



MEMORANDUM

DATE: July 18, 2011

TO: Mike Letcher
City Manager

FROM: Marie Nemerguth
Budget and Internal Audit
Program Director

SUBJECT: Collaborative Auditing – FY 2011 Third Quarter Report

Internal Audit has completed an analysis of the Collaborative Auditing (CA) performance measures reported by departments through the third quarter (January through March) of fiscal year 2011.

Departments participating in the CA process include Environmental Services, Fire, Housing and Community Development, Parks and Recreation, Planning and Development Services, Police, and Transportation – Sun Tran. Other information provided through CA includes General Fund Financial Indicators, Golf Financial Trends, and Rio Nuevo Revenues. Data may be reported on a monthly, quarterly, seasonal or annual basis and the updates are posted quarterly on the CA website <http://cms3.tucsonaz.gov/content/collaborative-auditing>. Attachment A contains a list of all the charts.

The performance measures were analyzed to identify existing or corrected negative trends and the corrective actions planned or taken, as applicable. The following measures were identified for reporting and follow-up as necessary:

Environmental Services Department: Missed Pick-ups (Attachment B)

Issue Identified in Prior Report: (First and Second Quarter – July through December Fiscal Year 2011)

- Missed pick-ups were slightly above one per 1,000 collections (combined refuse and recycle) in June and have since decreased to below one per 1,000 collections which is within the range that has been maintained from April 2009 through September 2010, with the exception of June 2010. A slight increase was noted in December 2010, which appears similar to an increase that occurred in December 2009. This increase will be monitored in the third quarter of fiscal year 2011 (January - March) to ensure an increasing trend is not developing.

Current Report: (Third Quarter – January through March Fiscal Year 2011)

- Although missed pick-ups for January through March fluctuated slightly, it continued to be in a range of about one or slightly less per 1,000 collections (combined refuse and recycle). Missed pick-ups have been in this same range for the past 24 months.

Fire Department: Fire Suppression Average Response Times (Attachment C)

Issue Identified in Prior Report: (First and Second Quarter – July through December Fiscal Year 2011)

- Fire Suppression Average Response Times - The variance in response times may reflect effects of longer wait times at maintenance to have apparatus repaired due to decreased funding.

Current Report: (Third Quarter – January through March Fiscal Year 2011)

- In January and February the average response time was on target at 4 minutes. In March that increased slightly to 4.1 minutes. According to Fire Department staff, the fluctuation in response time may be a result of budgetary effects such as a reduction in response force, removal of two Alpha trucks, longer maintenance wait times, and furloughs. This slight fluctuation over the target has occurred sporadically over the past 10 months and will be monitored for any developing negative trend.

Housing and Community Development Department: Code Enforcement Division
(Attachment D)

Issue Identified in Prior Report: ((First and Second Quarter – July through December Fiscal Year 2011)

- Code Enforcement Division - A fairly large gap exists between the number of calls received and the number of cases created. The Code Enforcement Division is often the first point of contact for citizens reporting a complaint. Once a call is received, the Division's call center staff determines the type of complaint being reported. Many calls may actually be the responsibility of other agencies, for example, trash container violations (Environmental Services), permit information (Planning and Development Services), on-street parking violations (ParkWise), green pools /mosquitoes (Pima County Health Department), and tenant/landlord disputes (Southern Arizona Legal Aid). These calls are forwarded by staff to the appropriate agency. If a call is for enforcement of the code for which the Housing and Community Development Department is responsible, a case is created by staff for an inspector to conduct a field inspection. Generally, the field inspection may result in a violation being issued to the property owner. However, this is not always the case. For instance, the property owner may have corrected the issue prior to the inspection or the complaint that was reported is not actually a violation of the code. When this occurs, the case can be closed without a violation being issued.

Current Report: (Third Quarter – January through March Fiscal Year 2011)

- Code Enforcement Division – Calls received have decreased from 6,380 in the first quarter of FY 2011 to 5,098 in the third quarter of FY 2011. As would be expected, there has also been a decrease in cases created and violations issued. The number of calls received is dependent on citizens requesting services. Please see the explanation stated above for the last report.

Parks and Recreation Department: Registrations and Memberships (Attachment E)

Issue Identified in Prior Report: (First and Second Quarter - July through December Fiscal Year 2011)

- Number of Registrants - A downward trend in participation can be related to the implementation of the Parks and Recreation Revenue and Pricing Policy (January 2010)

calling for specific cost recovery for programs and subsequent increase in fees (30-60%) and the restructuring of the Discount Program to offer a single 25% discount in lieu of a sliding scale up to 90%.

- Recreation Center Memberships Number of Pass Holders – A downward trend in memberships sold can be related to the implementation of the Parks and Recreation Revenue and Pricing Policy (January 2010) calling for specific cost recovery for programs and subsequent increase in fees (30-60%) and the restructuring of the Discount Program to offer a single 25% discount in lieu of sliding scale up to 90%. Additionally, reduced budget capacity has resulted in a reduction in Recreation Center operational hours.

Current Report: (Third Quarter – January through March Fiscal Year 2011)

- Number of Registrants – Participation continued to decrease slightly. Please see the explanation stated above for the last report.
- Recreation Center Memberships Number of Pass Holders – The number of recreation center pass holders declined slightly. Please see the explanation stated above for the last report.
- Number of Courses Offered and Completed – The number of courses offered this spring was slightly lower than the number offered this past fall and there was a corresponding dip in the number of courses completed which appears to be a normal correlation based on chart data over the past three years.

Planning and Development Services Department: Plan Revisions – Average Days to Review (Attachment F)

Current Report: (Third Quarter – January through March Fiscal Year 2011)

- Plan Revisions – A spike in January to approximately 32 days for review was significantly over the 20 day target. This was due to the submission of a very large commercial project and February and March average review times were well below the target.

Police Department: Response Times (Attachment G)

Issues Identified in Prior Report: (First and Second Quarter - July through December Fiscal Year 2011)

- Level 1 - Emergency Response – An increase in response time was noted in September; however, it was not above the 5 minute target and decreased to slightly below 4 minutes in December.
- Level 2 - Critical Response - Lack of staff contributed to an increase in response time from August through October which was addressed by reassigning officers from specialized assignments, such as motors and bikes, back into a patrol function. The response time has decreased through December and was below the 10 minute target.
- Level 4 - General Response – Field supervisors and Communications supervisors frequently downgrade level 3 calls to level 4 calls after assessing the urgency of the calls. This results in freeing officers to respond to higher level calls, and increasing response times to level 4 calls. The response time has decreased through December to just slightly above the 60 minute target.

Current Report: (Third Quarter – January through March Fiscal Year 2011)

- Level 1 - Emergency Response – The average response time for the third quarter had a slight but steady decrease below 4 minutes and has remained below the 5 minute target for the past 15 months.
- Level 2 - Critical Response – The average response time for the third quarter remained below the 10 minute target.
- Level 4 - General Response – The average response time for the third quarter was slightly less than the 60 minute target for January and February then increased to slightly above the target for March. This increase may be the result of several high profile incidents when officers were pulled from patrol for proper coverage of the incidents.
- Motor Vehicle Accident Responses Per 1,000 Residents – The significant drop in reported calls in the second quarter was due to a change in response policy for non-injury motor vehicle accidents. The strategy implemented by the Chief of Police is in response to the Department's decrease in staffing and resources. During the third quarter the accident responses remained relatively stable at less than 1 per 1,000 residents.

Transportation Department: SunTran (Attachment H)

Current Report: (Third Quarter – January through March Fiscal Year 2011 Note: SunTran charts include April)

- Cost/Revenue per Total Mile – The cost increased significantly in April due to an increase in liability claims while revenue remained the same.
- Cost/Revenue per Passenger - The cost increased significantly in April due to an increase in liability claims while revenue remained the same.

General Fund Financial Indicators: Various (Attachment I)

These charts are updated on a fiscal year basis. However, fiscal year 2010 data was not available until the audited financial statements were issued in December 2010. The charts have now been updated and include an analysis of the data.

- General Fund Financial Indicator Charts:
 - Tax Revenues to Operating Revenues
 - Unassigned Fund Balance to Operating Revenues
 - State Shared Revenues to Operating Revenues
 - Surplus (Deficit) to Operating Revenues
 - Current Liabilities to Operating Revenues
 - Debt Service to Operating Revenues
 - Full Time Equivalents (FTE) per 1,000 Population

Note: Budget staff worked with the Independent Audit and Performance Commission during FY 2011 to analyze which financial indicators would be most informative for City management at this time; therefore, some previous charts have been eliminated and others added.

Golf Financial Indicators: Various (Attachment J)

These charts are updated on a fiscal year basis. However, fiscal year 2010 data was not available until the audited financial statements were issued in December 2010. The charts have now been updated and include an analysis of the data.

TO: Mike Letcher, City Manager
SUBJECT: Collaborative Auditing – Quarterly Analysis Report
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Attachments:

- A – List of Collaborative Auditing Charts
- B - Environmental Services Department Missed Pick-ups
- C - Fire Department Fire Suppression Average Response Times
- D - Housing and Community Development Code Enforcement Division
- E - Parks and Recreation Department Registrations and Memberships
- F - Planning and Development Services Department Plan Revisions
- G - Police Department Average Response Times
- H - Transportation Department - SunTran
- I - General Fund Financial Indicators
- J - Golf Financial Indicators

- c: Independent Audit and Performance Commission
Richard Miranda, Deputy City Manager
Sean McBride, Assistant City Manager
Kelly Gottschalk, Assistant City Manager/CFO
Andrew Quigley, Environmental Services Department Director
James Critchley, Fire Chief (Interim)
Albert Elias, Housing and Community Development Director
Fred H. Gray, Jr., Parks and Recreation Department Director
Ernie Duarte, Planning and Development Services Director
Roberto A. Villaseñor, Chief of Police
Jim Glock, Transportation Director – Sun Tran

COLLABORATIVE AUDITING CHARTS

Environmental Services Department

<http://cms3.tucsonaz.gov/sites/default/files/ca/escharts.pdf>

Missed Pick-ups (Monthly)

Landfill (Annual)

Brush & Bulky (Annual)

Recycling (Annual)

Fire Department

<http://cms3.tucsonaz.gov/sites/default/files/ca/firecharts.pdf>

Fire Suppression Average Response Times (Monthly)

EMS Combined Response Times (Monthly)

Housing and Community Development Department

<http://cms3.tucsonaz.gov/sites/default/files/ca/hcdcharts.pdf>

Funding Sources (Annual)

Code Enforcement Division (Quarterly)

Housing Management Division (Quarterly)

Housing Assistance Division (Annual)

Human Services Contracts (Annual)

Human Services Funding Sources (Annual)

Affordable Housing Units Produced (Annual)

Units Rehabilitated (Annual)

Parks and Recreation Department

<http://cms3.tucsonaz.gov/sites/default/files/ca/parksandreccharts.pdf>

Course Status - Number of Courses Offered and Completed (Seasonal)

Programs - Number of Registrants (Seasonal)

Recreation Center Memberships - Number of Pass Holders (Quarterly)

Zoo Revenue and Admissions (Quarterly)

Planning and Development Services Department

<http://cms3.tucsonaz.gov/sites/default/files/ca/pdsdcharts.pdf>

Plan Revisions Average Days to Review (Monthly)

Plan Resubmittals Average Days to Review (Monthly)

Initial Plan Submittals Average Days to Review (Monthly)

Police Department

<http://cms3.tucsonaz.gov/sites/default/files/ca/policecharts.pdf>

Level 1 - Emergency Response - Average Response Times (Monthly)

Level 2 - Critical Response - Average Response Times (Monthly)

Level 3 - Urgent Response - Average Response (Monthly)

Level 4 - General Response - Average Response Times (Monthly)

Motor Vehicle Accident Responses Per 1,000 Residents (Monthly)

Transportation Department

<http://cms3.tucsonaz.gov/sites/default/files/ca/suntrancharts.pdf>

SunTran Cost/Revenue per Total Mile (Monthly)

SunTran Cost/Revenue per Passenger (Monthly)

OTHER:

