

September 2, 2010

TO: Honorable Mayor and Council Members

FROM: Liz R. Miller and Jaime P. Gutierrez, Co-Chairs
Core Tax and Permanent Override Review Committee

RE: Final Recommendations of the Core Tax and Permanent Override Review Committee

This report provides the results of the second segment of work completed by the Core Tax and Permanent Override Review Committee. It specifically focuses on:

- Alternative options for addressing the City's structural deficit in the General Fund should the Core Tax proposal not pass; this deficit is now estimated to be at least \$51 million.
- Options for addressing the \$11 million operating budget deficit that will remain even if the Core Tax does pass.
- Final recommendations in other areas that the City should pursue, immediately and in the long term, regardless of what happens with the Core Tax.

We will be present at the September 8, 2010 Mayor and City Council meeting to discuss the Committee's recommendations with you.

Background

The Committee, convened in May 2010 by the Mayor and City Council, delivered its first report on June 30, 2010 recommending that the City place a 0.5% temporary (5 year) sales tax increase on the November ballot to fund core services. At the July 7th meeting, the Mayor and Council directed the placement of the item on the November ballot.

The Committee met nine times during the months of July and August to consider "Plan B" options should the sales tax measure be defeated in November. The Committee completed its work as called for in its charter and terminated September 1, 2010. Approved meeting minutes are included in Attachment 1 and are also available on the City Clerk's Boards, Committees and Commissions website.

Committee Approach

The Committee met for approximately 40 hours total during July and August, in addition to the 20 hours spent in information gathering and analysis in May and June. The Committee took its work very seriously. It intensely scrutinized data presented and freely brought forward ideas, questions and opinions from varied perspectives.

Over the course of 15 meetings between the beginning of June and the end of August, more than 50 presentations and reports were provided to and discussed by the group. This included review of information prepared previously for the Mayor and Council and the public. Department directors and City management prepared specific plans in each of their service areas related to the work of the Committee. In addition, direct responses to

more than 50 questions asked and options put forward by individual core tax committee members were supplied and evaluated by the group.

All meeting material that was presented, reviewed, requested and provided to the Committee is available on the Core Tax website at <http://cms3.tucsonaz.gov/coretax>.

It should be noted that the recommendations being presented by the Committee in this report are those that received support from a majority of members during the final deliberations of the group. Options were voted on one at a time; individual committee votes are included in Attachment 2. Some votes were unanimous or a clear majority was established. In other instances, tie votes resulted in an item failing to make the final recommendations list. In some cases an option was tenaciously supported by one or a small minority of members but did not make the final cut. In order to give the Mayor and Council an opportunity to know what individuals favored, members were given the option of making personal statements as part of the report, expressing their beliefs and opinions. Any statements submitted by individual members are in Attachment 5.

(Note that committee member Jim Parks notified the Committee in July that he was unable to take part in the second segment of the group's work.)

The nature and functions of Tucson City government services and its budget

The Committee spent time as part of its deliberations looking at what City government is for, how much it costs and what it delivers. The current context was taken into account, including the economic downturn that has affected individual residents, businesses and other governmental entities along with the City. Different ideas were put forward for dealing with the current situation that would seem to be simple and make sense in personal household budgets and business finance. However, Committee members learned about requirements for the public good; legal limits; restrictions on the use of certain special funds (e.g. Rio Nuevo, enterprise operations); statutory requirements imposed by other levels of government; and policy direction developed in Tucson over many years that make a number of these ideas for operational changes, use of revenues, and efficiencies difficult if not impossible at this time within our city government context.

The Committee affirmed that the Core Services defined for Tucson are the correct ones. These are priority community services that the municipal government must provide for the greater good of its citizens, being ultimately the best equipped entity to do so.

Impacts on the City budget

The Committee recognized that the economic downturn has had a major negative impact on the City budget. It reviewed substantial efforts made by the City in recent years to balance the budget and that there were no easy answers to solving the City's current budget situation. Since Fiscal Year 2007, local sales tax and state-shared revenues have declined by \$69 million. Expenditure reductions and deferrals have had negative impacts on the level and quality of City services and infrastructure, as well as the City organization and employee morale. In addition, while the total city Fiscal Year 2011 budget is over \$1.3 billion, only the \$443 million General Fund portion is available for any type of cut. The current situation, where most of the "easier cuts and new revenues"

had already been implemented, was the starting point for the Committee's work which made the process more challenging. See Attachment 3 for a summary of budget balancing actions taken by the City to date.

Five Committee meetings were focused on specific options for addressing the General Fund structural deficit. The directors of all City departments and offices were given a 15 percent reduction target by the City Manager as a starting point for discussion. The cost savings options provided to the Committee, including those from individual department directors, can be found at the following website:

http://cms3.tucsonaz.gov/sites/default/files/budget/PlanB_Options_080510.pdf

The Committee spent considerable time in conversation with each of the department directors regarding the rationale for the proposed cuts, the impacts, alternatives to what was proposed, efficiency considerations, and fee/revenue options. Staff from Human Resources, Budget, Finance, and the City Manager's Office also provided information to the Committee on employee compensation and benefits, funding of non-city outside agencies, and other possible revenue sources that could be pursued.

While the Committee spent time examining details and specific cost savings ideas within each department, and did offer some specific departmental recommendations, the majority of Committee members ultimately came to the conclusion that they needed to rely on the expertise of those managing the departments to decide how cuts to their organization should best be handled.

The Committee's recommendations are grouped into the following categories:

- General Recommendations
- Items to Pursue Now
- Recommendations to Address the Remaining Deficit-Needed Even if the Core Tax Passes
- "Plan B" Recommendations Should the Core Tax Not Pass
- Efficiencies; and Immediate and Continuing Strategies

Committee Recommendations

General Recommendations

Structural Deficit – The Committee focused on addressing the structural deficit, avoiding one-time fixes, and avoiding employee pay reductions as much as possible. The Committee explored all viable options to enhance and diversify revenues. The Committee attempted to create a balanced solution that could begin to put the City in a more sustainable financial situation, while also immediately addressing next year's budget deficit. The Committee recognizes that one-time solutions and across-the-board pay cuts do not resolve the structural deficit. However, some of these items may need to be implemented while longer-term strategies are pursued.

Critical Nature of Police and Fire Services – The Committee considers Police and Fire the most critical services provided to the community because they directly affect people's health and safety on a daily basis. The Committee did its best to protect these critical services in its deliberations. Ultimately, however, the Committee was forced to

recommend cuts to these services should the core tax fail because of the magnitude of the deficit the City faces and the amount of General Fund money that is allocated to these services.

Impacts to Low Income Residents – Given current economic conditions, the Committee was particularly concerned about creating additional financial burden or hardship for lower income residents. For this reason, the majority of the Committee did not recommend moving forward with the residential rental tax and did not recommend fare increases for Sun Tran. The Committee was divided on whether or not to pursue these items at this time. In addition, there was uncertainty as to the timing of recommendations regarding the amount of General Fund subsidy of mass transit as a result of no Mayor and Council decision having been made regarding the potential transfer of transit operations to the Regional Transportation Authority.

Backlog of Unmet Needs – The Committee recognizes that its recommendations to address the budget gap for next year do not address the full extent of the City's expenditure needs. The City has compiled a list of critical deferred and unmet needs in the areas of maintenance, vehicle replacement, and infrastructure investment. These will not be addressed by the passage of the Core Services Tax. There is neither a long-term plan in place nor the fiscal reserves available to replace, maintain, or address aging infrastructure needs. During past years, the City has had to reduce its investment in this area to balance the budget or shift funds to other priorities. The deferred infrastructure inventory of critical components significantly contributes to the City's long-term structural deficit even if the Core Tax is approved. Supplementary information on deferred infrastructure needs is included as Attachment 4.

While neither the Core Tax nor the Plan B recommendations address the mounting infrastructure deficit that the City faces, as resources become available the Committee urges that these critical needs be addressed prior to increasing services or staffing levels. If they are not addressed in a timely manner, they could lead to even more expense for the City in the long-term.

Public Education – The Committee considers public education about the budget situation to be critical to the long-term financial health of the community. Outreach to the public this fall on the budget should include the following:

- The fact that passage of the State's Proposition 100 in May 2010 did not provide dollars for our local government, thus the City of Tucson did not receive public safety money nor money for children's programs as a result of that tax increase.
- The budget situations for Fiscal Years 2011 and 2012 including the use of one-time financial transactions such as land sales and the sale and leaseback of assets.
- Almost certain reduction of state-shared revenues and possible/probable reductions in other sources (e.g., reduced net gain from increased fees, cost recovery, and program participation decreases).
- Remainder of 'hidden' unfunded City needs (e.g., deferred maintenance; vehicle, equipment, and pavement replacement; financial reserves, employee furloughs)
- The unprecedented efforts the City has made in all departments in recent years to reduce its expenses including overtime costs.

Items to Pursue Now

The Committee identified \$2.89 million in cuts and new revenues that should be pursued immediately (regardless of what happens with the core tax) to help with the current budget as well as Fiscal Year 2012, and to address the long-term structural deficit:

Use Fair Labor Standards Act (FLSA) overtime calculation to be on par with other cities	\$1,275,000
Increase sales tax revenue collected	1,012,000
Increase cost recovery efforts	300,000
Remove cost of land sales tax exclusion	265,000
Further reduce cell phone costs/consolidate contract	41,830
Additional sales of city-owned land	unknown
Do not fill administrative positions as they become vacant	<u>unknown</u>
TOTAL	\$2,893,830

Addressing Remaining \$11 Million Deficit if the Core Tax Passes

The projected budget deficit for Fiscal Year 2012 is estimated to be \$51 million. If the core tax passes it will generate approximately \$40 million per year in additional revenue that will be solely dedicated to preserving and maintaining core services (police, fire, court services, transportation, and parks and recreation). The City will still face a projected \$11 million deficit even if the core tax passes. (The Committee acknowledges that these are best available deficit projections at this time and that the numbers can change. Also, maintenance and infrastructure needs still need to be addressed; therefore, the recommended cuts total slightly more than the current estimate.) This deficit will need to be addressed by cuts in non-core areas to ensure that core services are preserved at current levels as prescribed in the core tax measure. The Committee recommends that the remaining deficit be addressed through the following revenues and cuts:

Approximate 15% across-the-board reduction to non-core services (excluding Channel 12)	\$6,864,236
Items to pursue now (from above)	2,893,830
Sale of Access Tucson building	1,200,000
Elimination of Channel 12 funding	910,790
15% reduction in outside agencies funding (excluding MTCVB, YMCA, Pima Animal Care Center*)	669,875
Elimination of Access Tucson funding	<u>303,500</u>
TOTAL	\$12,842,231

**While these are recommended for exclusion at the present time due to existing contracts and statutory requirements, it is recommended that they be reviewed for further reductions and savings in the long-term.*

“Plan B”: Addressing \$51 Million Deficit if Core Tax Does Not Pass

If the core tax does not pass in November, the City will face at minimum a projected \$51 million deficit for Fiscal Year 2012. The Committee recommends that the deficit be addressed through the following revenues and cuts:

Approximate 15% across-the-board reduction in core services (excluding Police and Fire)	\$15,534,180
\$11 Million deficit recommendations (from above)	12,842,231
Sales tax on advertising	1,000,000
Additional 10% reduction in outside agencies funding (on top of 15% above for a total of 25% excluding MTCVB, YMCA, Pima Animal Care Center)	446,583
Elimination of all public information officers except one centralized in City Manager’s Office	75,000
10% reduction to Police and Fire	<u>21,127,559</u>
TOTAL	\$51,025,553

Efficiencies; and Immediate and Continuing Strategies

The Committee strongly recommends that the City look at its work practices with an eye toward how things can be done more efficiently and effectively as well as how new revenues can be generated. The Committee recommends additional focus, resources, and a sense of urgency be brought to the efficiency efforts that have already started. Below are specific suggestions that the Committee recommends be pursued by the City now that will yield savings and generate revenue in the years ahead and potentially minimize employee layoffs.

Cost Savings/Efficiencies

- Increase scope and depth of City organizational efficiency and effectiveness program.
- Consolidate emergency communications under Police.
- Explore consolidations of City departments with other jurisdictions.
- Explore alternatives or transition options for Channel 12 that maintain transparency and continue open government efforts.
- Redeploy staff to higher priority areas and cross-train staff to be used as generalists.
- Continue to further reduce overtime.
- Recognize that public participation processes are expensive and review costs associated with these efforts in addition to new ways to accomplish them (e.g., via the City website and other electronic means)
- Review services to see which can be contracted out and/or contracted in for savings (e.g. golf courses).
- Continue to focus on energy savings, such as turning lights and devices off in city buildings during business hours.
- Examine cost/benefit of contracting with a private jail or other opportunities to reduce ever increasing jail costs.

- Utilize City website more effectively for education and use the latest technology that allow online payments and services, and increase customer convenience.

Revenues

- Pursue annexation of the airport and any other revenue generating ideas associated with the airport.
- Pursue more vigorous annexation policies in general, focused on revenue-generating annexations.
- Pursue City-initiated rezonings/upzonings to encourage development.
- Grow the economy to increase the tax base.
- Focus on business-friendly efforts to encourage businesses to grow and invest in the City.
- Employ competitive bid processes in disposition and lease of City land in order to maximize the City's yield on its property.
- Develop real estate tracking/inventory and disposition plan for City-owned property.

Closing

The Core Tax Committee members represented different views and backgrounds. A majority of the members are either native Tucsonans or long-term residents and most have spent a good portion if not all of their work lives and careers in our City. What all had in common was the sincere desire to see this city improve and thrive.

