



CITY OF
SAN LUIS
A R I Z O N A

San Luis City Hall

1090

BUDGET OVERVIEW

| FISCAL YEAR **2021**

Budget Retreat Objectives

- Unprecedented Event.
- Short-term crisis or long-term. We need to plan for both.
- Adopt operating budget mindful of the current situation we are facing.
- Provide flexibility for the future and ensure FY 2021 balanced budget.
- Ensure continuance of services to our residents, with fiscal responsibility.

Revenues

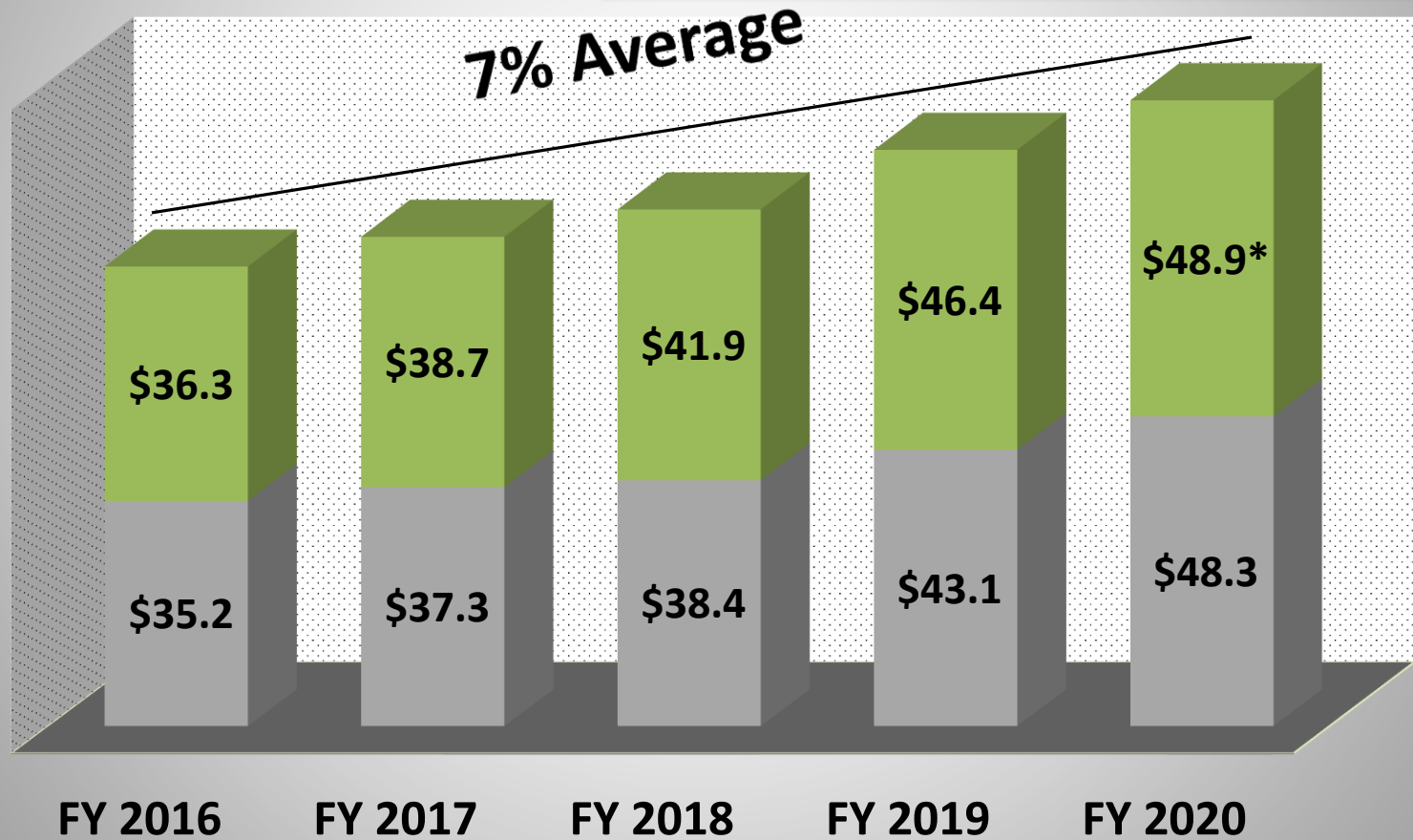


Revenues Comparison

■ Budget ■ Actual

* Projection

30% reduction in sales tax FY 2020 Q4



In Millions

What steps should we take now?

We had two good quarters Q1 and Q2 of FY 2020 that are giving us some cushion.

We also had some savings on operating expenses. (vacancies, travel etc.)

We do not know if impact will be greater. We should be prepared. Mid-May too late to take action.

Immediate Recommendations

- Delay hiring of non essential positions. Filling only those that are urgent.
- Eliminate non-essential Operating spending. (Travel, Uniforms etc.)
- Delay non essential Capital expenditures.
- Monitor the budget against actual revenues and expenditures continuously.

Revenue Scenarios FY 2021

Best Case

- This projection is optimistic because assumes a V shape Recovery.
- Assumes revenues loss in Q1 will be 20%, and improve through the year.

49.1 Million

Base Case

- Use FY 2020 Budget as a baseline.
- This projection is conservative as assume no change in revenues in relation to the base.