General Fund Financial Indicators (Annual)

http://cms3.tucsonaz.gov/sites/default/files/ca/GF_Financial_Indicators.pdf

Tax Revenues to Operating Revenues

Unassigned Fund Balance to Operating Revenues

State-Shared Revenues to Operating Revenues

Surplus (Deficit) to Operating Revenues

Current Liabilities to Operating Revenues

Debt Service to Operating Revenues

Full Time Equivalent (FTE) per 1,000 Population

Golf Financial Trends (Annual)

<http://cms3.tucsonaz.gov/sites/default/files/financialtrends.pdf>

Operating Revenues vs. Operating Expenses

Unrestricted Cash to Operating Revenues

Percentage of Debt Service to Operating Revenues

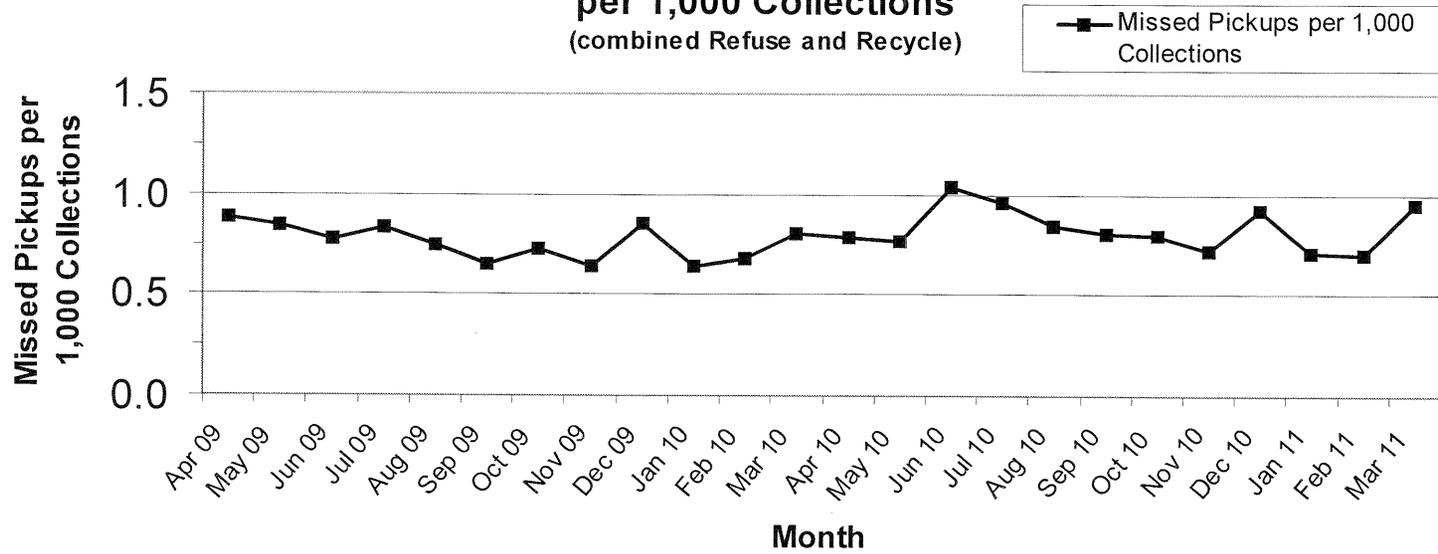
Rio Nuevo Revenues (Annual)

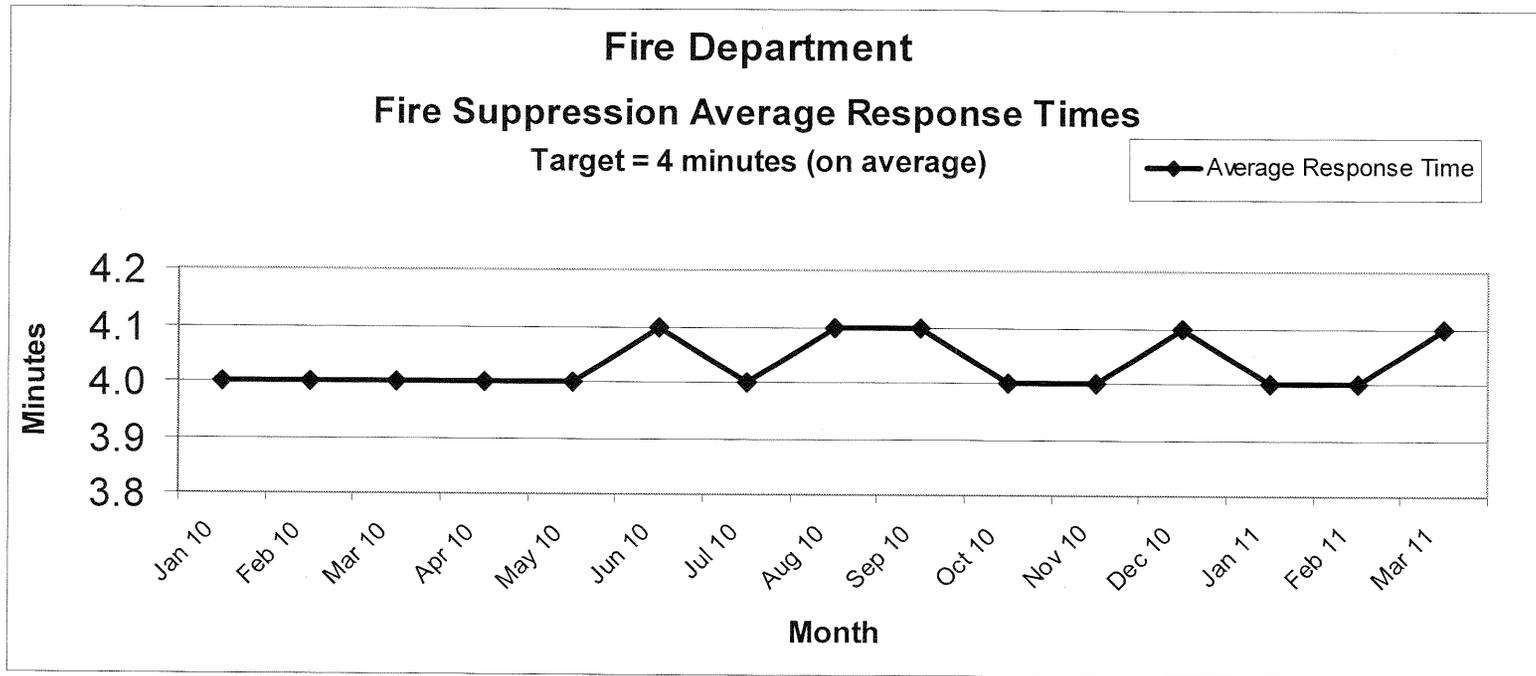
<http://cms3.tucsonaz.gov/sites/default/files/ca/rionuevocharts.pdf>

Tax Increment Financing Revenues – Comparison of Fiscal Years 2009 and 2010

Tax Increment Financing Revenues – by Fiscal Year

**Environmental Services Department
Plastic Container Missed Pickups
per 1,000 Collections
(combined Refuse and Recycle)**

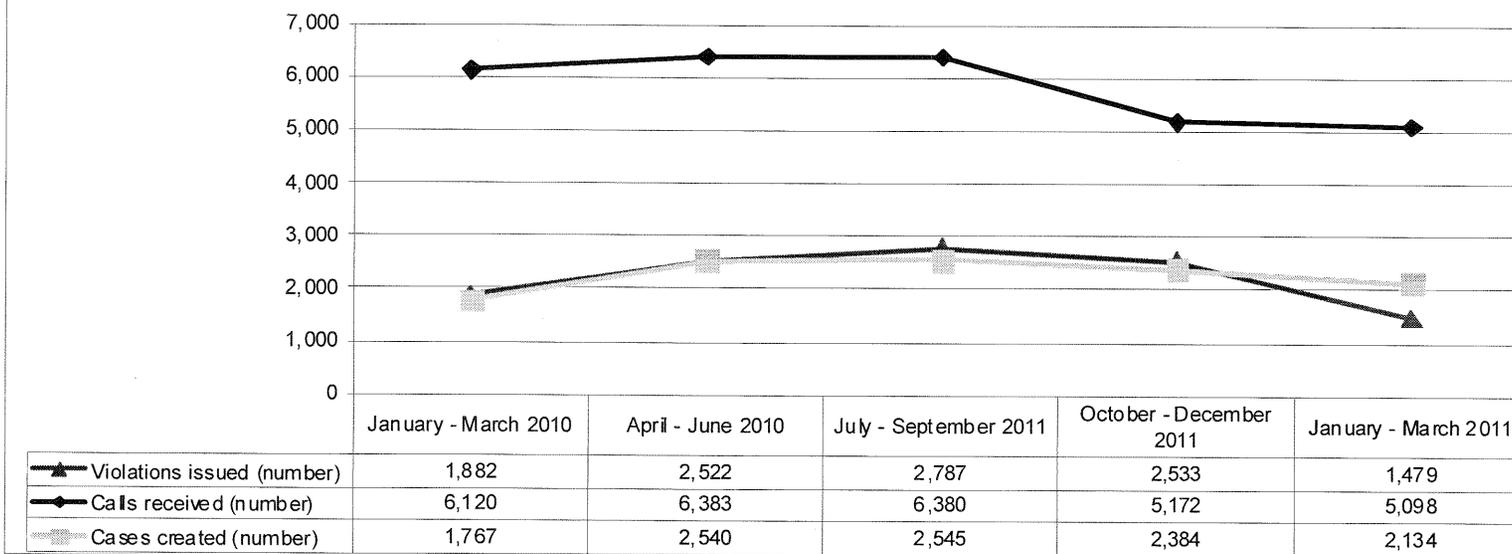




Fire Response Target. The target is based on a response that results in a minimum of twenty firefighters, including an incident commander, with the first unit arriving within 4 minutes of dispatch. The response time indicated is the **average** of all fire suppression responses that occurred during the month.

The fluctuation in response times may be a result of budgetary effects such as a reduction in response force, removal of 2 Alpha Trucks, longer wait times at maintenance, and furloughs.

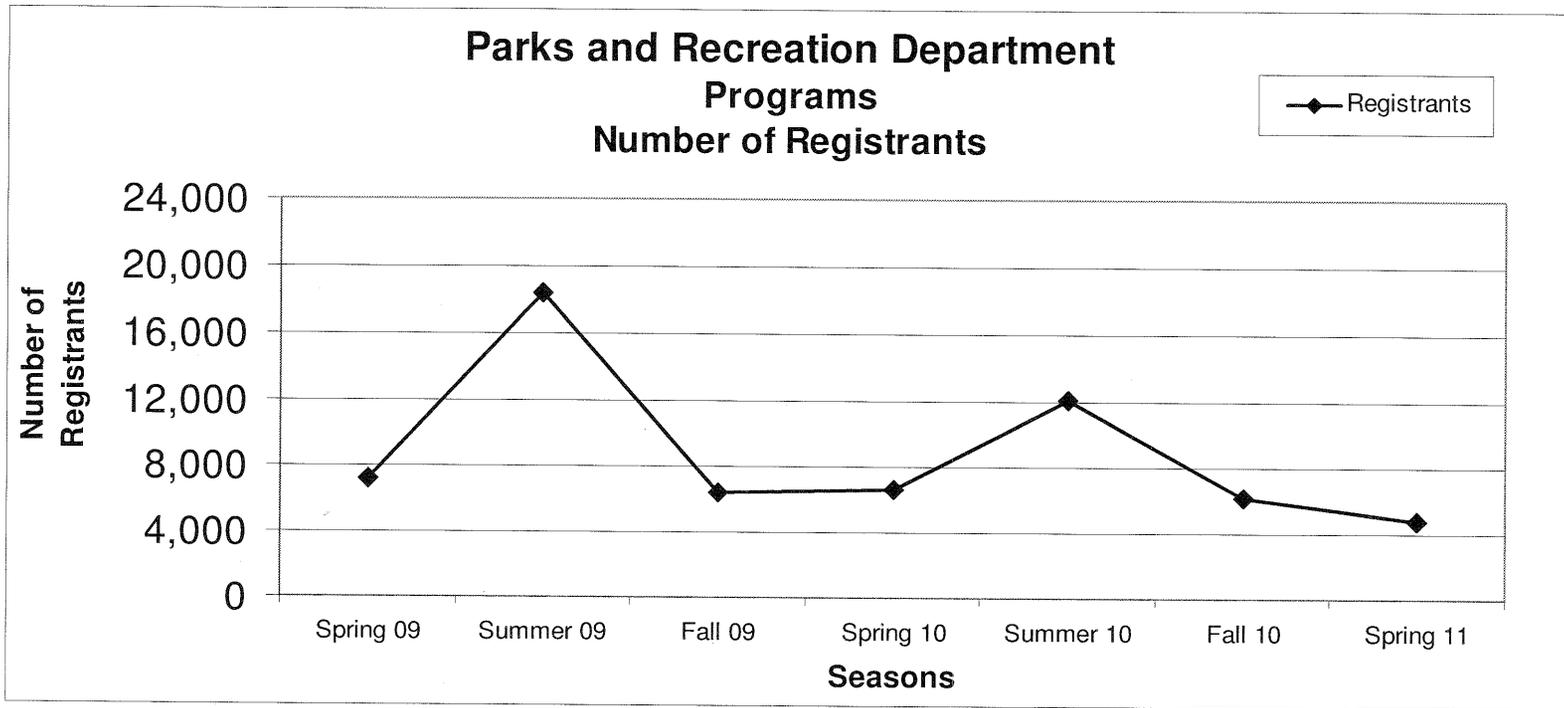
Housing and Community Development Department Code Enforcement Division



This chart shows the code enforcement activity of the Housing and Community Development Department between January 2010 and March 2011. The data displayed includes the total number of calls received by the Code Enforcement Division's call center, the number of code enforcement cases created, and the number of code violations issued.