On behalf of all members of the Committee, we thank the Mayor and Council for inviting us to be involved in the review of these important matters that affect Tucson and the core services that are essential to all members of our community. We commend City staff that serves our residents each day for their perseverance and resilience as they have continued to address community needs under difficult circumstance. We thank all administrative and management staff who provided professional support and assistance to this Committee.

- Attachments:
- 1) Approved Minutes of the Core Tax and Permanent Override Review Committee Meetings (July 22, 29 and August 5, 9, 12, 19, 23, and 26)
 - 2) Summary of individual Committee member votes from meetings held on August 19, 23, 26, and 30
 - 3) City of Tucson budget balancing actions (Fiscal Years 2009-2011)
 - 4) Deferred infrastructure needs supplementary information
 - 5) Optional statements by individual committee members



Core Tax and Permanent Override Review Committee

Date: July 22, 2010 – **Time:** 3:00 p.m.

Location: 300 S. Fire Central, Tucson Arizona 85701, Room 121

Approved at the meeting of July 29.

Members Present (appointed by): Betsy Bolding (Ward 1); Richard Harper (Ward 2); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); John Kromko (Ward 6); Liz Miller, Co-Chair (Mayor); Randall Smith (Ward 4); Richard Studwell (Ward 2); Mike Verbout (Ward 3)

Members Absent (appointed by): W. Mark Clark (Ward 5); Tillie Arvizu (Ward 1); Jaime Gutierrez, Co-Chair (Ward 4); Donald Ijams (Ward 3); Jim Parks (Mayor)

Staff: Silvia Amparano, Deputy Finance Director; Tameron Collins, Human Resources Administrator; Martha Durkin, Chief Deputy City Attorney; Nicole Ewing-Gavin, Assistant to the City Manager; Joyce Garland, Budget Administrator; Kelly Gottschalk, Finance Director; Curry Hale, Human Resources Administrator; Michael Hermanson, Pension and Benefits Administrator; Fred Gray, Parks and Recreation Director; Patrick Kelly, Tucson Fire Chief; Amber Kerwin, Lead Management Analyst; Ron Lewis, General Services Director; Richard Miranda, Deputy City Manager; Marie Nemerguth, Budget and Internal Audit Program Director; Rebecca Waid, Executive Assistant

Meeting Start: 3:10 p.m.

AGENDA:

1. Roll Call

Roll call taken. Co-Chair Jaime Gutierrez and Committee Members Tillie Arvizu, W. Mark Clark, Donald Ijams and Jim Parks absent.
Quorum established.

2. Approve minutes from June 28, 2010

Motion by Committee Member Richard Harper, seconded by Committee Member Richard Studwell, to approve the minutes of June 28, 2010 meeting. Carried by a voice vote of 9 to 0.

3. Update on sales tax ballot measure, November election, and discussion of Committee role and limitations prior to election

Presentation by Marie Nemerguth, Budget and Internal Audit Program Director, regarding Mayor and Council action on the sales tax budget measure (adoption of ordinance #10820: proposition 400) and Mayor and Council revisions to the July 7th Committee recommendation. These revisions included a) the addition of “transportation services” to the Core services to receive dedicated funding from the increase to sales tax should it be approved by voters and, b) the requirement that quarterly reports on sales tax collections be provided by the Finance Director to an oversight committee for review.

Ms. Nemerguth also reviewed the other initiative that Mayor and Council has referred to voters in the November election: a question relating to amending the City Charter to provide for Mayoral parity; designating specified officers of the City as employees outside of civil service; provide for full-time Mayor and Council members with compensation indexed to the Board of Supervisors; and elimination of staggered elections of the Mayor and Council (proposition 401).

Ms. Nemerguth and Chief Deputy City Attorney Martha Durkin reviewed with the Committee the Arizona Revised Statute 9-500.14 regarding the use of city or town resources or employees to influence elections with the Committee. Questions from the committee regarding educating and informing the public versus electioneering were answered and further clarification was given to the Committee regarding their limitations as committee members until the end of their appointment. No action taken.

4. Discussion of Committee's "Plan B" assignment: approach/framework for reviewing and recommending alternative options to address General Fund structural deficit

Presentation given by Marie Nemerguth, Budget and Internal Audit Program Director. The Plan B scope of responsibilities includes reviewing and recommending alternative options to address the General Fund structural deficit if a tax increase is not approved by voters and providing recommendations that should be pursued in addition to the tax increase. Committee was informed that City Departments, in conjunction with executive management, are currently formulating cost savings scenarios that should be ready for presentation and review by the Committee starting on August 5. The Committee was encouraged to focus on revenue and cost saving options that do not affect individual department program and services for the meeting scheduled for July 29.

Ms. Nemerguth provided background information regarding the current projected Fiscal Year 2012 structural deficit and the expenditure reductions, revenue increases, and one-time fixes the City has already implemented. A proposed strategic approach matrix for reviewing and recommending alternative options to reduce the structural deficit was also presented. Co-chair Miller provided the committee members with the opportunity to present any requests from their appointing council member or their thoughts or questions regarding potential expenditure reductions or revenue enhancements. Staff recorded a list of these ideas and questions that required further research/follow-up. No action taken.

5. Discussion of next steps, future meeting dates, and future agendas

The Committee agreed to focus discussion for the next meeting scheduled for July 29th on revenue and cost saving options that do not affect individual department program and services. The Committee directed that the meeting focus on items already listed in Attachment 2 (Summary of General Fund Revenue and Expenditure Reduction Options for resolving the General Fund structural deficit and for long-term financial health) of the Committee's June 30th report to Mayor and Council and those items listed in today's brainstorming session. The Committee further requested that Ron Lewis, General Services Department Director, present further information at the next meeting regarding the Organizational Efficiency and Effectiveness program he is heading. No action taken.

Adjournment

5:29 p.m.



Core Tax and Permanent Override Review Committee

Date: July 29, 2010 – Time: 3:00 p.m.

Location: 300 S. Fire Central, Tucson Arizona 85701, Room 121

Approved at the meeting of August 5, 2010.

Members Present (appointed by): Tillie Arvizu (Ward 1); Betsy Bolding (Ward 1); W. Mark Clark (Ward 5); Jaime Gutierrez, Co-Chair (Ward 4); Richard Harper (Ward 2); Donald Ijams (Ward 3); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); John Kromko (Ward 6); Liz Miller, Co-Chair (Mayor); Randall Smith (Ward 4); Richard Studwell (Ward 2)

Members Absent (appointed by): Jim Parks (Mayor); Mike Verbout (Ward 3)

Staff: Silvia Amparano, Deputy Finance Director; Tameron Collins, Human Resources Administrator; Martha Durkin, Chief Deputy City Attorney; Joyce Garland, Budget Administrator; Lou Ginsberg, Real Estate Program Director; Jim Glock, Transportation Director; Kelly Gottschalk, Finance Director; Fred Gray, Parks and Recreation Director; Curry Hale, Human Resources Administrator; Michael Hermanson, Pension and Benefits Administrator; Patrick Kelly, Tucson Fire Chief; Amber Kerwin, Lead Management Analyst; John Leavitt, Assistant Police Chief; Ron Lewis, General Services Director; Marie Nemerguth, Budget and Internal Audit Program Director; Karen Tenace, Tucson Fire Finance Manager

Meeting Start: 3:03 p.m.

Note: Committee Member Richard Studwell left at 3:33 p.m. and returned at 3:35 p.m. A quorum was maintained.

Committee Member Betsy Bolding left at 3:37 p.m. and returned at 3:41 p.m. A quorum was maintained.

Committee Member Tillie Arvizu left at 3:42 p.m. and returned at 3:46 p.m. A quorum was maintained.

AGENDA:

1. Roll Call

Roll call taken. Committee Members Jim Parks, W. Mark Clark, John Kromko and Mike Verbout absent. Quorum established.

Committee Member W. Mark Clark later arrived at 3:04 p.m.

Committee Member John Kromko later arrived at 3:05 p.m.

2. Approve Minutes from July 22, 2010 Meeting

Motion by Committee Member Gerald Juliani, seconded by Committee Member Richard Harper, to approve the minutes of the July 22, 2010 meeting as presented. Carried by voice vote of 12 to 0.

3. Staff Responses to July 22, 2010 Committee Questions; Submission of additional ideas from appointing officials and/or Committee members' ideas/questions regarding potential expenditure reductions or revenue enhancements

Written responses to questions asked at the July 22 meeting were distributed to the Committee. Committee reviewed answers provided and agreed to submit any follow-up questions and/or revenue or expenditure reduction ideas to the Co-chairs in writing. No action taken.

4. Real Estate Update: City properties/land; potential land sales; charges for services; leases (as lessee and as lessor)

[This item was delayed until after agenda item #4] Finance Director Kelly Gottschalk advised that in the Fiscal Year 2011 adopted budget there is no revenue included from land sales, but rather there is revenue for sale/leaseback of City assets (operating Certificates of Participation issuance). Any land sales that occur this year will reduce the amount of the COP issuance.

Real Estate Program Director Lou Ginsberg gave a presentation to the Committee regarding potential land sales, City leases and Real Estate charges for services. With regard to fees, Mr. Ginsberg responded to a committee member's question that he can and does make exceptions to the amount of money Real Estate charges for their services on a case-by-case basis. Information was distributed to Committee members that outlined City leases with the City as a lessor and lessee. There was discussion related to the City's concerted effort to reallocate operations when/where feasible from out of leased space and into City-owned space. In addition, the Committee asked questions regarding leases to non-profit entities at amounts lower than the prevailing market rate. Mr. Ginsberg provided answers to the Committee and also updated the Committee regarding the four parcels of land that the city is currently having appraised and will consider selling through a Request for Proposal (RFP) process in mid August. Committee members asked further questions regarding this information to which Staff provided answers. No action taken.

5. Regional Transportation Authority (RTA) Update: Ongoing discussions regarding regionalization of SunTran service, including background on current City bus service operations; status of RTA-funded capital projects

[This item preceded agenda item #4] Transportation Director Jim Glock presented information to the Committee regarding SunTran operations and recent discussions centered on regionalization of SunTran service by transferring operations to the RTA. Mr. Glock discussed the structure of SunTran management where the City hires a professional transit management company to run the business. This protects collective bargaining rights and the right to strike of SunTran employees. The structure of the RTA board was also reviewed and discussed. In addition, Mr. Glock presented financial information related to the operating and capital costs of SunTran, the low-income subsidy program, revenue collections, and City General Fund support. The Committee asked questions regarding this information to which Mr. Glock provided answers. No action taken.

6. Intergovernmental Relations Function Update: Proposed contract for services and adjustments to internal operations

Assistant City Manager Sean McBride discussed the current plan for the City to outsource (through an RFP process) the City's intergovernmental relation (IGR) functions when the current Intergovernmental Relations Program Director retires within the next 6 weeks. The Fiscal Year 2011 budget for IGR is just over half a million dollars. One permanent program liaison staff position will remain after the majority of the function is contracted out. The City

currently has federal and state lobbying contracts that cost approximately \$200,000 and \$60,000 respectively. The Committee voiced concerns regarding how these contracts are evaluated for success and how the new contract for intergovernmental relations will be evaluated. Committee members questioned whether the investment in these lobbying contracts was being “paid back” through increased Federal and State dollars coming into the City. The Committee discussed and asked additional questions to which Staff provided answers and also was asked to provide some follow-up information. No action taken.

7. Internal Effectiveness and Efficiencies Update

General Services Director Ron Lewis discussed his current assignment to increase effectiveness and efficiencies throughout the City as directed by the City Manager. Mr. Lewis explained that his focus is to assess the effectiveness of the City in leveraging its limited resources to provide services to the community and where possible setup indicators of inefficiency to allow the City to better align and manage resources. Mr. Lewis emphasized that the process is slow, methodical and long-term and will not produce immediate cost savings that would help the Committee address the current FY12 projected deficit.

Assistant City Manager Sean McBride discussed the City’s Cooperative Approach Teams (CAT) that were setup to achieve initiatives that wouldn’t be possible without the cross-departmental participation facilitated by these teams. The Committee discussed the information presented and asked questions to which Mr. Lewis and Mr. McBride provided answers. No action taken.

8. Review of “Summary of General Fund Revenue and Expenditure Reduction Options for resolving the General Fund structural deficit and for long-term financial health” (attachment 2 of the June 30th report to Mayor and Council) and additional items identified in the July 22, 2010 brainstorming session

The Committee agreed to defer this item to the meeting scheduled for August 5, 2010.

9. Discussion of next steps, future meeting dates and hours and future agendas

The Committee discussed the possibility of adding an additional meeting date on August 9th. The Committee agreed. Staff will determine whether a quorum will be present prior to scheduling. It was also decided that all future meetings will start at 2pm rather than 3pm to provide additional time to consider all the information still to be presented and complete the committee’s assignment in time for presentation to Mayor and Council the first week of September. No action taken.

Adjournment
6:18 p.m.



Core Tax and Permanent Override Review Committee

Date: August 5, 2010 – Time: 2:00 p.m.

Location: 300 S. Fire Central, Tucson Arizona 85701, Room 121

Approved at the meeting of August 12, 2010.