48.3 Million

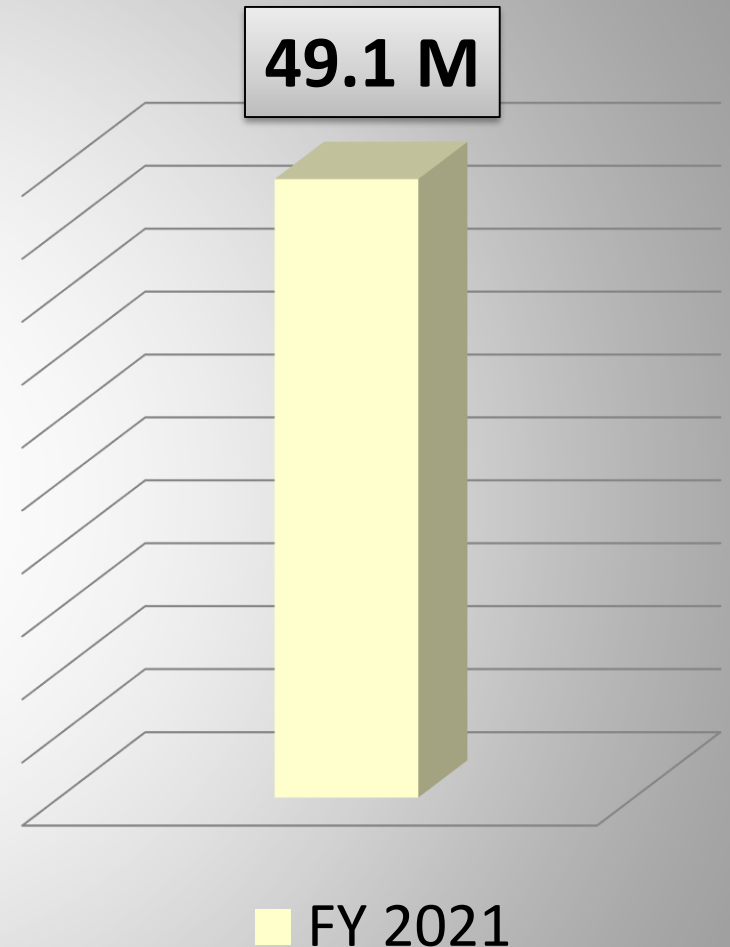
Worst Case

- Assumes the economy will take a turn for the worst.
- Recovery will take longer.
- Recession is part of this outlook.

Unknown

FY 2021 Revenue Budget

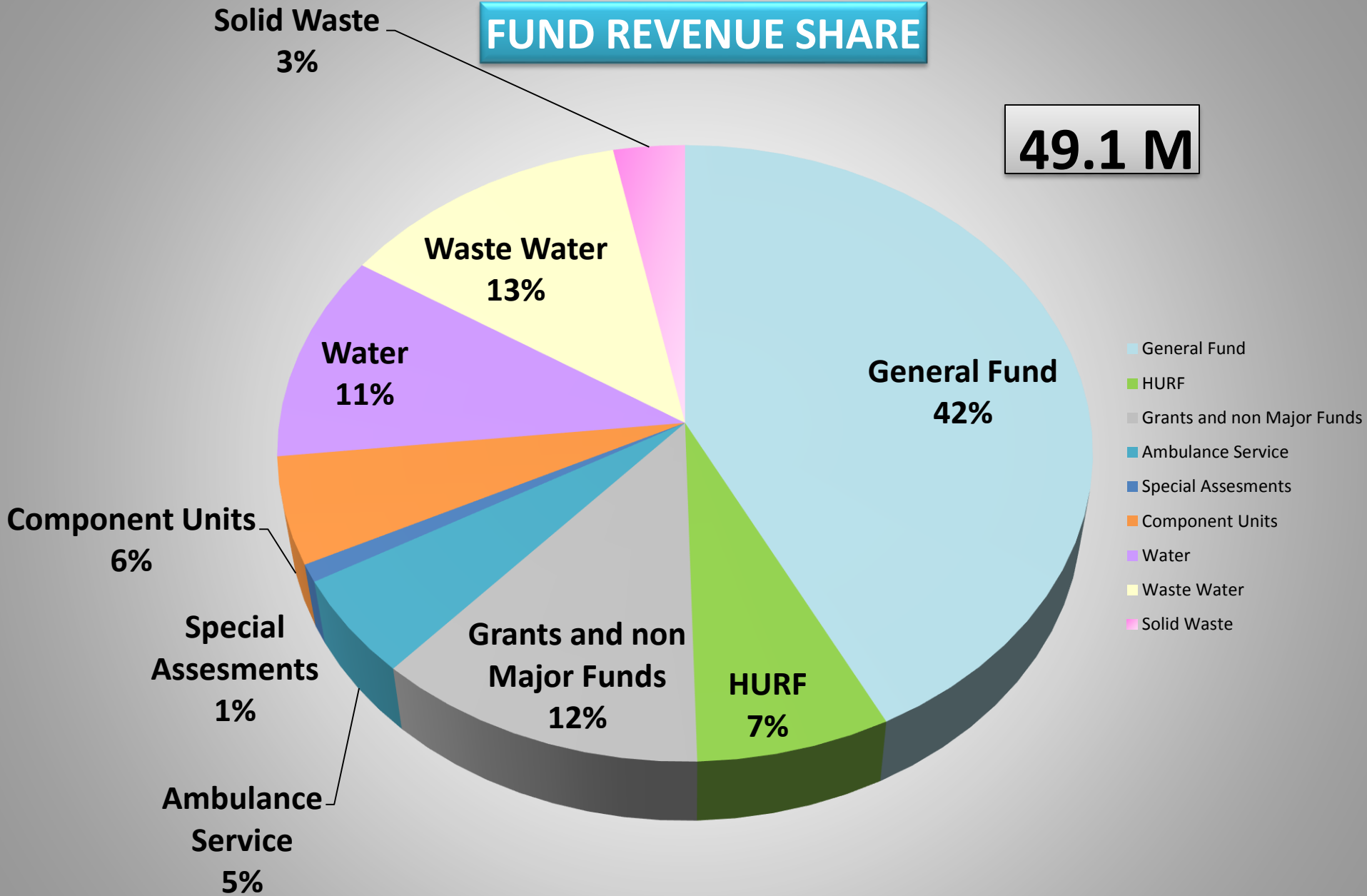
- Budget FY 2021 to be Flexible
- Tentative budget can decrease, not increase.
- Plan for the base, and put the difference of our best case scenario into contingency.
- Exercise fiscal responsibility.



