



MEMORANDUM

DATE: January 11, 2010

TO: Honorable Mayor and Council Members

FROM: Mike Letcher
City Manager

SUBJECT: Budget Balancing Fiscal Years 2010 and 2011

The Mayor and Council significantly closed the projected \$32 million dollar deficit for FY 2010 as a result of their action at the Tuesday, January 5th meeting. The last three weeks have been extremely difficult for the Mayor and Council, employees, and the community. The following chart indicates my recommendations for action the Mayor and Council need to consider at the January 12th and January 20th meetings.

January 12:

- Vote to authorize the City Manager to negotiate contracts to amend outside agency funding for FY 2010
- Vote on furloughs equivalent to 3.5% salary savings

January 20:

- Vote on reducing premium pay and allowances payouts or additional furloughs
- Direct the City Manager to make overtime policy change

The items scheduled for discussion and action at the January 12th meeting were directed by Mayor and Council at the Tuesday, January 5th meeting. The premium pay/furlough and overtime policy change recommendations are new. The proposed premium pay and allowances reduction of fifty percent (50%) can also be accomplished by an additional salary reduction of 1.5% across-the-board. Members of the Labor Council requested that I submit this as an alternative to reducing premium pay. I am also recommending that the City comply with the Fair Labor Standards Act (FLSA) provision for overtime. This would eliminate paying overtime hours to employees during weeks that they do not actually work 40 hours. This applies to weeks in which holiday, vacation, or sick leave hours were paid but the hours were not actually worked.

To address the remaining deficit I relied on continuing a “Strategic Balance Approach” that has been the strategy for reducing the \$32 million deficit this year and the projected deficit of \$29 million in FY 2011. It is important that we not only focus on the immediate challenges for FY 2010, but also make sure the reductions are recurring and continue in FY 2011 to reduce the projected \$29 Million deficit.

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During the January 5th Mayor and Council meeting, we presented a chart to illustrate what approaches would be used to address the remaining FY 2010 deficit if the landlord tax was not implemented. As you will note in the revision of the 1/5/10 Powerpoint presentation slide below, I have deleted at Mayor and Council's direction layoffs of any commissioned Police and Fire.

Options as presented on 1/5/10

If a landlord tax is not implemented, the following options will need to be considered:

1. Implementing a 60% reduction in outside agency funding immediately.
2. ~~Layoff Police and Fire probationary commissioned personnel.~~
3. Layoff more non-public safety personnel, if necessary.
4. Eliminate or reduce selected premium pay categories.
5. Implement further salary reductions.

In addressing the remaining deficit, I have focused on a combination of new revenues, further department operating cuts (without layoffs) and adjustments in premium pay and allowances and an overtime policy change for all classes of employees. As a result, the projected deficit remaining for FY 2010 has been reduced to \$1 million. I have also provided an option for your consideration that replaces the proposed premium pay and allowances reductions with salary reductions/furloughs in FY 2010 and FY 2011. Please note that these would be in addition to the 1/5/10 Mayor and Council approved \$3.4 million in employee compensation reductions to be accomplished via furloughs.

I directed City departments to do an extensive review of Council Member Kozachik's comments and suggestions for reductions. The results of our findings are included in the attached powerpoint presentation and other supporting materials.

Staff will be continuing to follow-up on Council Member Steve Kozachik's questions in preparing for the FY 2011 using the Budget Options Balancing system (BOBs) framework that will be submitted to Mayor and Council on Tuesday, February 23, 2010. The proposed framework approach will be designed to allow Mayor and Council to review and provide direction for balancing the budget for FY 2011 before I submit my recommended budget. The results and findings from the Community Key Services Dialogues will serve as the major foundation for building the BOBs. The community, our employees and labor groups will also be able to have opportunity to offer their input on the budget during this process. The department heads and I are committed to using this budget framework to help us resolve the FY 2011 budget deficit.

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Assuming the Mayor and Council act on my recommendation regarding premium pay reductions and overtime policy on Wednesday, January 20th the budget deficit for FY 2011 will be reduced by \$9.0 million. The projected reduction assumes no further reductions in our projected revenues.

	<u>FY 2010</u>	(millions)	<u>FY 2011</u>
Projected Deficit 1/5/10	6.9		29.4
Recommendations 1/12/10	<u>(5.9)</u>		<u>(9.0)</u>
Projected Remaining Deficit	1.0		20.4

I am committed to working with you, the community and our employees to develop strategies for the City to prevent future layoffs, significant reductions in services or further erosion of employees' salaries and benefits. The BOBs framework will hopefully help us achieve these results.

Thank you for your leadership during this time. I also want to compliment our department heads and employees for their work during this extremely stressful time for the City. The staff and I stand ready to follow your direction on the budget.

c: Mayor and Council Aides
Richard Miranda, Deputy City Manager
Sean McBride, Assistant City Manager
Mike Rankin, City Attorney
Marie Nemerguth, Budget and Internal Audit Program Director

Attachments: 1/12/10 Study Session Powerpoint
Staff Responses to 1/5/10 Questions from Council Member Kozachik

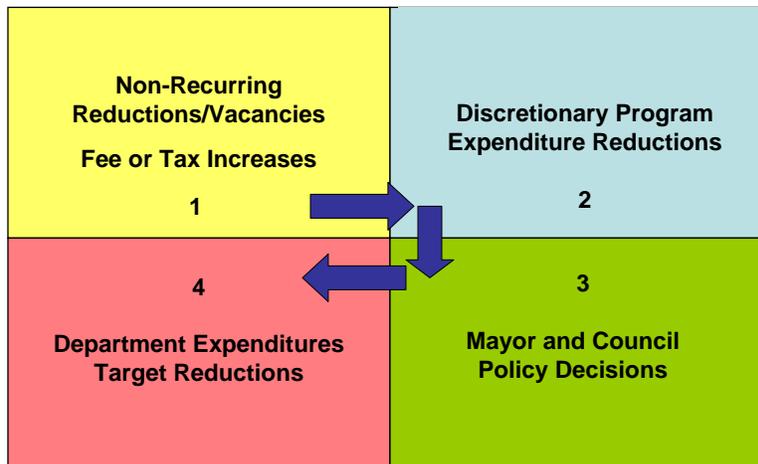


Mid Fiscal Year 2010 General Fund Budget Balancing

(Continuation of 1/5/10 Discussion and Action)

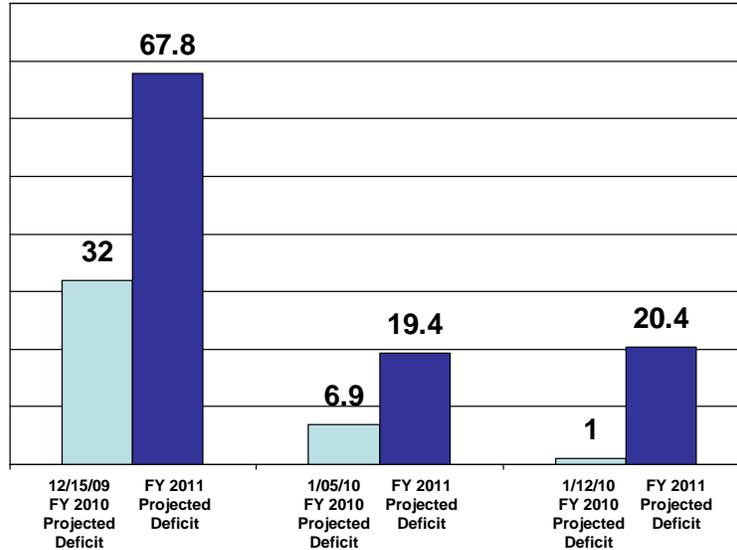
Mayor and Council Study Session
January 12, 2010

Strategic Approach to Balancing FY 2010 Budget



Used During 12/15/09 and 1/5/10 Discussion

Moving in the Right Direction (millions)



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Service and Program Reductions Already Made Since Fiscal Year 2008

- Elimination of 400 vacant positions (included 292 General Fund positions)
- Suspension of residential street paving
- Reduced landscape/street median maintenance
- Five swimming pools closed in winter
- Decrease in Parks and Recreation leisure class offerings
- Reduction in Neighborhood Center hours of operation
- Increased wait times at City Court
- Deferred maintenance of Park facilities and City buildings and deferred vehicle, equipment, and computer replacements
- Reduction in Outside Agencies funding
- Employee layoffs

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**General Fund Reductions
Since End of FY 2008
(millions)**

- Between FYE 2008 and Adopted FY 2010	\$ 56
- Proposed Mid-Year FY 2010	11
- Proposed for FY 2011 (to date)	20
- Potential additional reductions to balance FY 2011	<u>29</u>

Total Potential General Fund Reductions: \$ 116

(over 25% in the two years between
June 30, 2008 and July 1, 2010)

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**Summary of FY 2010 Strategic Approach
Budget Balancing (millions)**

<i>FY 2010 Revenue Shortfall</i>		\$32.0
1. Current Projected Expenditure Savings (including vacancies)	(2.0)	
No Fund Balance Transfer	(3.7)	
No Supplemental Risk Management Fund Transfer	(1.6)	
Debt Restructuring	(1.5)	
Mass Transit Efficiencies	(1.0)	
Fee or Tax Increases	<u>(2.3)</u>	
Subtotal		(12.1)
2. Departmental Program/Expenditure Reductions		(8.4)
3. Employee Furloughs and Public Safety Pension Adjustment	(4.1)	
Low Income Subsidy Absorbed by utilities	<u>(0.5)</u>	
Subtotal		<u>(4.6)</u>
<i>Deficit Remaining</i>		\$ 6.9

This deficit reflects Mayor and Council action on 1/5/10 which a) decreased the recommended departmental program/expenditure reduction savings by \$300,000 in order continue funding the graffiti abatement program and b) tabled the original 20% recommendation to reduce Outside Agencies (\$2 million savings). It also reflects a \$300,000 reduction in the City Clerk's recommended departmental expenditure savings due to increased election costs.