Members Present (appointed by): Tillie Arvizu (Ward 1); W. Mark Clark (Ward 5); Jaime Gutierrez, Co-Chair (Ward 4); Richard Harper (Ward 2); Donald Ijams (Ward 3); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); Liz Miller, Co-Chair (Mayor); Randall Smith (Ward 4); Richard Studwell (Ward 2)

Members Absent (appointed by): Betsy Bolding (Ward 1); John Kromko (Ward 6); Jim Parks (Mayor); Mike Verbout (Ward 3)

Staff: Sharon Allen, Tucson Police Assistant Chief; Cindy Bezaury, Human Resources Director; Jim Critchley, Tucson Fire Department Assistant Chief; Martha Durkin, Chief Deputy City Attorney; Joyce Garland, Budget Administrator; Lou Ginsberg, Real Estate Program Director; Jim Glock, Transportation Director; Kelly Gottschalk, Finance Director; Fred Gray, Parks and Recreation Director; Joan Harphant, City Court Administrator; Patrick Kelly, Tucson Fire Chief; Amber Kerwin, Lead Management Analyst; John Leavitt, Assistant Police Chief; Mike Letcher, City Manager; Ron Lewis, General Services Director; Stephanie Meade, Chief Public Defender; Richard Miranda, Deputy City Manager; Marie Nemerguth, Budget and Internal Audit Program Director; Rick Prater, Tucson Police Finance Manager; Tony Riojas, City Court Presiding Magistrate; Rich Singer, Tucson Convention Center Director; Karen Tenace, Tucson Fire Finance Manager; Roberto Villasenor, Tucson Police Chief

Meeting Start: 2:11 p.m.

Note: Committee Member W. Mark Clark stepped out at 5:04 pm and returned at 5:05 pm. A quorum was maintained.

Committee Member Don Ijams left at 5:45 pm.

AGENDA:

1. Roll Call

Roll call taken. Committee Members Betsy Bolding, Jim Parks, John Kromko and Mike Verbout absent. Quorum established.

It was announced that Jim Parks has left the Committee and will no longer be serving due to personal reasons.

2. Approve Minutes from July 29, 2010 Meeting

Motion by Committee Member W. Mark Clark, seconded by Committee Member Richard Harper, to approve the minutes of the July 22, 2010 meeting as presented. Carried by voice vote of 10 to 0.

3. Submission of additional ideas from appointing officials and/or Committee members' ideas/questions regarding potential expenditure reductions or revenue enhancements

Committee agreed to submit to Co-Chairs to be passed on to Staff any follow-up or additional questions in writing so that answers could be provided at the next upcoming meeting. Co-Chair

Liz Miller proposed that the structure of the meetings going forward would be to limit the amount of time departments present their Plan B proposals, hold questions to the end of each presentation and then take questions in a structured manner going around the table to each Committee Member and limit the number of questions each member could ask. She also proposed that Committee keep notes on opinions and alternate solutions or ideas to be submitted to the Co-Chairs so that they could then be passed on to staff. No Committee Members objected to this structure. No action taken.

4. Review of the Strategic Approach: Plan B Alternative Options to Reduce Structural Deficit and the Committee Process

Marie Nemerguth, Budget and Internal Audit Program Director, gave a presentation reviewing the Committee's tasking to bring forth alternative options to address the projected Fiscal Year 2012 Structural Deficit if a Core Services sales tax is not approved by the voters in November 2010. Ms Nemerguth also reviewed the Strategic Approach to reducing the structural deficit last presented at the July 22nd meeting. This approach recommended evaluating new or increased revenue options, evaluating reductions and/or elimination of "outside agency" and other discretionary contracts, evaluating current vacancies and projected retirements and reviewing departmental reduction scenarios.

5. Overview of Departmental Reduction Scenarios

Sean McBride, Assistant City Manager, presented information related to the projected Fiscal Year 2012 structural deficit and informed the Committee that the Core Services Plan B departmental reduction scenarios would result in approximately \$50 million in expenditure reductions including the elimination of 700 staff positions. He also reviewed the process that Department Directors went through to identify possible cuts in their Departments and formulate their Plan B reduction scenarios. Mr. McBride reiterated that even if the Core Tax passes in the November election the City is still projecting a \$10-\$12 million deficit in the General Fund.

Mr. McBride also informed the Committee that the information outlining Departments' Plan B proposals had been made available to City employees on the City's core tax website and that the City Manager would be holding Employee Town Halls to address questions and concerns related to the material. No action taken.

Committee Members were given a binder of information that outlined the Plan B scenarios of City Departments as well as the potential service impacts. No action taken.

6. Presentation and Discussion of Core Services Departments' Reduction Proposals and Service Impacts

Each Core Services Department gave a presentation to the Committee regarding their Departments' Plan B reduction proposal and the resulting operational and service impacts. The following Department representatives made a presentation:

- Jim Glock, Transportation Director: Proposal includes the elimination of 7.60 positions and reduced level of support to citywide graffiti abatement and reduced discretionary funding for the stormwater program that keeps pollutants out of the City's stormwater drainage system. Following discussion regarding mass transit funding, Mr. Glock requested that the Committee defer discussion of the transfer of SunTran to the Regional Transportation Authority until future Committee meetings due to the current strike and the ongoing negotiations. Committee Member W. Mark Clark moved to defer discussion until future meetings, Committee Member Tiller Arvizu seconded this motion. The motion carried by a voice vote of 8 to 2 with Committee Members Richard Harper and Richard Studwell

opposed. Staff will bring back updated information as early as the August 12 meeting but no later than August 19.

- Chief Roberto Villasenor, Tucson Police Department: Proposal includes the elimination of 274 positions (224 sworn, 50 non-sworn) and a reduction in services including deferring the reporting of larcenies, criminal damage and property damage collisions to the internet; eliminating response to public assists, alarms and civil matters; and other reductions such as attendance at neighborhood association meetings, proactive work with youth, elimination of Community Response Teams and Bicycle Units and response to quality of life issues.
- Chief Patrick Kelly, Tucson Fire Department: Proposal includes the elimination of 151 positions (150 commissioned, 1 civilian) resulting in the elimination of 7 engine/ladder companies, 3 paramedic companies, 3 alpha trucks, reduction of Commissioned support staff (3 Battalion Chiefs and 3 Support Captains) and reduction of Fire Prevention Staff (4 inspectors and 1 Public Education Specialist). Impacts include increased call response times which would increase the potential for loss of life and property; reduction in cost recovery revenue collected for transport; reduced support for OSHA required inspections; delay in issuance of Certificates of Occupancy; and delay of inspection of federal/state licensed facilities.
- Tony Riojas, Tucson City Court Presiding Magistrate: Proposal includes the elimination of 27.5 positions with the impact to remaining staff of having to absorb increasing workload that will result in delays and increased wait times.
- Stephanie Meade, Chief Public Defender: Proposal includes the elimination of 7 positions resulting in the necessity to hire contract attorneys for public defense activities at a greater cost.
- Martha Durkin, Chief Deputy City Attorney: Proposal includes the elimination of 9 positions resulting in lack of prosecution of misdemeanor crimes such as criminal damage, graffiti, and prostitution; increased utilization of outside counsel; no representation at State Liquor Board Hearings; and no departmental representation at Civil Service Hearings.
- Fred Gray, Tucson Parks and Recreation Department: Proposal includes the elimination of 168.30 positions and a corresponding reduction in hours of operation at facilities, programming and special events; elimination of the urban fishing program; reduced support for audio, visual, technical and heavy equipment for KIDCO Program.

After each presentation, the Committee Members were given the opportunity to ask questions and get clarification on information presented.

7. Discussion of next steps, future meeting dates and future agendas

Co-Chair Liz Miller requested that Committee Members review the material presented at today's meeting and send any notes or questions to the Co-Chairs prior to the next meeting. Co-Chair Miller notified the Committee that the next meeting scheduled for Monday, August 9th will include the review of the non-Core Departments Plan B reductions. Committee Member Tillie Arvizu requested that Departments put together PowerPoint presentations or visuals for these presentations since it makes it easier to comprehend all the information provided. Committee discussion. No action taken.

Adjournment 5:55 PM



Core Tax and Permanent Override Review Committee

Date: August 9, 2010 – Time: 2:00 p.m.

Location: 300 S. Fire Central, Tucson Arizona 85701, Room 121

Approved at the meeting of August 12, 2010.

Members Present (appointed by): Tillie Arvizu (Ward 1); Jaime Gutierrez, Co-Chair (Ward 4); Richard Harper (Ward 2); Donald Ijams (Ward 3); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); Liz Miller, Co-Chair (Mayor); Randall Smith (Ward 4); Mike Verbout (Ward 3)

Members Absent (appointed by): Betsy Bolding (Ward 1); W. Mark Clark (Ward 5); John Kromko (Ward 6); Jim Parks (Mayor); Richard Studwell (Ward 2)

Staff: Sharon Allen, Tucson Police Assistant Chief; Cindy Bezaury, Human Resources Director; Ernie Duarte, Planning and Development Services Director; Martha Durkin, Chief Deputy City Attorney; Albert Elias, Housing and Community Development Director; Nicole Ewing-Gavin, Assistant to the City Manager; Joyce Garland, Budget Administrator; Kelly Gottschalk, Finance Director; Fred Gray, Parks and Recreation Director; Craig Gross, Planning and Development Services Deputy Director; Joe Gulotta, Tucson Fire Department Assistant Chief; Joan Harphant, City Court Administrator; Patrick Kelly, Tucson Fire Chief; Amber Kerwin, Lead Management Analyst; John Leavitt, Assistant Police Chief; Ron Lewis, General Services Director; Stephanie Meade, Chief Public Defender; Richard Miranda, Deputy City Manager; Mark Neihart, Procurement Director; Marie Nemerguth, Budget and Internal Audit Program Director; Liana Perez, Equal Opportunity and Independent Police Review Program Director; Roger Randolph, City Clerk; John Sefton, Parks and Recreation Deputy Director; Rich Singer, Tucson Convention Center Director; Ann Strine, Information Technology Director; Karen Tenace, Tucson Fire Finance Manager; Roberto Villasenor, Tucson Police Chief

Meeting Start: 2:05 p.m.

Note: Committee Member Tillie Arvizu stepped out at 5:38 pm and returned at 5:39 pm. A quorum was maintained.

Committee Member Richard Harper stepped out at 5:39 pm and returned at 5:41 pm. A quorum was maintained.

Co-Chair Jaime Gutierrez stepped out at 6:05 and returned at 6:07 pm. A quorum was maintained.

Co-Chair Liz Miller stepped out at 6:10 and returned at 6:13 pm. A quorum was maintained.

AGENDA:

1. Roll Call

Roll call taken. Committee Members Betsy Bolding, Jim Parks, John Kromko, Richard Studwell and W. Mark Clark absent

2. Submission of additional ideas from appointing officials and/or Committee members' ideas/questions regarding potential expenditure reductions or revenue enhancements

Staff distributed responses to Committee questions submitted since last meeting. Committee agreed to submit to Co-Chairs to be passed on to Staff, any follow-up or additional questions in writing so that answers could be provided at the next upcoming meeting. Committee member Harper clarified that the submission of questions/ideas that he had provided to the co-chairs on

7/29 and which were responded to by staff in the August 12 materials were from the Ward 2 council member.

3. Presentation and Discussion of Non-Core Services Departments' Reduction Proposals and Service Impacts

Marie Nemerguth, Budget and Internal Audit Program Director, gave an introductory presentation to the Committee regarding non-core departments and "direct community service" departments (Housing and Community Development Department, Planning and Development Services Department, and Tucson Convention Center).

Each non-Core Services Department gave a presentation regarding their Departments' Plan B reduction proposal and the resulting operational and service impacts. The following Department representatives made a presentation:

- Marie Nemerguth, Budget and Internal Audit Program Director: Proposal includes the elimination of 1 budget position and the assignment of 2 internal audit positions to sales tax audit functions in the Finance Department with the impact of increased workloads for remaining Budget and Audit staff and service delivery, accuracy, and timeliness of support to other departments. The assignment of the 2 positions to sales tax audits is anticipated to increase sale tax revenue for the City.
- Roger Randolph, City Clerk: Proposal included the elimination of 5.5 positions resulting in increased workload in existing Clerk's Office Staff, Mayor and Council appointed Commissions having to seek outside support for their special events and projects, slower response to voter questions, longer wait times at polling places and delay in election results.
- Sean McBride, Assistant City Manager: Proposal includes the elimination of 2 positions in the City Managers Office resulting in remaining staff having to absorb additional duties.
- Mark Neihart, Procurement Director: Proposal includes the elimination of 9 employees and impact to critical service delivery of Procurement services in accordance with City Charter requirements, delay in delivery of public improvements, delay in provision of essential goods and services required by line departments and risk to meeting expenditure requirements of grant funding.
- Liana Perez, Equal Opportunity and Independent Police Review Director: Proposal includes the elimination of 1 position resulting in increased workload on remaining staff.
- Kelly Gottschalk, Finance Director: Proposal includes the elimination of 1 position and the addition of 5 positions. The added positions will better facilitate business compliance with the tax code and increased sales tax revenue collections. The revenue generated by each position will more than cover the cost of the position. The elimination of 1 position will result in reduction of support for the Rio Nuevo Board and increase workload for existing staff. In addition, there will be a reduction in temporary staff to scan sales tax returns thus delaying availability of information related to the City's largest and most critical revenue source.
- Ron Lewis, General Services Department Director: Proposal includes the elimination of 18 positions in the emergency Communications Center resulting in congested public safety radio frequencies, less dispatcher interaction with field units and hospitals to receive life

support/pre arrival instructions, less efficient use/deployment of aero medical helicopter assistance, and elimination of backup capabilities in the event of a full alarm response. Elimination of monitoring of public works radio channels and after hours call number and response/callout coordination. Also elimination of funding available for city-wide infrastructure maintenance and repair for building components and reduction in contingency funding for emergency repair of radio/I-Net.