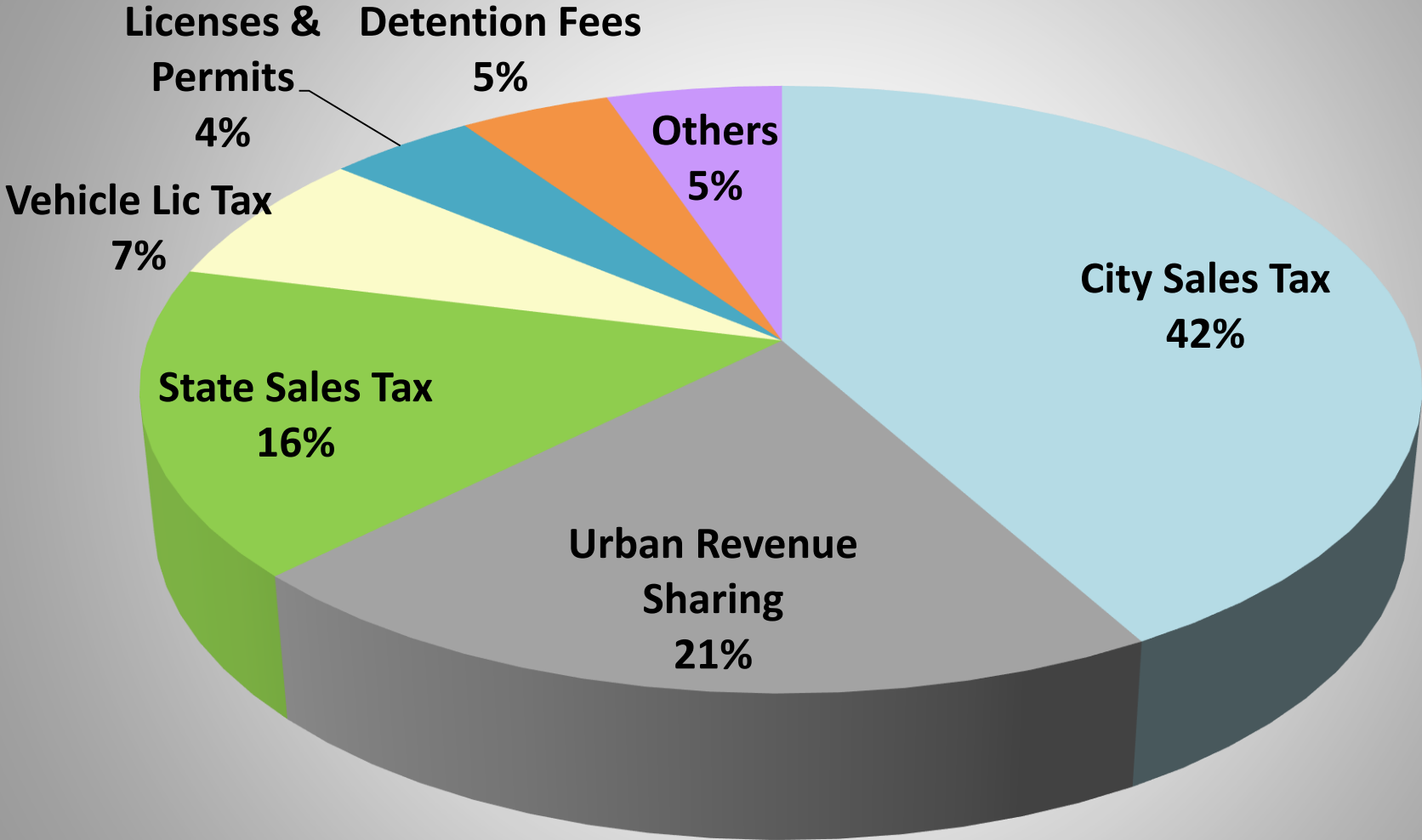
.8 M Contingency more to usual .3 M contingency