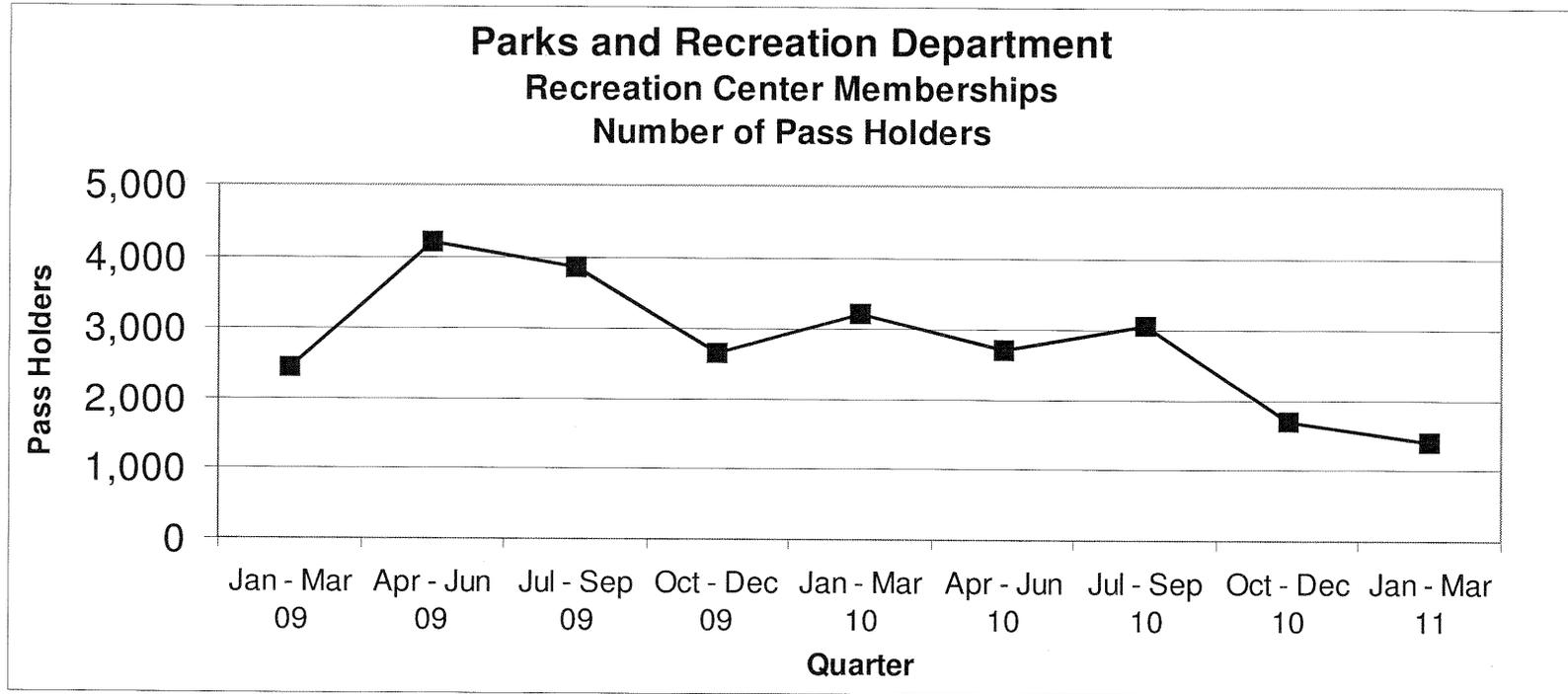
A fairly large gap exists between the number of calls received and the number of cases created. The Code Enforcement Division is often the first point of contact for citizens reporting a complaint. Once a call is received, the Division's call center staff determines the type of complaint being reported. Many calls may actually be the responsibility of other agencies, for example, trash container violations (Environmental Services), permit information (Planning and Development Services), on-street parking violations (ParkWise), green pools/mosquitoes (Pima County Health Department), and tenant/landlord disputes (Southern Arizona Legal Aid). These calls are forwarded by staff to the appropriate agency.

If a call is for enforcement of the code for which the Housing and Community Development Department is responsible, a case is created by staff for an inspector to conduct a field inspection. Generally, the field inspection may result in a violation being issued to the property owner. However, this is not always the case. For instance, the property owner may have corrected the issue prior to the inspection or the complaint that was reported is not actually a violation of the code. When this occurs, the case can be closed without a violation being issued.



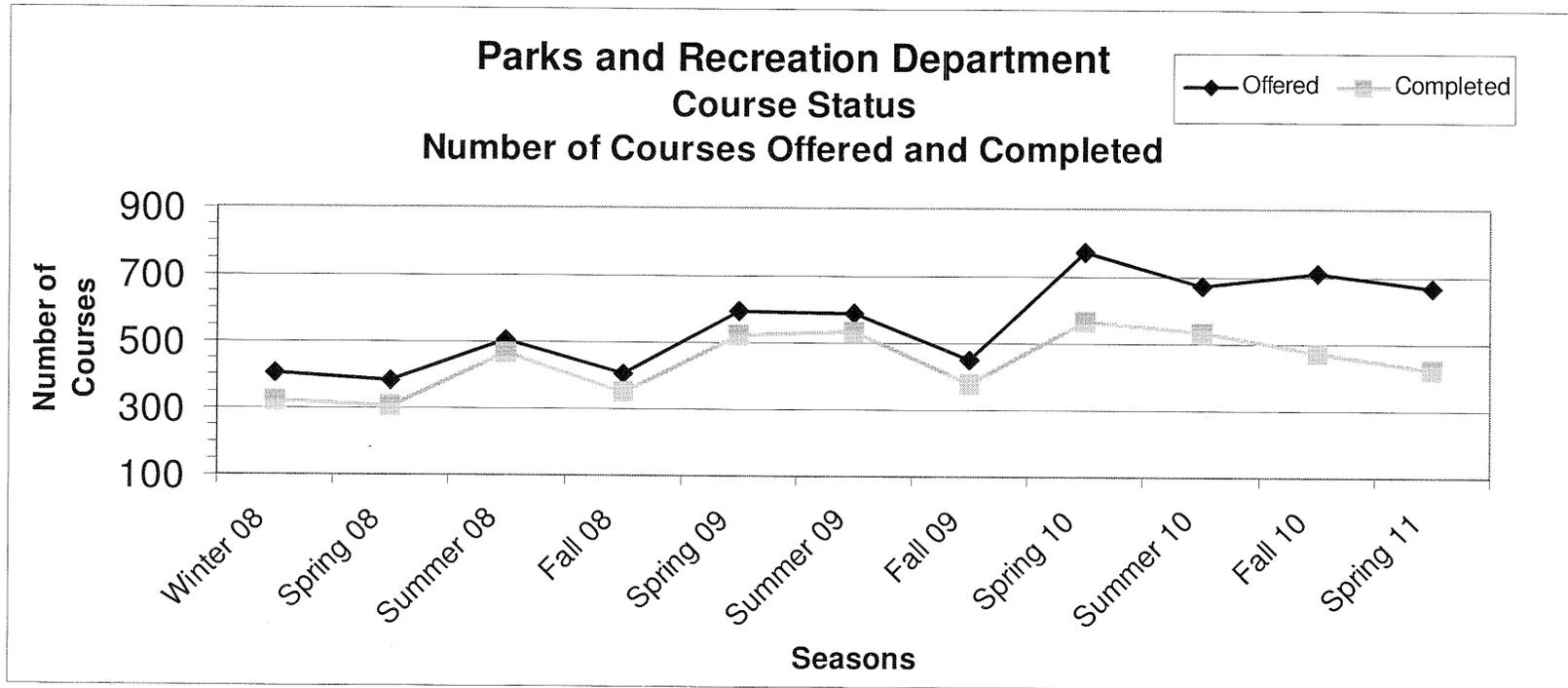
Note – “Programs” includes: Leisure Classes, Therapeutics, Adaptive Classes, Aquatics, Adaptive Aquatics, KIDCO, and Summer Swim Lessons. Registration sessions were combined from four sessions per year (Fall, Winter, Spring, Summer) into three sessions per year (Fall, Spring, Summer) in fiscal year 2009. Therefore, there is no data for Winter 2009.

Downward trend in participation can be related to the implementation of the Parks and Recreation Revenue and Pricing Policy (January 2010) calling for specific cost recovery for programs and subsequent increase in fees (30-60%) and the restructuring of the Discount Program to offer a single 25% discount in lieu of a sliding scale up to 90%.



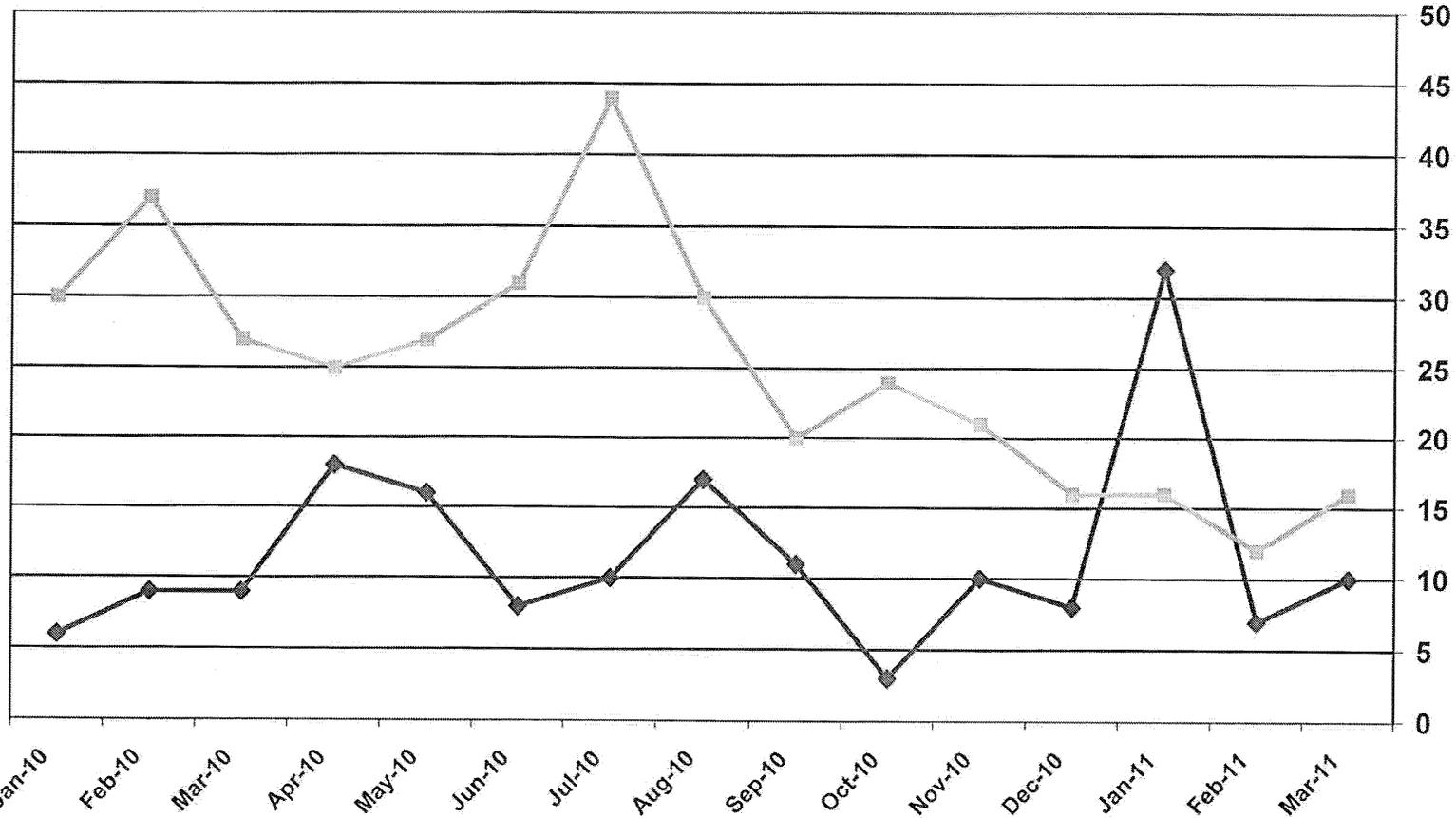
Note – The data reflects the number of pass holders only and does not include daily admissions. Recreation center facilities vary, but may include: weight room, walking track, gymnasium, game room.