- Cindy Bezaury, Human Resources Director: Proposal includes the elimination of 4 employees resulting in an impact to internal training needs, certification programs, recruitment and administrative support for client departments, workers' compensation processes and potential delay in time sensitive deadlines required by federal and state statutes.
- Ann Strine, Information Technology Director: Proposal includes elimination of 19.5 positions and a reduction in ability for department to handle implementation and/or support for new projects, slower response times, elimination of training for staff, increased turnover, merging Channel 12 with Arizona Public Media, elimination of the Public Information Officer function, elimination of graphics support for City projects, and reduction of hardware maintenance contracts.

After each presentation each Committee Member was given the opportunity to ask questions, and get clarification on information presented.

Due to time limitations, the Committee agreed to defer the Planning and Development Services Department, Housing and Community Development Department and Tucson Convention Center presentations until the next meeting scheduled for Thursday, August 12th.

4. Follow-up Discussion of Core Services Departments' Reduction Proposals and Service Impacts

The Committee agreed to defer this item until the next meeting scheduled for August 12th when the remaining non-Core departments have finished presenting their Departments' reduction proposals and service impacts. No action taken.

5. Discussion of Plan B Alternative Options to Reduce Structural Deficit

The Committee agreed to defer this item to the next meeting on Thursday, August 12th. No action taken.

6. Discussion of next steps, future meeting dates and future agendas

No action taken.

Adjournment

6:30 PM



Core Tax and Permanent Override Review Committee

Date: August 12, 2010 – **Time:** 2:00 p.m.

Location: 300 S. Fire Central, Tucson Arizona 85701, Room 121

Approved at the meeting of August 19, 2010.

Members Present (appointed by): Tillie Arvizu (Ward 1); Jaime Gutierrez, Co-Chair (Ward 4); Richard Harper (Ward 2); Donald Ijams (Ward 3); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); Randall Smith (Ward 4); Mike Verbout (Ward 3)

Members Absent (appointed by): Betsy Bolding (Ward 1); W. Mark Clark (Ward 5); John Kromko (Ward 6); Liz Miller, Co-Chair (Mayor); Jim Parks (Mayor); Richard Studwell (Ward 2)

Staff: Cindy Bezaury, Human Resources Director; Ernie Duarte, Planning and Development Services Director; Martha Durkin, Chief Deputy City Attorney; Albert Elias, Housing and Community Development Director; Nicole Ewing-Gavin, Assistant to the City Manager; Joyce Garland, Budget Administrator; Kelly Gottschalk, Finance Director; Fred Gray, Parks and Recreation Director; Craig Gross, Planning and Development Deputy Director; Joan Harphant, City Court Administrator; Patrick Kelly, Tucson Fire Chief; Amber Kerwin, Lead Management Analyst; John Leavitt, Assistant Police Chief; Mike Letcher, City Manager; Ron Lewis, General Services Director; Marie Nemerguth, Budget and Internal Audit Program Director; Tony Riojas, City Court Presiding Magistrate; John Sefton, Parks and Recreation Deputy Director; Rich Singer, Tucson Convention Center Director; Ann Strine, Information Technology Director; Roberto Villasenor, Tucson Police Chief

Meeting Start: 2:14 p.m.

AGENDA:

1. Roll Call

Roll call taken. Co-Chair Elizabeth Miller absent. Committee Members Betsy Bolding, Jim Parks, John Kromko, Richard Studwell and W. Mark Clark absent

2. Approve minutes from August 5 and 9, 2010 meetings

Motion by Committee Member Richard Harper, seconded by Committee Member Donald Ijams, to approve the minutes of the August 5th and 9th meetings. Carried by a voice vote of 8 to 0.

3. Submission of additional ideas from appointing officials and/or Committee members' ideas/questions regarding potential expenditure reductions or revenue enhancements

Staff distributed responses to Committee questions submitted since last meeting. Committee Member Randall Smith submitted a question addressing the Committee's ground rules and requesting clarification regarding the Committee's tasks and parameters going forward. Committee agreed to submit to Co-Chairs to be passed on to Staff, any follow-up or additional questions in writing so that answers could be provided at the next upcoming meeting.

Co-Chair Jaime Gutierrez briefly discussed the Core Tax Town Hall meeting that was hosted by Wards I, III and V on Wednesday, August 11, 2010 and attended by nearly 60 people

including Co-Chair Jaime Gutierrez and Committee Members Donald Ijams and Mike Verbout. Committee discussed. No action taken.

4. Presentation and Discussion of Non-Core Service Departments' Reduction Proposals and Service Impacts (continued from August 9, 2010 meeting)

The remaining non-core Service Departments gave a presentation to the Committee regarding their Departments' Plan B reduction proposal and the resulting operational and service impacts. The following Department representatives made a presentation:

- Albert Elias, Director of Housing and Community Development: Proposal includes the elimination of 5 positions and the elimination of the Department's ability to respond to complaints for orphan waste, court-mandated property clean-ups and graffiti removal in washes. Reductions will also impact City annexation efforts due to a lack of resources to obtain maps and surveys, City support for printing and mailing of neighborhood association newsletters and emergency repair services to historic structures and inability to hire professionals to prepare National Register nominations for historic areas.
- Ernie Duarte, Director of Planning and Development Services: Proposal includes the elimination of 15 positions and the elimination of the Department's sign code administration program resulting in elimination of permitting and inspections for signage. Reductions would also impact building/construction permitting resulting in potential delays, delays in field inspections, residential project review and permitting; increase in response times for Building and Public Safety review requests; decrease in Engineering and Flood Plain Administration services including the possibility of a reduced Community Service Rating by the National Flood Insurance Program resulting in potential of increased insurance premiums for the overall community.

[The Tucson Convention Center presentation was deferred until after agenda item #6]

- Rich Singer, Director of the Tucson Convention Center: Proposal includes the elimination of 11 positions to be made possible by the proposal to contract out the responsibility for event set-ups and custodial functions.

After each presentation each Committee Member was given the opportunity to ask questions, and get clarification on information presented. No action taken.

5. Transit Update

[This item was deferred until after agenda item #6] George Caria, Deputy Director of Transportation, gave an update to the Committee regarding the latest developments surrounding the City's negotiations with the Regional Transportation Authority (RTA) and reimbursement to the City for transit services. Currently, the RTA is looking at cutting \$3.7 million in annual reimbursement to the City for Transit. Mr. Caria told the Committee that such a reduction would translate to service cuts. RTA is disputing having to reimburse the City for a percentage of overhead and administrative costs and is arguing that they should only be reimbursing for the amount per ride for the additional service on weekends and late at night. The Committee asked Mr. Caria additional questions and discussed the information provided. No action taken.

6. Comments regarding Development of Plan B Alternative Options

[This agenda item preceded agenda item #5] City Manager Mike Letcher gave a presentation to the Committee regarding his recommendations for the process/options considered by the Committee in developing their Plan B recommendation to Mayor and Council. Mr. Letcher reviewed the Strategic Approach to reducing the structural deficit last presented at the August 5th meeting. This approach recommends first evaluating new or increased revenue options and then evaluating reductions and/or elimination of “outside agency” and other discretionary contracts followed by an evaluation of current vacancies and projected retirements and finally a review of departmental reduction scenarios. The Committee asked questions and discussed this information. No action taken.

7. Committee Discussion of Plan B Alternative Options to Reduce Structural Deficit and Service Impacts

The Committee agreed to defer this item to the next scheduled meeting on Thursday, August 19, 2010 when more Committee Members will be present to participate in discussion. No additional action taken.

8. Discussion of next steps, future meetings and future agendas

Committee Member Randall Smith requested that the Committee address his question related to ground rules and taskings going forward prior to jumping into the Plan B suggestion/idea process. Co-Chair Jaime Gutierrez requested that Committee Members submit suggestions related to Committee Member Randall Smith’s request for a clearly defined structure/process before the next scheduled meeting.

The Committee discussed the possibility of having an additional meeting date. Co-Chair Jaime Gutierrez requested that Staff send out tentative meeting dates to the Committee again to determine what would be the best date to schedule an additional meeting when a quorum would be present.

Adjournment
5:54 PM



Core Tax and Permanent Override Review Committee

Date: August 19, 2010 – **Time:** 2:00 p.m.

Location: 300 S. Fire Central, Tucson Arizona 85701, Room 121

Approved at the meeting of August 26, 2010

Members Present (appointed by): Tillie Arvizu (Ward 1); Betsy Bolding (Ward 1); W. Mark Clark (Ward 5); Jaime Gutierrez, Co-Chair (Ward 4); Richard Harper (Ward 2); Donald Ijams (Ward 3); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); John Kromko (Ward 6); Liz Miller, Co-Chair (Mayor); Randall Smith (Ward 4); Mike Verbout (Ward 3)

Members Absent (appointed by): Jim Parks (Mayor); Richard Studwell (Ward 2)

Staff: Cindy Bezaury, Human Resources Director; Ernie Duarte, Planning and Development Services Director; Martha Durkin, Chief Deputy City Attorney; Albert Elias, Housing and Community Development Director; Nicole Ewing-Gavin, Assistant to the City Manager; Joyce Garland, Budget Administrator; Lou Ginsberg, Real Estate Program Director; Jim Glock, Transportation Director; Kelly Gottschalk, Finance Director; Fred Gray, Parks and Recreation Director; Patrick Kelly, Tucson Fire Chief; Amber Kerwin, Lead Management Analyst; John Leavitt, Assistant Police Chief; Ron Lewis, General Services Director; Sean McBride, Assistant City Manager; Rick Prater, Tucson Police Department Management Coordinator; Tony Riojas, City Court Presiding Magistrate; Rich Singer, Tucson Convention Center Director; Ann Strine, Information Technology Director; Karen Tenace, Tucson Fire Department Finance Manager; Roberto Villasenor, Tucson Police Chief

Meeting Start: 2:06 p.m.

Notes: Committee Member John Kromko stepped out at 2:29 p.m. and later returned at 3:20 p.m. A quorum was maintained.

Committee Member Betsy Bolding stepped out at 4:45 p.m. and later returned at 4:47 p.m. A quorum was maintained.

Committee Member John Kromko stepped out at 5:27 p.m. and later returned at 5:28 p.m. A quorum was maintained.

AGENDA:

1. Roll Call

Roll call taken. Committee Members Betsy Bolding, Jim Parks, John Kromko, and Richard Studwell absent. Quorum established.

Committee Member Betsy Bolding later arrived at 2:08 p.m.

Committee Member John Kromko later arrived at 2:14 p.m.

2. Approve minutes from August 12, 2010 meeting

Motion by Committee Member Richard Harper, seconded by Committee Member Donald Ijams, to approve the minutes of the August 12th meeting. Carried by a voice vote of 10 to 0.

3. Submission of additional ideas from appointing officials and/or Committee members' ideas/questions regarding potential expenditure reductions or revenue enhancements

Staff distributed information answering questions submitted from Committee Members since the August 12th meeting. There were no questions from the Committee regarding this material.

4. Committee Discussion of Plan B Alternative Options to Reduce Structural Deficit and Service Impacts and Development of Recommendations for Submission to Mayor and Council

The Co-Chairs gave each Committee Member the opportunity to explain in concept their thoughts regarding what they would individually recommend as part of Plan B. Each Committee Member gave a brief explanation of their current thoughts/stance on their individual recommendation.

Nicole Ewing-Gavin, Assistant to the City Manager, then presented to the Committee a spreadsheet that listed ideas that had been previously submitted by Committee Members, included in Attachment 2 of the June Report to Mayor and Council and the 15% reductions presented by Department Directors. This list was categorized by General Fund revenue ideas; Core programs and service reductions; Non-Core programs/service reductions; across the board, temporary and one-time reductions; and longer term revenue and cost saving/efficiency strategies. Where an estimate was available, each of these ideas/options included a corresponding dollar savings or revenue generated amount. The Committee was asked to rank each of these ideas/options using a rating as follows: 0 - Do not pursue; 1 - Pursue only if core tax does not pass to address the \$51M plus projected deficit; 2 - Pursue only if the core tax passes to address the \$11 million plus projected deficit; 3 – Start now/do anyway.

The Co-Chairs proposed that for each item listed that each Committee Member be asked how they would rank that particular item to determine the majority ranking. This is the process that was used. Committee Member votes on each item were recorded by Staff. Due to time constraints, the Committee deferred discussion of across the board, temporary and one time reduction ideas to the next meeting. The Committee also asked Staff for additional information related to Outside Agencies so that it could be discussed in more detail at the next meeting.

5. Discussion of next steps, future meetings and future agendas

The Committee discussed the need to add an additional meeting so that they would have enough time to formulate their recommendation to Mayor and Council. By a show of hands, it was decided that a quorum would be present for an additional meeting on Monday, August 23rd at 1:00 p.m. The Committee decided that this next meeting would be used to continue work on developing recommendations and review those ideas/options that they deferred due to the need to get additional information from Staff.

Adjournment
5:57 PM



Core Tax and Permanent Override Review Committee

Date: August 23, 2010 – **Time:** 1:00 p.m.