FUND REVENUE SHARE

49.1 M



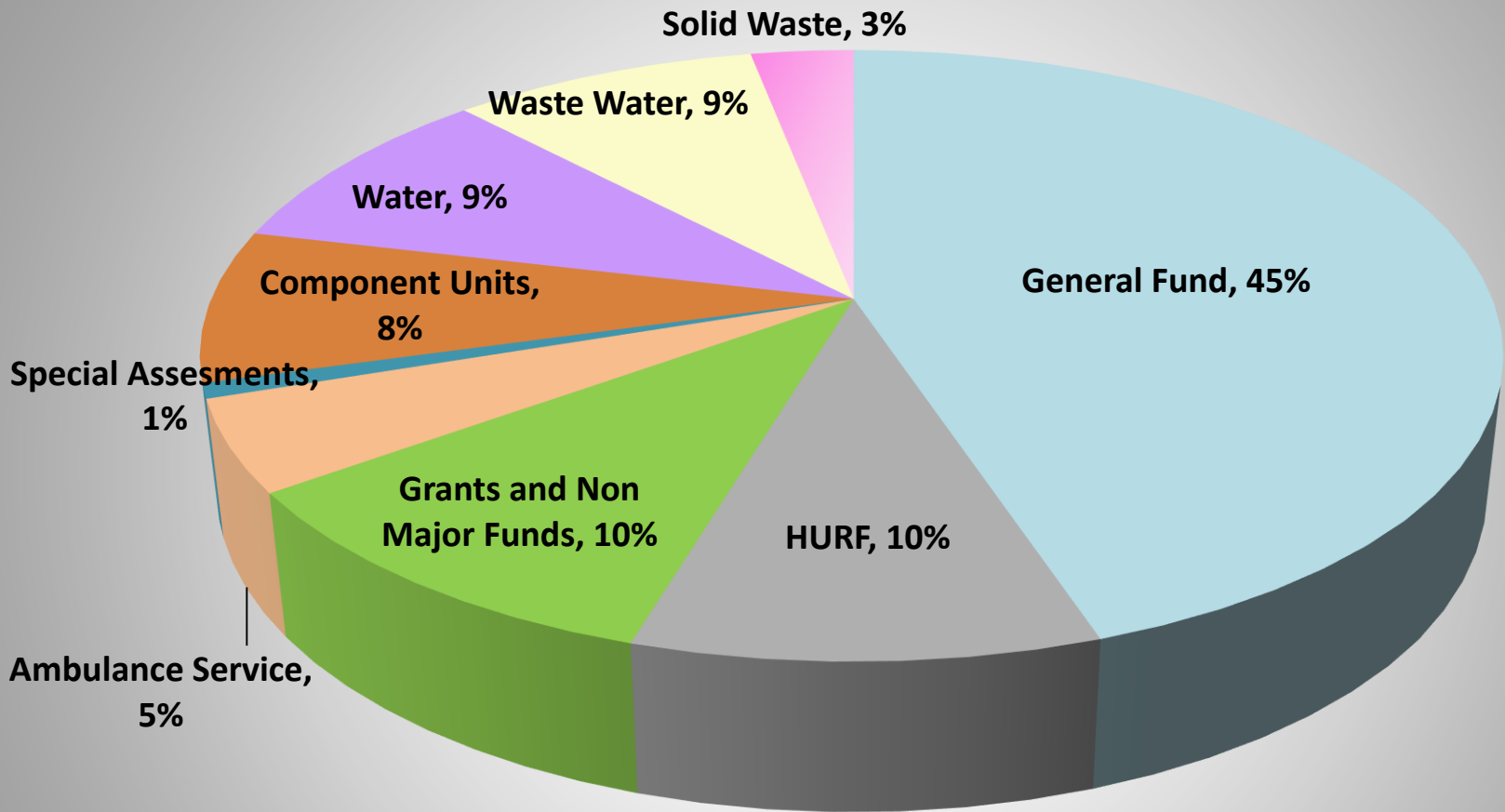
GENERAL FUND REVENUES



Expenditures



EXPENDITURE DISTRIBUTION - ALL FUNDS



General Fund