Downward trend in memberships sold can be related to the implementation of the Parks and Recreation Revenue and Pricing Policy (January 2010) calling for specific cost recovery for programs and subsequent increase in fees (30-60%) and the restructuring of the Discount Program to offer a single 25% discount in lieu of sliding scale up to 90%. Additionally, reduced budget capacity has resulted in a reduction in Recreation Center operational hours.



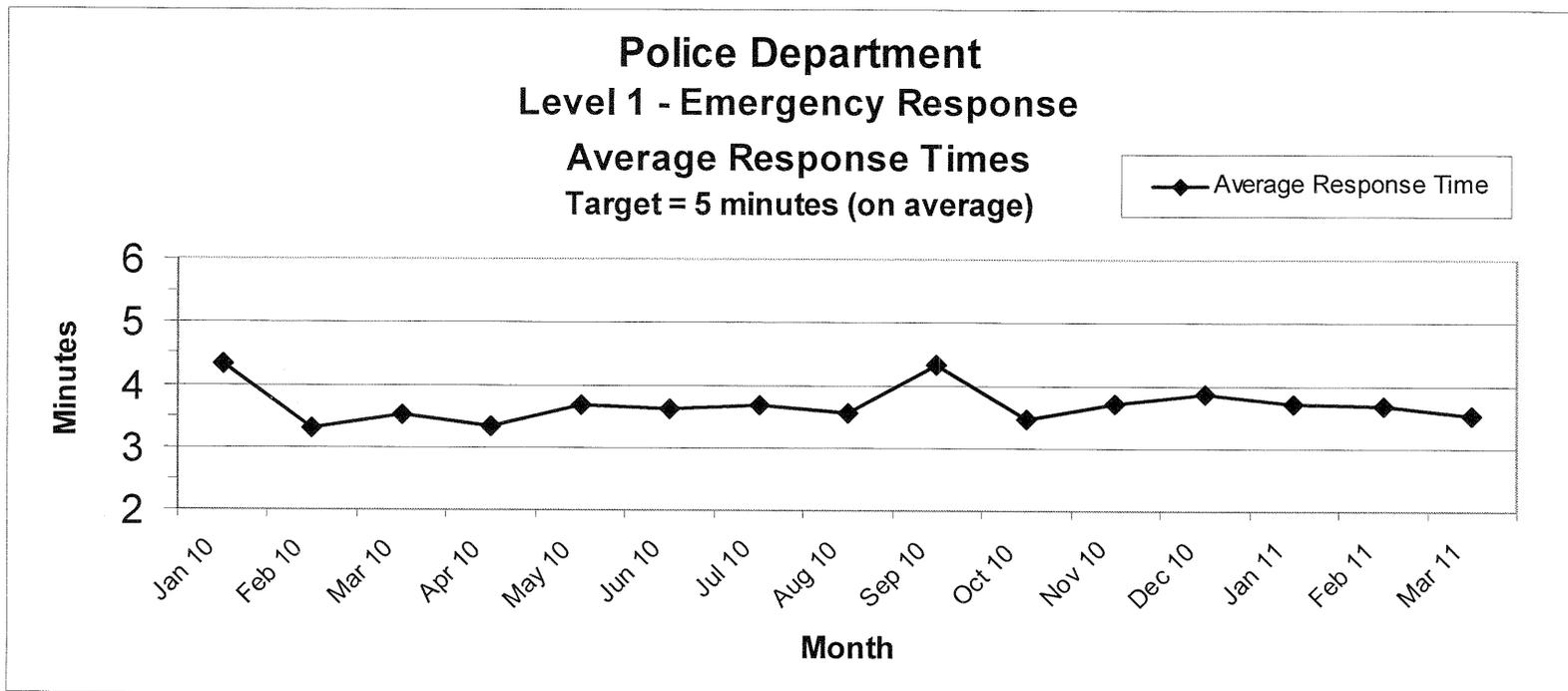
Note – Cancellations occurred due to low enrollment, lack of instructor, facility space issues, etc. Registration sessions were combined from four sessions per year (Fall, Winter, Spring, Summer) into three sessions per year (Fall, Spring, Summer) in fiscal year 2009. Therefore, there is no entry for Winter 09.

**Planning & Development Services Department
Plan Revisions - Average Days to Review
Target = 20 days**

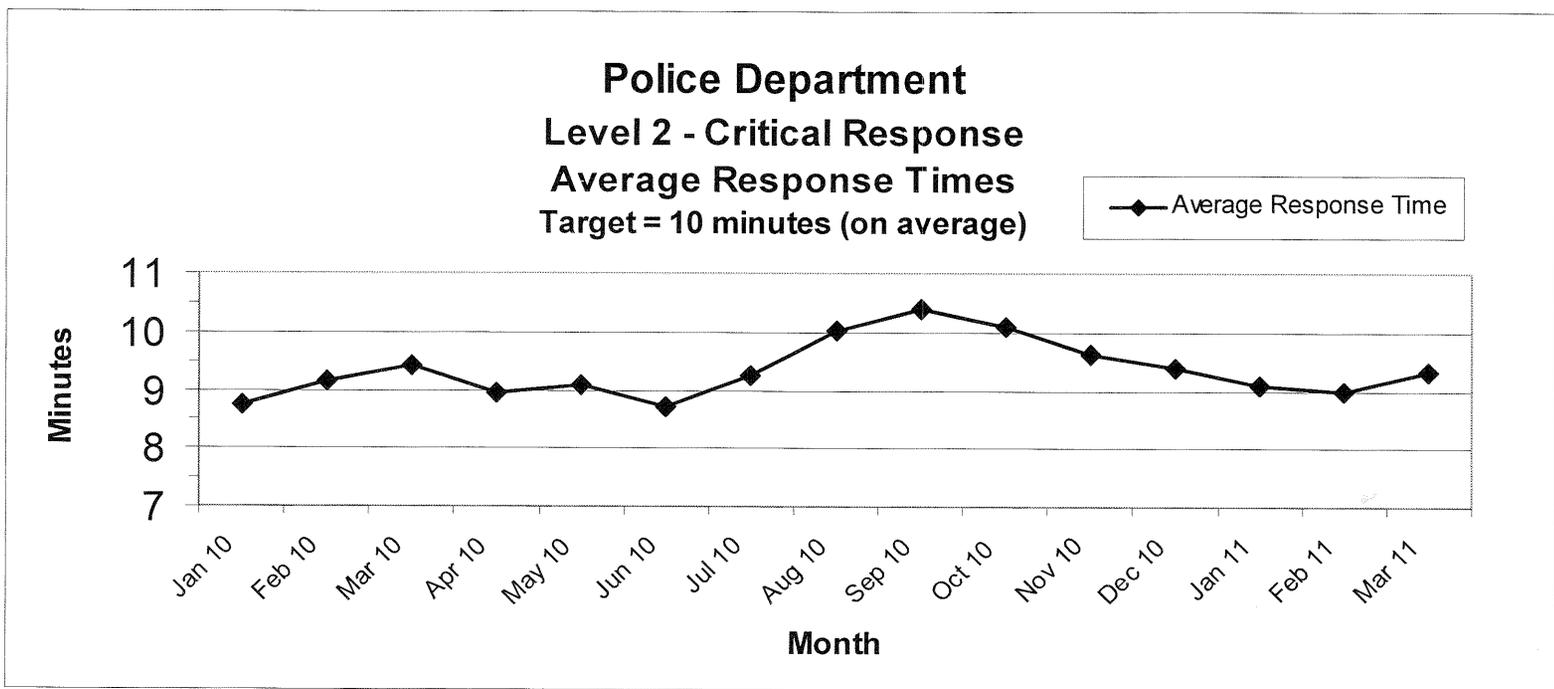


Note: This chart shows the number of approved plans submitted for a revision and the average number of days needed per plan to complete the review. January 2011 shows a spike in review time due to the submission of a very large commercial project.

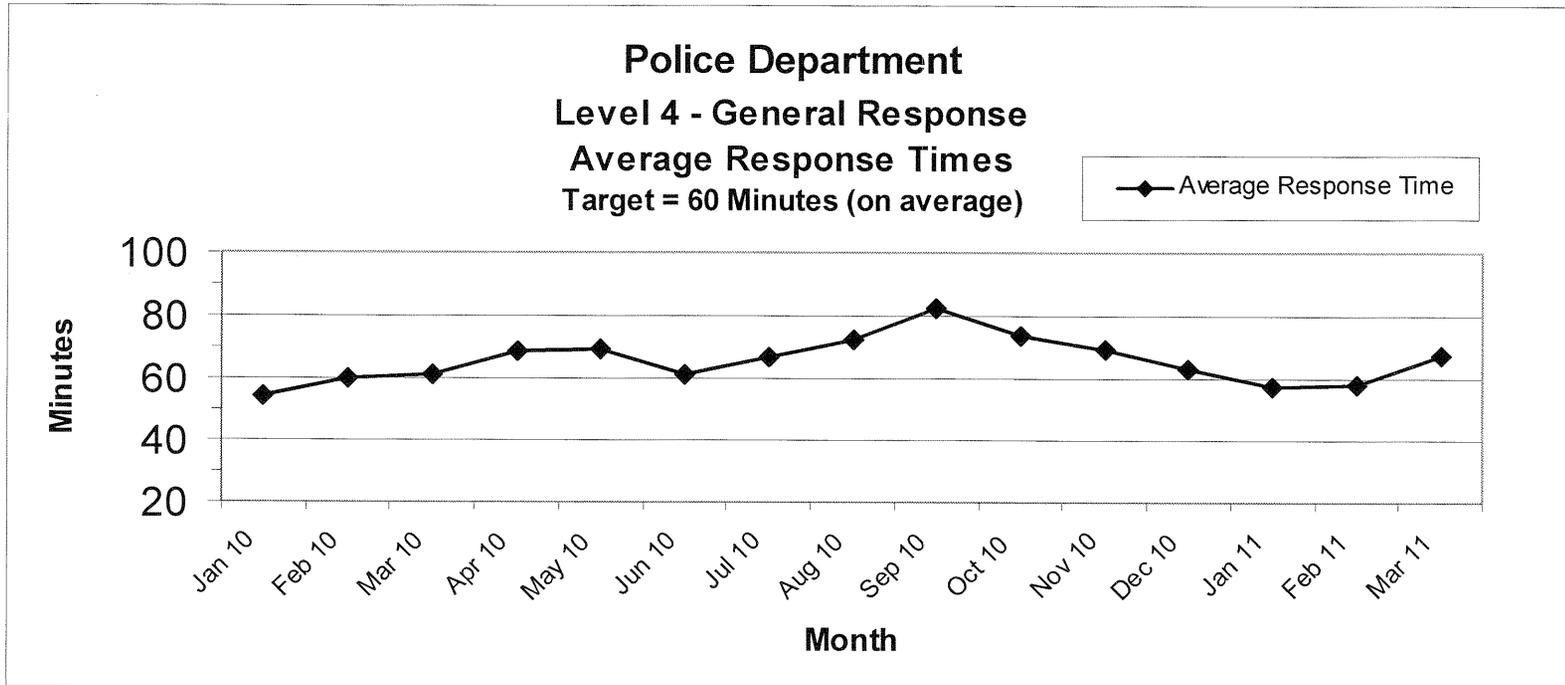
◆ Average Working Days to Review
 ◻ Number of Plans