Location: Information Technology Building, 481 W. Paseo Redondo, Pueblo Conference Room

Approved at the meeting of August 26, 2010

Members Present (appointed by): Tillie Arvizu (Ward 1); Betsy Bolding (Ward 1); W. Mark Clark (Ward 5); Jaime Gutierrez, Co-Chair (Ward 4); Richard Harper (Ward 2); Donald Ijams (Ward 3); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); John Kromko (Ward 6); Liz Miller, Co-Chair (Mayor); Randall Smith (Ward 4); Richard Studwell (Ward 2); Mike Verbout (Ward 3)

Members Absent (appointed by): Jim Parks (Mayor)

Staff: Sharon Allen; Deputy Police Chief; Silvia Amparano, Deputy Finance Director; Cindy Bezaury, Human Resources Director; Ernie Duarte, Planning and Development Services Director; Albert Elias, Housing and Community Development Director; Nicole Ewing-Gavin, Assistant to the City Manager; Joyce Garland, Budget Administrator; Marcheta Gillespie, Procurement Deputy Director; Jim Glock, Transportation Director; Kelly Gottschalk, Finance Director; Fred Gray, Parks and Recreation Director; Joan Harphant, City Court Administrator; Patrick Kelly, Tucson Fire Chief; Amber Kerwin, Lead Management Analyst; John Leavitt, Assistant Police Chief; Ron Lewis, General Services Director; Marie Nemerguth, Budget and Internal Audit Program Director; Rick Prater, Tucson Police Department Management Coordinator; Tony Riojas, City Court Presiding Magistrate; Terry Rozema, Assistant Police Chief; Ann Strine, Information Technology Director; Karen Tenace, Tucson Fire Department Finance Manager; Roberto Villasenor, Tucson Police Chief

Meeting Start: 1:12 p.m.

Notes: Committee Member W. Mark Clark left at 2:10 p.m. A quorum was maintained.

Committee Member Richard Studwell left at 3:00 p.m. A quorum was maintained.

Committee Member John Kromko stepped out at 3:00 p.m. and later returned at 3:15 p.m. A quorum was maintained.

Committee Member John Kromko stepped out at 4:15 p.m and later returned at 4:18 p.m. A quorum was maintained.

AGENDA:

1. Roll Call

Roll call taken. Committee Members Tillie Arvizu, Gerald Juliani and Jim Parks absent. Quorum established.

Committee Member Gerald Juliani later arrived at 1:34 p.m.

Committee Member Tillie Arvizu later arrived at 1:55 p.m.

It was announced that Committee Member W. Mark Clark would have to leave the meeting at 2:00 p.m.

2. Committee Discussion of Plan B Alternative Options to Reduce Structural Deficit and Service Impacts and Development of Recommendations for Submission to Mayor and Council (Continued from August 19, 2010 meeting)

Staff presented to the Committee a new spreadsheet format listing the ideas/options that were prioritized at the last meeting as well as those items that had yet to be voted on. This format outlined each option and an estimate, where available, of the potential revenue generated or money saved. The listed ideas/options were split between two lists based on voting at the prior

meeting – one list for those items that would be pursued if the core tax does not pass (i.e., previously ranked as a 2 or yes vote) and another list for those items to be pursued if the core tax does pass (i.e., previously ranked as a 1 or yes vote). There was also a column for the Committee to designate the percentage of the idea/option that they would want to recommend – from either 0% (do not implement at all) or up to 100% (recommend the entire cut/revenue for implementation).

Committee Members requested that some additional ideas/options be added to the list based on prior information that they had submitted to Staff or brought up during prior Committee meetings. Using this updated format the Committee continued their discussion from the prior meeting with a focus on Outside Agencies and proposed pay, benefit, and other temporary reductions. The Co-Chairs proposed that for each item listed that each Committee Member be asked how they would rank that particular item to determine the majority ranking. This is the process that was used.

Prior to voting on Outside Agencies, Marie Nemerguth, Budget and Internal Audit Program Director, gave an overview of the current agencies funded. Ms. Nemerguth also pointed out that some items funded through Outside Agencies, like the City's payment to the County for animal control and funding passed on to the Metropolitan Tucson Convention and Visitors Bureau, are not really discretionary. For this reason, the Committee voted to take these two items as well as the YMCA contracts off the list of potential cuts. The Committee directed that even though they were not to be included that staff review ways to lower costs to or contributions by the City in the future. The Committee also recommended that the funding the City pays for the maintenance of the Tucson Children's Museum and maintenance and utilities at the Temple of Music and Art also be added to the reduction list. The Committee then voted to recommend that the remaining outside agencies funding be cut by 15%.

Committee discussion then moved to evaluating proposed pay, benefit and other temporary reductions. Cindy Bezaury, Human Resources Director, was available to give information on those ideas/options that might have potential legal implications. Based on this information, each Committee Member voted on each item. These votes were recorded by Staff with the majority vote determining whether or not the item would be included for recommendation.

Based on the Committee majority vote for each line item option/idea, the total revenue increases/expenditure reductions that were voted for recommendation totaled \$69,022,640 if the Core Tax does not pass and \$21,048,670 if the Core Tax does pass. The Committee is working on identifying \$51 million if the Core Tax does not pass and \$11 million if the Core Tax does pass. Staff recommended that Committee members review and fine-tune their individual recommendations prior to the next meeting as it is likely that they might want to reevaluate some recommendations as a group since they have exceeded the target in both scenarios. Committee members were also advised by the co-chairs to come up with ideas of prioritizing items within each list.

3. Discussion of next steps, future meetings and future agendas

The Committee discussed the need to add an additional meeting so that they would have enough time to formulate their recommendation and report to Mayor and Council. It was requested that Committee Members come to the next scheduled meeting on Thursday, August 26th ready to discuss their availability for either an additional meeting on August 30th or 31st.

Adjournment
4:25 PM



Core Tax and Permanent Override Review Committee

Date: August 26, 2010 – **Time:** 2:00 p.m.

Location: 300 S Fire Central, Tucson Arizona, 85701, Room 266

Approved at the meeting of August 30, 2010

Members Present (appointed by): Tillie Arvizu (Ward 1); Betsy Bolding (Ward 1); W. Mark Clark (Ward 5); Jaime Gutierrez, Co-Chair (Ward 4); Richard Harper (Ward 2); Donald Ijams (Ward 3); Gerald Juliani (Ward 6); Ana Kelley (Ward 5); John Kromko (Ward 6); Liz Miller, Co-Chair (Mayor); Richard Studwell (Ward 2); Mike Verbout (Ward 3)

Members Absent (appointed by): Jim Parks (Mayor); Randall Smith (Ward 4)

Staff: Sharon Allen; Deputy Police Chief; Silvia Amparano, Deputy Finance Director; Cindy Bezaury, Human Resources Director; Ernie Duarte, Planning and Development Services Director; Albert Elias, Housing and Community Development Director; Nicole Ewing-Gavin, Assistant to the City Manager; Lou Ginsberg, Real Estate Program Director; Jim Glock, Transportation Director; Kelly Gottschalk, Finance Director; Fred Gray, Parks and Recreation Director; Joan Harphant, City Court Administrator; Amber Kerwin, Lead Management Analyst; John Leavitt, Assistant Police Chief; Mike Letcher, City Manager; Ron Lewis, General Services Director; Mark Neihart, Procurement Director; Marie Nemerguth, Budget and Internal Audit Program Director; Liana Perez, Equal Opportunity and Independent Police Review Program Director; Rick Prater, Tucson Police Department Management Coordinator; Tony Riojas, City Court Presiding Magistrate; Rich Singer, Tucson Convention Center Director; Ann Strine, Information Technology Director; Karen Tenace, Tucson Fire Department Finance Manager

Meeting Start: 2:12 p.m.

Notes: Committee Member Donald Ijams left at 5:45 p.m. A quorum was maintained.

Committee Member John Kromko stepped out at 3:10 p.m. and later returned at 3:11 p.m. A quorum was maintained.

AGENDA:

1. Roll Call

Roll call taken. Co-Chair Jaime Gutierrez absent. Committee Members John Kromko, Jim Parks, and Randall Smith absent. Quorum established.

Committee Member John Kromko later arrived at 2:18 p.m.

Co-Chair Jaime Gutierrez later arrived at 2:39 p.m.

2. Approve Minutes from August 19th and 23rd meetings

Motion by Committee Member Richard Harper, seconded by Committee Member Betsy Bolding, to approve the minutes of the August 19th meeting minutes as presented. Carried by a voice vote of 10 to 0.

Motion by Committee Member Tillie Arvizu, seconded by Committee Member Gerald Juliani, to approve the minutes of the August 23rd meeting minutes as presented. Carried by a voice vote of 10 to 0.

3. Committee Discussion of Plan B Alternative Options to Reduce Structural Deficit and Service Impacts and Development of Recommendations for Submission to Mayor and Council (Continued from August 23, 2010 meeting)

Co-Chair Liz Miller announced that comment cards had been received from 9 individuals all regarding opposition to the potential inclusion of a residential rental tax in the Committee's final report of recommendations to Mayor and Council. Co-Chair Miller said that copies of these comments would be sent out to each of the Committee Members. Co-Chair Liz Miller called on Barbara Dolan, Arizona Multi-Housing Association government-affairs liaison, to speak to the Committee regarding the opposition to a residential rental tax. Ms. Dolan addressed the Committee and discussed the impact such a tax would have on renters who might be forced to have to choose between paying rent and putting food on the table.

Nicole Ewing-Gavin, Assistant to the City Manager, presented to the Committee a list compiled by staff of longer term strategies that had been recommended by Committee Members over the past several meetings that could be implemented to realize increased efficiencies, expenditure reductions or revenue increases in the future. The items were included on this list because implementation of the recommended actions is not anticipated to generate immediate revenues or savings to help address the near-term projected deficit. The Committee went through this list and voted whether to include each idea/option in the final recommendation to Mayor and Council. Committee Member Richard Studwell moved that these recommendations should be termed "Immediate and Continued Strategies" rather than "Longer Term Strategies". Committee Member Betsy Bolding seconded this motion. Carried by a voice vote of 12 to 0.

Prior to going to a brief break, Co-Chair Liz Miller announced that 5 individuals would like to address the Committee regarding the proposal of a residential rental tax. Upon returning from break these individuals were not present to address the Committee; however, Barbara Dolan did distribute to the Co-Chairs a legal opinion that addressed the possible impact of a residential rental tax on the City's receipt of CDBG funding. Co-Chair Liz Miller told the Committee that copies of this information would be distributed to each Committee Member following the meeting.

Ms. Ewing-Gavin, presented to the Committee the most recent listing of ideas/options to address the \$11 million deficit that is projected even if the core tax is approved by voters, prioritized based on voting done by the Committee over the last two meetings. The Committee was asked to go over each item individually and to bring forward any additions, deletions or changes at this time.

The Committee began by discussing whether or not it should recommend that Mayor and Council take a 15% cut, similar to what has been asked of other departments and entities as part of the Plan B recommendations. The Committee determined this Mayor and Council cut should be included in the list of recommendations. The committee also included the elimination of Channel 12 and Access Tucson and the approximate 15% reductions which had been previously submitted for all non-core services. Based on these recommendations and votes from the prior meeting regarding items to be implemented immediately, the Committee identified \$12,842,231 in revenues and cuts to address the \$11 million deficit. The group decided to leave this amount whole, rather than paring back to exactly \$11 million, given the changing nature of costs and revenue projections.

The Committee then moved to re-evaluating the prioritization of cuts and revenues to address the \$51 million deficit if the core tax is not approved by voters; this is what has been referred to as “Plan B.” The Committee recommended a sales tax on advertising. The Committee deadlocked on a 6-6 vote, resulting in a residential rental tax not being included on the list of recommendations to address the project \$51 million deficit. In addition, the Committee recommended an additional 10% cut to outside agencies to bring the total proposed cut to 25%; elimination of all Public Information Officers except one centralized in the City Manager’s Office; and 15% reductions to all core services with the exception of Police, Fire and Transit. Police and Fire were recommended to be reduced by 13% and the initial proposal to reduce transit by \$5,287,500 was taken off the list of recommendations. Based on these recommendations, including those items recommended under the \$11 million scenario, the Committee identified \$51,025,552 in cuts to address the projected deficit if the core tax is not approved by voters.

4. Discussion of next steps, future meetings and future agendas

Co-Chair Liz Miller requested that if Committee Members have points they would like considered for inclusion in the report to come from the entire Committee, these should be sent as soon as possible to the Co-Chairs. In addition minority opinions and personal statements from individual committee members will also be appended to the final report. All were encouraged to prepare such statements if they so desired.

The Committee discussed the need to add an additional meeting so that they would have enough time to review the draft recommendation report to Mayor and Council. Staff recommended the Committee consider scheduling this additional meeting on Monday, August 30th. The Committee decided that the next meeting would be held at 3:00 p.m. on Monday, August 30th.

