding the current UAL amortization in nearly any year
- **This scenario could produce \$2,124,280 of total expected NPV savings** including \$1,042,087 from reduced UAL payments, \$1,074,469 from creation of Contingency Reserve Funds, and \$7,724 from interest on the CRFs assumed at 0.05%

## Summary Statistics: Funding Pension Plan UAL<sup>1,3</sup>

Dated Date	11/1/2022	\$1.8
Final Maturity Date	7/1/2048	\$1.6
All-in TIC	5.47%	\$1.4
Average Life	17.569 years	\$1.2
Bond Par Amount	\$14,235,000	\$1.0
<b>Pension Fund Deposit</b>	<b>\$12,621,241</b>	\$0.8
<b>Contingency Reserve Fund Deposit</b>	<b>\$1,074,469</b>	\$0.6
Total Interest on CRF @ 0.05% Return	\$15,508	\$0.4
<b>NPV of CRF Interest</b>	<b>\$7,724</b>	\$0.2
Expected Cash Flow Savings (UAL – Debt Service)	\$3,525,287	\$0.0
<b>NPV of Expected Savings</b>	<b>\$1,042,087</b>	
<b>Total NPV Benefit</b>	<b>\$2,124,280</b>	
<b>Total Expected NPV Benefit (as % of Par Issued)</b>	<b>14.92%</b>	
<b>Expected Funding Status after Pension Bonds<sup>2</sup></b>	<b>100.00%</b>	

## Impact on Annual Pension Plan UAL Payments (\$mil)<sup>1,3</sup>



**5.**

1. Market conditions as of August 15, 2022. Spreads based on comparable recent transactions. Stifel does not guarantee to underwrite at these levels. All NPV values are discounted to November 1, 2022 (assumed transaction closing date) at a discount rate of 5.47%, the all-in TIC. UAL and amortization computed by Stifel using assumptions from 2021 Actuarial Reports, annual UAL payment data for the Fire plan provided by PSPRS as of 6/30/2022, and other Stifel calculations and assumptions. Expected savings are based on PSPRS achieving the assumed 7.3% rate of return. Please refer to Stifel's risk disclaimer for additional information.

2. Calculated as current AVA plus Pension Fund Deposit, divided by AAL plus Timing Adjustment plus Unrecognized Liability. Given the practice of amortizing unrecognized liabilities, the actuarial funded ratio immediately following this issuance will likely be lower.

3. Assumes 60 bps cost of insurance.