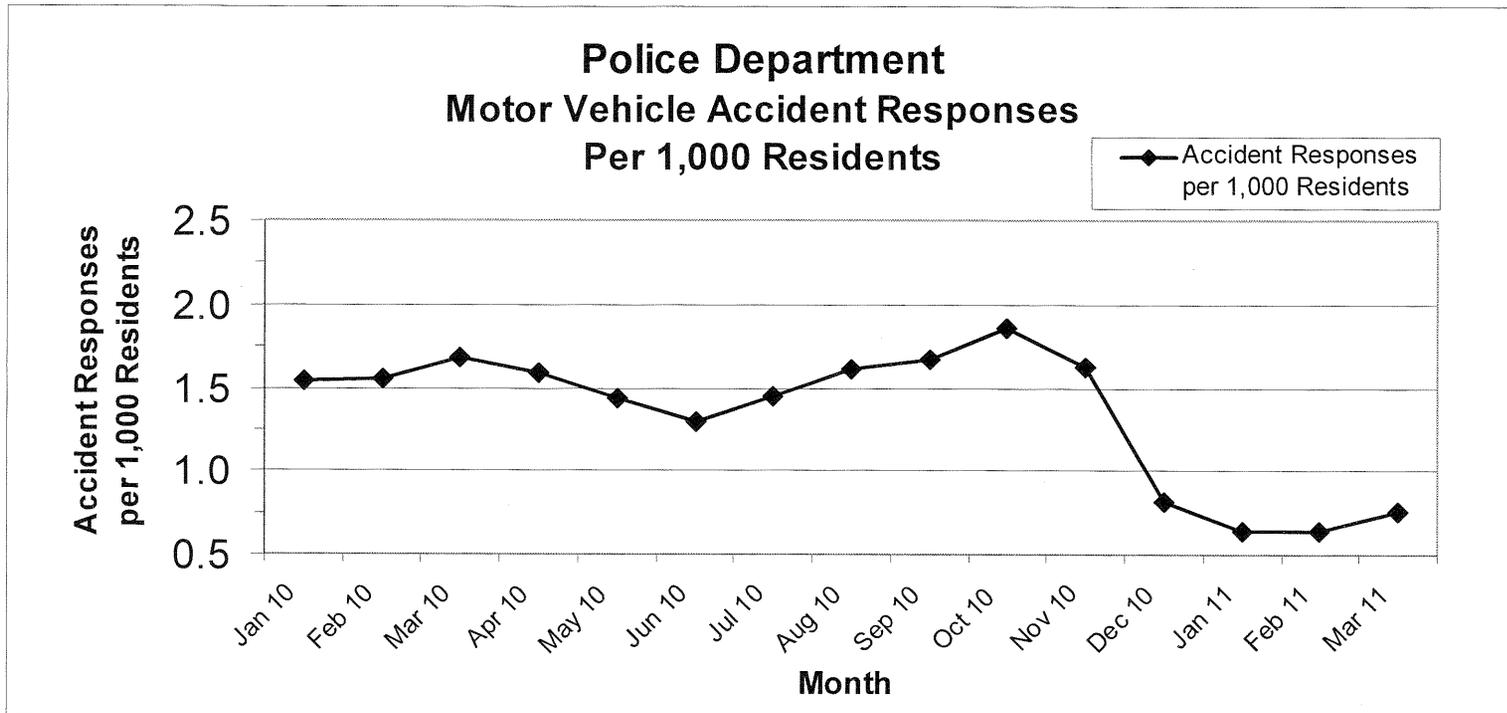
EMERGENCY RESPONSE – An incident posing an immediate threat to life where the threat is present and on-going; and/or an incident posing an immediate threat to life involving the actual use or threatened use of a weapon. The mere presence of a weapon alone, however, without any indication of use or threat of use does not support or justify a Level 1 call. No noticeable increases noted; response time will continue to be monitored.



CRITICAL RESPONSE – An incident involving a situation of imminent danger to life or a high potential for a threat to life to develop or escalate. This incident must be in progress or have occurred within the past 5 minutes. The slight increase in response times may be a result of a shortage in patrol staffing, due to several high-profile incidents that occurred during the quarter of Jan-Mar 2011. Pulling officers from patrol for deployment to these events was necessary for proper coverage.

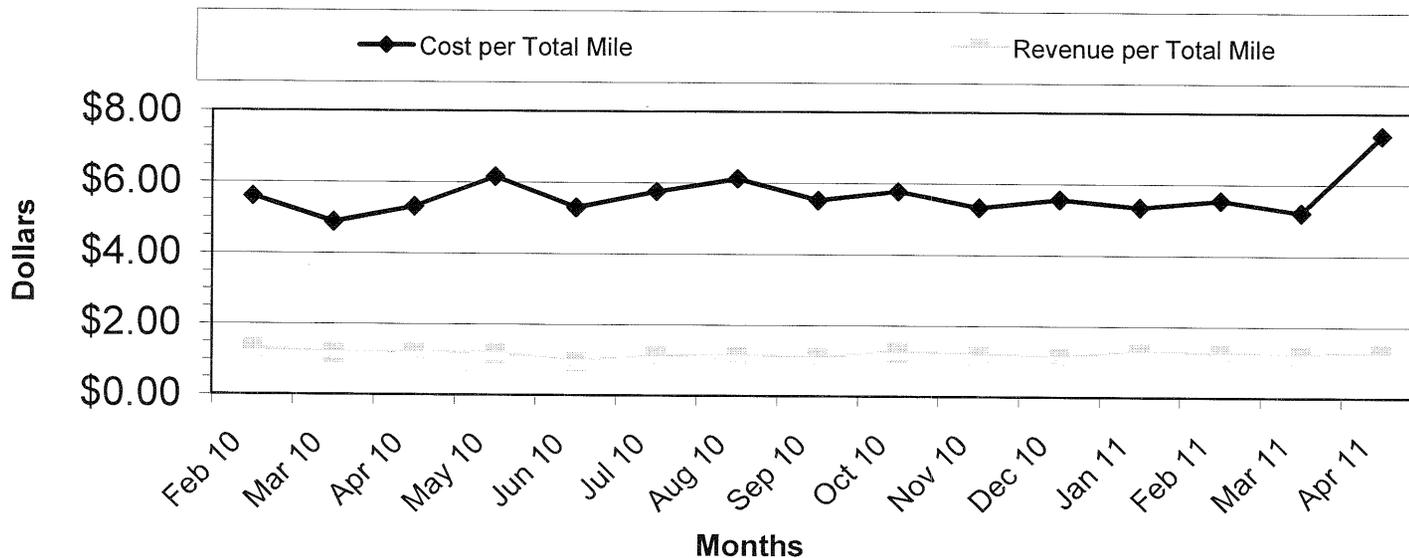


GENERAL RESPONSE – Other crimes or matters requiring police response, generally occurring more than 10 minutes prior to dispatch and having a complainant. The slight increase in response times may be a result of a shortage in patrol staffing, due to several high-profile incidents that occurred during the quarter of Jan-Mar 2011. Pulling officers from patrol for deployment to these events was necessary for proper coverage.



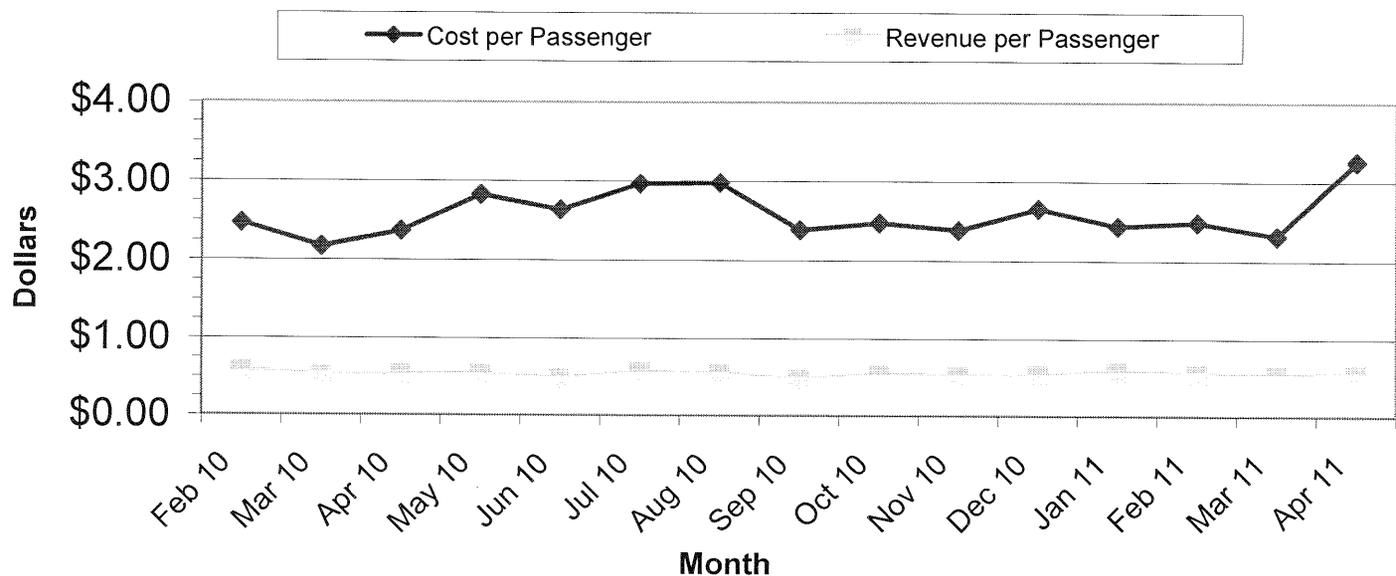
The significant drop in reported calls is a result of the change in response policy for non-injury motor vehicle accidents. The strategy implemented by the Chief of Police is in response to the Department's decrease in staffing and resources. The reported calls have begun to level out, with no significant increases.

Transportation Department SunTran Cost/Revenue Per Total Mile



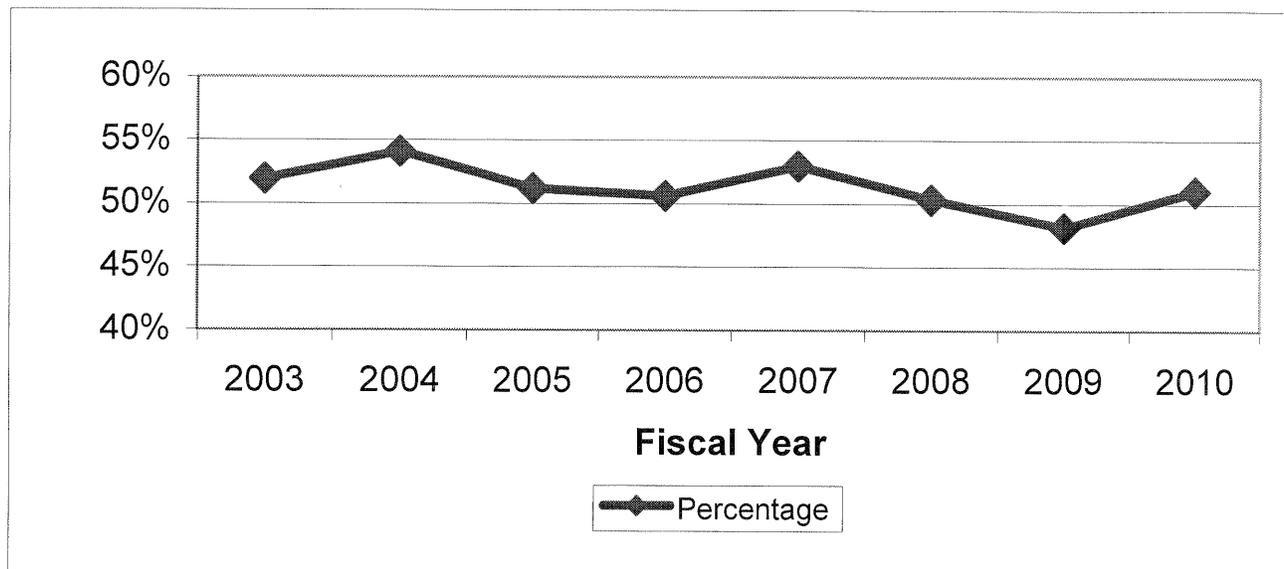
The increased cost per mile is attributed to the increase in chargeable liability claims.