Adjournment
5:52 PM

Attachment 2

CORE TAX COMMITTEE VOTES 8/19/10 MEETING													
0 = Do Not Pursue, 1 = Do if Core Tax Does Not Pass, 2 = Do if Core Tax Passes, 3 = Do anyway													
REVENUE	General Consensus	Arvizu	Ijams	Bolding	Harper	Kromko	Clark	Miller	Gutierrez	Verbout	Smith	Juliani	Kelley
Residential rental property tax	3	3	3	3	0		1	3	3	3	3	3	3
Sales tax on advertising	1	1	1	3	0		1	1	3	2	1	3	3
Tanning bed tax	0	0	0	0	0		0	0	0	0	0	0	0
Sun Tran fares - Increase incrementally (over 3 years)	1	1	0	1	0		1	1	1	1	2	0	1
Increase cost recovery fees for City services	3												
Sale of City-owned property	3	3	3	3	3		3	3	3	3	3	0	3
Increase sales tax revenue collected (increase Finance audit staff)	3	3	3	3	3		3	3	3	3	3	3	3
Repeal land deduction	3	3	3	3	0		3	3	2	3	0	3	3

EXPENDITURE REDUCTIONS - CORE	General Consensus	Arvizu	Ijams	Bolding	Harper	Kromko	Clark	Miller	Gutierrez	Verbout	Smith	Juliani	Kelley
15% reduction Police	2	2	2	2	0		2	2	2	2	0	0	2
Eliminate Police helicopter	0	0	0	0	0	5	0	0	0	0	0	0	0
15% reduction Fire	2	2	2	2	0	2	2	2	2	2	0	0	2
15% reduction Court Services	2	1	2	2	2		2	2	2	2	2	2	2
15% reduction Gen Services core functions	2	2	2	2	0		2	0	2	2	2	2	2
15% reduction Parks & Recreation	2	1	2	2	2		2	2	2	2	2	2	2
Shorten hours at Neighborhood & Recreation Centers	2	2	0	0	0		0	2	0	0	2	2	0
15% reduction Transportation & Transit	2	2	2	2	2		2	2	2	2	2	0	2
Reduction in street lights turned on at night	0	0	0	0	0		0	0	0	0	0	0	0

EXPENDITURE REDUCTIONS - NON-CORE	General Consensus	Arvizu	Ijams	Bolding	Harper	Kromko	Clark	Miller	Gutierrez	Verbout	Smith	Juliani	Kelley
15% reduction Tucson Convention Center	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y
Use MTCVB funding for TCC/Cut MTCVB 45% of Total	N												
15% reduction Planning & and Development Services	Y	N	Y	N	Y		Y	Y	Y	Y	Y	Y	Y
15% reduction Housing & Community Development	Y	N	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y
15% reduction General Services	Y	Y	Y	N	N		Y	Y	Y	Y	Y	N	N
15% reduction Budget	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y
15% reduction Finance	Y	N	Y	Y	Y		Y	Y	Y	Y	Y	N	Y
15% reduction Human Resources	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y
15% Information Technology	Y	N	Y	N	Y		Y	Y	Y	Y	Y	N	Y
Eliminate Channel 12 or reduce and transition to AZ Public Services	Y	3	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N
15% reduction Procurement	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y
15% reduction in City Clerk	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y
15% reduction in City Manager	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y

CORE TAX COMMITTEE VOTES 8/23/10 MEETING

0 = Do Not Pursue, 1 = Do if Core Tax Does Not Pass, 2 = Do if Core Tax Passes, 3 = Do anyway

	General Consensus	Arivizu	Ijams	Bolding	Harper	Kromko	Miller	Gutierrez	Verbout	Smith	Juliani	Kelley
Suspend Tuition Reimbursement	0	0	2	0	0	-	0	2	0	2	0	0
1% Pay Cut	0	1	0	1	0	-	0	0	0	0	0	1
Tiered Employee Cuts	0	0	2	0	0	2	0	0	0	0	3	0
Don't Refill Administrative Vacancies	3	3	2	3	3	3	3	3	3	3	3	3
Freeze Reclassifications	0	0	0	0	3	2	1	0	0	0	0	0
Reduce or Eliminate Take Home Vehicles	0	R	0	0	0	R	0	0	R	0	R	R
Moratorium on Hiring/Promotions	0	0	0	0	0	2	0	0	0	0	0	0
Freeze Executive Vehicle Allowance	Do Not Pursue											
Downtown Allowance	0	0	0	0	0	2	0	0	0	0	0	0
FLSA	3	3	2	3	0	2	3	2	2	1	3	3
Reduction Overtime	0	0	0	0	0	2	0	0	0	0	0	0
Eliminate Uniform Allowance	0	0	0	0	0	0	0	0	0	0	0	0
Reduce Shift Differential	0	1	2	0	0	0	1	0	0	0	0	0
Reduce Cell Phone	3	3	3	3	3	2	3	3	3	3	3	3
Eliminate PIOs	1	1	0	1	1	3	1	3	2	1	0	1

CORE TAX COMMITTEE VOTES 08/26/10

0 = Do Not Pursue 1= Pursue	General Consensus	Ijams	Arvizu	Bolding	Harper	Kromko	Clark	Miller	Gutierrez	Verbout	Studwell	Juliani	Kelley
Annexation of airport & Charge Airport to lease of land and look into other tax to TAA	1	1	1	1	1		1	1	-	1	1	1	1
More vigorous annexation policies	1	1	1	1	1	1	1	1	-	1	1	1	1
Sale contract out Golf courses	0	0	0	0	1	0	0	0	-	0	1	0	0
Rezoning/upzoning	1	1	1	1	1	0	1	1	-	1	1	1	1
Grow economy to increase tax base by Business friendly efforts to encourage investment	1	1	1	1	1	0	1	1	-	1	1	0	1
Increase lease rates for city owned property	1	1	1	1	1		1	1	-	1	1	1	1
Improved city real estate tracking/Inventory and disposition plan	1	1	1	1	1	1	1	1	-	1	1	1	1
COST SAVINGS/EFFICIENCIES													
Increase scope & depth of City efficiency program	1	1	1	1	1	1	1	1	1	1	1	1	1
Consolidate emergency communications under Police	1	1	1	1	1	1	1	0	1	1	0	1	0
Explore consolidations of City Depts. with other jurisdictions	1	1	1	1	1	1	1	0	1	1	0	1	0
Explore better options for Ch 12 / transition to AZ Public media	1	0	1	1	1	1	1	1	1	1	1	1	1
Eliminate City manager form of government	0	0	0	0	0	0	0	0	0	0	0	0	0
Prohibit "gifts" such as below mkt sale of City property recommend competitive bid process	1	0	1	1	1	1	1	1	1	1	1	1	1
Redeploy staff to higher priority areas AND Cross training of staff to be used as generalists	1	1	1	1	1	1	1	1	1	1	1	1	1
Reduce OT	1	1	1	1	1	1	1	1	1	1	1	1	1
Review public participation processes that cost too much	1	1	1	1	1	1	1	1	1	1	1	1	1
Do not allow re-hiring of retired City employees	0	0	1	1	0	1	0	0	0	0	0	1	0
Review services to see which can be contracted and/or contracted in for savings OR Privatization	1	1	1	1	1		1	1	1	1	1	1	1
Lighting in City Buildings	1	1	1	1	1	1	1	1	1	1	1	1	1
Explore using a Private Jail instead of County	1	1	1	1	1	1	1	1	1	1	1	1	1
Utilize City Website	1	1	1	1	1	1	1	1	1	1	1	1	1
Cost Recovery	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Continued on Next Page

CORE TAX COMMITTEE VOTES 08/26/10 - continued

0 = Do Not Pursue 1= Pursue	General Consensus	Ijams	Arvizu	Bolding	Harper	Kromko	Clark	Miller	Gutierrez	Verbout	Studwell	Juliani	Kelley
IF CORE TAX PASSES (\$11M)													
Add Residential Rental Tax	N	Y	N	N	N	N	N	N	N	N	N	N	N
Eliminate funding to Access Tucson	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y
Sale of Access Tucson Building	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Executive Car Allowance	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Reduce M&C budget by 15%	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
IF CORE TAX DOES NOT PASS (\$51M)													
Add Residential Rental Tax	Tie	Y	N	N	N	N	Y	Y	Y	Y	N	N	Y
Advertising Tax	Y	Y	Y	N	N	N	Y	Y	Y	Y	N	N	Y
Increase SunTran Fares	N	N	N	N	N	N	N	Y	N	N	Y	N	N
50% reduction to Outside Agencies	N	N	N	N	Y	Y	N	Y	Y	Y	Y	N	N
25% reduction to Outside Agencies	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N	N	N
Eliminate cuts to Transit	Y	-	Y	N	N	Y	Y	N	Y	-	N	Y	Y
Apply \$4 M surplus to Police & Fire proportionately	Y	-	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N

CORE TAX COMMITTEE VOTES 08/30/10

	General Consensus	Arvizu	Ijams	Bolding	Harper	Kromko	Clark	Miller	Gutierrez	Verbout	Studwell	Smith	Juliani	Kelley
If Core Tax does not pass, Lower subsidy to Transit by \$6.5 M and apply savings to Police & Fire proportionately	Y	N	Y	Y	Y	Y	N	Y	N	N	Y	Y	N	N
Implement reduction to Transit ASAP	N	N	N	N	y	Y	N	N	N	N	Y	Y	N	N
If Core Tax does pass, cut Transit subsidy starting FY 2012	N	N	N	N	Y	N	N	N	N	N	Y	Y	N	N
Add summary of votes to report	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Y = YES

N = NO

City of Tucson Budget Balancing Actions (Fiscal Years 2009-2011)

- staffing reductions through vacancies and attrition (479 General Fund positions since FY 2009); citywide staffing at 1998 level
- eliminated funding for more than 130 vacant police officer positions
- employee compensation decreases (e.g. furloughs, increased benefit costs)
- 51 employee layoffs
- new or increased revenues and increased cost recovery for services (fees, fines, transit fares)
- reduced General Fund overtime costs by 31% in past two years (38% in public safety)
- closure of 17 of 27 summer and 6 of 10 winter swimming pools
- reduced neighborhood center hours including closure of Ormsby Recreation Center
- fewer recreation leisure classes; elimination of teens program; fewer adult sports programs
- suspension of residential street paving; reduced roadway and median maintenance (potholes and weeds)
- reduced support to community events, arts, economic development, and human services organizations
- reduced neighborhood mailings and support; suspension of Back to Basics neighborhood improvement program; and elimination of youth employment funding
- reduced prosecution of graffiti, prostitution, and criminal nuisance misdemeanors
- departmental consolidations/ongoing efficiencies
- deferred infrastructure replacement and maintenance of streets, facilities, vehicles, equipment, and technology
- temporary measures: debt restructuring, land sales, sale and leaseback of assets, use of financial reserves

Deferred Infrastructure – Supplementary Information

The City Manager's February 23, 2010 "Introduction to Budget Options Balancing System (BOBS) Framework for Fiscal Year 2011 Budget Discussion" report included information on the City's overall deferred infrastructure conditions. In that report, the General Services Department cited \$50 million in major components' replacement and/or repair needs in City-owned facilities. Other deferred infrastructure needs noted included Americans with Disabilities Act (ADA) facilities modifications; fiberoptic cable; technology equipment replacement (e.g., servers, network, fiber cable, televisions, personal computers, storage and back-up); Parks and Recreation facilities; street lights and striping; residential streets; drainage; and fire facilities. The citywide (all funds) projected replacement cost of vehicles based on projected age and/or mileage for vehicles assuming no replacement until Fiscal Year 2015 is \$91 million, with public safety accounting for over \$22 million of this total.

The Approved Fiscal Year 2011-2015 Five Year Capital Improvement Program details \$970.6 million in citywide capital unmet needs that provide a) a foundation for a new bond authorization which would ultimately increase the City's debt and citizens' secondary property tax liability, b) identification of projects eligible for impact fee revenue, and c) a rationale for consideration of new revenue sources. Core Services needs alone in this listing comprise over 80% of the total. Other potential future infrastructure costs include funding to supplement Pima County bond fund projects such as a joint City/County municipal court complex and a regional public safety interoperable communications system.

Background:

There is a City of Tucson budget shortfall this fiscal year (ending June 30, 2011) of approximately \$11 million which includes undesirable one-time financial items (debt restructuring, sale/leasebacks, city property sales).

The City's anticipated budget shortfall for next fiscal year (starting July 1, 2011) is \$51 million.

There is an almost certain reduction of state shared revenues coming as soon as spring 2011. The state's budget shortfall is enormous. Other City revenues may be reduced as well.

Revenue projections of all types slope downward and have been on a decline for several years

There are millions of dollars of 'hidden' unfunded City needs not included in projected budgets (deferred maintenance, vehicle/equipment replacement, pavement replacement, financial reserves, employee givebacks, etc).

The City's bond rating is teetering on unstable.

The City has made unprecedented efforts in recent years to reduce its expenses. Many significant cuts have been made and major efficiencies achieved. Salaries are down, overtime has been heavily pared back, expenditures have been deferred and employees have been laid off.

Conclusions:

The 1/2 percent sales tax increase is needed (vote scheduled for November 2, 2010)

The City's current 2% sales tax is below the median of Arizona cities' rates

At 2 1/2%, Tucson's rate would still be in the middle of Arizona cities' rates

At 2 1/2%, the average household would pay \$169 extra per year (\$3.25 per week).

Significant further City expense cuts need to be made starting as soon as possible (not waiting for the vote). Layoffs need to be planned.

Any new revenue sources available to Mayor and Council should be enacted, some as soon as possible (not waiting for the vote).

Only a few sources of new revenue are available to Mayor and Council given state law limitations

The largest available new tax is one placed on landlords of residential rental property

Only 2 of Arizona's 90 cities do not impose a residential rental tax (Tucson and Flagstaff)

42 Arizona cities impose a 2% tax on all residential rental properties

A 2% tax on a \$600 monthly rent is \$12 per month or 40 cents per day.

A number of landlords will not pass along the tax to their renters.

It may be that Tucson's economy has declined enough that the City's salary structure is out of balance with other salaries and wages paid in the community. Some downward adjustment of the City's total salary structure may be in order (beyond current reductions), to achieve a better balance with other incomes in the City and to reduce the need for layoffs.

Even if the November 2 vote passes these revenue increases and some of the cuts are needed. The Arizona legislature returns to its budget cutting task in January. Some police officers will continue to drive nearly worn out patrol cars. Worn out streets that need to be replaced will still go mostly unimproved. Deferred maintenance will burden the City with unexpected expenses. Financial reserves will still be insufficient. Even with the sales tax increase.