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**Summary of Projected General Fund Savings from
Discretionary Program and Expenditure Reductions**

Department	FY 2010	FY 2011	FTEs	FYs 2010 & 2011 Total Reductions
Budget and Internal Audit	33,100	71,000	1.00	104,100
City Attorney	307,317	566,716	7.00	874,033
City Clerk	411,300	1,291,300	2.00	1,702,600
City Manager	226,029	722,560	5.00	948,589
Equal Opportunity Office/Independent Police Review	36,174	104,771	1.00	140,945
Finance	344,400	591,100	9.00	935,500
Fire	88,770	606,250	68.00	695,020
General Services	296,213	704,760	1.00	1,000,973
Housing and Community Development	710,005	1,140,010	10.00	1,850,015
Human Resources	98,080	335,063	1.00	433,143
Information Technology	742,655	1,235,780	4.00	1,978,435
Parks and Recreation	727,876	1,839,304	49.75	2,567,180
Planning and Development Services	433,850	873,350	0.00	1,307,200
Police	4,126,308	9,476,997	213.00	13,603,305
Procurement	33,938	269,378	5.00	303,316
Transportation	371,930	720,870	0.00	1,092,800
Tucson Convention Center Subsidy	65,048	115,191	1.00	180,239
Total	9,052,993	20,664,400	377.75	29,717,393

Closing the Remaining Deficit for FY 2010

Landlord tax not approved resulted in an estimated revenue loss of:

FY 2010 \$ 3.5 million

FY 2011 \$ 10.0 million

What options are available now to balance the budget?

Options as presented on 1/5/10

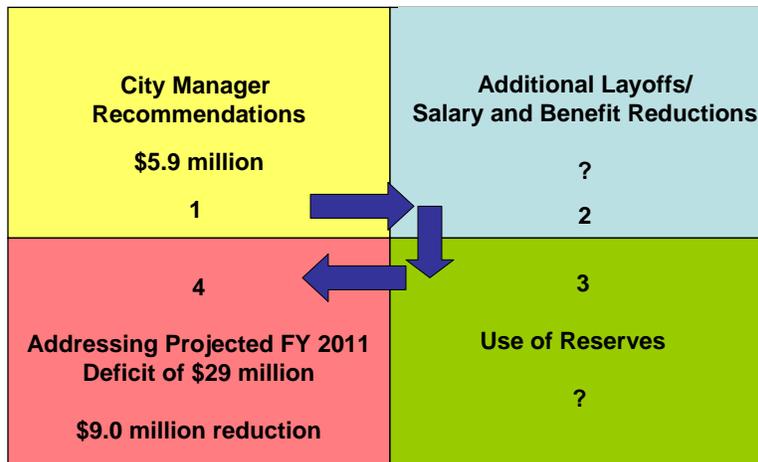
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3. Layoff more non-public safety personnel, if necessary.
4. Eliminate or reduce selected premium pay categories.
5. Implement further salary reductions.

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SCORECARD

Remaining Strategic Approach to Balancing FY 2010 Budget



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Remaining Strategic Approach to Balancing FY 2010 Budget

City Manager Recommendations

1

Total = \$5.9 million

•Outside Agencies Reduction	\$3.0
•ALS Transport Revenue	0.9
•Professional Services Expenditures Reduction	0.2
•Premium Pay Reduction (50% Proposal)	1.3*
•Overtime Policy Change Savings	0.5

*With option of converting this reduction to an additional across-the-board salary reduction for FYs 2010 and 2011 from 3.5% to approximately 5%.

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Outside Agencies

Mayor and Council direction to staff on 1/5/10:

- Suspend payments until M&C action
- Return with 60% reduction proposal with exception of 20% for TREO and Human Services Plan agencies and reduce MTCVB to statutory level (1/3 of bed tax)

Recommendation excludes reductions to co-sponsored community events and payments to other governments

Some agencies cannot be reduced to 60% because payments have already made

\$3 million savings in City Manager's recommendation

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Outside Agency Allocations
As Recommended to Mayor and Council on 1/12/10

	Adopted GF FY 2010	Reduction	Revised FY 2010	Payment Balance
Economic and Workforce Development				
Critical Path Institute (C-Path)	158,440	79,220	79,220	-
Business Improvement District (BID)	280,020	140,010	140,010	-
JobPath	380,250	196,244	184,006	-
Metropolitan Tucson Convention and Visitors Bureau (MTCVB)	4,036,350	920,610	3,115,740	1,433,928
Pro Neighborhoods	68,450	24,125	44,325	-
School Plus Jobs	471,510	282,906	188,604	122,627
Tucson Regional Economic Opportunities (TREGO)	1,242,700	248,540	994,160	683,485
Subtotal	6,637,720	1,891,655	4,746,065	2,240,040
Arts and Cultural Enrichment				
Tucson-Pima Arts Council (TPAC)	525,530	157,659	367,871	-
El Centro Cultural de las Americas	9,140	5,484	3,656	3,656
Tucson Botanical Gardens	41,120	24,672	16,448	6,168
Tucson Children's Museum	35,640	21,384	14,256	3,784
Tucson Museum of Art	65,240	39,144	26,096	2,637
Tucson Sister Cities Association	12,190	7,314	4,876	4,876
Tucson Pops Orchestra	22,820	13,692	9,128	9,128
Subtotal	711,680	269,349	442,331	30,249
Human Services				
88-Crime	12,610	7,566	5,044	1,892
Community Mediation Program (Our Family Services)	41,700	25,020	16,680	6,255
Human Services Plan	1,882,570	356,496	1,526,074	815,076
Humane Society of Southern Arizona	13,710	8,226	5,484	2,057
Metropolitan Education Commission	53,870	32,322	21,548	8,081
Pima County - Tucson Women's Commission	39,360	23,616	15,744	5,904
Subtotal	2,043,820	453,246	1,590,574	839,265

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Outside Agency Allocations
As Recommended to Mayor and Council on 1/12/10

	Adopted GF FY 2010	Reduction	Revised FY 2010	Payment Balance
Civic/Special Community Events				
City Co-Sponsored Events	258,570	-	258,570	196,601
El Tour/Perimeter Bicycling Association of America	22,820	13,692	9,128	9,128
Southern Arizona Regional Science and Engineering Fair	9,510	5,706	3,804	3,804
Tucson Gem and Mineral Society	27,420	13,710	13,710	-
Subtotal	318,320	33,108	285,212	209,533
Payments to Other Governments				
Pima Animal Control Center	1,315,890	-	1,315,890	846,086
Pima Association of Governments (plus 100,580 HURF)	197,420	-	197,420	98,710
Victim Witness	27,420	-	27,420	20,565
Subtotal	1,540,730	-	1,540,730	965,361
Other				
Access Tucson	758,740	379,368	379,372	-
YMCA (Jacobs/Lighthouse/Mulcahy)	88,410	-	88,410	-
Subtotal	847,150	379,368	467,782	-
TOTAL	\$ 12,099,420	\$ 3,026,726	\$ 9,072,694	\$ 4,284,448

FY 2010 reduction = \$3 million
(difference between Adopted and Revised)

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Advanced Life Support (ALS) Transport Revenue

Redesign of emergency service delivery model by Fire Department will result in increased ALS service calls and transports

- FY 2010 Projected Revenue = \$0.9 million
- FY 2011 Projected Net Revenue = \$2.9 million

Miscellaneous Professional Services Expenditures Reduction

- FY 2010 Projected Reduction = \$0.2 million
- FY 2011 Projected Reduction = \$0.2 million

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All Premium Pay and Allowances Reduced to 50% Payout Level

Premium Pay Type	Projected FY 2010 5 Month Savings	Projected FY 2011 Savings
Executive Vehicle Allowance	19,985	47,965
Downtown Allowance	38,621	92,690
Weekend Premium	6,668	16,000
Stand-by (On-call)	55,208	132,500
Longevity	98,258	196,515
Second Language Pay	58,290	116,580
Uniform Maintenance Allowance	-	595,930
Shift Differential	300,964	722,314
TPD/TFD Recruitment Referral Pay	500	1,200
Public Safety Command Additional Compensation	56,255	135,012
TFD/TPD Sick Leave Sell Back	383,028	919,267

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**All Premium Pay and Allowances
Reduced to a 50% Payout Level
(continued)**

Premium Pay Type	Projected FY 2010 5 Month Savings	Projected FY 2011 Savings
TPD Proficiency Second Language Pay	23,563	56,550
TPD Holiday and Board of Inquiry (BOI) Pay	2,694	6,465
TPD Career Enhancement Pay	10,750	25,800
TFD Incentive Pay for Fire Inspectors	1,558	3,738
TFD Paramedic Certification Pay	85,153	204,366
TFD Fire Battalion Call Back Chief Pay	8,906	21,375
TFD Honor Guard Assignment Pay	5,819	13,966
TFD Additional Pay to Defray Housekeeping Pay	94,286	226,286
Tuition Reimbursement	44,167	106,000
Death Benefits	TBD	TBD
Total Savings	1,294,671	3,640,519

Overtime Policy Change

Pay overtime in accordance with Fair Labor Standards Act.

Overtime to be paid on only hours worked after 40 hours of actual hours worked.

Hours worked would **not** include holiday, sick or vacation hours.

FY 2010 Savings = \$0.5 million

FY 2011 Savings = \$1.3 million

Potential Remaining Deficit

- As of 1/5/10 = \$6.9 million
- 1/12/10 Manager's Recommendation = (\$5.9 million)
- **Remaining Deficit = \$1.0 million**

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REVISED Strategic Approach to Balancing FY 2010 Budget

**Additional Layoffs/
Salary and Benefit Reductions**

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Mayor and Council could direct further layoffs or salary reductions for a portion or all of the remaining deficit not addressed in Box 1.