HURF

Grants and non Major Funds

Ambulance Service

Special Assesments

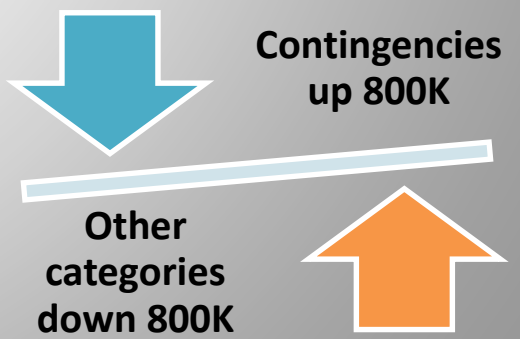
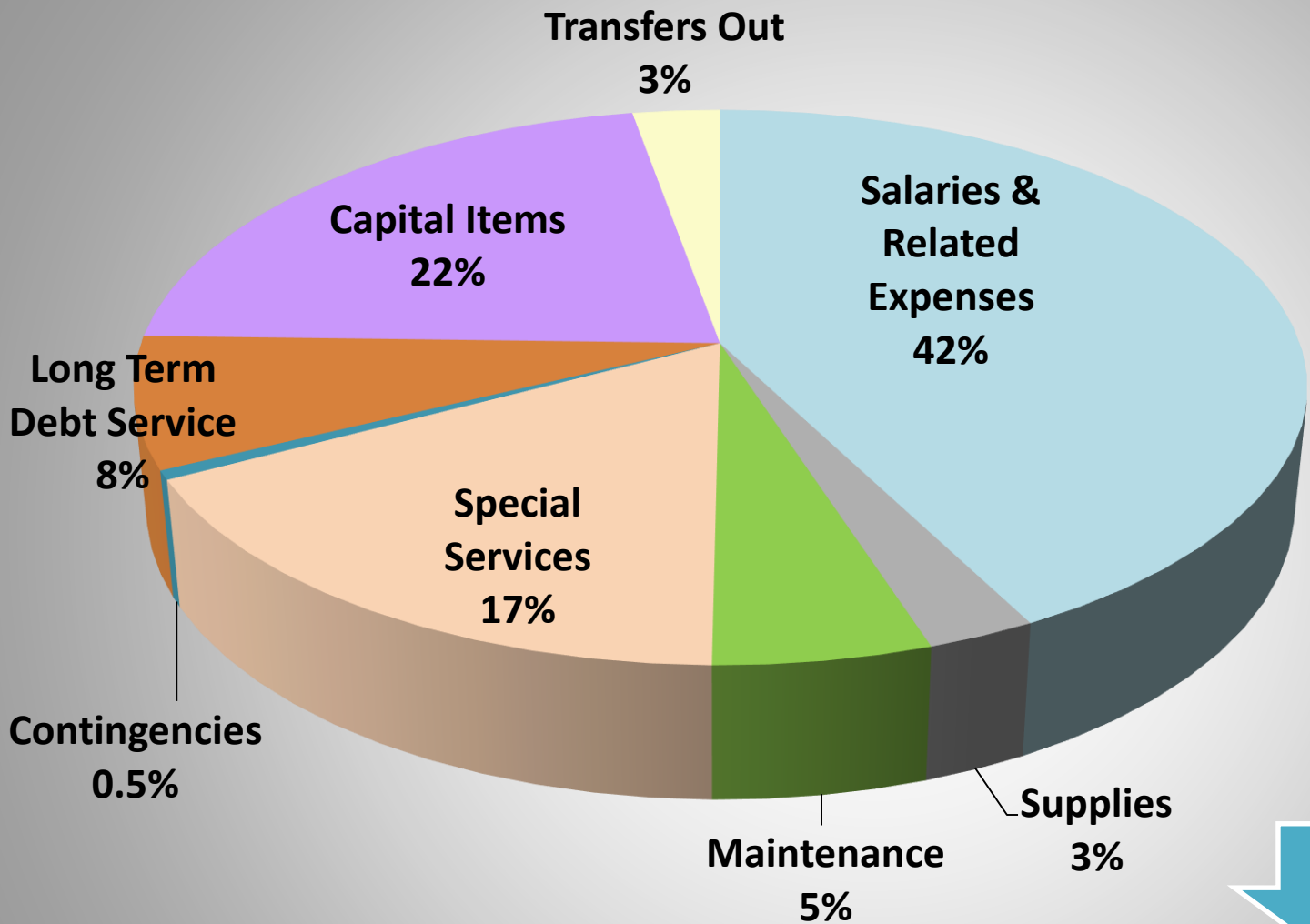
Component Units

