

Ward 6 Staff



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Ward 6 –Newsletter

NOVEMBER 3, 2010

A Message From Steve

In light of last night's election results, it is important that the citizens of Tucson understand the complex relationships that have contributed to our financial condition. Today I will share my thoughts about the Rio Nuevo Audit. I also want to make it very clear that the budget crisis is and will be in the forefront of the Council's decisions in the next few weeks.

PERSPECTIVE ON THE DEFEAT OF PROPOSITION 400

Simply put, the City of Tucson will have to make dire budget decisions in the next few weeks to address the severe budget deficit that we face for FY11 and FY12. Shortly after taking office in December 2009, I presented to Council over 32 suggestions for trimming the budget. I said then that "Tucson was at a crossroads". Some of those suggestions were implemented but sadly, most were not. On May 25, 2010, I again reached out. I spoke to the need of addressing the budget deficit immediately and detailed plans to cut \$26-36 Million from the FY11 budget. But on June 15th the Council rejected my motion to implement additional cuts to the budget. Finally on August 31, 2010, I again called on the Council and leadership to establish "Trust for Tucson" by acting now and planning for the future. I called for cuts to the FY11 budget as well as the FY12 budget.

So here we are. Having failed to plan for anything but a sales tax, the City of Tucson is facing a major budget deficit that we could have at least mitigated with preventative action. I firmly believe that the citizens of Tucson want the emphasis to be primarily on protecting their safety, as that is defined by Charter as one of our primary core services. I will fight to ensure that we hear and respond to their voices.

BACKGROUND ON RIO NUEVO AUDIT

In the Saturday, October 30th Arizona Daily Star, an article appeared that described the results of the recently released Rio Nuevo audit. The headline left the impression that the Rio Nuevo Board had mishandled TIF money. I believe that impression was mistaken. The Auditor noted the relationship between the City and the District in several places in the report. Statements such as "with the intertwined relationship between the City and the District it is difficult to separate the functions and responsibilities of each," and "actions and activities blend together," and "it appears that very little was done by the Board without direct or indirect City involvement," and finally,



Important Phone Numbers

Tucson Police Department

911 or 791-4444
nonemergency

Mayor & Council Comment Line

791-4700

Neighborhood Resources

791-4605

Park Wise

791-5071

Water Issues

791-3242

Pima County Animal Control

243-5900

Street Maintenance

791-3154

Development Services

791-4505

Southwest Gas

889-1888

Gas Emergency/ Gas Leaks

889-1888

West Nile Virus

Hotline

243-7999

Environment

Service

791-3171

Graffiti Removal

792-2489

Continued: A Message From Steve

"In essence, the District was treated as an extension or department of the City." Until the fall of 2009, the District Board was made up of 4 members, two who held a weighted vote, both of whom represented the interests of the City while the other two represented the interests of the City of South Tucson. The auditor leaves the clear impression that the City ran the District up until the time a new Board was appointed by the State earlier this year. The City made decisions related to which projects would be funded, kept the financial books for the District and with "no clear boundaries and responsibilities in place", the audit states "it is unclear what level of control over TIF funds and related projects the Board actually retained." They were us, and we were they. Given that set of facts, both elected officials who were in office, city staff on whose watch the events described occurred, and members of the former Rio Nuevo Board must all admit a *mea culpa* for what is described in the report. It is not enough to simply say "lessons learned". We must now put in place the management controls that should have been adopted years ago in order to avoid a reoccurrence of the same gross mismanagement of taxpayer funds that has occurred.

The State Auditor General released the Rio Nuevo Audit last Friday. It's a 52-page document with Attachments A-H that describe various items related to Rio Nuevo's financial condition. What follows here is a breakdown of the report into the most critical issues that the Auditor addressed, both so that the taxpayers have a summary of the information in understandable form, and also to identify the issues that are imperative for the City and Rio to address as we finalize new Intergovernmental Agreements that will guide our relationship going forward. A clear understanding of the Audit is especially important for us in light of the voters' rejection of both Proposition 400 and 401.