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REVISED Strategic Approach to Balancing FY 2010 Budget

If Mayor and Council decide not to address all of the remaining deficit in Box 2 they can direct use of reserves.

The City Manager does not recommend use of resources to address the FY 2010 deficit due to the shortfall already projected for FY 2011 and the potential impact on bond ratings.

3
Use of Reserves

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REVISED Strategic Approach to Balancing FY 2010 Budget

All cost savings from cuts/reductions and revenues implemented in Box 1 will be continued in FY 2011 to address the projected \$29 million deficit.

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**Addressing FY 2011
Deficit of \$29 million**

Outside Agencies	\$1.0
ALS Transport Revenue	2.9
Misc. Professional Services	0.2
Premium Pay Reduction	3.6
Overtime Policy Change	1.3

Total = \$9.0 million

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Key Questions Asked by Council Member Kozachik on 1/5/10

- Staff appreciates the opportunity to address the questions.
Written response provided to Mayor and Council on 1/11/10 with key responses included in this presentation.
- Staff has been diligent in making expenditure and personnel reductions and identifying new revenue sources since FY 2008.
- Questions identified some additional immediate savings and potential Mayor and Council policy decisions for FY 2011.
- During the fall of FY 2010, specific City-staffed Cooperative Approach Teams (CAT) were established - one of which is already addressing contracted and professional services and one of which already provides for quarterly collaborative financial monitoring.
- Staff will continue to review for additional savings in some areas.

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Responses to Key Questions Asked by Council Member Kozachik on 1/5/10

- Sweep Unallocated Budget Capacity
 - Budget of \$4.4 million = \$2.2 million restricted expenditure capacity for dedicated purposes (with revenues to support) and \$2.2 million unrestricted comprised primarily of matching funds for federal housing dollars and \$1.6 million contingency
 - Zero additional savings because unspent \$600,000 contingency capacity already swept on 12/15/09
- Professional Services/Consultants
 - Budget of \$10.2 million = \$3.8 million restricted expenditure capacity for dedicated purposes (with revenues to support) and \$7.4 million unrestricted
 - Already swept \$1 million as savings on 1/5/10 leaving \$2.5 m balance
 - Additional savings identified = \$200,000

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Responses to Key Questions Asked by Council Member Kozachik on 1/5/10

- Increase Reid Park Zoo Entry Fees to \$8.50 average daily rate
 - Each classification would have to increase 112% over the current fees
 - Adults \$13.50, seniors \$8.50, children \$4.25
 - Noted prices would more than double the current \$1.3 million in annual revenue **IF** attendance remained constant.
 - Increase would place Zoo at top of fee structure for comparable zoos.
- Increase mass transit fares
 - Proposed percentage increase would generate \$1.6 million increased revenues.
 - Staff has already included a recommendation for FY 2011 that would generate \$1.3 million in increased revenues.
- Channel 12/Access Consolidation – A full analysis of alternatives will be brought to Mayor and Council in February for consideration for FY 2011.
- Garfield Traub hotel design – Certificates of Participation debt which is restricted to construction project was issued by Rio Nuevo; cannot be used to mitigate General Fund deficit

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Responses to Key Questions Asked by Council Member Kozachik on 1/5/10

- Outsource Fleet Services - \$28 million budget is capacity; charges are made to departments based on actual services/fuel provided
 - No savings by outsourcing; Increased service delivery risks to community
 - City costs less with better quality and service
 - Services provided: repair and maintenance, warranty service, fuel, motor pool
 - Repair and Maintenance Charges: \$15.4 million annually; \$5 million General Fund
 - Fuel Budgeted Capacity \$11 million (charges to departments could be less based on actual fuel prices; FY 09 was \$7.4); FY 2009 General Fund - \$2.7 million (public safety = 30% of charges);
 - Auto Mechanic Rates: City \$80-\$90 as compared to Commercial \$90-\$129
 - Parts Costs: 20% below commercial prices
 - Impacts of Outsourcing
 - Layoff 90 City employees (offsets any commercial job gains)
 - No increased sales tax revenues (City pays applicable sales tax now)
 - Could compromise vehicle availability (public safety and refuse)
 - Increased liability risks
 - City Manager plans review by Mayor and Council's Independent Audit and Performance Commission in FY 2011

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Three Year View of Potential Deficits
(millions) as of 1/5/10 Recommendation

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Projected	\$ 4.3	\$ 29.4	\$ 11.4
Landlord Tax	(3.5)	(10.0)	-
Deficit	\$ 0.8	\$ 19.4	\$ 11.4

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Three Year View of Potential Deficits
(millions) as of 1/12/10 Recommendation

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Projected	\$ 6.9	\$ 29.4	\$ 11.4
O/A Reduction	(3.0)	(1.0)	
ALS Revenue	(0.9)	(2.9)	
Prof. Services Red.	(0.2)	(0.2)	
Premium Pay/ Furloughs	(1.3)	(3.6)	
Overtime Policy	(0.5)	(1.3)	
Deficit	\$ 1.0	\$ 20.4	\$ 11.4

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Summary of Recommended Mayor and Council Actions

1/12/10

- Vote to authorize City Manager to negotiate contracts to amend outside agency funding for Fiscal Year 2010
- Vote on furloughs equivalent to 3.5% salary savings

1/20/10

- Vote on reducing premium pay and allowances payouts or additional furloughs
- Direct City Manager to make overtime policy change

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Following January 20th meeting

Staff will need to focus on:

- balancing the FY 2011 budget deficit for submission to Mayor and Council, and
- addressing the remaining FY 2010 deficit administratively without further layoffs.

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Staff Responses (in bold) to Questions/Requests for Information originated by Council Member Kozachik on 1/5/10. Mayor and Council directed the City Manager to provide follow-up and responses.

a) Develop a means test with processes for verification of eligibility for low-income fee reductions associated with all City programs and services, including but not limited to, Transit, Environmental Services, Water, Parks and Recreation classes, housing, etc.

Staff Response:

In February, staff will be providing Mayor and Council with a framework approach for balancing the FY 2011 budget which will include further consideration of the low income program.

b) What would be the net Fiscal Year (FY) 2010 and FY2011 financial impact of the following:

- Unallocated budget capacity - \$4.4 million (sweep remaining back to General Fund and zero it out for FY11) - **One half of the \$4.4 million unallocated budget capacity (\$2.2 million) is for restricted expenditures. Sweeping this budget capacity provides no savings at all because applicable expenditures would only be made if the specific restricted revenues were available (e.g. Police and Attorney forfeiture funds and Housing earned revenues). The other \$2.2 million is basically comprised of approximately \$600,000 capacity in General Fund matching funds for federal housing programs and contingency fund capacity of \$1.6 million. Contingency funds spent to date on critical unfunded projects amount to \$1 million (e.g. replacement of a fire station HVAC, relocation of fiber optic network), and the remaining \$600,000 capacity has already been factored into the FY 2010 expenditure reductions.**
- Parking and shuttle service - \$35,000 (eliminate it entirely) – **Staff is pursuing either reducing or eliminating parking validations.**
- Memberships and subscriptions - \$422,000 (eliminate it entirely) – **Over half of this budget has been expended to date in FY 2010. Staff will pursue eliminating all but non-essential memberships. Almost \$150,000 of this line-item is for citywide memberships in U.S. Conference of Mayors, League of Arizona Cities and Towns, and National League of Cities.**
- Travel - \$467,000 (cut by 50%) – **FY 2010 General Fund budget is \$320,830 (not \$467,000); \$80,000 has been spent to date. A majority of the balance is in the public safety budgets. Executive management will continue to approve in-state travel or training that is required for legal or revenue generating purposes.**
- Training - \$522,000 (cut by 50%) – **FY 2010 General Fund budget is \$444,450 (not \$522,000); \$78,000 has been spent to date. On 1/5/10, Mayor and Council approved over \$52,000 in reductions to this line-item. A majority of the balance is in the public safety budgets. Executive management will continue to approve in-state travel or training that is required for legal or revenue generating purposes.**
- Office Supplies - \$1,000,810 (cut by 25%) - **Over 40% of this budget (approximately \$430,000) has been expended to date in FY 2010. Staff will be managing future expenditures to provide for maximum cost savings. Over 50% of this budget is for public safety related needs.**
- Downtown employment (**parking**) allowance \$250,000 (eliminate it entirely) – **Reductions to premium pay and allowances are being discussed with the employee groups and will be presented to Mayor and Council on 1/12/10.**
- Second language pay - \$372,710 (eliminate it entirely) – **Reductions to premium pay and allowances are being discussed with the employee groups and will be presented to Mayor and Council on 1/12/10.**

- Cell phones - \$309,000 (eliminate it entirely) – **Staff is researching where a City supplied cell phone is an essential function of the operation and will pursue making reductions as soon as they are identified.**

c) In the 2/09 report to Mayor & Council on Revenue Sources, it was indicated that City Court was going to implement a new scheduling process that would mitigate police OT for attending court. Was it implemented, and if so, what has been the savings in OT, and how have you factored that savings into your budget forecast for police premium pay?

The new scheduling process implemented by City Court as noted above did not mitigate police overtime.
City Court Response: (This is because) The method that the City selects to present its case in civil traffic is not directed by the Court but is the responsibility of the City Prosecutor and/or the Tucson Police Department (TPD). TPD has chosen to have a select number of officers testify in civil traffic rather than have the citing officer testify in civil traffic cases where they issued the citation. The action taken by TPD is an option available to the City in presenting its case to the Court in civil traffic cases. TPD is weighing the effectiveness (success) of the various options available for them to present testimony in civil traffic cases while at the same time attempting to reduce the OT costs for officers testifying in civil traffic matters.