Water

Waste Water

Solid Waste

Expenditures By Category

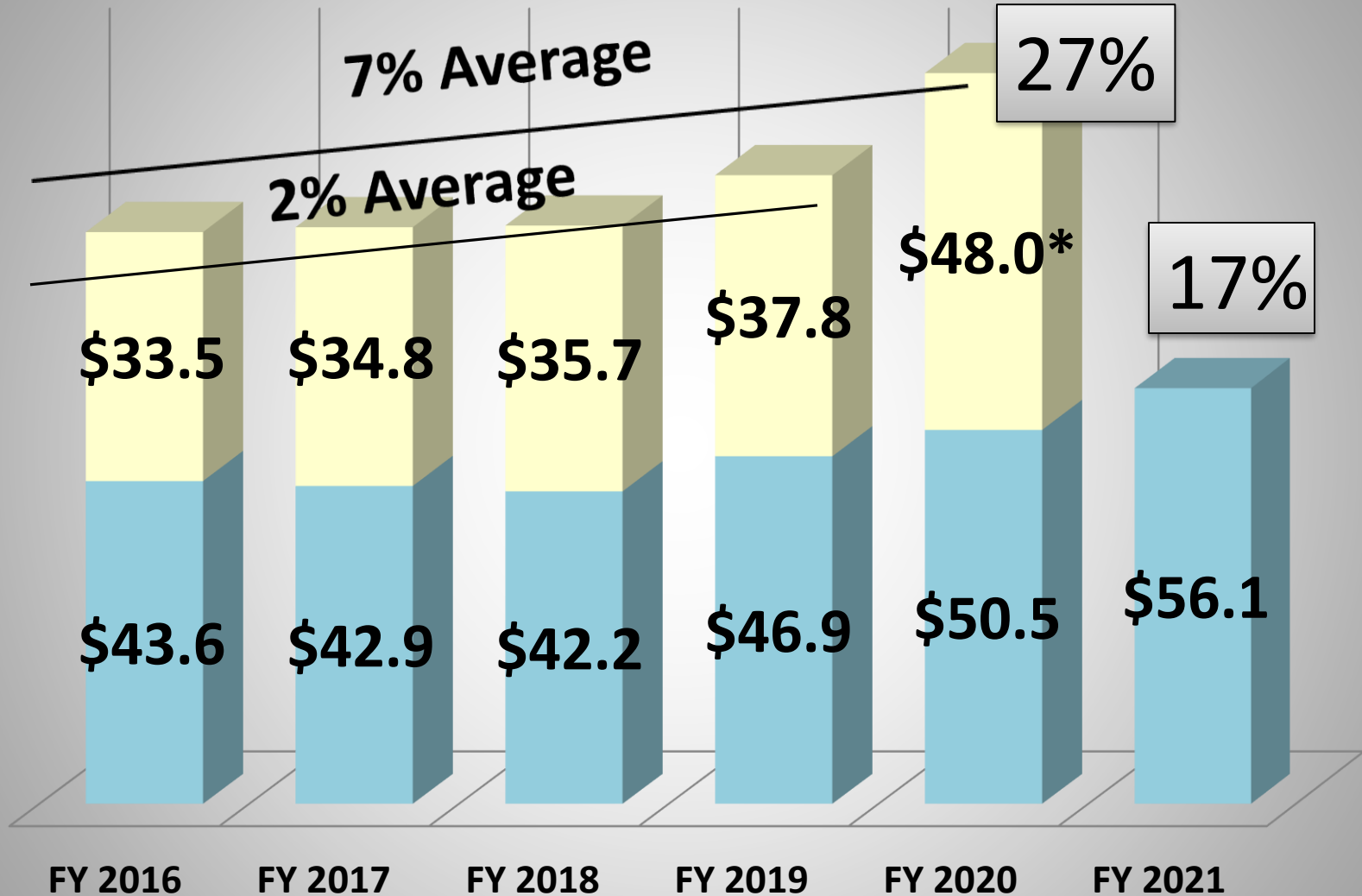


EXPENDITURE COMPARISON

* Projection

Budget Actual

In millions



Revenues 5 year average increase 7%

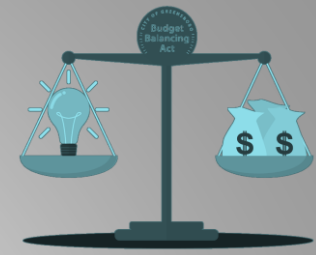


Expenses 5 year average increase 7%

Balancing the Budget



Balancing the Budget



Match recurring revenues with recurring expenditures.

Utilize one time revenues for non recurring expenditures to maximize resources.

- **Impact Fees Fund balances-** Fire Substation, Park, and Streets.
- **Fund Balance-** Positive carryover from prior years due to Operational savings, revenue results (revenues collected higher than anticipated) or projects not realized.

Budget balancing strategies

Identify council priorities- Park, Salary Adjustment, Fleet Shop, Fire Substation.

Departments collaboration- All departments should participate and scale back in relation to their increase to the baseline.

Department Priority list- Budget reductions are recommended upon review of prioritization list.

Mid-year reductions- Depending upon the fiscal climate reductions may be necessary to keep the current year budget in balance.

Less desired strategies

Furloughs- Time off without pay as a tool to avoid lay offs.

Reserves- One time nature, and it is inappropriate to use to fund ongoing operational expenses. This is a buffer that protect us when all other strategies have failed. This is the last resort.

Where we are now?

Ambulance, Water, WW and SW. No action is needed.

Business Incubator and Business Center need more work.

FUND	Deficit/ Surplus	Purchase Hotel Land	Reduction Proposed Capital Projects	Reduction Proposed New positions	Positive Balance Impact Fees	Positive Balance	Recommended Reduction
General Fund	\$ (4.0)	\$ (0.4)	\$ 0.6	\$ 0.8		\$ 2.0	\$ (1.0)
HURF	\$ (2.0)		\$ 0.2		\$ 0.9		\$ (0.9)
Impact Fees (GF)	\$ (1.2)				\$ 1.2		
Total	\$ (7.2)	\$ (0.4)	\$ 0.8	\$ 0.8	\$ 2.1	\$ 2.0	\$ (1.9)

