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# Mayor & Council Memorandum

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March 23, 2010

**Subject:** Fiscal Year 2011 Budget Balancing Discussion (City-Wide) Page 1 of 2

Issue – Time has been set aside for Mayor and Council discussion and direction regarding various Fiscal Year 2011 options for potential revenue or fee increases and specific fund deficit action plans that were included in the February 23, 2010 report entitled “Introduction to Budget Balancing Options System (BOBS) Framework for FY 2011 Budget Discussion Prior to City Manager Submitting a Recommended Budget on May 4, 2010.”

City Manager’s Office Recommendation – The City Manager’s recommendations regarding Fiscal Year 2011 potential revenue or fee increases options are outlined in the attached matrix (Attachment 1). Each of the options has been categorized under one of the following four recommendations:

- a) Do Not Pursue – The City Manager is recommending that no further action be taken on these options.
- b) Direct Further Review in Recommended Budget – The City Manager is recommending that Mayor and Council direct that the potential revenue or fee increases identified in these options be included in the FY 2011 Recommended Budget for further review and consideration.
- c) Direction Requested Regarding Proposed Action Plan – The City Manager is recommending that Mayor and Council direct staff whether to further pursue actions outlined in the BOBS Proposed Action Plan (#6 on each BOBS issue identification form).
- d) Discuss in Further Detail – The City Manager is recommending that additional discussion is warranted prior to Mayor and Council providing direction on these options.

The Mayor and Council can follow the Manager’s recommendations as indicated for each option, or else re-categorize specific options in order to follow a different recommendation.

Background – On February 23, 2010, staff presented the Fiscal Year 2011 Budget Options Balancing System (BOBS) Framework to the Mayor and Council. This framework was developed to assist the Mayor and Council and the community in navigating through key strategies and proposals for developing the Fiscal Year 2011 budget. The framework includes various options relating to a) potential cost savings, b) potential revenue or fee increases, c) innovations, d) targeted grants, and e) fund deficit action plans.

Individual BOBS Issue Identification Forms were used to present the following information about each option: issue, purpose/outcome, background/history, benefits and disadvantages, financial considerations, and proposed action plan. This information was compiled for follow-up discussions with Mayor and Council in order for the City

Manager to receive specific direction as applicable on these options prior to preparing the recommended budget.

At today's meeting, the City Manager's recommendations regarding potential revenue or fee increases options will be discussed. In addition, staff will present preliminary information on the following options in order to frame further in-depth discussions: a) Food Tax, b) Malicious Criminal Offense Cost Recovery, c) Repeal Big Box Ordinance, d) Sun Tran Fare Increases, e) Tort Liability Charge on Primary Property Tax Assessment, f) Towed and Impounded Vehicles Fee, and g) Pima Animal Care Center Fee (Attachment 2).

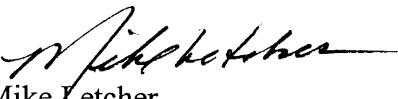
Staff will also present information pertaining to specific action plans for addressing deficits or potential negative balances in the Highway User Revenue Fund (BOBS #F-1) and the Risk Management Fund (BOBS # F-2).

The April 6, 2010 Study Session meeting on the budget will include discussions on the following topics included in the February 23, 2010 BOBS report:

- Asset Leaseback Options
- Strategic Long View: Potential November 2010 Ballot Measures
- Updated Revenue Projection

Financial Considerations – The BOBS framework is being used to provide for discussion of various options that may be incorporated into the City Manager's Fiscal Year 2011 Recommended Budget to be submitted to the Mayor and Council on May 4, 2010.

