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## Prescott braces for \$3M shortfall

By [Cindy Barks](#)  
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PRESCOTT - With everything from state-shared income tax to city sales tax taking a major hit this year, the [City of Prescott](#) will have a \$3 million obstacle to overcome when it compiles its general-fund budget for the next fiscal year.

During the second installment of the Prescott City Council's mid-year budget report on Tuesday, Budget and Finance Director Mark Woodfill concentrated on the general fund - the city's main category, which covers departments such as police, fire, and parks and recreation.

"I expect a shortfall of \$3 million in the general fund," Woodfill said of the next fiscal year, which begins on July 1.

After the meeting, he explained that the shortfall involves not just declining revenues, but rising costs for things such as state retirement as well.

"There are expenditures that we know are going up," Woodfill said.

That - in combination with the \$1.3 million in expected lost revenue from state-shared income tax, \$200,000 to \$300,000 lost in state-shared sales tax, and about \$600,000 in lost city sales tax - makes up the expected \$3 million deficit, Woodfill said.

The city also faced a slightly smaller shortfall this past year, and dealt with it, in part, through staff reductions, including layoffs and a hiring freeze.

Council members had a number of questions for city officials about how they would handle the coming shortfall.

While City Manager Steve Norwood said the city plans no new layoffs in the current fiscal year, he said department heads know that they must cut out all non-essential expenses.

To help make up the difference for the next fiscal year, Woodfill said the city likely would eliminate a number of frozen city staff positions. He referred to posts such as the assistant city manager, assistant fire chief, and several police officers, which the city froze this year, but could choose to eliminate entirely in the next fiscal year.

In addition, Woodfill said the city likely would have more retirements over the next year or so, which it also could opt to freeze and eliminate.

City officials emphasized that staff costs make up the bulk of the general fund, with about 77 percent of the \$32.8 million in this year's general fund going toward personnel.

Overall, Norwood maintained that city departments have handled the dwindling revenues well.

"We do not raid our impact-fee funds; we do not raid our alternative-water fund; we do not raid our rainy-day fund," Norwood said. "We have a lot of department heads carefully managing their budgets."

Other questions from council members focused on how the city allocates the revenue from its bed tax, which the city charges to hotels and motels.

Councilwoman Tammy Linn asked for more accountability and information on whether the bed tax contributions for tourism-related events bring a return to the city.

Councilman Steve Blair agreed. "To be prudent, we really need to look at each of these expenditures to see if they're really benefiting the community," he said.

This year's budget divided nearly \$600,000 in bed tax revenues among a variety of costs, such as general tourism promotion, the July 4 celebration, the Senior Olympics, support for the arts, Frontier Days marketing, the courthouse lighting, open space management, [Sharlot Hall Museum](#), and Elks Opera House marketing.

Pushing for more council involvement in the discussions leading up to the annual spring budget consideration, Blair suggested that the council conduct more than one budget workshop.

Norwood pointed out that the City Charter requires him to take a balanced budget to the council for consideration, and he usually does not take the "minutiae of details" to the council.

Council members likely will discuss money issues further at their Feb. 12 goal-setting retreat.

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