

FY 2020 GENERAL FUND BUDGET

Presentation: July 15, 2020

GOAL: REFINANCE THE REVENUE BOND

Any option like this could allow the city to sustain services during the upcoming planning period:

SCENARIO 1

Could the city refinance its bond (\$6.8M) for a lower percentage rate (6% to 4%)

Extend it out two years (from 2037-2039)

Gain savings of approximately \$200K+/year for three years (reducing the annual required payment from \$600K to \$400K)

= \$600K+

SCENARIO 2

Could the city refinance its bond and have “restricted” fund balance released?

Currently in “restricted” in case of default

= \$608K

REQUIREMENTS

1. Stability at the political and management level
2. Resolution of outstanding lawsuits
3. Improved fiscal management
(clean audits and improved financial position)
4. Financial Sustainability (5 year model)

FACT: FUND BALANCE

City has only been able to grow fund balance reserves through one-time occurrences:

Sale of library (2017)

This helped cash flow and allowed the city to pay a lot of unpaid bills.

Sales tax revenue accruals (2018)

Budget cuts / savings in personnel

**ONE-TIME OCCURRENCES CANNOT SUSTAIN
FIXED EXPENDITURES YEAR OVER YEAR.**

FY 2020 GENERAL FUND BUDGET

	City Staff	Citizens Committee	Total
General Fund starting deficit:	-\$292,087		-\$292,087
Budget savings	90,296	-30,000	60,296
Proposed Revenue Options	123,200	24,000	147,200
Increased Expenditures	0	-13,033	-13,033
To be funded by Fund Balance Reserves:	-\$78,591	-\$19,033	-\$97,624

FOCUS OF CITY STAFF: Addressing accumulated debt a step at a time.

Proposed Revenue Options

The 1/2 cent sales tax has been proposed as a measure that will help sustain current levels of operation which we believe are inadequate.

That is why the situation is critical. Even the following table shows a side by side comparison of the “projected deficit” with and without a 1/2 cent sales tax.

Without it:

Fiscal Year	Projected Deficit	Running "Unassigned" Fund Balance
Projected "Unassigned" Fund Balance at 6/30/2019		\$782,620
FY 2020	-\$244,824	\$537,796
FY 2021	-\$220,796	\$317,000
FY 2022	-\$196,396	\$120,603
FY 2023	-\$171,619	-\$51,016

With it:

Fiscal Year	Projected Deficit	Running "Unassigned" Fund Balance
Projected "Unassigned" Fund Balance at 6/30/2019		\$782,620
FY 2020	-\$97,624	\$684,996
FY 2021	-\$31,796	\$653,200
FY 2022	-\$7,396	\$645,803
FY 2023	\$17,381	\$663,184

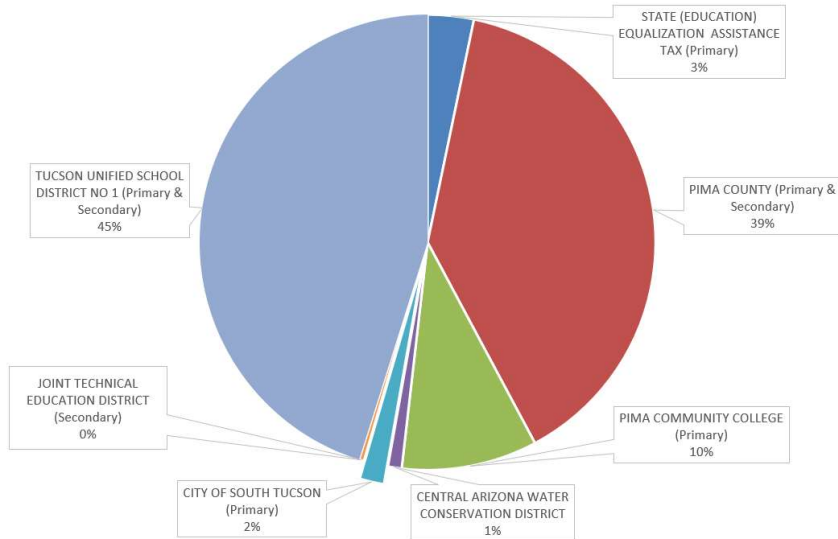
ADDITIONAL EXPENSES

- 1.) Using proposed revenue to pay for additional expenditures does not solve the problem or address current debt.
- 2.) Using fund balance reserves to pay for additional expenditures does not solve the problem or prove to be sustainable.

FACT: PROPERTY TAX

**City only collects
\$55,000 in Primary
Property Tax**

Property Tax Rates Charged to South Tucson Property Owners



Property Tax Rates Per Hundred Dollar Value

Jurisdiction	2018 Tax Rates	South Tucson	Pima County	TUSD	Pima College	All Other
PIMA COUNTY PRI	\$4.0696		\$ 4.0696			
COUNTY ROAD PRI	\$0.0000		\$ -			
SCHOOL EQUAL	\$0.4741			\$ 0.4741		
TUSD MAINT & OPER	\$4.0002			\$ 4.0002		
TUSD UNRES CAPITAL	\$0.0945			\$ 0.0945		
TUSD ADJACENT WAYS	\$0.0076			\$ 0.0076		
TUSD DESEGREGATION	\$1.9279			\$ 1.9279		
PIMA COLLEGE PRI	\$1.3983				\$ 1.3983	
SOUTH TUCSON PRI	\$0.2512	\$0.2512				
COUNTY BONDS SEC	\$0.6899		\$ 0.6899			
TUSD SCH DIST SEC	\$0.5255			\$ 0.5255		
JNT TECH ED SEC	\$0.0500					\$ 0.0500
CEN ARIZ WTR SEC	\$0.1400					\$ 0.1400
PIMA CO FLD SEC	\$0.3336		\$ 0.3336			
LIBRARY DISTRICT	\$0.5154		\$ 0.5154			
FIRE DIST ASSIST	\$0.0449					\$ 0.0449
TOTAL TAX RATE:	\$14.5226	\$ 0.2512	\$ 5.6085	\$ 7.0297	\$ 1.3983	\$ 0.2348
	Percent of total tax rate:	1.7%	38.6%	48.4%	9.6%	1.6%

General Fund Revenue Budget is Structurally Imbalanced

Example of Revenue Budget (Baseline) for 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	Police Pension Expense:	\$685,478
Non-Departmental 25%	\$1.3 million		
Administration & Public Works 18%	\$965,352		
Fire Department 15%	\$777,084	Fire Pension Expense:	\$224,998
Courts 4%	\$218,189		

TOTAL EXPENDITURES: \$5.3 million

Mayor & Council Presentation Dated: March 25, 2019

FACT: LIABILITIES / DEBT

- City has worked through a number of settlements; the last one has to do with the “Secondary Property Tax”
- **Pension liability is REAL and must be PAID**
(HB 2097 has been established to ensure cities and towns comply)
 - Constitution protects the pension
(in this state employee pensions are guaranteed)
 - City contributions are required by statute

AGAIN: Proposed Revenue Options

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WITH NO NEW REVENUE
+ ADDITIONAL EXPENDITURES
= NOT SUSTAINABLE

Last resort:

- Disincorporation? Legal requirements must be met.
- Bankruptcy? A court would assign someone to the city to reorganize operations (which are already at a minimum). The court would also be tasked with increase taxes to levels that would sufficiently sustain operations.