Donald Ijams
August 2010



CITY OF
TUCSON

KARIN UHLICH
COUNCIL MEMBER

August 30, 2010

Dear Core Tax Committee Member:

I realize that people are angry and feel upset if subjected to any kind of manipulation. I am absolutely opposed to whipping up fear and anxiety...we need to be honest and forthcoming with Tucson voters.

The Mayor and Council have been clear for over five years now that public safety has been and will continue to be our number one priority (for funding and for insulating from cuts). Most of the budget that we can cut (because services like water, garbage, and even golf and the convention center and rio nuevo) are paid for by the fees that users pay or dedicated state/federal monies (not the general fund budget we have to balance in other ways). The general fund pays for things we are legally obligated to fund (some of the transit and cable television services, for example, could be cut but will likely spark lawsuits)...and the general fund budget therefore primarily goes to transportation (including legally mandated transit funding), parks and recreation (after school/summer programs and facilities like pools), and public safety.

I'll be proposing more cuts and options in September (you may know that City staffing levels have been cut back to the level in place ten years ago, so we're not growing the size of local gov't, we're cutting it). But since the bulk of general fund money does go to the core services people care about (and our Charter mandates)--public safety, streets, parks and rec--voters do need to understand that shortfalls mean cuts could end up affecting our public safety departments. I am not certain that--even if we stopped all road repairs and closed all parks and neighborhood centers--we could promise to insulate public safety entirely. Also, many residents in my Ward would oppose such an approach. We're digging deep and I respect that Tucson residents are as well.

Thank you again for giving me an opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read "Karin Uhlich".

Karin Uhlich
Council Member

JOHN KROMKO

August 30, 2010

I (we) respectfully request that the following minority report be presented to the Tucson city council.

- 1) That the core tax election scheduled for this November be canceled.
- 2) That city employees be informed that as far as of is reasonably possible there will be no further layoffs or furloughs.
- 3) That all basic services such as neighborhood centers and swimming pools that have been cut should be restored.
- 4) The all \$1 leases and other gifts that have been given by the city be canceled as quickly as possible and made available as market -value, arms-length open-bidding transactions.
- 5) That total City overtime pay be reduced to \$4 million and the City Manager be instructed to allocate these funds to meet actual most critical emergencies.
- 6) That the total take home pay received by each employee in the last year be reduced by 1% per \$10,000 and that this amount become the maximum yearly amount that each employee may receive until economic conditions improve.
- 7) That the City prohibit the driving of any City vehicle to or from an employee's place of residence.

These steps should provide for a balanced City budget now, and in the near future.

A large, stylized handwritten signature in dark ink, appearing to read 'John Kromko', with a long horizontal flourish extending to the right.

Core Tax Committee
Final Recommendations
Additional Comments
R. Harper

Background

As the city of Tucson projected a \$51 million dollar deficit for the coming fiscal year of 2011-12 and possible additional deficits beyond that, the Core Tax Committee was appointed to assist in providing input and guidance to the Mayor and Council in addressing the deficit. This included whether or not to put a temporary sales tax proposal before the voters and to recommend a "Plan B" should the proposition fail. The committee recommended to the Mayor and Council the need to put on the ballot this November a ½ cent sales tax proposal before the community because the financial crisis exists now and the city is "upside down" in terms of revenues and expenses. The final recommendations made by the committee as related to "Plan B," do in fact identify ways in which the Mayor and Council and the City staff can increase revenues, redirect policies for better fiscal responsibility and operational efficiency, and begin staff cuts in order to balance the budget.

Major cuts to many city departments, especially police and fire would be devastating to the community and result in dangerous adverse impacts on the quality of life here in the "Old Pueblo," to include crime and personal safety, the fear of crime, community decay and blight, hazardous road conditions and the reduction of important services that benefit our children in terms of recreational opportunities. We can see the beginning of what could be a terrible future for Tucson, with police and fire not replacing those who have left the ranks, pot holes in our streets, garbage buildup on our medians, trash flowing, graffiti, and the closing of seventeen swimming pools. To top that off we have our city leaders appearing on the news and publicly arguing the merits of the city's financial condition and what kind of action to take.

From the perspective of the average citizen here in Tucson, my message to the Mayor and Council and city management staff is to start working together as a team to solve these problems and stop bickering and finger pointing especially in front the cameras and in the newspaper. City employees are feeling pressed upon, suffering fear of losing their jobs, working without pay raises, and feeling very overwhelmed and under led. Now, more than ever our Mayor and Council must come together with city management staff and the community to address the problems. City employees are looking for the can do confidence from city leaders, the real example of working together, not protecting turfs, not finger pointing, but working together for the good of Tucson's future. If our city leaders fail in this task, our future is a bleak one. While every city department has an important role to play in serving the community, city management staff must buy into the priorities identified in the charter and were reinforced in community meetings related to this process. This means making the decision to support core services until it hurts. For those in non-core service areas who see what they do as important, having to do with less isn't fair, but it is necessary. In turn core services must continue to manage responsibly looking for ways to cut costs and save funds that will meet the city's financial goals of balancing the budget.

Committee Approach

From the perspective of the Core Tax Committee, I noted that while we came from diverse backgrounds, and had many disagreements on how to address the problems and where to save, we managed to work together as a team to provide a strong recommendation to Mayor and Council. While I have comments on a few of these areas, I have no reservations about the people or the process that we were involved in given the short time to address a critical issue facing our community. Without a doubt those who want to find fault with the recommendations can do so, but just know that concerned citizen members of this committee spent hours reviewing information, hearing presentations, and debating the issues. Just as we were divided on certain issues, so will the community be and the Mayor and Council should pay close attention to those areas and the comments associated.

The Financial Crisis - It Is Bad and May Get Worse

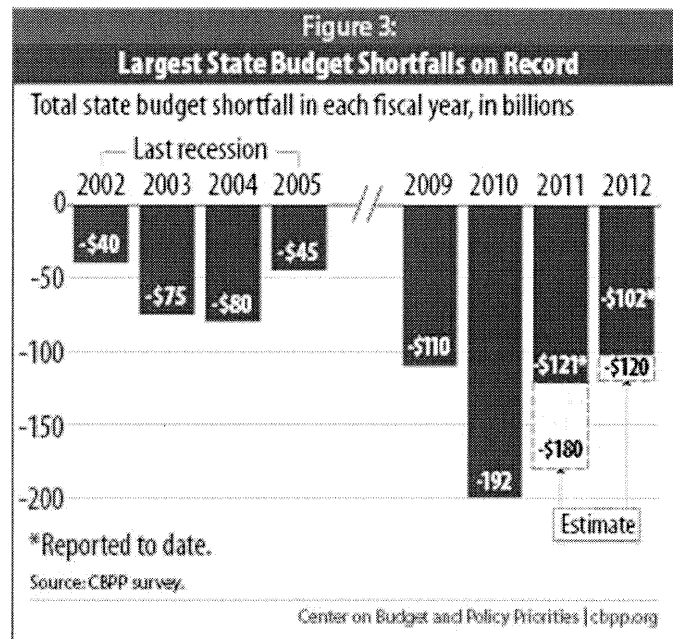
I want to start off by acknowledging that the city of Tucson did not create the financial crisis. In fact the State of Arizona didn't create the financial crisis, the crisis was created by unwise and unethical practices in the private sector. A variety of bad business practices by speculators, from large corporations to individuals, sank the housing industry that led to a domino effect on other major corporations nationally and ultimately the crash of our economy. The city of Tucson is as much a victim of the economy as was Mervyns, Circuit City and other businesses, who had to shut down their doors here in Tucson. The problem is, Tucson city government can't shut its doors, because the safety, health, and welfare of the citizens rely on our city government to be there when needed. Now government in general is usually slower to respond to these problems, but in fact our city management did respond by making cuts in staff and in attempting to raise more revenue, but they had a finger in the dike, while the dam began bursting all around them. No one knew three years ago just how bad it was going to be and we don't really know specifically how much worse it is going to get, we just know that the financial crisis will get worse.

The Center on Budget and Policy Priorities describes the problem this way:

The worst recession since the 1930s has caused the steepest decline in state tax receipts on record. As a result, even after making very deep spending cuts over the last two years, states continue to face large budget gaps. At least 46 states struggled to close shortfalls when adopting budgets for the current fiscal year (FY 2011, which began July 1 in most states). These came on top of the large shortfalls that 48 states faced in fiscal years 2009 and 2010. States will continue to struggle to find the revenue needed to support critical public services for a number of years, threatening hundreds of thousands of jobs. (Article July 15, 2010 – McNicholl, Olif and Johnson)

This article goes on to describe that this national recession crisis has caused state fiscal crisis of unprecedented severity. You can see in the below graph the size and duration of the shortfalls as described in the article, comparing the last recession with this one. The article goes on to note, "In the early 2000s, as in the early 1990s and early 1980s, state fiscal problems lasted for several years after the recession ended. The same will undoubtedly be the case this time, since the current recession is more severe — deeper and longer — than the last one, and state fiscal problems have proven to be worse and are likely to remain so". (McNicholl, Olif and Johnson)

This graph shows the comparison. We must remember that governments are slower to react and in addition are slower to recover, because it takes time for the improvement in the economy to revitalize government services.



In Arizona, budget forecasts show that, even with the expected \$1 billion a year from the sales tax, our state is still going to start the 2010-11 fiscal-year with a \$368 million deficit. And there will be propositions on the ballot in November to allow the state to redistribute tobacco tax revenues and land conservation programs to try and close the gap. Some estimate the deficit to reach as much as \$2 billion the next year or higher if the propositions fail. From the perspective of the average citizen these types of shortfalls are mind boggling. As the city of Tucson experienced in the past few years, it anticipates a continued decline in revenue it receives from the state that could be worsened again, if the state's two propositions fail. For us in Tucson, this means we must reform the spending of city government as much as we can, but we are also going to have to reorganize our city government to work through this crisis. It means that our Mayor and Council is going to have to be more prudent with less tax dollars, and to remember that core services must come first, even at the expense of other programs that in other times we could afford.

Proposition 100

The city of Tucson government received no benefit from proposition 100. No help for the Tucson Police or Fire departments and no help to any of the other core service areas that are critical for the health and safety of our community. Proposition 100 was designed to help our schools and other state run services but there was no benefit to our public safety or other services for the City of Tucson. Our citizens of Tucson must be made clearly aware of this fact.

General Recommendations

I want to reinforce the comment in this section. The city must reconsider one time fixes. This contributes to the structural deficit and does not reform or reduce spending. I want to add that the city must reform how it handles Real Estate. With a continued budget crisis on the horizon, the Mayor and Council can no longer give the "gift" of a \$1 dollar lease or even a reduced lease to outside agencies. It is not fiscally responsible to do this and all leases should be re-negotiated where legally possible and as soon as possible. While I am a former city employee and it pains me to write this, payroll reform may be necessary. The city's labor force continues to shrink and the use of "furlough days" is an unwise practice, because it reduces staff numbers available to perform work. It is much better to freeze pay rates for line employees and look at ways to lower pay and perks for management staff. It means having a hiring freeze for all departments except police and fire, when staffing levels create danger for the community. The Mayor and Council must decide at what staffing level for fire and police, is the basic level for community safety.

Critical Nature of Police and Fire Services

The committee agreed that police and fire are the first priority because of the critical nature of their functions as related to the safety and well being of our citizens. The committee recommended cuts to these services in addition to all other city services because of their large portion of the controllable part of the general fund. While I am a retired city of Tucson police officer, I recognize that ultimately some cuts may happen to public safety. But before we make cuts we should understand the experience of other cities.

New York City has experienced a disturbing spike in murders and other serious crimes that the Mayor believes is directly related to the reduction in the ranks of the police department. In a New York Post article from today, Mayor Bloomberg is quoted:

"We have fewer police officers than we did before," the mayor said. "More cops always helps." The article goes on to state, "So far this calendar year, the number of New York City murders has jumped a scary 22 percent over the same period last year -- from 86 slayings up to 103 this year. In addition to murders, the number of shootings has soared to 246 -- a 21.2 percent jump over the same period last year. There are also more rapes, which are up 11.3 percent, and felony assaults, which have spiked nearly 6 percent. Burglaries have increased 3.6 percent," (New York Post, 8/31. 2010 Weiss, Seifman & Mangan).

In another article published by Reuters documents concerns by chiefs of police.

"There has long been debate over the connection between crime and the economy, but criminologists, sociologists and police chiefs interviewed by Reuters in October predicted a rise in crimes as the United States sinks deeper into recession. Crime has increased during every recession since the late 1950s, sociologists said. "We know that when police departments saw increases in violent crime in 2005 and 2006, they were able to respond quickly by using overtime to flood crime hot spots with additional patrols and sending specialized units in," Wexler said in a statement. "This helped to bring crime back down again in 2007 and the first half of 2008. The threat posed by the economic crisis is that a lot of departments will no longer have these options available to keep crime and violence down."

Of the 100 agencies who linked crime rises to the economic crisis, 39 percent said they had seen an increase in robberies, 32 percent an up tick in burglaries and 40 percent an increase in thefts from vehicles. (Reuters 1/27/2009 Colvin)

In a January 2010 article in the Wall Street Journal, Heather MacDonald documented that fact that the increase use of computer generated crime statistics drove policing and resulted in the very low levels of crime that we experienced prior to the recession. These levels continued to stay low as police chiefs, including Chief Villasenor continued to address crime problems through a comp-stat type approach. This approach allows the chief to hold his department accountable for crime problems, but it requires staffing levels that allow for shared resources to address hot spots and active criminals. When staffing becomes too low, then these types of crime fighting programs can go by the wayside as police struggle just to handle the call loads.