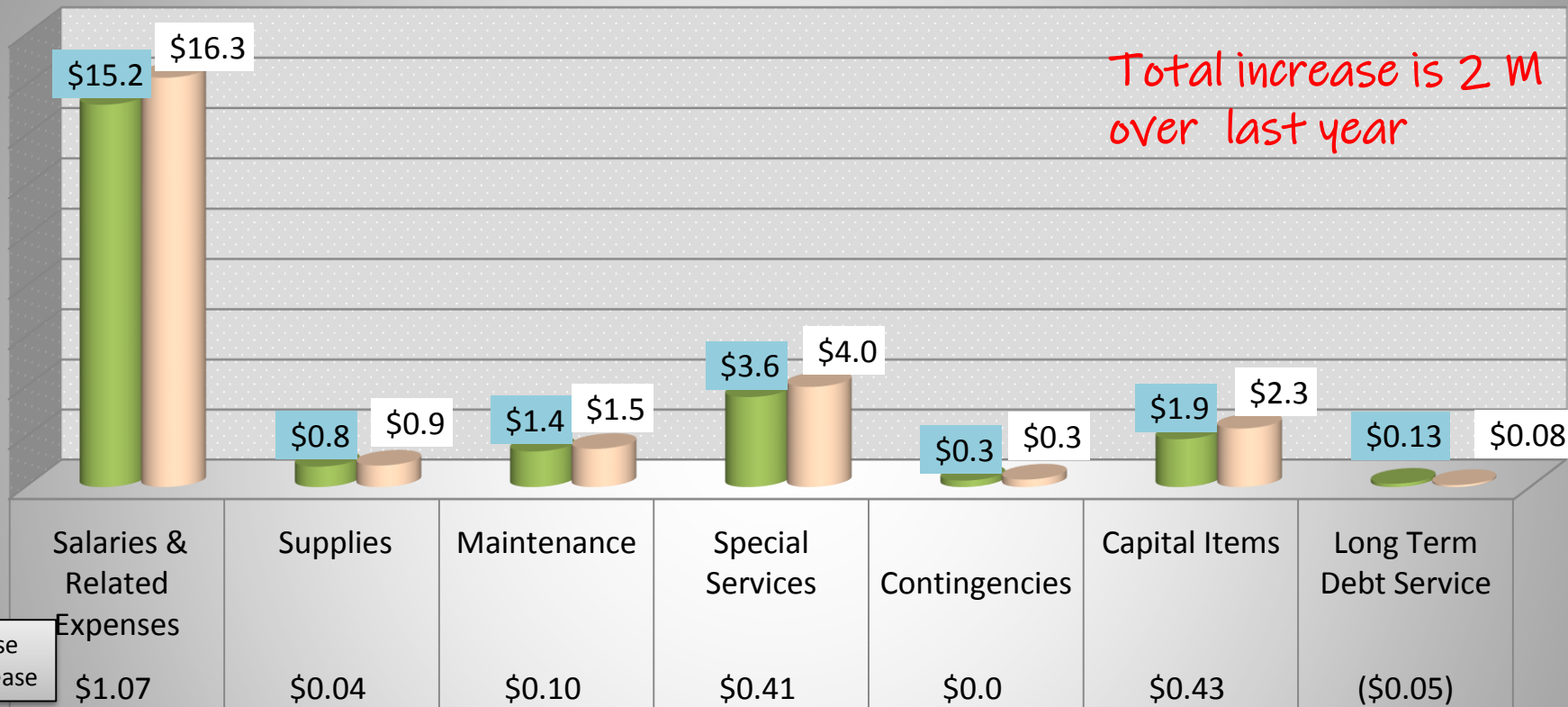
General Fund need 1 million budget reduction

HURF need 900 K Reduction

Expense Comparison FY 20 vs FY 21

General Fund

■ FY 20 ■ FY 21



1 Million budget reduction needed and possibly more.



Operating costs new park not included.

It is possible General Fund will need to subsidize HURF.

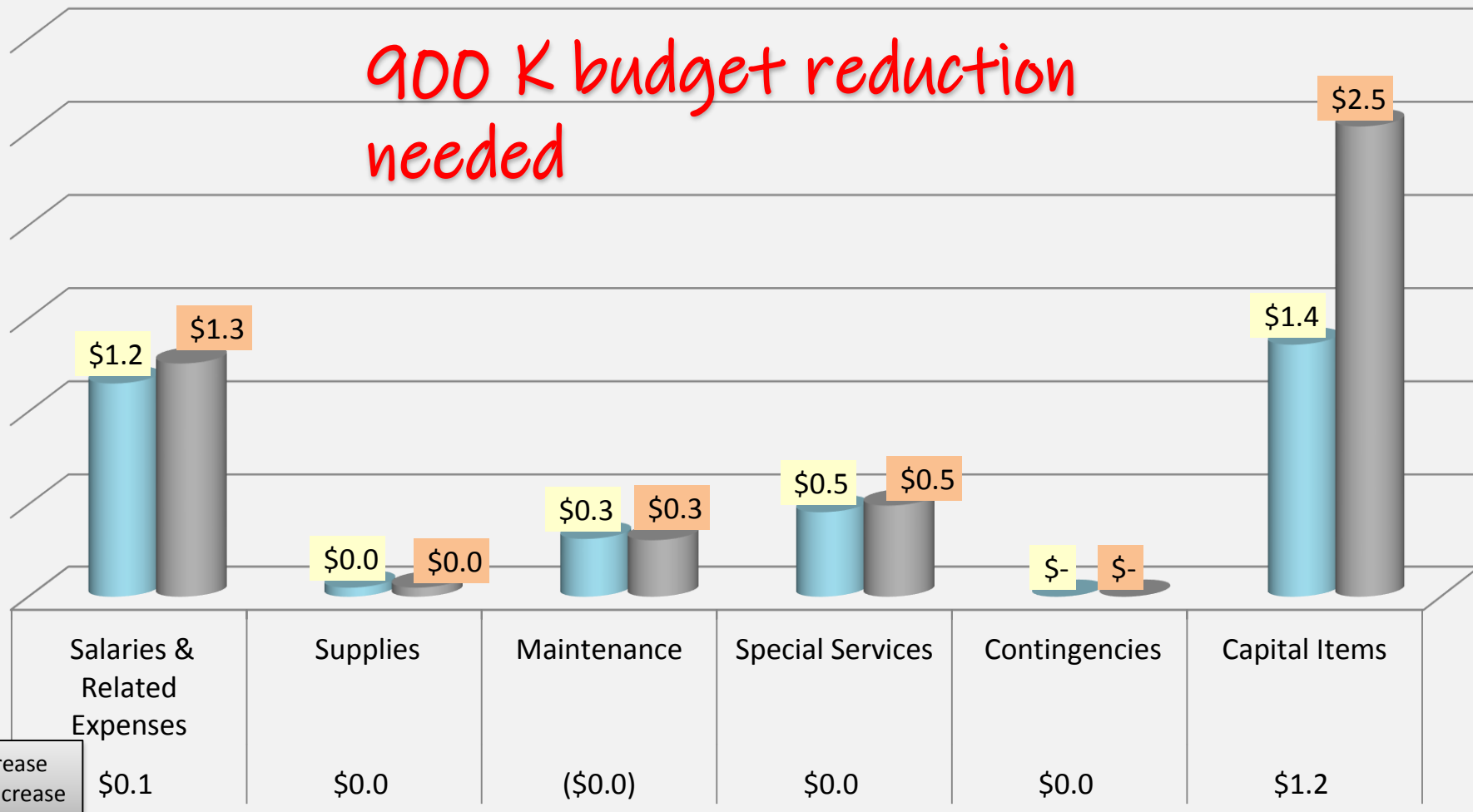
Conservative about Operations, Capital and New Positions spending.