Proposition 400 was a clear statement by the voters that they do not believe the City has handled their money in a responsible manner. The audit bears out that belief. Proposition 401 may be a bit more nuanced in how it can be interpreted, but it is my sense that the proponents of the Charter Amendment made a strategic error in running the proposed Mayor and Council salary increases on the same ticket with the remaining 3 items on the Proposition. What the voters have said is that they do not trust us as a governing body to spend properly, and in light of that they are not inclined to reward us with raises. What they have not said is for us to cut the public safety budgets by 10% or more, as has been proposed by the City Manager, the core tax committee and some council members. As I have done all year, I will continue to urge budget reductions in areas other than Police and Fire (although they will clearly have to absorb some of the reductions) and I am hopeful that now, with the results of the two ballot measures I can get the support of other council members in that effort.

SOURCE AND USE OF FUNDS

A Multipurpose Facilities District (MFD) is a special taxing District that allows for the collection of taxes above a certain baseline level (the increment) to support the development of a "Primary Component" of the District. The Rio Nuevo Multipurpose Facilities District was formed, and the District was allowed to collect that tax increment to fund work in support of its Primary Component. The Auditor identifies that Component as the Tucson Convention Center. The Tax Increment Financing (TIF) could also be used to support "Secondary Components"; i.e. projects that are necessary or beneficial to the primary component. So, the statutory intent of Rio was to support the TCC. Back in 1999, the voters passed Proposition 400 which identified numerous projects that were to also be funded by TIF money. Those projects included historical, cultural and environmental uses for the TIF. The Auditor has concluded that "it appears the District's priorities were to foster and improve the City's cultural, civic, artistic and related features to enhance downtown Tucson rather than concentrating on statutorily-intended catalyst projects that would spur economic growth, leverage private development dollars, and generate higher levels of sales and other tax revenues." In brief, they found a disconnect between the statutory intent of the MFD, and the way the City used the TIF money.

The result was that from the \$73 million in TIF collected, and the \$131 million in debt incurred, the current condition of the District is that nearly 90% of their income is being paid for debt service with very little available to fund projects that may generate sales tax revenue to support further growth. In layman's terms - the District is nearly broke. It's paying its bills, but isn't saving for college.

Okay, so the Auditor says the City ran the District, and that the TIF money was spent on projects that did not generate sales tax revenue or support the TCC, the statutory intent of the MFD. Here it gets messy - and the Auditor isn't able to sort out this item, nor did the report really fully address it. While a MFD is intended as a mechanism to fund redevelopment, in the statutes it relies on an anchor "component unit" that has the capacity to generate income. In our case, that was the TCC. But the TCC isn't generating the level of income needed to fund other projects. In fact, it's losing money. Further, the projects we funded did virtually nothing to generate tax revenue. The Prop 400 projects, although voter approved stand in conflict with the Statutory intent of establishing a MFD. I'll let the lawyers figure that one out, but the Auditor clearly stated that with respect to several of the projects we used TIF to fund, "data was not detailed for any project or initiative", "decisions were made without full knowledge of conditions," and projects were moved along despite the Auditor being unable to "find discussions of each existing project status and stage, or estimates of costs to bring projects to a reasonable level of completion." The audit summarizes the funding of several projects by stating "it would appear that the monies spent on these projects would be in direct violation of the statutes."

SO, WHERE DO WE GO FROM HERE?

The Auditor recommends several steps be taken, including a recovery by the District from the City of \$450,000 in interest overcharges, the District putting in place management and project oversight policies, the District hiring its own staff in order to create the necessary divide between the City and Rio, and most importantly from my perspective, the City and Rio establish a new Intergovernmental Agreement that clearly outlines the roles and responsibilities of each party.