In Los Angeles, the L.A. Fire Department blames the budget cuts instituted on delayed response times and resulting loss of life. In an article from December of last year, the L.A. Fire Department attributes at least 2 deaths, one of a 3 year-old boy on the closing of fire stations and engines being taken out of service. (LA Times, 12/23/2009 Lopez)

The consequences for making cuts to public safety are clear and convincing. We must put public safety at the top of the list in terms of funding priorities. It may be that instead of cuts to public safety employees, some payroll reform be negotiated with the unions, with a sunset clause tied to increase in state or federal revenues to the City, or a policy decision by the Mayor and Council to fund police and fire first should the ½ cent sales tax pass. From a “Plan B” perspective and cuts required, public safety must be at the bottom of cuts and every penny found to cover their staffing. In a report I sent to the City Manager, I demonstrated that cuts to non-core services could result in the reduction of recommended cuts to police and fire by as much as fifty percent. This in conjunction with other measures may help keep public safety at current levels of service.

Backlog of Unmet Needs

From the perspective of the report, I want to add my voice again to the fact that the city’s infrastructure is falling apart and will have dire consequences on service delivery. A short and long term plan must be developed to start some reinvestment in the repair and replacement of city equipment, especially for core services. City management has been making efforts to cut back in every category, and this includes infrastructure items. These cuts have been necessary when choosing between necessary service delivery and non-core programs, but as funds grow smaller, and equipment becomes unserviceable, the city will be put in the position again, of making tough choices.

Immediate Strategies

Immediate strategies call for cost saving actions, improvement in operational efficiencies, and the development of revenue sources. I am not in favor of any tax, especially those that impact the poor. However, if drastic cuts are anticipated for public safety, then the Mayor and Council must closely consider all available revenue resources to protect our community. Failure to maintain current levels of public safety services can lead to the start of a downward spiral resulting in dangerous conditions that chase good families and businesses out of Tucson. As I mentioned to the City Manager during his presentation, police and fire are basic prerequisites for a vibrant community. I believe that the list as provided by the Core Tax Committee should be carefully considered by the Mayor and Council.

Conclusion

The Mayor and Council must direct that spending be curtailed with a goal of reaching a financial state that will enable them to handle this crisis even if the sales tax proposition fails. The Mayor and Council must also begin to act now and decisively and with leadership. They must show the community that fiscal responsibility is not just a rhetorical phrase but one in which they will actively participant in, in order to save critical services provided to the community.

- ✓ Stop borrowing money now – Freeze the use of Certificates of Participation funding until financial solvency is reached.
- ✓ Stop hiring except in cases where the staff of public safety must be maintained to provide basic safety for our community.
- ✓ Reform real estate practices, real reform that eliminates gift leases and the sale of real estate that does not benefit the tax payer. This should be done right away where legally possible.
- ✓ Continue the reorganization of city government for efficiencies and the elimination of redundant services that will save tax payers money and focus those funds on core services.
- ✓ Participate in the rounds of lay-off that must come about as part of balancing the budget. Making a ½ position cut does not invoke leadership. The Mayor and Council must make cuts to staff to save the jobs of public safety employees. By doing this, the Mayor and Council will generate support from the community.
- ✓ City layoffs must be real, not just on paper. The practice of moving employees to open “funded” positions must stop during this crisis. The city is “upside down” financially and cuts have to be real cuts, payroll cannot be shifted.
- ✓ Reform is needed in our consulting services and must be frozen for the time being.
- ✓ The city must eliminate all spending on outside agencies. The reasons are clear and obvious.
- ✓ While we want to minimize impact on our citizens, all revenue sources must remain on the table for consideration based upon the need to provide basic core services to the community. Our city government cannot just close the doors to the community, thus tough choices may need to be made in the future.
- ✓ Include Sun Tran in all considerations related to balancing the city budget. Sun Tran receives \$26 million in funds for their payroll from the tax payer dollars. As a result they must share part of the burden of balancing the budget. Sun Tran came forward with recommendations where they can save the city money and the Mayor and Council must be prepared to make this tough decision. However cuts to Sun Tran must be within the legal ability of the city to make them.

I want to thank the Mayor and Council for the opportunity to participate on this important committee. I want to thank the two vice chairs, Liz Miller and Jaime Gutierrez, for their leadership, and the city staff who helped us through this monumental process of wading through presentations, policies and budget numbers. Finally I want to thank my fellow committee members for their diligence in attempting to help our city resolve these budget issues.

Richard Harper

Personal Statement – Richard Studwell

I very much appreciate the opportunity to serve on the core tax committee where I gained a new respect for several city staff members who provided us with data and with information on significant efforts in addressing the budget to date. There was a diversity of interests on the committee that made it a productive forum for us all to hear about the concerns of various groups in our community and for me, on a personal level, that was an enriching experience. For the community this diversity of interests and protection of those interests above hard choices constituted a major setback. The staff presentations were extraordinary and certainly addressed all sides of the story sufficiently.

What the committee needed were more voices from the business community. I was the only business owner on the committee. In the business community success is not measured by your total budget as it is with the social service agencies. It is measured by results. Some Council members did not appoint people to get to the best solutions for the community but to support their preconceived ideas. These are admittedly very difficult, very uncomfortable choices to be made. We should not be cutting police and fire budgets because we fear inconveniencing bus riders and insist on subsidizing golf and recreation classes. Telling the public that these are your Plan B choices will crystallize their decisions that you should not be entrusted with a new sales tax because you will not use the funds wisely.

August 31, 2010

TO: Mayor and City Council:

This has been an interesting volunteer assignment to work on this Committee. I enjoyed seeing and working with the staff and I appreciate all their hard work.

The main message I wanted to convey to the Mayor and Council is to not wait to take action. In 1981, when we had the last major layoffs, the problem was discovered, all vacancies were frozen (to use to place employees that were to be laid off or to be eliminated), ALL spending (except payroll) was halted for two-three weeks, and layoffs were made within a two-month period. It was felt at the time that drastic measures had to be taken before the situation got worst. All departments experienced cuts, regardless of funding source. The layoffs included a newly graduated fire fighters class. It was terrible to work on the layoffs lists especially knowing so many of the people to be laid off, but in the end this action helped prevent more devastating cuts later. Without secure revenue source that is not subject to every economic downturn the City is vulnerable. The actions of other entities have added to the City's problems.

I hope the Core Tax does pass and so that services can be maintained. The problem is the Mayor and Council still will have an upward battle even if it does pass because of all the years and years of cuts to departments and the huge amount of deferred items (building maintenance, computer and other electronic equipment, vehicles, etc.) the City has and the remaining deficit not covered by the Core Tax.

The cuts proposed did not come without a lot of heartache. I would recommend the Mayor and Council review all the cuts that were reviewed by the committee. These cuts may still need to be considered to balance City services. The committee listened carefully and weighted the pros and cons of all the cuts. None of the decisions were easy as you can see by some of the split votes. We love this city and we want it to be a desirable place to live.

Respectfully,

A handwritten signature in cursive script that reads "Ana Lopez Kelley". The signature is written in dark ink and is positioned above the printed name.

Ana Lopez Kelley

Personal Statement - Randall Smith

The city has entered into one dollar per year lease agreements with non-profit organizations, arranged for nearly free bus passes for many Sun Tran riders, funds after-school programs, and contributes generously to outside agencies. This makes many people feel like we live and work in a benevolent community; however, it is a fact these are some of the reasons we are in the financial situation we are in. It is also a fact that if we stopped giving money to all of the outside agencies we will still be a long way from balancing the budget.

We are looking forward to a \$51 million budget deficit. It is hard to imagine that any fair-minded person would agree with the Core Tax Committee recommendation (26 AUG 10) to exclude Sun Tran services from equitable budget reductions. It would be absurd to take some paramedics and cops off the street and not eliminate some bus routes and reduce bus service frequencies. The last estimate of the annual city Mass Transit Operating Subsidy was \$38.6 million. It is financially irresponsible and clearly unfair to exclude Sun Tran from the proposed budget cuts.

The Residential Rental Tax, while extremely controversial, is the only substantial revenue source other than the proposed Core Tax.



MEMORANDUM

DATE: August 30, 2010

A handwritten signature in cursive script, appearing to read "Steve Kozachik".

FROM: Steve Kozachik
Council Member, Ward 6

SUBJECT: **TRUST FOR TUCSON**

Plan C: Act Now and Plan for the Future

The City of Tucson faces the worst economic and budget conditions since the Great Depression. Four crucial truths exist:

- 1) The current FY11 budget is balanced using over \$20 million of "potential" revenue. This includes the sale of property and sale/lease-back of property. Both of these contingencies have yet to be realized and are at best risky and at worst non-existent. Therefore the FY11 budget should be considered to be over \$20 million in deficit.
- 2) Due to reduced revenue, the FY12 budget is projected to be more than \$50 million in deficit.
- 3) The taxpayers will be asked to fund a ½-cent sales tax increase to balance the budget, but the increase does not include a Maintenance of Effort provision to preserve current budgetary levels for core services.
- 4) The citizens of Tucson have expressed a "lack of trust" for local government to spend tax dollars in a fiscally prudent manner.

In order to re-establish the trust of the citizens of Tucson, I suggest the following actions to prove to voters that the City of Tucson:

- 1) fully understands the dire nature of the budget situation and is prepared to act,
- 2) is willing to take immediate action to solve the crisis,
- 3) will make additional cuts prior to the sales tax vote, and
- 4) will dedicate the additional sales tax revenue to core services, commit to a Maintenance of Effort level for each core service department, and establish a sunset for the new tax that is based on economic metrics, not a simple time frame unrelated to the state of the economy.

Budget Deficit Mitigation Measures for Immediate Adoption

- 1) 2% salary cut across the board to all city workers earning over \$96,000 per year.
- 2) Eliminate employee cars and/or car allowance and gas allowance for the 31 individuals included under “executive vehicle allowance” list. These include department directors, deputy directors, city manager, Mayor and Council, and others.
- 3) A 3% reduction in all departmental General Fund budgets. All department heads will present to Mayor and Council a detailed description of their suggested budget cuts for approval to ensure that non-essential area reductions are prioritized.
- 4) Reduce the Sun Tran Maintenance of Effort by \$5 million from the FY11 General Fund subsidy (\$32 million) and apply it to deficit mitigation.
- 5) Institute Sun Tran fare increases: 25% on all fares, 50% on day passes, and 100% on express fares:
 - a. If the sales tax vote fails, proceeds go back into transit until the \$5 million subsidy cut is recouped. Once that has been recouped, further proceeds (the “delta” from the fare increases) go to the General Fund.
 - b. If sales tax passes, proceeds from fare increases go to the General Fund.
- 6) Increase Parks and Recreation cost recovery from the current 14% level to 20%.
- 7) Merge City Channel 12 with Arizona Public Media (AZPM), and move the Channel 12 staff and equipment out of the Pioneer Building and into AZPM’s facility.

Total immediate savings: approximately \$15 million per year.

Budget Deficit Mitigation Measures To Be Considered And Presented For Approval In 30 Days

- 1) Eliminate Access Tucson’s General Fund subsidy and charge Access Tucson 10% of market rate for rent of the City-owned building.
- 2) Close and sell Silverbell Golf Course.
 - a. Proceeds from sale go to immediate deficit reduction.
 - b. Zoning to be determined, with the goal of enabling a variety of uses, consistent with the character of the surrounding area.
- 3) Cut Neighborhood Association newsletters to 1 time per year and provide education about alternative means of neighborhood communication.
- 4) Impose a “lift charge” on Tucson Water fees that go for supplying water outside of

city limits. Use the fee increase to reduce water rates for in-City residents, rolling back last spring's increased rate.

- 5) Eliminate the General Fund subsidy to the Tucson Convention Center.
- 6) Evaluate and consider relevant suggestions from the Core Tax Committee and other community organizations.

To Ensure Trust From The Taxpayers of Tucson, It Is Imperative That The City Of Tucson Commit To The Following Mandates If The Sales Tax Is Passed:

- 1) Maintenance of Effort – General Fund budgets for Police, Fire, Transportation and Parks & Recreation will not be reduced below the levels which result after the above cuts have been adopted.
- 2) Dedicated funding source – All proceeds from the ½-cent sales tax to be distributed to Police, Fire, Transportation and Parks & Recreation General Fund budgets as per budget discussions each fiscal year—not formula-based.
- 3) Sunset provision – Sales tax to sunset at the end of the fiscal year in which State - shared sales tax revenues reach the level received in FY11, plus \$20 million.
- 4) Under no circumstance will sales tax money be used to replace, augment or increase budgets in non-core areas. ^{323 est} = 57
- 5) Advise Rio Nuevo District Board that due to the uncertain potential impact on the General Fund, the City will not entertain consideration of, or participate in funding, any further studies related to the Garfield Traub Hotel proposal until the sales tax has sunsetted.
- 6) Commit to consideration of a sales tax ballot measure of less than ½-cent when that issue is revisited – based upon the level of budget cuts/cost recovery measures adopted from this list, and other suggestions brought forth from others.

The City of Tucson, like most families in our community, must face reality and act immediately to effect change. Ask yourself, if you were faced with an immediate and future reduction in income, would you:

- 1) avoid the issue and HOPE for a salary increase (½-cent sales tax in our case)?
- 2) Or, make changes immediately to mitigate the effect of the deficit? I believe the City needs to immediately make changes and prove to the citizens that we can and will be fiscally responsible.