Transportation Department SunTran Cost/Revenue Per Passenger



The increased cost per passenger is attributed to the increase in chargeable liability claims.

**General Fund
Financial Indicator:
Tax Revenues to Operating Revenues**



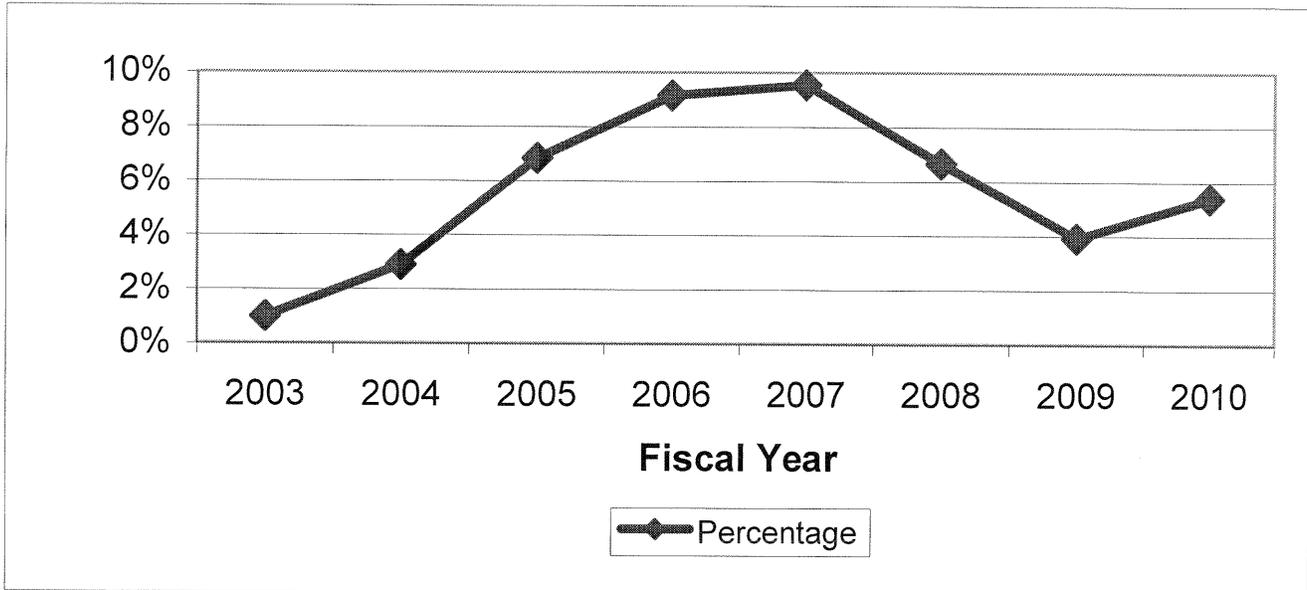
Year	Tax Revenues 000's	Operating Revenues 000's	Percentage %
2003	\$ 183,056	\$ 352,404	51.94%
2004	\$ 202,501	\$ 374,263	54.11%
2005	\$ 211,795	\$ 413,555	51.21%
2006	\$ 228,179	\$ 450,871	50.61%
2007	\$ 242,169	\$ 457,080	52.98%
2008	\$ 235,103	\$ 467,089	50.33%
2009	\$ 208,541	\$ 433,094	48.15%
2010	\$ 215,668	\$ 422,834	51.01%

The purpose of this indicator is to assess the extent to which the City relies on tax revenues to fund its general purpose obligations. Tax revenues are highly susceptible to changes in the strength of the economy.

General Fund operating revenues are the revenues available for operations, prior to deducting expenditures. Tax revenues are all general taxes collected by the City. The major revenue source is city sales tax. Additional tax revenues include primary property taxes, transient occupancy (bed tax), public utility, occupational and liquor taxes.

While the City does rely heavily on tax revenues as part of its general revenue base, the stable trend line shown in the graph is an indication that the City is not increasing its dependence on tax revenues. The latest economic downturn was an opportunity for the City to diversify its operating revenues and cushion the City financially during future economic downturns.

**General Fund
Financial Indicator:
Unassigned Fund Balance to Operating Revenues**



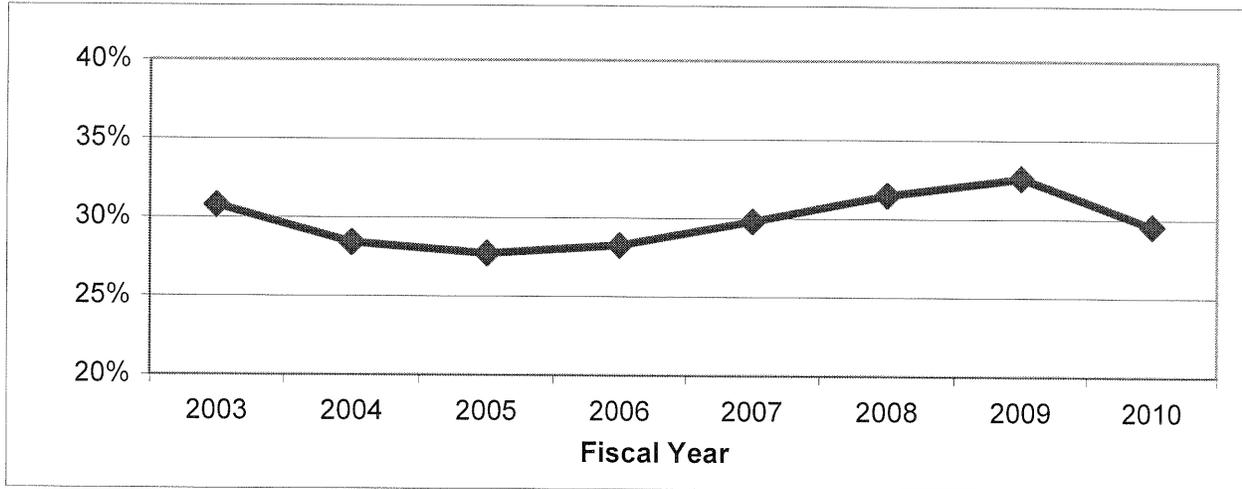
Fiscal Year	Unassigned Fund Balance 000's	Operating Revenues 000's	Percentage %
2003	\$ 3,481	\$ 352,404	0.99%
2004	\$ 10,872	\$ 374,263	2.90%
2005	\$ 28,316	\$ 413,555	6.85%
2006	\$ 41,258	\$ 450,871	9.15%
2007	\$ 43,664	\$ 457,080	9.55%
2008	\$ 31,125	\$ 467,089	6.66%
2009	\$ 17,000	\$ 433,094	3.93%
2010	\$ 22,837	\$ 422,834	5.40%

The purpose of this indicator is to evaluate the ability of the City to withstand financial emergencies. The City's financial policies state that a target of a minimum of 7% of General Fund revenues will be unassigned with the intention to provide additional stability to the General Fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the City.

Unassigned fund balance is defined as the amount of fund balance that is neither legally restricted nor voluntarily committed for specific purposes. General Fund operating revenues are the revenues available for day-to-day operations prior to deducting expenditures.

During the economic downturn, which began in Fiscal Year 2008, the City has had to fall back on using this fund balance to close our budget deficits. Decreasing the fund balance means that the City may not be able to meet a future need.

General Fund
Financial Indicator:
State-Shared Revenues to Operating Revenues



Fiscal Year	State-Shared Revenues 000's	Operating Revenues 000's	Percentage %
2003	\$ 108,437	\$ 352,404	30.77%
2004	\$ 106,317	\$ 374,263	28.41%
2005	\$ 114,663	\$ 413,555	27.73%
2006	\$ 127,429	\$ 450,871	28.26%
2007	\$ 136,288	\$ 457,080	29.82%
2008	\$ 147,062	\$ 467,089	31.48%
2009	\$ 141,188	\$ 433,094	32.60%
2010	\$ 125,012	\$ 422,834	29.57%

The purpose of this indicator is to assess the extent to which the City relies on state-shared revenues to fund its general obligations. Cities and towns in Arizona receive a portion of tax revenues collected by the State of Arizona. The allocations for these revenues are primarily based on U.S. Census population figures.

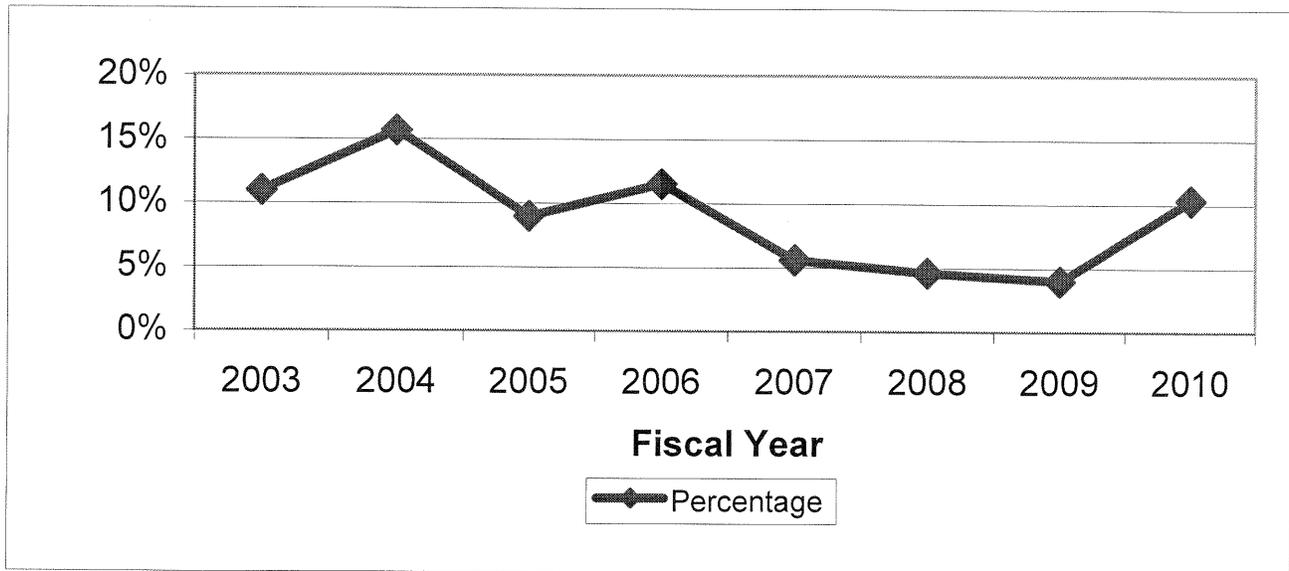
State-shared revenues include: 1) Sales Tax; 2) Auto-Lieu Taxes and 3) Income Tax. Operating revenues include all general fund revenues that fund the day-to-day operations.

State-shared revenues can change based on legislative action, so an increase in the percentage indicates an increase in the dependence on a revenue stream that the City does not have direct control over. This reliance can also produce a reluctance to raise required revenues locally.

State-shared revenues are highly responsive to changes in the economy. These revenues increase during good economic periods and decline during poor times, even though the tax rate remains unchanged. In FY 2010, the State of Arizona did receive approval from the voters to implement a temporary 1% sales tax increase. However, none of the monies from the 1% increase are allocated to Arizona cities and towns.