Taxpayer money has been spent unwisely. City leaders who have claimed that there has been no financial mismanagement are clearly either in “spin mode” or they simply don’t understand the facts as reported in the audit. Some are calling for people to lose their jobs. In fact, some already have, both elected officials, and city staff. Gross financial mismanagement is not tolerated in the private sector, nor should it be when taxpayer money is being spent. And yet, this should not become a witch hunt. It needs to serve as a reminder to every public servant that we do not have a penny that did not have its origin in the wallet of a working person out in the community. We have an obligation to spend it as we spend our own hard-earned wages. In order to ensure that, the City and Rio must adopt a new Governance IGA as quickly as possible, and an IGA that identifies the ownership and debt obligations of the various properties in which we share an interest. We must achieve those agreements in order to send a clear message to the State Legislature, and more importantly to the local taxpayers that we have our eye on the ball, and are putting in place the elements by which sound fiscal decisions will be made. Roles and responsibilities must be defined if people are to be held accountable for their use or misuse of public money. If negotiated properly, these IGA’s can serve as guideposts for those standards.

Sincerely,



Steve Kozachik
Council Member, Ward 6
<http://cms3.tucsonaz.gov/ward6>

Holiday Shopping at Tucson’s Favorite Craft Market

Dates: November 19-21

Time: 10 am to 5 pm (8 am on Saturday)

Location: Tucson Museum of Art lobby and courtyards

Cost: Free

More than 120 of southern Arizona’s finest artisans and crafts people will make finding that unique gift easy and fun. Each year new artists and some regular favorites offer works in painting, photography, metal, wood, jewelry and much more

The Market will open at 8:00 am on Saturday, November 20 for early birds who like to shop and enjoy the coffee and breakfast items by *Café a la C’Art*. Free parking for Saturday and Sunday is only two blocks away at the City/State Garage at Alameda and I-10. For more information visit: www.tucsonmuseumofart.org

Email us at: ward6@tucsonaz.gov

21st Annual All Souls Procession

Mark your calendars for this Sunday, November 7, for this unique annual cultural event. The All Souls Procession is a home-grown Tucson event that honors our Departed Family and Friends. The Procession starts at 6pm at the corner of 4th Avenue and University, continues down 4th Avenue, through the underpass, west on Congress Street, and north on Stone Avenue to the Grand Finale site at Toole Avenue. Be a part of the Procession or watch the colorful floats, puppets, and costumes.

The finale features *A Cirque Domo*, wherein the floats and major art installation pieces circumnavigate the main stage, near Stone and Toole.

www.AllSoulsProcession.org/calendar.

Palo Verde Neighborhood Association

COMMUNITY YARD SALE – a great way to highlight your business, make some extra holiday cash...and get rid of *stuff* - is being held on Saturday, November 6th from 8AM-1PM at Catalina Magnet High School located at 3645 E Pima.

There are still spots available. Please check out the information on line at: <http://www.paloverdena.org/home> For more information contact Tamar at 270-3956 or: social@paloverde.org

Ward 6 City Council Closure Due to Furlough Day

Ward 6 Council Office will be closed due to the nine unpaid furlough days prior to June 30, 2011. We will be closed for business on the following days:

Thursday, November 11, 2010

(Veterans Day)

Friday, November 26, 2010

Friday, February 18, 2011

Friday, March 18, 2011

Friday, April 15, 2011

Friday, May 27, 2011

First Thursday Art Walk, November 4!

Main Gate Square hosts this monthly Art Walk, which features live music, wine tasting, book signings, studio tours and art by a number of local artists, from 5 to 7 p.m. on University Boulevard between Park & Euclid
Free. Call 622-8613 for more information.

2010 Tucson Firefighter Chili Cook Off

Date: November 5, 2010

Time: 10:00 AM to 10:00 PM

Location: El Presidio Plaza Park 160 W. Alameda

There will be a wide variety of chili from spicy hot to veggie. The chili is \$1.00 a cup and all proceeds will benefit the Tucson Firefighters Adopt-A-Family Program, which assists needy families and children with clothing, food, basic necessities and toys throughout the holiday season. If you don't like chili, no problem, there will be roasted corn, hot dogs, and plenty of other things to eat.

Last year more than \$52,000 was raised for needy Tucson families at this great event. Come out; bring your appetite and your camera. The Tucson Firefighters Chili Cook-Off promises to be a great event for a great cause. Click on the following link to view highlights from the 2009 Tucson Firefighters Chili Cook-off. <http://www.youtube.com/watch?v=PBeDPQDTQN4&NR=1>



Come visit us online at www.tucsonaz.gov/ward6