Police Response: The overtime savings in the TPD cost reduction plan approved by Mayor and Council on 1/5/10 addressed a strategy in terms of assigning on-duty police officers at Tucson City Court to testify at civil traffic court proceedings to reduce or eliminate all overtime costs associated with these types of proceedings. Scheduled implementation of this policy on January 18, 2010 will save approximately \$50,000 in overtime costs the remaining portion of this year and almost \$100,000 in FY 2011. The program is scheduled to start January 18, 2010. Full implementation and cost savings will not be realized until April 2010 when all new court cases now being scheduled by magistrates come to term.

d) Currently, the Metropolitan Tucson Convention and Visitors Bureau (MTCVB) is receiving a subsidy from COT of greater than the City's 33% obligation. How do we take that overage (Bed Tax receipts in particular) and apply it to General Fund (GF) for deficit mitigation, leaving the City's subsidy to MTCVB at the 33% to which we are obligated?

Staff Response

On 1/5/10, Mayor and Council directed staff to return with that funding reduction proposal for further consideration on 1/12/10 as a component of reducing Outside Agency funding.

e) Parks and Recreation (P & R) budget detail shows approximately \$9.2 million in Miscellaneous Professional Services and Non-Permanent Salaries. Those have been described to me as being for game officials, instructors, etc., which should be considered as part of the full cost of delivering those services. What will be the new P&R activity fee schedule if we sweep those monies into the GF for deficit mitigation and add that amount back into costs for P&R activities?

Staff Response

The FY 2010 Adopted General Fund Budget contains the following line item budgets:

Non-Permanent Salaries	\$4,501,400
Miscellaneous Professional Services	<u>690,380</u>
Total	\$5,191,780 (not the \$9.2 million noted in question above)

Non-Permanent Positions

- **KIDCO** Recreation Workers
- **Aquatics** Swimming Pool Supervisors, Water Safety Instructors/Senior Lifeguards, Lifeguards
- **Leisure Classes** Fee Class Instructors
- **Sports** Recreation Workers (some serve as Gym Supervisors, Scorekeepers)

Note: 27 non-permanent positions are being eliminated as part of the departmental reduction plan.

The Mayor and Council fee structure and policy approved on 1/5/10 results in full cost recovery for Leisure Classes and remaining adult sports. Departmental expenditure decreases in the miscellaneous professional services line item of at least \$100,000 from the \$690,380 budget capacity noted above have already been factored into the offset to the current year revenue shortfall.

f) Channel 12 now has a budget line item of \$900,000. Access Tucson is considered an outside agency and receives over \$750,000 from COT. What are the budgetary and operational implications of eliminating the Channel 12 subsidy, moving their operation out of the Pioneer Building and merging their operation with Access Tucson, allowing them to then jointly compete for outside agency funding?

Staff Response

A full analysis of alternatives for Channel 12 will be brought to the Mayor and Council in February for consideration for FY 2011.

g) Citigraphics has a line item of \$264,000. What is the process for eliminating that function and contracting out those services, billable to the individual departments as they access the service?

Staff Response

In addition to performing graphic work as requested Citywide, the Citigraphics staff comprised of three graphic artists has contributed substantially to the City's new web design. The City Manager recommends that we retain this function and require that all City graphics design work be done through this group. Any exceptions must be approved by the Assistant City Manager and Chief Information Officer. The hourly rate of internal staff is approximately \$55, while contract rates would be from \$75 to \$130/hour, based on rates of eight local firms. Unless citywide graphics work is canceled, use of the internal staff is the most cost effective resource.

h) In the City Manager's (CM) proposal, court fees for Defensive Driving School and Criminal Traffic and Criminal Charges were increased. What percent of full cost recovery do the proposed increases represent, and what increases would constitute full cost recovery?

Staff Response

The Court more than recovers its operating costs through the imposition of court ordered sanctions; a consequence of court ordered sanction is revenue. The Court receives approximately \$9.2 million in funding from the City to operate and contributes approximately \$15 million to the City's general fund in revenue. The Court grossed \$27 million in FY 2009 of which \$12 million was remitted to the State of Arizona as required by law.

Defensive Driving School (DDS) is a diversion program offered to individuals cited for specific civil traffic violations and who are allowed to attend DDS once every two years. The cost to the court is minimal as DDS is provided by contracted vendors. The cost of DDS to individuals varies between providers but the Court's DDS fee is \$120 which it receives from the vendor for every attendee regardless of which provider they select.

The \$5 increase (plus appropriate state surcharges) to fines to be implemented later this month was not limited to criminal traffic and criminal (misdemeanor) charges but was made to all fines imposed by the Court unless specifically prohibited. Any future fine increases would have to be approved by the Pima County Bond Committee, of which Tucson City Court is but one voting member.

i) In the CM proposal, numerous increases in fees for Development Services have been suggested. How do these new fees compare to those charged in surrounding jurisdictions?

Staff Response

On 1/5/10, the Mayor and Council approved across-the-board fee increases for Planning and Development Services. The three general areas for comparison are building permit fees, zoning and platting fees, and sign permit fees. In the building permit area, the City of Tucson fees are third behind Oro Valley and Sahuarita. In the zoning and platting fees, the City of Tucson is second behind Oro Valley. On sign fees, the adjustment keeps Tucson fifth behind Oro Valley, Marana, Pima County and Sahuarita.

j) In the CM proposal, the Clerk's office is called on to stop producing written minutes for several commissions. What other commissions and committees does the Clerk's office currently provide this service for, and what is the savings if all of them were eliminated?

Staff Response

The other commissions that the Clerk's office provides written minutes for are the Mayor and Council, the Planning Commission, and the Citizen's Water Advisory Committee (CWAC). We are mandated by Charter regarding the Mayor and Council. Not providing written minutes for Planning and CWAC would have a negative impact on the associated departments. Not providing this support would not result in any cost savings it would simply allow Clerk staff to perform other critical functions which are currently being delayed.

k) In the CM proposal, the Finance Department is called upon to eliminate several cashier stations. Are there alternate schedules that can be adopted to cut hours of operation and keep all outlets in operation at the same net savings as in the original CM proposal?

Staff Response

In addition to the personnel related savings from closing the Midtown and Eastside cashier locations, closing the two locations saves almost \$17,000 in non-salary related costs. These items would be incurred in full if the locations were open for any amount of time. The costs include the armored car pick up of the deposits, the software licenses required to process the payments, and the alarm system.

If the positions were still eliminated and the existing staff had to be pulled from the City Hall location to provide coverage, we believe it would delay the processing of mail and receipting water, sales taxes and other payments. In addition, it would reduce the level of customer service by increasing the wait times at City Hall. Considering the other reductions proposed in this Division, the impact of shifting personnel from City Hall would be significant. Therefore, we strongly recommend not pulling any additional personnel out of the City Hall location to cover the Midtown and Eastside cashier locations.

It would, however, be possible to have each location open 3 hours a day if we only eliminated one cashier position instead of the two proposed. We would have one person cover each location for 3 hours a day with a lunch break in between the two locations. No savings on non-personnel cost would be experienced. As originally recommended, the savings from this proposal was \$45,800 and \$86,700 for FY 2010 and FY 2011, respectively. This amendment would reduce the savings to \$17,370 for FY 2010 and \$37,680 for FY 2011.

l) In the CM proposal, a Finance Dept. Customer Service Rep. position has been vacant due to an unpaid leave. Comment in the proposal is that this position has been partially vacant; no impact is expected from leaving it vacant for another year. If no impact is expected from the vacancy, why not eliminate the position entirely?

Staff Response

One Customer Service Representative position in the Finance Department has been vacant for an extended period of time due to a medical leave situation. There have been impacts experienced from this vacancy, including delays in sending out licenses by several weeks and inadequate phone coverage, but adjustments have been made to cope with the reduced staffing level. The intention of the comment was to indicate that there would be no additional impacts from what we have already experienced by simply reducing the dollars budgeted for this position since it is currently vacant. The reason the position was not recommended for elimination is because of the impact of the Civil Service rules. The person on extended leave is not the least senior person in the classification, therefore, if a Customer Service Representative position was eliminated the vacant position would continue and we would also be required to layoff the least senior employee in the classification and therefore be down two positions.

m) In the CM proposal, some of the work of the Finance Dept. Investment Program is to be outsourced to a money manager. If the net fiscal impact to the City is positive by doing this, why not outsource the entire program to a money manager? If the net fiscal impact to the City is negative, leave the program in-house and don't pay the fee.

Staff Response

The Investment function currently has three employees. The recommendation was to reduce the staff from three to one. As one way to manage the same workload with reduced staff we plan to review the option of outsourcing a portion of the investment function, but that does not eliminate the need for City staff. If an outside advisor is used to assist with the investment function, City staff would direct the investment advisors on the investment objectives, policies and our restrictions and be required to authorize each trade. The outside advisor would not have discretionary authority to execute trades without City approval. In addition, the outside advisor will not have custody or possession of City assets. The assets will be held in a custodian bank for safekeeping, which the City must manage. Currently the City's cash and investment balance is approximately \$150 million.

Our investment function also directly manages \$45 million for the Tucson Supplemental Retirement System (TSRS) and oversees approximately \$500 million of funds in the TSRS. In total, this group manages or oversees more than \$700 million of city and pension assets. Safekeeping the assets is one of the most critical functions of the Finance Department. In addition, this group of three employees manages the City's banking relationship, tracks and oversees \$1.2 billion annually in ACH and wire transfers both incoming and outgoing, monitors and reviews cash and cash movement on a daily basis, develops cash flow analysis, records and tracks investments, provides information to accounting for required journal entries and footnote disclosures, prepares monthly reports for the Tucson Supplemental Retirement System including an Internal Bond fund report and monthly performance report for the Board of Trustees.