The trend increase from Fiscal Year 2005 through Fiscal Year 2009 was an indication of the City's growing reliance on state-shared revenues to meet day-to-day obligations. However, state-shared revenues have been declining during the economic downturn. The City has had to implement new recurring revenues, increase other departmental fees and reduce expenditures to help offset the decline in state-shared revenues to balance its General Fund budget.

**General Fund
Financial Indicator:
Surplus (Deficit) to Operating Revenues**



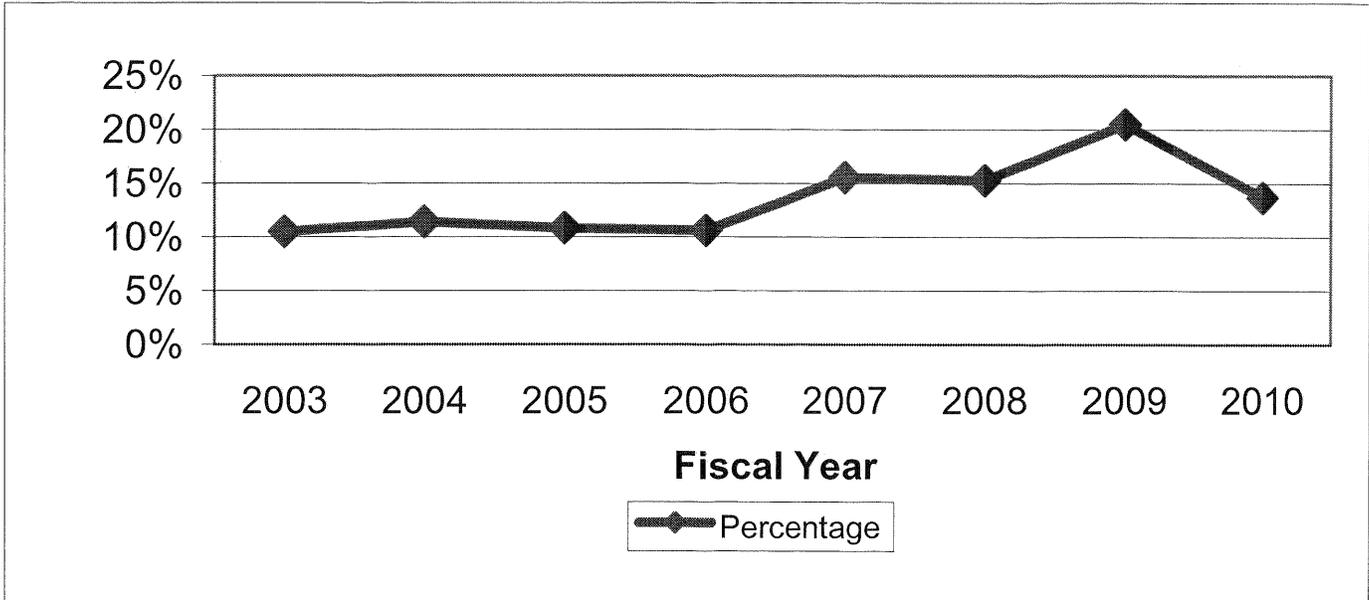
Year	(Deficit)/Surplus 000's	Operating Revenues 000's	Percentage %
2003	\$ 38,658	\$ 352,404	10.97%
2004	\$ 58,630	\$ 374,263	15.67%
2005	\$ 37,091	\$ 413,555	8.97%
2006	\$ 51,901	\$ 450,871	11.51%
2007	\$ 25,562	\$ 457,080	5.59%
2008	\$ 21,580	\$ 467,089	4.62%
2009	\$ 17,202	\$ 433,094	3.97%
2010	\$ 43,662	\$ 422,834	10.33%

The purpose of this indicator is to evaluate the City's balance between revenue structure and expenditures. A pattern of operating deficits can be one of the first signs of imbalance in the General Fund.

An operating surplus occurs when current revenues exceed current expenditures, and an operating deficit occurs when current expenditures exceed current revenues. It is a positive indicator when an operating surplus occurs. Reserves are built up through the accumulation of operating surpluses and may be created intentionally by budget decisions or unintentionally because of trends in the regional or national economy.

The City has been maintaining a positive trend of operating surpluses even during the recent economic downturn. This indicates that the City is able to take the needed steps during the fiscal year to ensure that projected expenditures do not exceed projected revenues.

**General Fund
Financial Indicator:
Current Liabilities to Operating Revenues**



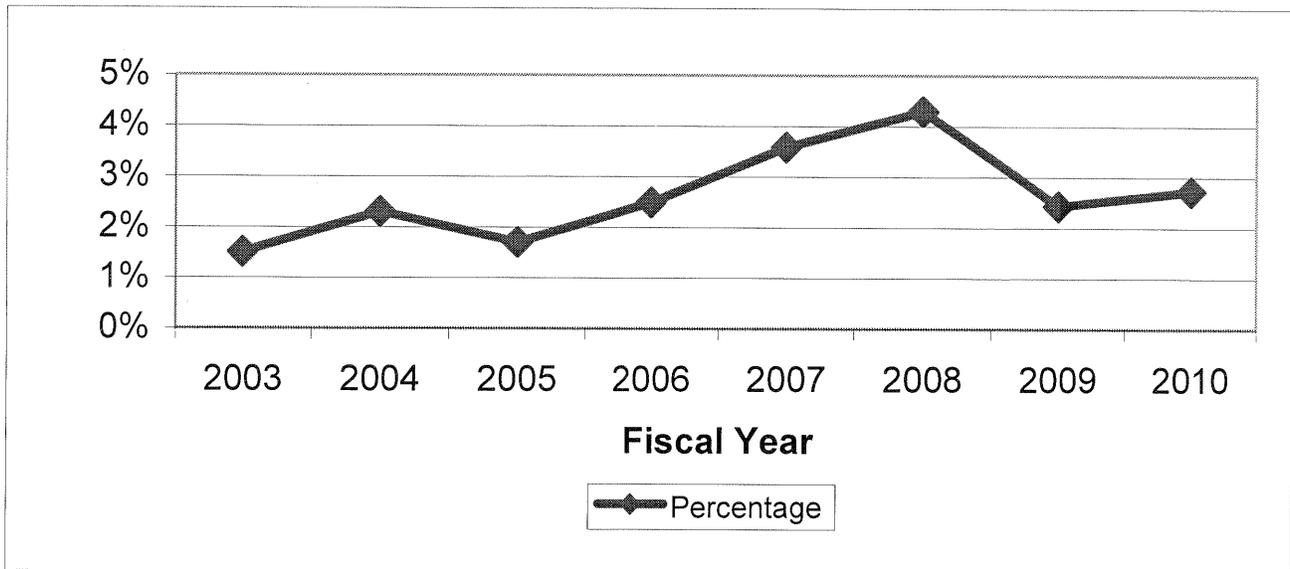
Year	Current Liabilities 000's	Operating Revenues 000's	Percentage %
2003	\$ 36,901	\$ 352,404	10.47%
2004	\$ 42,717	\$ 374,263	11.41%
2005	\$ 44,716	\$ 413,555	10.81%
2006	\$ 55,468	\$ 523,370	10.60%
2007	\$ 78,100	\$ 503,641	15.51%
2008	\$ 72,584	\$ 475,394	15.27%
2009	\$ 88,632	\$ 433,094	20.46%
2010	\$ 57,897	\$ 422,834	13.69%

The purpose of this indicator is to measure the City's ability to pay its short-term obligations in the General Fund. Current liabilities calculated as a percentage of net operating revenues measures the City's commitment to paying off current bills with revenues received during the year.

Current liabilities represent outstanding obligations that are due within a one year period. They do not include liabilities to be paid from restricted assets. Operating revenues are defined as all revenues other than operating transfers in and other funding sources for specific spending purposes.

The increasing trend line during Fiscal Years 2007 through 2009 was a warning that the City was heading toward liquidity problems and may have difficulties paying obligations. The above graph shows that as a result of the recent economic downturn, the City took the opportunity to improve its financial situation by increasing the revenue base and decreasing expenditures to avoid financial liquidity problems.

**General Fund
Financial Indicator:
Debt Service to Operating Revenues**



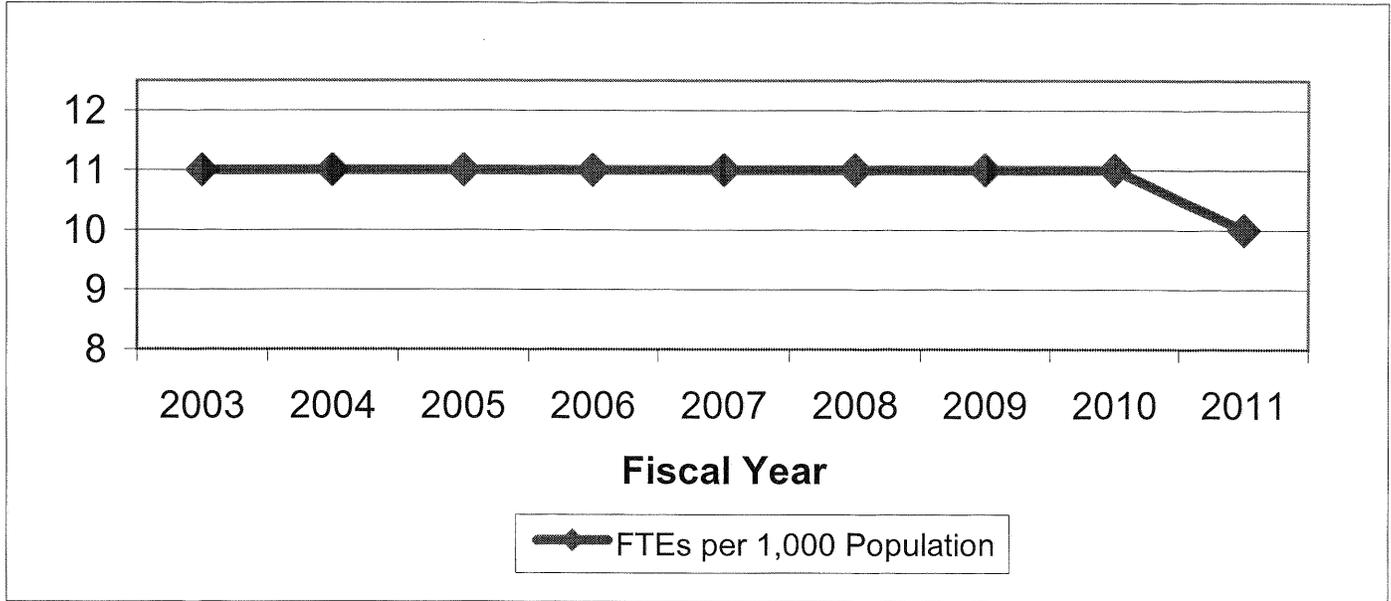
Year	Debt Service 000's	Operating Revenues 000's	Percentage %
2003	\$ 5,306	\$ 352,404	1.51%
2004	\$ 8,622	\$ 374,263	2.30%
2005	\$ 7,049	\$ 413,555	1.70%
2006	\$ 11,239	\$ 450,871	2.49%
2007	\$ 16,411	\$ 457,080	3.59%
2008	\$ 20,081	\$ 467,089	4.30%
2009	\$ 10,518	\$ 433,094	2.43%
2010	\$ 11,516	\$ 422,834	2.72%

The purpose of this indicator is to measure the City's flexibility in managing General Fund costs during times of change. As the debt service increases, it adds to the City's obligations and reduces the City's expenditure flexibility. Debt service can be a major part of the City's fixed costs and significant increases may indicate excessive debt and ongoing fiscal strain.

Debt service is defined as the amount of principal and interest the City must pay each year on long-term debt plus the interest it must pay on direct short-term debt. Operating revenues include all revenues that fund day-to-day operations. The City's debt service in the General Fund includes principal and interest payments on certificates of participation (COPs) and capital leases.

Since Fiscal Year 2005, the level of debt service as a percent of operating revenues has been increasing in the General Fund. This increase is due to the City utilizing COPs and capital leases to finance capital assets instead of other debt obligations. For Fiscal Years 2009 and 2010, the City refunded or refinanced COPs which lowered debt service payments to help stabilize the City's financial situation during the recent economic downturn. The principal refinanced will be repaid in later years.

