

City of Tucson
Independent Audit and Performance Commission

February 11, 2010

Subject: Commission's Comments on December 3, 2008 Memorandum: City Manager Mike Hein to Mayor and Council

City Manager Mike Letcher,

Per your request, the Commission has reviewed the December 3, 2008 memorandum (*Fiscal Year 2009 Budget and a Look at Fiscal Year 2010 - December Update*) from then City Manager Mike Hein to the Mayor and Council. The memorandum discussed immediate steps needed to manage a \$44.7 million revenue shortfall in FY 2009 and summarized potential problems in FY 2010, including shortfalls of "32.4 million in non-recurring revenues and further revenue shortfalls in FY 2010". The Commission's review focused on the relation of the memorandum's discussion of FY 2010 budget issues and your office's November 2009 projection of a \$30 plus million revenue shortfall for the current (2010) fiscal year.

After review, the Commission makes the following comments:

- 1.The December 3, 2008 memorandum's discussion of FY 2010 revenues and potential resulting shortfalls were based on City staff projections made as of December 2008.
- 2.Updated revenue projections were prepared by City staff as part of the FY 2010 budget process. Utilizing these updated projections and implementing reductions in City budgeted expenditures, you recommended a balanced FY 2010 budget. This budget was adopted by Mayor and Council in June 2009.
- 3.City Staff prepared updated revenue projections in November 2009 which revealed that the adopted revenue levels in the 2010 budget were overly optimistic and would not be attained. In January 2010, you presented Mayor and Council with expenditure reductions options to cover the projected revenue shortfall.
- 4.Many of the recommendations contained in the December 3, 2008 memorandum have been implemented when managing the revenue shortfall in Fiscal Year 2009, when adopting the FY 2010 budget, or when dealing with the current year's revenue shortfall.

The City addressed both the FY 2009 deficit and balanced the FY 2010 budget by reducing expenditures to match projected declines in revenues. City management reported additional revenue shortfalls in the current fiscal year to the Council in November 2009, beginning the process for further expenditure reductions.

The Commission appreciates the opportunity to provide comments on this matter.

Respectively Submitted,



David Cormier
IAPC Chair