The proposal for eliminating the two positions was made with great reservation because of the critical nature of the area. However, the recommendation was made with the idea that with significant shifts in duties and training, as well as possibly outsourcing a portion of the investment management function the two positions could be eliminated. Eliminating the third position would put the City's assets at risk.

n) In the CM proposal, the Development Services Department (DSD) is to eliminate extra time wages for inspectors. Proposal indicates this will inconvenience the building community by not "being able to perform inspections outside of normal work hours". As time is money to contractors, propose to M&C a method of flex-time scheduling for DSD inspectors so they can properly service contractors and not hold up their construction schedules.

Staff Response

Extra time wages for inspectors refers to on-call pay that is received for inspector being available 24/7 for emergency call-outs in regard to fires, etc. as they might arise. Eliminating funds in this area will affect the ability for the inspector to be called out. However, overtime wages are not being completely cut from the budget; they are proposed to be decreased. Decreased costs will be realized through careful overtime payout management, including flexing inspectors time where possible to accommodate requests from the development community. In the event overtime pay is necessary to cover an inspector's inspection time, budgeted funds will be available.

o) In the CM proposal, the Transportation Department is saving \$168,400 by not doing 1 mile of underground cable for Tucson Electric Power lines. Are there other areas where we can forego doing the underground work and save money? If so, how many miles and what are the locations?

Staff Response

No, there are not other areas we can forego to save money. The budgeted allocation simply provides funding in case of emergencies where overhead lines pose a threat to the public. There is no systematic process for undergrounding lines except in conjunction with specific road projects, in which case the cost of undergrounding is paid for by the project budget.

p) In the current budget there is a \$28,000,000 line-item for fleet service. Report back to M&C how we initiate the process of outsourcing that function through Requests for Qualification/Proposals or other means. Indicate operational upsides and downsides of such a proposal along with potential fiscal impact to the City, including in the consideration increased employment and sales tax revenue by using private sector suppliers.

Staff Response

The \$28 million is the amount of budget capacity. Charges to departments are made based on actual costs incurred. There would be no savings related to outsourcing Fleet Services repair and maintenance services and it could likely jeopardize operational needs of Fleet Service's customer departments which deliver core city services to the community. See Attachment A (1/8/10 memo from General Services Director Ron Lewis) for further detail.

- **Fleet Services provides repair & maintenance, warranty service, fuel, motor pool**
- **Repair & Maintenance Costs: \$15.4 million annually; \$5 million costs are General Fund**
- **Shop Rates: City \$80-\$90; Commercial \$90-\$129**
- **2006/2007 Tucson Water Study: City costs are less with better quality and service**
- **Impacts**
 - **Layoff 90 City employees (offsets any commercial job gains)**
 - **No increased sales tax revenues (City pays applicable sales tax now)**
 - **Could compromise vehicle availability (public safety and refuse)**
 - **Increased liability risks**

A process following Mayor and Council direction to outsource would involve a full RFP and contracting process and City employee layoffs. The City Manager intends for the Mayor and Council's Independent Audit and Performance Commission to review this function in FY 2011

q) What would be the financial impact of going to a work schedule of four 10-hour days for non-public safety City workers and shutting down City buildings for 1 day per week? Prepare cost/benefit analysis that includes operational impact.

Staff Response

Assumptions: Savings are based on reduced custodial activities and energy use. The maintenance cost would remain the same; however, there may be additional expenses for on-call responses since there would now be three days per week when service responses would be accomplished on a standby and overtime basis.

The following organizations are excluded from this analysis:

- **Police and Fire are 24/7 operations; therefore, there are no savings.**
- **The organizations driven by revenue, such as the Tucson Convention Center and Golf, are exempted.**
- **The Recreational Centers have also been exempted, but the administrative buildings in the Parks Department have been included in the study.**

The occupancy of the following facilities has been prorated due to the nature of their activities requiring either a 24/7 schedule or an extended work week:

- **Price Service Center (Fleet Services, Environmental Services, and 911 operations)**
- **Information Technology**

The buildings included in the study are:

- **City Hall**
- **Parks Administration**
- **Southwest Parks Administration**
- **Transportation – 149 N. Stone**
- **La Entrada Water Department**
- **Parks Store**
- **Ward Offices**

Conclusion - The estimated annual utility savings would be \$40,000. This represents a 5% savings on the annual budget for these facilities, a savings which has been validated in actual practice by municipalities that have already adopted a 4/10 work schedule. The custodial reduction would be \$50,000 annually.

Total cost reduction = \$90,000 (a portion of which would be non General Fund savings).

r) Presently in the budget detail sheets, nearly \$10,000,000 is allocated to outside consultants and Miscellaneous Professional Services. What would be the operational implications of eliminating the use of those consultants?

Staff Response

The \$10.2 million budget capacity for miscellaneous professional services includes \$3.8 million for restricted expenditures of which \$2.2 million is in public safety (Police and City Court.) and \$1.4 million is in housing. Applicable expenditures are only made if the revenues dedicated for restricted purposes (e.g. vehicle impound) are available to offset the costs. The remaining balance of \$7.4 million is for unrestricted expenditures, and \$4 million of that has been either expended or obligated to date. Payments to our graffiti abatement provider (over \$700,000 annually) are included in these expenditures as well as photo enforcement vendor payments (almost \$600,000 annually). Other significant professional services commitments during FY 2010 include election costs (e.g., equipment accuracy tests,

campaign matching funds, independent auditor related to campaign finance, Pima County recorder election support), Fire medical director, statutorily required Court services (e.g. jurors, interpreters, expert witnesses, transcriptions), Parks contractual services (e.g. veterinary, class instructors/sports officials, Pima County health permits, off-duty officers for events).

Almost \$1 million of the \$7.4 million unrestricted capacity was already included as departmental program costs savings which were approved as part of the budget balancing action taken by Mayor and Council on 1/5/10. Of the \$2.5 million unexpended balance, \$200,000 in additional expenditure reductions have been identified and will be included as further cost savings in the City Manager's recommendation being brought to the Mayor and Council on 1/12/10.

During the FY 2010 mid-year budget balancing and continuing on as a major part of the Fiscal Year 2011 budget preparation, management has been closely examining all line-items for further reductions and efficiencies. Further cost savings may be anticipated for the remainder of this fiscal year as part of this analysis; however, there are still certain fixed costs and commitments. For FY 2011, it is possible that election costs will be either non-existent or decrease significantly.

Specific Expenditure Oversight Approvals and Processes have been in place since FY 2009. The Workforce Planning and Contracting Services Team, began its work in the second quarter of FY 2010 and is co-chaired by the Assistant City Manager and the Human Resources Director. The Team has tasked the Procurement Department with developing recommendations regarding which commodity and service annual contracts could potentially be reduced, eliminated, and/or brought in house. The Team intends to follow-up on specific focus areas recommended by Procurement and provide recommendations to the City Manager.

Both operational and in-house cost implications, as well as core service delivery requirements, will need to be factored into reviews of future budgets for professional services and consultants.

s) Why are we paying \$188,000/year in lease payments to Rio Nuevo? The Tucson Convention Center (TCC) is being subsidized by the GF \$1.3 million annually, and Rio Nuevo owes the city over \$3 million. Should we not be taking lease payments from those sources?

Staff Response

The City is not making lease payments to the Rio Nuevo District. We are making lease payments to the property owner of 52 West Congress Street. There have been various users in that space over the past 2.5 years since staff working on the Rio Nuevo Project vacated the offices. It is currently slated to be occupied by the Hotel Group as their downtown headquarters once the bonds are approved in March. At that time, they would be taking over the future lease payments and eliminating the General Fund obligation.

Following are the lease statistics on 52 W. Congress St.:

- Payment to the Landlord - Lerdal Ltd. Partnership
- Term: 10 Years - 09-15-2002 through 09-14-2012
- 2010 Rental Rate - \$145,077.97/year inclusive of rental tax.
- Rental Rate Escalator - 2.5%/year
- Estimated C.A.M. (common area maintenance) Charges - \$48,000/year
- Current unamortized Tenant Improvement Owed - \$80,624

- Lease Termination Clause requires a 9 month notice to terminate.

Assuming notice is given now with a September 2010 vacate, following are the termination expenses the City would be required to pay:

Rent -	\$106,146
C.A.M. -	36,000
Tenant Improvement -	60,358
Total	\$202,500

t) Is there any GF subsidy currently going to fund golf courses? Per the 2/09 Analysis of Revenue Sources, Golf ran a \$1.1 million deficit in FY08. From where were those funds paid, and from where will future Golf deficits be funded?

Staff Response

There is no subsidy from any other funding source, including the General Fund to the Tucson Golf Fund. The Tucson Golf Fund is an enterprise fund in which management policy requires that the full cost of providing services (including capital costs) be recovered through fees and charges. The Tucson Golf Fund is running a deficit. In Fiscal Year 2010, golf fees were increased and expenses decreased with the plan to eliminate the deficit over several fiscal years.

u) Develop an automatic fee adjustment mechanism for Council to review that ties fees for all City programs and services to MCI or a similar cost of living measure.

Staff Response

On May 19, 2009, staff presented a study session item to the Mayor and Council which included a User Fee Pricing and Cost Recovery Policy for services and programs. This concept included utilizing specific guidelines and, if appropriate, tying the increase to an appropriate index to determine the rate of increase. Staff will bring the policy back to Mayor and Council for additional consideration.

v) The Medical Insurance Premium Adjustments using fixed-rate increases as has been proposed by the CM yields a regressive outcome. CM to develop a graduated scale along the lines IRS uses for income taxes to flatten out and make less regressive the impact of rate increases.

Staff Response

The current City software is not able to calculate graduated premium payments based on employee salaries. Special programming costs are \$200 per hour, which has not been budgeted. Further consideration for changes could be pursued for FY 2011.

w) How much would a 5% across-the-board cut to wages only from employees earning over \$90,000 yield?