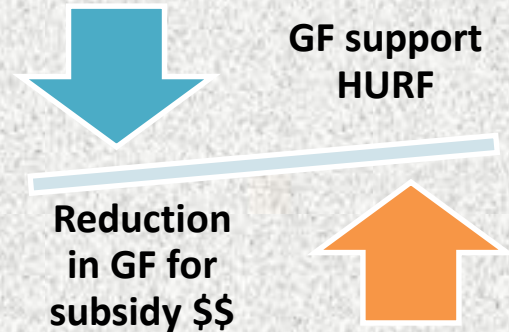
HURF Variance by Category FY 20 vs FY 21

■ FY 20 ■ FY 21

900 K budget reduction needed



HURF Projects FY 2021	Proposed Budget
New Traffic Signal and Expansion @ Co 22nd and 4th Avenue	150,000
Traffic Signal Light on the 10th Ave and Cesar Chavez Blvd. Intersection	500,000
Pavement Preservation Project FY21	350,000
Widening of Intersection of Sidewinder Rd and Co 22nd Street	120,000
CSL Roadway Improvements in Support of 20 Acre SL Community Park Development	510,870
TOTAL HURF DEPARTMENT	1,630,870
4th Ave. / Cesar Chavez Blvd. Improvements Phase 2 and Traffic Signal	900,000
TOTAL HURF IMPACT FEES	900,000
TOTAL HIGHWAY USER FUND	2,530,870



1.6 M minus 1.1 M = 500 K for projects
Impact Fees

Alternatives

- Reduce 1.1 M from the 1.6 M proposed projects for next year.
- This will leave 500K to complete projects next year. Priorities need to be set.

- If priority projects are in excess of 500K General Fund can support HURF by the difference.
- Any subsidy given to HURF, General Fund need to make furthest reductions to what we have discussed.

Tentative Draft Budget FY 2021

- ✓ Proposes a balanced budget mindful of the challenges we are facing.
- ✓ Considers 1M and .9 M budget reductions in General Fund and HURF.
- ✓ Increases budget contingency to 800K.

Category	Budget FY 2020	Proposed FY 2021	Tentative Draft FY 2021
Expenditures	\$50.2	\$54.6	\$51.8
Contingency	.3	.3	.8
Total	\$50.5	\$54.9	\$52.6

Contingency Budget

- Identifiable capital items/salary items with less priority will be moved into this bucket.
- These items will be released from contingency gradually as we see revenues improve.
- Council approval before it can be spent.
- Provide flexibility if revenues recover as we expect.
- Safeguard funds if situation does not improve

Closing Thoughts

- The impact COVID 19 would have on the economy it is unknown, but we expect it would be significant. We need to be conservative and be prepared.
- Our focus is to maintain operations, continuance of services to community and continue to pay our existing staff.
- Even though our projections for the end of this year indicate that we will be able to sustain a decrease in revenues for the last quarter. We would not know for sure until mid May. The impact can be greater than our projections, hence it is wise eliminating non essential operating spending, postponing big projects, and delay hiring of non essential positions until we have more information for the last quarter.
- In order to be successful during these uncertain times we need to set our priorities straight, and strive to maintain expenditures aligned with revenues. Capital Projects and New positions are the areas where we need to reduce expenses. We are a lean operating municipality, we need to continue on the same path.
- We want to set ourselves for every potential outcome, and ensure we do have we have flexibility to take action no matter the card we are dealt. Planning for all scenarios can be achieved by putting aside funds in our contingency fund. We want to safeguard the funds in the event the situation does not improve. In case the situation improves we can release the funds to do the projects . In this way we are planning for both scenarios.
- We have to act with fiscal responsibility. Not just because we have a budget, and authority to spend it means we should. If the situation turns for the worst we have to take the needed action to protect the City, and ensure services to our community are maintained.
- We have a healthy financial situation, with the capability to face a possible a down turn in the economy. However, the use of our reserves should be our last alternative.



There is a long road ahead, but we are resilient and we will bounce back.

Thank you