General Fund
Financial Indicator:
Full-time Equivalents (FTE) per 1,000 Population



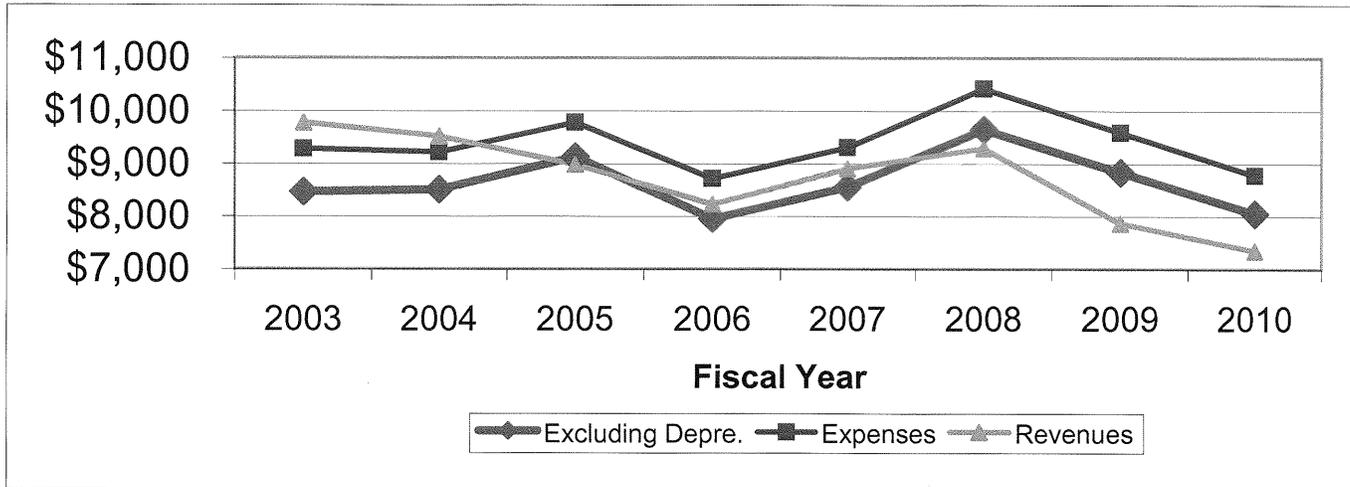
Year	Budgeted Full-Time Equivalents	Population 000's	FTEs per 1,000 Population
2003	5,829	515	11
2004	5,758	523	11
2005	5,897	530	11
2006	6,042	535	11
2007	5,848	541	11
2008	6,033	544	11
2009	6,028	544	11
2010	5,628	520	11
2011	5,419	520	10

The purpose of this indicator is to evaluate personnel costs which are a major portion of the City's operating budget. An increase in employees to population may indicate that expenditures are rising faster than revenues, that the City is becoming more labor intensive, or that productivity is declining.

Population figures come from the city's Department of Housing and Community Development. Full time equivalents (FTE) represent the authorized number of employees in the budget. It is important to note that actual FTE's are often lower due to vacancies.

This indicator shows the decline in the number of FTEs to the city's population. The reason for the reduction is the elimination of positions due to attrition and retirements.

Tucson Golf Course Financial Indicator: Operating Revenues vs Operating Expenses



Fiscal Year	Operating Revenues 000's	Operating Expenses 000's	Operating Exp. Excluding Depr. 000's
2003	\$9,769	\$9,280	\$8,466
2004	\$9,514	\$9,212	\$8,508
2005	\$8,980	\$9,779	\$9,120
2006	\$8,231	\$8,713	\$7,952
2007	\$8,901	\$9,302	\$8,554
2008	\$9,285	\$10,416	\$9,642
2009	\$7,861	\$9,582	\$8,829
2010	\$7,342	\$8,773	\$8,050

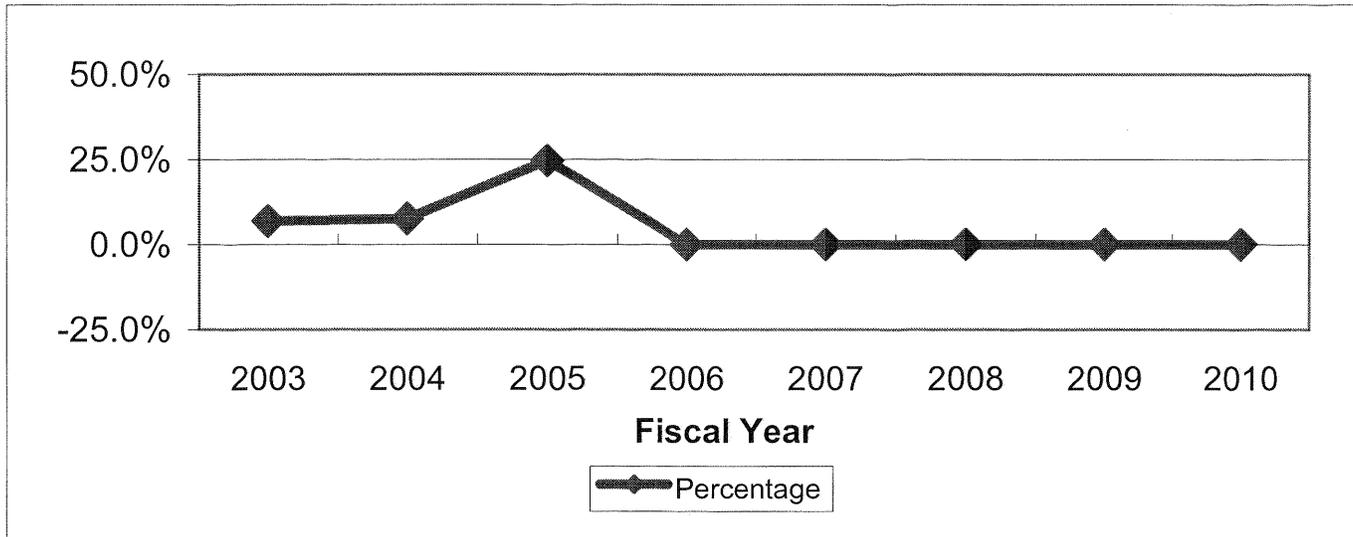
The purpose of this indicator is to evaluate whether or not the Tucson Golf Course revenues cover operating expenses.

Operating revenues include all user charges such as green fees, cart fees, retail sales from pro shops and miscellaneous fees. Operating expenses include personnel costs, utilities and maintenance of the golf courses. The chart illustrates expenses with and without depreciation.

The trend line indicates that operating expenses are exceeding operating revenues beginning in Fiscal Year 2005. The El Rio and Silverbell golf courses were closed for renovations at various times contributing to lower revenues. Even though the courses were closed, operating maintenance expenses still existed at these facilities.

The action plan to address the deficit will be accomplished with a combination of expenditure decreases (e.g., non-permanent personnel reductions, reduction in contracted building maintenance and privatization of concessions) and revenue increases (e.g., increased green fees at specific courses during peak operating seasons and minimal increase for cart rentals and range balls at all courses.)

Tucson Golf Course Financial Indicator: Unrestricted Cash to Operating Revenues



Fiscal Year	Unrestricted Cash 000's	Operating Revenues 000's	Percentage %
2003	\$671	\$9,769	6.9%
2004	\$718	\$9,514	7.5%
2005	\$2,211	\$8,980	24.6%
2006	\$0	\$8,231	0.0%
2007	\$0	\$8,901	0.0%
2008	\$0	\$9,285	0.0%
2009	\$0	\$7,861	0.0%
2010	\$0	\$7,342	0.0%

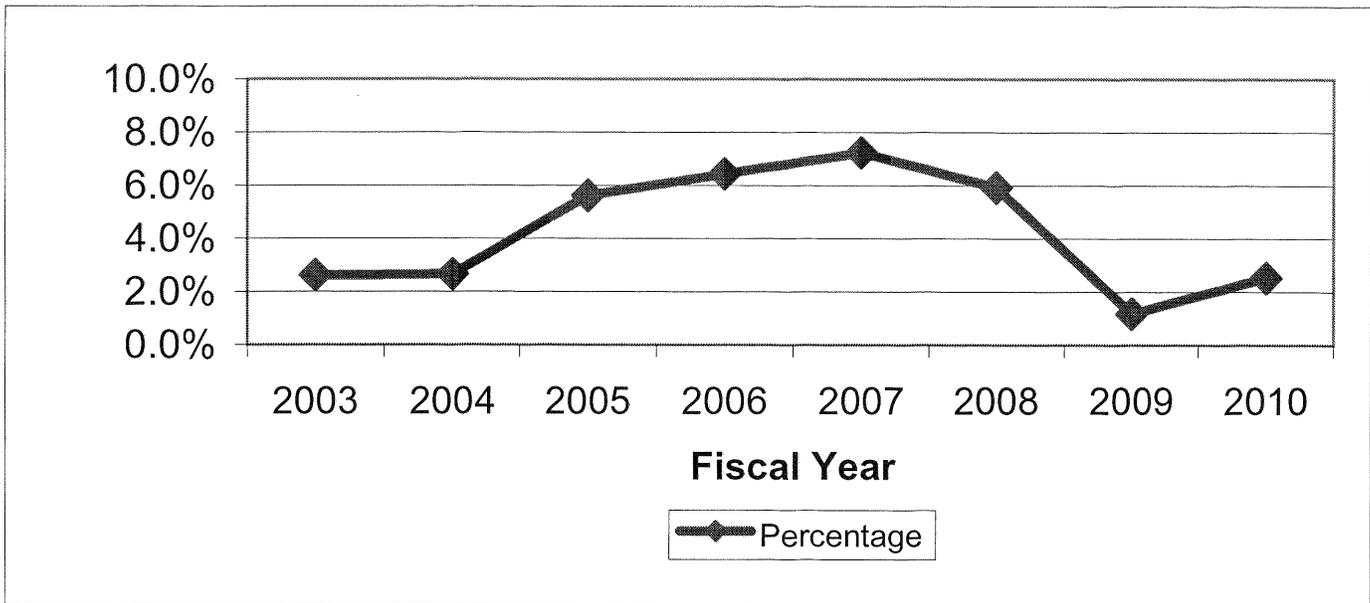
The purpose of this indicator is to measure the ability to meet short-term obligations and withstand financial emergencies.

Unrestricted cash is considered to be a liquid asset that is readily available to meet short-term obligations. Operating revenues include all user fees such as green fees, cart fees, retail sales from pro shops and miscellaneous fees.

The Tucson Golf Course Fund is in a negative cash position. The General Fund loans the Golf Course enough cash to cover the shortfall. Accordingly, the Golf Course pays interest on this loan. At the end of Fiscal Year 2010, the cash deficit was \$6.3 million.

The action plan to address the financial issues with the Golf Course fund will be accomplished with a combination of expense decreases and revenue increases. Cash flows will be improved by ensuring that the fund expends less than the revenue received.

Tucson Golf Course
Financial Indicator:
Percentage of Debt Service to Operating Revenues



Fiscal Year	Debt Service Payments 000's	Operating Revenues 000's	Percentage %
2003	\$243	\$9,280	2.6%
2004	\$244	\$9,212	2.6%
2005	\$549	\$9,779	5.6%
2006	\$560	\$8,713	6.4%
2007	\$673	\$9,302	7.2%
2008	\$549	\$9,285	5.9%
2009	\$92	\$7,861	1.2%
2010	\$186	\$7,342	2.5%

The purpose of this indicator is to assess the ability to pay debt service and measure the percentage of revenues tied to nondiscretionary costs. Increase in debt service reduces expenditure flexibility and may increase fiscal strain.

Debt service is the amount of principal and interest that must be paid each year on long term debt. For Tucson Golf, debt service is paid on Certificates of Participation (COPs). Operating revenues include all user charges such as green fees, cart fees, retail sales from pro shops and miscellaneous fees.

The percentage of debt service to operating revenues was increasing until Fiscal Year 2007. An increasing trend line is an indication of a possible inability for the fund to use revenues for operations. In Fiscal Year 2008 the City took action to mitigate the impact that the debt had on the operations of the fund. The COPs outstanding debt (\$3,614,000) was refunded or refinanced with proceeds received from issuing lower-cost debt obligations. Interest rates from the refunding range between 3.00% to 5.25%.