Staff Response

Compensation of city employees is paid as per the annual compensation plan. That plan establishes compensation by pay grades and employee classification. As a result, if the Mayor and Council were to direct a pay cut with different tiers, those tiers could not be broken down by a specific salary amount, but instead would have to be by pay grades.

x) What would be the cost savings to the City if all comp cars, car allowances and take-home vehicles were eliminated?

Staff Response

“Take Home” Vehicles - The City of Tucson currently has 335 vehicles assigned to its fleet, classified as “take home” vehicles. The criteria for “take home” vehicles is articulated in Administrative Directive 6.1-07. Therefore, there are mandates that need to be followed respective to “take home” vehicles. Following is a chart enumerating the departments that utilize “take home” vehicles. All other departments do not utilize “take home” vehicles. The estimated cost savings of \$316,536 below illustrates recent savings from an elimination process that has been ongoing since late 2008. The recommended reduction of 25 additional vehicles effective 2/1/10 would provide for an annualized savings of \$72,600.

Department	Ongoing reductions since late 2008	Recent Savings	Currently Utilized	Recommended Reduction effective 2/1/10	Annual Savings
City Manager	0		1	1	\$2,904
General Services	5	\$14,520	6	0	
Housing & Community Development	2	\$5,808	4	0	
Transportation**	9	\$26,136	*11	3	\$8,712
Tucson Fire	7	\$20,328	18	1	\$2,904
Tucson Police	46	\$133,584	284	20	\$58,080
Tucson Water	40	\$116,160	*11	0	
TOTAL	109	\$316,536	335	25	\$72,600

* These vehicles are rotated on a weekly basis for use by “on-call” responders.

** HURF Funded

The remaining “take home” vehicles are subject to emergency response. The elimination of these vehicles will result in overtime expenditures and delays in deployment to critical situations.

Vehicle Allowances: The current expenditure for the City of Tucson Vehicle Allowance is \$135,200 (\$95,930 is General Fund) paid in bi-weekly payments to 26 employees in the amount of \$200. In addition, 5 employees (including council members) receive a vehicle in place of the monetary allowance. Reductions to premium pay and allowances are being discussed with the employee groups and will be presented to Mayor and Council on 1/12/10.

y) What is the process and anticipated revenue from sale of advertising on City garbage trucks (per P.7 of the 09 Analysis of Potential Revenue Sources).

Staff Response

Any revenue generated from the sale of advertising on City garbage trucks would be attributed to the Environmental Services operation which is an enterprise utility fund. It would not be available to offset General Fund revenue shortfalls.

z) What are the savings anticipated by the 09 Revenue Sources suggestion to use Corrections detainees for maintenance of City property? The City of Douglas has realized a \$1.5 million savings through such a program.

Staff Response

The Transportation Department has been employing Department of Correction crews for some time and recently expanded its crews, all funded with Highway User Revenue Funds (HURF). The current number of crews ranges from 3-4, with approximately 10 per crew. Annualized savings ranges from \$1.02 to \$1.36 million.

aa) What is the anticipated revenue gained from adoption of a Flood Control District Property Tax as suggested in the 09 Revenue Sources proposal?

Staff Response

Flood Control District assessment is a levy charged based on the assessed value of property. The amount of revenue generated would be determined by the rate at which the levy is set. A levy of \$0.01 would generate approximately \$350,000 in revenue. There are several items to consider with this potential revenue source. First, the money generated must be used for flood control projects. There are no flood control project expenditures in the General Fund, therefore this revenue would have no direct benefit to the General Fund.

Flood control activities within the City are limited to maintaining those storm drainage ways, culverts and sewer systems that have an impact on our roadways. They are funded with Highway User Revenue Fund receipts. Second, the existing Pima County Flood Control Tax Levy is \$0.2635 per \$100 of assessed value. An analysis would need to be conducted to ensure that there is not a double taxation issue. Also, a legal analysis would need to be conducted to determine the process of implementing the tax and whether an election is required. Staff does not believe this potential revenue source is a viable deficit reducing strategy for the General Fund.

bb) From the budget detail sheets, GExp #1884 Starr Pass Environmental Enhancements: I have been advised by the City Attorney (CA) that this obligation is from an annexation agreement. It is for trailhead improvements, Mountain Lion research, etc. Is the City obligated for the \$1.1 million annual fee for 20 years regardless of necessity? Is there a review process to ensure the funds are being spent as intended and to remit back to the City any funds no longer necessary for intended purposes?

Staff Response

In September 1998, Pima County executed a development agreement with Starr Pass Resort LLC (Developer). The development agreement required that the Developer pay the Environmental Enhancement Fee of two percent of the gross amount charged for room rent and for the consumption or use of other goods, services, or property at the resort or on the resort property for the fee collection period. The fee collection period is defined as the first twenty years of the resort's operation. The Starr Pass Resort Intergovernmental Agreement (IGA) between the City and Pima County was executed in February 2002 as part of the annexation of the Starr Pass property. The IGA requires the City to pay the Environmental Enhancement Fee paid by the Developer to Pima County.

The Finance Department monitors the revenue collections associated with this agreement and makes the required payment to the County. This is a contractual obligation. The funds are required to be spent per the terms of the Development agreement. In general terms, the fee is required to be used for the acquisition, maintenance, enhancement, supervision, management and protection of Tucson Mountain

County Park adjacent to Starr Pass and of a biological corridor linking Tucson Mountain County Park, the University of Arizona's Desert Laboratory site on Tumamoc Hill, and the Santa Cruz River. City staff has indicated that the County can document expending the fees within the requirement of the agreement.

cc) From budget detail sheets, GExp #1886 Library Fund @ \$100,000: This is for Repair & Maintenance of the Main Library exterior marble veneer and maintenance of plaza brick pavers. It is to continue through the life of the lease (2056.) Is there a process in place to review use of the funds and to remit back to the City any not needed for intended purposes?

Staff Response

Mayor and Council approved the Intergovernmental Agreement (IGA) with Pima County and the Pima County Library District for transitioning administration and funding of the public library system to the Pima County Library District on February 21, 2006. Per the terms of this IGA and the corresponding lease agreements for each of the libraries, the City has itemized financial obligations that have been, and continue to be, funded from the Library Contribution Account (unit 1886).

Per the Lease Agreement for the Joel Valdez Main Library Building (in effect until June 30, 2056), Article 6, and Section A:

The City shall be responsible for maintenance, repair and when necessary replacement of the exterior marble veneer of the Valdez Building and all Garage equipment, lighting, electrical systems, air handlers and structure. The City shall also be responsible for all maintenance and repair of the Plaza, including exterior public art, landscaping and irrigation systems, brick pavers, sidewalks, parks lighting and any other exterior features associated with the Valdez Building.

These are ongoing financial obligations for the City; however, due to the nature of these items, the expenses are variable from year to year. In FY10, \$100,000 was budgeted in the Library Contribution account to address repair, replacement of the exterior marble veneer of the Valdez Building; maintenance of exterior public art; maintenance of brick pavers, sidewalks and parks lighting. Responsibility for garage-related expenses and landscaping and irrigation systems belong to ParkWise and Parks and Recreation respectively and are not budgeted or expensed to this account.

In respect to the repair and replacement of the exterior marble veneers of the Valdez Building, replacement of the marble veneers is not an option since the panels are no longer available to purchase. Instead, the General Services Facilities Management (FM) Division visually inspects the remaining veneers on a monthly basis to identify those panels that appear to be deteriorating and warping and should be removed to prevent them from breaking and falling. These panels are subsequently removed by a contractor and the exposed fiberglass is painted to match the remaining veneer panels. However, it has been recently discovered by the FM Division that the fiberglass that is now exposed as a result of removal of panels is also deteriorating and will also need to be repaired and/or replaced in the coming years.

On an annual basis, the Division spent the following on repairing and maintaining the brick pavers, marble veneers, public art and sidewalks and parks lighting in accordance with the terms of the Lease Agreement: FY 2008 \$20,294.84, FY 2009 \$5,604.63, and FY 2010 to date \$2,868.92

As stated previously, these expenses are sporadic; therefore, it would be prudent for the City to annually budget \$50,000, at a minimum, for the purposes of repairing and maintaining the brick pavers, marble veneers, public art and sidewalks and parks lighting in accordance with the terms of the Lease Agreement on an annual basis.

It is important to note that the amount that remains unspent at fiscal year-end stays in the General Fund on an annual basis. There is no disbursement of any of these funds to outside parties.

dd) What are the implications of adopting a 25% fee increase for license, kennel and adoption fees at PACC and a 25% fee increase for animal fines. Include how this can be implemented with a built-in annual 25% increase in each until full cost recovery is reached.

Staff Response

Pima County is required to provide animal control service county-wide, however, by Arizona State Statute, they are permitted to charge cities for services they provide. The City of Tucson annually enters into an Intergovernmental Agreement with Pima County to enforce the provisions of any ordinance enacted by the City for the control of dogs. The agreement sets the responsibilities of both parties for animal control services within the geographical jurisdiction of the city.

The City of Tucson does govern the licensing fees for its residents. While it is possible to increase the City's fees for licensing, it has been the practice to adopt the same fee amount as Pima County and other jurisdictions within the county. Pima County sets for fees for kennel and adoption. The City of Tucson can increase its licensing fees by 25% in Fiscal Year 2011 and each fiscal year thereafter. Since the County sets the fees for other revenues (shelter services and adoption) it is difficult to project full cost recovery.

ee) What would be the fees associated with transit fare increases as follows:

- 25% on all fare categories including Economy
- 50% on Day Pass fares
- 75% on Express fares

Prepare a proposal for M&C that incorporates these fee increases and stipulates all fare box receipts be used for deficit mitigation.

