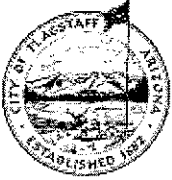


WORK SESSION

AGENDA ITEM 8



City of Flagstaff Revenue Section
MEMORANDUM

DATE: September 20, 2011
TO: Honorable Mayor and City Council
THROUGH: Barbara Goodrich, Management Services Director
FROM: Andy Wagemaker, Revenue Director *AW*
SUBJECT: **Compensation Triggers**

SUMMARY

A goal developed during the FY12 budget development was to restore the 1.2% employee pay cut included in the FY10 City budget as soon as fiscally possible. The following presentation is the City's plan for the restoration of the pay cut. It is based on adjusted increases in actual sales tax revenues to adjusted budgeted sales tax revenues. City staff has identified certain "triggers," or criteria, that sales tax revenues must meet in order to restore all, or a portion of, the 1.2% pay cut.

ATTACHMENTS

- Compensation Triggers Presentation
- Compensation Triggers Spreadsheet

COMPENSATION TRIGGERS



SEPTEMBER 2011

Agenda



- Concept Review
- Estimate Information
- Final Criteria
- Spreadsheet Review

The Concept



- **Employees will receive a pay restoration of 1.2%, if...**
 - Adjusted local sales tax and adjusted state shared sales tax exceeds the budget by \$850,000
- **Key points/criteria:**
 - 12 month projection based on 6 months of data.
 - × July 2011 through December 2011.
 - General fund drives across the board increase.
 - Restoration of pay must be sustainable.
 - × 2 to 1 ratio
 - × \$850,000 increase required for \$425,000 (1.2%) in restoration.

Sales Tax Adjustments



- **Sales tax adjustments**
 - Auto sales and construction contracting.
 - Due to volatility of categories
 - Same methodology as 3 years ago.
- **Key points/criteria:**
 - Restoration of pay must be sustainable

Sales Tax Numbers



- 12 month projection based on 6 months of data.
 - July 2011 through December 2011.
- 45-60 day lag in actual collection.
 - Example:
 - × July return
 - × Submitted to City/State in August
 - × Number finalized in September.
- Final number known in late February, early March.

Sales Tax Estimates



- Blend of 4 methods
 - 3 month moving average
 - Last year YTD applied to current year
 - 4 year weighted average applied to current year
 - Current YTD plus last year's remaining month's actual numbers
- Common sense check
 - Anomalies (Did a major account file early or late?)
 - General economic conditions (Major disaster? National predictions?)
 - × Example: 9/13/11 Daily Sun Article "Economists Cut Growth Forecasts for 2011 and 2012"
- Monthly PDF report
 - EAC Webpage under HR Directory

Estimate Disclaimer

- Revenue projections are calculated monthly and may change monthly (up or down).
- Economy decides the numbers, staff does not.
- Common sense check is ***always*** applied.
- Final estimate determines the pay restoration.
 - Not July, not October.
 - December is final month of data used.

Compensation Increase Criteria

- If sales tax collections exceed budgeted collections by ...
 - \$425,000, the pay restoration will be 0.6%
 - \$850,000, the pay restoration will be 1.2%
 - An amount between \$425,000 and \$850,000, the pay restoration will be in 0.1% increments
 - × 0.7%, 0.8%, etc.
- Minimum: 0.6%
- Maximum: 1.2%
- Reminder
 - Restoration of pay must be sustainable.

Compensation Increase Implementation



- **Effective date**
 - April 2012

- **Reminder**
 - Sales tax results drive increase; each fund funds increase
 - Minimum 0.6% pay restoration is \$425,000
 - Maximum 1.2% pay restoration is \$850,000
 - Or any amount in between

City Sales Tax	FY12 Budget	FY12 Annualized Estimate	\$ Change
Total	\$ 13,428,000	\$ 13,547,500	
Reduced by: Auto Sales	\$ 975,000	\$ 975,000	
Reduced by: Construction Contracting	\$ 1,600,000	\$ 1,600,000	
Revised General Fund	\$ 10,853,000	\$ 10,972,500	\$ 119,500
			Projected FY12 City Sales Tax Change

State Sales Tax	FY12 Budget	FY12 Annualized Estimate	\$ Change
Total	\$ 4,700,000	\$ 4,700,000	
Reduced by: Auto Sales	\$ 323,027	\$ 323,027	
Reduced by: Construction Contracting	\$ 564,000	\$ 564,000	
Revised City Portion	\$ 3,812,973	\$ 3,812,973	\$ -
			Projected FY12 State Sales Tax Change

Total City and State Sales Tax	FY12 Budget	FY12 Annualized Estimate	\$ Change
Total City Revenue	\$ 18,128,000	\$ 18,247,500	
Reduced by: Total Auto Sales	\$ 1,298,027	\$ 1,298,027	
Reduced by: Total Construction Contracting	\$ 2,164,000	\$ 2,164,000	
Revised Total City Revenue	\$ 14,665,973	\$ 14,785,473	\$ 119,500
			Projected FY12 City and State Sales Tax Change

0.6% Restoration Requirements	1.2% Restoration Requirements
Required Increase for Raise: \$ 425,000	\$ 850,000
Current Projected Increase/(Decrease): \$ 119,500	\$ 119,500
Difference from Goal: \$ 305,500	\$ 730,500

****DISCLAIMER-revenue projections are volatile and may change every month-DISCLAIMER****

****Common sense checks are applied to each month's estimate****