Staff Response

Full Fare Cash Fare	from 1.25 to 1.55 (rounded to nearest nickel)
Economy Cash Fare	from 0.40 to 0.50
Day Pass Cash Fare	from 3.00 to 4.50
Express Cash Fare	from 1.50 to 2.50

It would be assumed that pass prices would increase proportionately.

The annual revenue to be derived from this fare scenario is estimated to be \$1,636,000. This estimate assumes the following:

- No growth in ridership for FY 2011
- Full Fare increase of 25%
- Economy increase of 25%
- Day Pass increase of 50%

- Express fare increase of 75%
- A ridership loss of 8.8% due to the increase in fares.

During the 12/15/09 and 1/5/10 FY 2010 budget balancing discussions, staff included an estimated \$1.3 million in revenue for FY 2011 from a \$0.20 increase for full and economy fares and an express fare increase of \$0.50. This revenue would decrease the amount of General Fund subsidy of mass transit.

ff) What are the implications and revenue anticipated from Reid Park Zoo entry increases as follows:

Average daily entry of \$8.50 p/person

Annual Family Pass available for \$65

Staff Response

The Mayor and Council fee structure and policy approved on 1/5/10 results in an estimated \$230,000 in annual revenue. (fees approved reflect a \$1.00 increase for Adults, Seniors and Children and \$.50 increase for school groups) This estimate takes into account a projected 15% decrease in attendance based upon previous history.

To achieve an average daily entry fee of \$8.50 per person, each of the above classifications would have to increase 112% over the current fees. The resulting admission price for each would be as follows:

- Adults \$13.00
- Seniors \$ 8.50
- Children \$ 4.25
- School Groups \$ 1.00

Additional revenue as a result of these prices would more than double the current \$1.3 million in annual revenue if attendance remained constant. Previous fee increases have not approached this percentage increase and there is no history regarding projected decreases in attendance. However, staff anticipates a much larger decrease based upon the doubling of fees which would not achieve the full amount. In addition, significant decreases in attendance will have a negative financial impact on the contracted gift shop and food service revenues.

Staff has researched similar sized zoos around the country and the recently approved fee structure is in line with those. A 112% increase would place the Reid Park Zoo at the top of the fee structure for comparable zoos.

Annual Passes are sold by the Tucson Zoological Society (TZS) and any increase in revenue would have no impact to the General Fund. TZS provides over \$400,000 annually to support educational programs and special events at the Zoo.

gg) What would be the revenue generated from charging \$150 per call for non-emergency (“aspirin calls”) for TFD emergency vehicles. How would such a program be implemented?

Staff Response

TFD does not recommend pursuing treat and release revenue due to low collection rates, little coverage offered by insurance companies, ill will created in the community and little impact to the general fund. See Attachment B (1/8/10 memo from Fire Chief Patrick Kelly) for further detail and suggested public education program.

hh) The CM Proposal suggests we eliminate the Rio Nuevo Intern position in FY11. Why not eliminate it now and save the extra \$20,000?

Staff Response

An agreement for consulting services executed by Mayor and Council on September 22, 2009 with the Downtown Tucson Partnership provides that the intern will be funded through June 30, 2010.

ii) The Tucson Convention Center is currently receiving a GF subsidy of \$1.3 million. Can we not sweep that into the GF for deficit mitigation and charge TCC with operating on a more efficient cost recovery basis?

Staff Response

Staff will return to Mayor and Council with a proposal for charging more to non-profit agencies for FY 2011 to provide for additional cost recovery in order to lower the General Fund subsidy.

jj) Please confirm that KIDCO is in negotiations with YMCA for merging their operation with the Y and retaining approximately the same registration fees as now exist with KIDCO's present program.

Staff Response

No, the City is not in negotiations with the YMCA.

Responses to Questions /Requests for Information from City Attorney Mike Rankin:

a) What system is in place to review compliance of TREO with respect to their meeting contractual obligations to show substantial progress towards meeting deliverables as defined in their contract with COT, and can COT withhold payment until such compliance has been demonstrated?

Staff Response

I am not aware of any system in place to review compliance with performance under the agreement. Under Section 5 of the Financial Participation Agreement (FPA), the City has the right to access TREO's information and to receive quarterly reports by TREO on performance of contract deliverables. Per Section 11 of the FPA, the City may withhold payment if TREO fails to provide the reports or information or fails to perform the services called for under the FPA. Additionally, Section 12 of the FPA provides that the City may terminate the agreement at any time upon providing 30 days' notice, with or without cause.

b) Please prepare language for an amended resolution 20473 (10/06) that calls for all proceeds from sale of GF properties to be allocated to GF for deficit mitigation.

Staff Response

To provide direction that proceeds from the sale of City owned assets be allocated to mitigate the deficit, all that is required is a motion to that effect. The motion could be as simple as: "I move that as a matter of policy we allocate the proceeds from sales of City owned properties to benefit the General Fund and mitigate the deficit, to the extent that such proceeds are not restricted by law."

c) Staff notes that there was no question "c" included in the original material.

d) Please instruct Real Estate Division to refrain from issuing RFPs #2981 and 3111 related to sale of properties on Toole and the Steinfield Warehouse and prepare language for our review and discussion that eliminates the requirement that bidders must conform with the requirements of the Tucson Historic Warehouse Arts District master plan.

Staff Response

The Mayor and Council gave direction at the January 5, 2010 meeting to hold these RFPs until the governing body has a chance to discuss the terms of the RFPs as described. Staff will take direction on this issue from the Mayor and Council as it is provided.

e) The CM proposal includes a comment that the result of cutting back on court appearances by police officers will be a reduction in the number of respondents found responsible for traffic offenses. Can the City use as evidence Incident Reports taken contemporaneously with the alleged offense, and if the respondent is found innocent, appeal the case, bring in the officer involved; if the respondent is found guilty, hold him/her responsible for all court costs?

Staff Response

The short answer is “no.” First of all, I believe that it is unlikely that the court would admit the police reports without authentication by a witness (police officer) present at the hearing, and instead would find the respondent “not responsible” or dismiss the citation as a result. Additionally, appeals in civil traffic cases are not “de novo,” meaning the appellant (in your example, the City) doesn’t get to retry the case, but instead can only appeal on the record. In this type of appeal, the appellate courts defer to the trial court judges regarding factual findings, weight to be given to the evidence, and the credibility of the witnesses. The City would not be able to add witnesses in the appeal that didn’t appear in the initial hearing. Any appeal attempted as described would almost certainly fail. Even if an appeal was successful, the law [ARS 12-348 H (2)] does not allow either attorney’s fees or court costs to be recovered in proceedings brought under Title 13 or 28.

f) Garfield Traub is currently in final design of the convention hotel. There is still pending a feasibility study related to that hotel. Rio Nuevo does not have the fiscal capacity to fund the Certificates of Participation that were issued recently to fund the \$11 million in design fees. Can the City stop any further work on the final design pending our conclusion as to whether or not we are actually going forward with the hotel, hold the money not spent from that \$11 million until that time, and if we are not moving ahead with the hotel, use those dollars for deficit mitigation?

Staff Response

The funds in question are not City funds, and could not be applied under your scenario to mitigate the City’s general fund deficit. Specifically, the COPs were issued by the District, not the City. Additionally, termination of the agreement with Garfield Traub could result in additional monies being owed to Garfield Traub as a penalty. If you would like specific information relating to the cash flow associated with this project, please direct the City Manager to have relevant staff provide you with the current cash flow status of the project.

g) Report back to M&C with a draft ordinance by which we can facilitate Neighborhood Associations' purchase of liability insurance riders that would allow citizens to work on City property on a volunteer basis.

Staff Response

The purchase of insurance by Neighborhood Associations or by individual citizens is not a matter to be addressed by ordinance by the Mayor and Council. You are right to recognize that one of the issues associated with a volunteer program is the potential liability associated with such a program, including personal injury liability. If you have particular ideas relating to a volunteer program (e.g., types of service to be performed by volunteers), we should discuss those ideas with the City's Risk Manager so you (and we) can review the risks of exposure involved and how those risks can be addressed through insurance or otherwise.

h) Prepare a draft ordinance to address fraudulent accessing of low income assistance benefits with respect to all city offered programs and services, including but not limited to housing, transit, environmental services, activity classes, water, etc.

Staff Response:

The City has an existing ordinance that prohibits giving false information to obtain assistance. Here is a proposed amendment (new language IN CAPS) to that ordinance as requested:

Sec. 2-22.1. - False information or refusal to provide information to obtain or retain low income assistance.

(a) Any person who uses false information, or who refuses to provide information upon request, in order to obtain or retain low income assistance from the City of Tucson is responsible for a civil infraction and shall be fined five hundred dollars (\$500.00).

(b) Any person found responsible of a civil infraction as described in paragraph (a) may be deemed ineligible for low income assistance from the City of Tucson for a period up to five (5) years.

(c) City of Tucson low income assistance programs for purposes of this section include, but are not limited to, programs to provide assistance for Environmental Services Fees, Tucson Water Fees, Sun Tran and Sun Van fares, and Parks and Recreation Fees, and any other discount or assistance provided by the City of Tucson, INCLUDING PROGRAMS OR ASSISTANCE THAT THE CITY ADMINISTERS, SUCH AS SECTION 8 AND PUBLIC HOUSING, EVEN IF THOSE PROGRAMS OR ASSISTANCE INVOLVE FEDERAL, STATE, OR OTHER NON-CITY FUNDING SOURCES.

i) The developer of The Post property on Congress St. is demonstrably in default of contractual commitments related to progress in developing the property he purchased for \$100. He has failed to meet all timelines and various other deliverables listed in his contract with the City. How can M&C either take back that property and remarket it, or compel compliance of the developer with respect to the terms and conditions of the existing contract? Please confer with the Rio Nuevo attorney and report to M&C what our options are in this regard.

Staff Response:

I don't disagree that Developer is in default. Without getting into specifics about the remedies that might be available for this default, since that advice should be provided in a confidential setting, I am prepared to discuss this matter with the attorney for the Rio Nuevo District and then advise the Mayor and Council. Interaction with the District may be complicated to some degree by the current transitional stage of the District Board.

j) There are numerous lease agreements in place that are in violation of Administrative Directive from 10/94 which stipulates minimum lease rates for both commercial and non-profit entities. Please look into these \$1 leases and advise how we can reopen those that are in violation of that Administrative Directive and renegotiate terms that comply with that City policy.

Staff Response:

The lease agreements in question were approved by the Mayor and Council, who are not subject to the Administrative Directives. Lease agreements are contracts negotiated by and between 2 or more parties; and 1 party to that contract cannot unilaterally change a material term of the contract (such as rent amount) without the consent of the other party. The Real Estate Program Director is pulling example leases for our review to see if there is any opportunity to revise or terminate these leases and negotiate new terms.

k) Currently there is a line item for Office of EEO/Police Review Board for \$900,000. Is there any legal prohibition against eliminating that operating unit, transferring the EEO work to H.R. and using Federal Mediation and Counseling Service (FMCS) for police reviews as needed?

Staff Response:

There is no legal mandate requiring an Equal Opportunity Office or an Independent Police Auditor. However, there are several programs administered by this office that are required by law. There is no legal prohibition to your proposal, but moving the functions in question to Human Resources (HR) would not save any money as HR would need to take on the qualified staff to handle the associated tasks. As staff understands it, FMCS does not perform the type of reviews in question.

l) In advance of any cuts to graffiti abatement funding, please prepare a draft ordinance that holds parents of minors caught tagging responsible for all costs associated with remediation of the offense.

Staff Response:

I can provide the requested ordinance, which would look something like this:

Sec. xx-yyy - Permitting or failing to prevent acts of graffiti.

(a) No parent or guardian of a minor child may knowingly permit, or fail to take reasonable action after receiving notice as described in subsection (b) of this section to prevent, an act of graffiti as prohibited by Section 16-30(b)(1) or A.R.S. 13-1602(a)(5) by that person's minor child.

(b) For purposes of this section, a parent or guardian of a minor child shall be deemed to have notice requiring reasonable action to prevent acts of graffiti by that person's minor child if a peace officer has provided written notice to that person, within the preceding twelve (12) months, advising that the minor child has been arrested or convicted for an act of graffiti.

(c) A person who violates this section is guilty of a class 1 misdemeanor.

Please keep in mind that the layoffs I am proceeding with in the City Attorney's Office will compromise our prosecution of graffiti offenses, as described in the material provided to the Mayor and Council for the January 5th meeting.

m) Because we are furthering a discussion of the budget, do we need to notice a continuation of the public hearing in order for us to vote next week?

Staff Response: This question is now moot, as the continuing discussion is appropriately agendaized.



MEMORANDUM

DATE: January 8, 2010

TO: Marie Nemerguth
Budget and Internal Audit Program Director

FROM: 
R. C. Lewis, Director
General Services Department

SUBJECT: Outsourcing Fleet Services

Outsourcing Fleet Services repair and maintenance services will save no money and likely jeopardize Fleet Service's customer departments' service delivery to the community. The City Manager will, however, ask the Mayor and Council-appointed Outside Audit Committee to review and make recommendations regarding Fleet Services in FY11.

In support of this conclusion, we provide an overview of Fleet Services, relative cost information, and impacts of outsourcing on city operations.

FLEET SERVICES OVERVIEW

- Internal Service Fund (ISF 053) recovering all costs via charges to customer departments
- Manages full equipment life cycle optimizing utilization, useful life, and costs
- Maintenance, repair and factory warranty services for over 2,500 City assets
- Two geographically-separated locations
- Two shifts per day + on-call
- Manages City's Liquid and Compressed Natural Gas fuels and fueling (8 City sites)
- Provides city-wide motor pool operations
- Registers and titles all city equipment

COST INFORMATION

- Total expense capacity = \$28 million
- Repair and maintenance charges = \$15.4 million; General Fund portion = \$5 million
- Fuels capacity = \$11 million (2.8 million gallons/year)

COST COMPARISON

- COT Auto Mechanic Shop Rate = \$80.00/hour; Commercial = \$90.00 to \$115.00
- COT Heavy Equipment Mechanic = \$87.29/hour; Commercial = \$90.00 to \$129.00
- COT Parts = 20% below commercial
- COT Fuel Rates = Minimum \$0.05/gal below commercial

TO: Marie Nemerguth, Budget and Internal Audit Program Director
SUBJECT: Outsourcing Fleet Services
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IMPACTS OF OUTSOURCING

- **Elimination of 90 highly skilled COT blue-collar employees, all layoffs**
- **City layoffs offset any new commercial jobs**
- **No additional sales tax revenue;** City already pays applicable sales taxes
- Potentially increased costs due to limited commercial competition with needed capacity
- Moves the maintenance location remote from city vehicle locations
- Requires additional resources for vehicle delivery/pickup
- Compromises public safety and refuse truck availability
- Adds safety risks to the City; contractor potentially not as focused on safe vehicles
- Potentially increases vehicle downtime and increases costs (2006-2007 Tucson Water pilot outsourcing project demonstrated both!)
- Retains core City Fleet management to manage and monitor contract
- Retains Fleet resources for DMV work, fuels, acquisition/disposition, and motor pools
- COT capability gone; restoring would be a long process

OUTSOURCING PROCESS

- Mayor and Council direction to outsource. (Immediate to 18 months)
- Develop appropriate draft RFP. (3 to 6 months)
- Finalize the RFP, develop proposers list and selection criteria. (1 to 2 months)
- Advertise. (1 to 2 months)
- Receive and evaluate proposals. (1 to 3 months)
- Make selection and negotiate with selectee. (1 to 6 months)
- Award contract/Notice to Proceed. (1 month)
- Contractor achieve full effectiveness (2 to 6 months)
- City layoff process (2 months)

RCL:kp

c: Mike Letcher, City Manager
Richard Miranda, Deputy City Manager
Sean McBride, Assistant City Manager
Mike Nelson, Gary Lowe, Amber Kerwin - General Services Department



MEMORANDUM

DATE: January 8, 2010

TO: Mike Letcher
City Manager

FROM: Patrick Kelly
Fire Chief

SUBJECT: Treat & Release Cost Recovery

Council Member Steve Kozachik inquired, in his January 5, 2010 memo, “What would be the revenue generated from charging \$150 per call for non-emergency (aspirin calls) for TFD emergency vehicles. How would such a plan be implemented?” After doing a cost benefit analysis on this proposal, the Tucson Fire Department (TFD) does “not” recommend pursuing a treat and release charge, and this memo outlines the rationale behind this recommendation, while answering your question regarding revenue potential and implementation process.

Potential Revenue

The estimated potential revenue is \$60,500. However, this is based on a recommended rate of \$275 per call, not \$150, to incorporate full cost recovery for personnel, vehicle, supply and billing costs. Based on history, we are estimating 1,100 advanced life support (ALS) calls for treatment, but no ambulance transport, and a twenty percent collection rate. We are projecting a low collection rate, because most people who use EMS for managing their out of control diabetes or respiratory issues are people who do not have health insurance. Additionally, if they do have health insurance, most likely, the carrier will not cover treat and release charges. Therefore, patients will ultimately be responsible for the payment.

Potential Cost

To take on this additional workload in TFD’s Cost Recovery Section, I will need to add one Cost Recovery Clerk, at \$47,000 per year, to help handle the additional billing processes. Over the past year, TFD has been working with our 3rd party medical director on improving our Medical Administrative Orders (AO). It is predicted that these changes will lead to an additional 6,000 ALS transports per year, which all will require billing. If we add an additional 1,100 treat and release billings to this workload, we will not be able to handle the billing process in a timely manner with current staff. We currently run behind in the billing we do today, due to sheer volume. Without the additional help, we will be in jeopardy of falling further behind in billing and possibly losing out on ALS Transport revenues, due to untimely billing to insurance companies.

Implementation

If approved by Mayor and Council, the implementation of this proposal would involve training the field to process billing paperwork similar to transport patients, training billing staff and notifying the Finance Department’s Delinquent Account (DA) Section of the policy change.

Mike Letcher, City Manager
Treat & Release Cost Recovery
January 8, 2010
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Like other medical billings, after ninety days, TFD would turn over unpaid treat and release bills to DA for subsequent collection efforts and possible negotiation of payment plans. This will place an additional burden on an already understaffed DA Division in Finance. If payment is not made to DA, then the bill is turned over to an outside collection agency. Outside agency charges are added to the patients bill for cost recovery purposes.

Net Savings

Our estimate shows a \$60,500 revenue that will be offset with an additional \$47,000 personnel cost to make this plan viable. This equates to an approximate \$13,500 net savings back to the City, once this process is implemented. This hardly seems worth the effort for such a minimum return to the General Fund. Therefore, I do not recommend that TFD move forward with this process.

911 System Activation - Educational Process Alternative

If we are trying to reduce the misuse of the 911 system in reference to medical responses, I recommend we look to a different approach that will not cost the City much to implement. As an alternative, I would suggest we work with the media to try and help inform the public about the proper use of the 911-system for medical responses. We can do this at the patient's side with informational pamphlets and through local media outlets, by using our Public Educators and PIO. The success of such a program can be evaluated over a specific time frame to determine if it has had any effect on our non-emergency call load. This option is a more cost effective approach to eliminating the "abuse" to our EMS response system at this time and thus, reducing our call volume for unnecessary responses.

Please contact me at 791-4828 should you need further information.

PK:KT:bcs