Respectfully submitted,

  
Mike Letcher  
City Manager

ML/MN

Attachments: 1. Matrix of Potential Revenue or Fee Increases BOBS  
2. BOBS Issue Identification Form B-25: Pima Animal Care Center Fees

Fiscal Year 2011 Potential Revenue or Fee Increases Options						
For Mayor and Council Discussion on 3/23/2010						
BOBS #	Potential Revenues or Fee Increases Project	Do Not Pursue	City Manager's Recommendations:		Discuss in Further Detail	
			Direct Further Review in Recommended Budget	Requested Regarding Proposed Action Plan		
B-1	Advertising Tax	X				
B-2	Charging Business Privilege Tax on UA Stores' Transactions			X		
B-3	Contracting the Operation of El Rio, Silverbell, and Fred Enke Golf Courses			X		
B-4	Development Services: Premium for Overtime Inspections		X			
B-5	Environmental Protection Fee on Water Meters to Fund the Stormwater Quality Program			X		
B-6	Fire Inspection Cost Recovery for Outdoor Events and Gas Stations			X		
B-7	Food Tax				X	
B-8	In-lieu of Property Tax on Tucson Water		X			
B-9	Jet Fuel Tax	X				
B-10	Leases: \$1.00 for Non-Profit Organizations		X			
B-11	Licensing of Bicycles	X				
B-12	Litter Assessment Fee - Refuse/Recycling Collection Vehicles			X		
B-13	Malicious Criminal Offense Cost Recovery				X	
B-14	Naming Rights			X		
B-15	Occupational Privilege Tax (Head Tax)	X				
B-16	Parks Fees		X			
B-17	Pawn Shop Transaction Fee			X		
B-18	Photo Enforcement Program Expansion			X		
B-19	Procurement Card (pCard) Program Expansion			X		
B-20	Repeal Big Box Ordinance				X	
B-21	Sale of Randolph North Golf Course for Mixed Use Development	X				
B-22	Sun Tran Fare Increases				X	
B-23	Tort Liability Charge on Primary Property Tax Assessment				X	
B-24	Towed and Impounded Vehicles Fees				X	
B-25	Pima Animal Care Center Fees (See Attachment 2: ADDED 3/23/10)				X	



## Fiscal Year 2011 Budget Option Balancing System (BOBs) Issue Identification Form

A summary tool to provide the Mayor and Council with information to:

- Describe and assess issues such as:
  - New fees, increased fees, new revenues
  - Potential cost savings
  - Innovation
  - Targeted Grants
- Assist Mayor and Council and staff in a collaborative review and discussion to determine if action to address an issue should be incorporated in the recommended budget

**Date Submitted:** 3/10/10

**Project Name:** Increase of Pima Animal Care Center Fees by 25%

**Issue Category (see above):** Potential Revenue

**Issue Originator:** Mayor and Council

**Departments Impacted:** Departments city-wide

**1. ISSUE**

Describe (a) potential need, (b) problem to be addressed, (c) opportunity, and/or (d) suggestion made.

Implementing a 25% fee increase for license, kennel and adoption fees and a 25% fee increase for animal fines would potentially reduce the amount of money paid to Pima Animal Care Center (PACC) by the City.

**2. PURPOSE/OUTCOME**

Describe the intended or desired result, i.e., goal

The purpose of the fee increase is to potentially reduce the amount of funds paid to PACC for animal care services provided.

## BOBS Issue Identification Form (Continued)

### 3. BACKGROUND/HISTORY, IF ANY

Provide a brief synopsis of events or conditions leading up to or clarifying this issue.

Pima County is required to provide animal control services county-wide. By Arizona State Statute, they are permitted to charge cities for services they provide. The City annually enters into an Intergovernmental Agreement with Pima County to enforce the provisions of any ordinance enacted by the City for animal control. The City governs the licensing fees for its residents, and these fees collected by PACC are designated as City receipts. However, the City does not govern the kennel or adoption fees. The County has control of the total budget for providing animal control services. The City's annual agreement is to pay the County an agreed upon monthly payment and any additional amounts to cover the actual cost of enforcing the City animal control ordinances.

### 4. BENEFITS AND DISADVANTAGES (PROS & CONS)

Summarize and both the benefits and disadvantages that could result from pursuing this proposed issue.

The City could increase its residents' fees by 25% in order to generate additional revenue to offset costs of services provided even though it has been the practice to adopt the same fee amounts as Pima County and other jurisdictions within the county. The FY 2010 budget for Pima Animal Care Center services is \$1.3 million; FY 2009 actual costs were \$1.7 million. It is estimated that FY 2010 costs could be \$1.9 million, which is \$600,000 less than budgeted.

Increasing the City's fees does not necessarily predict an overall cost savings to the City because the revenue collected may not significantly offset the amount due to PACC for services provided. There are multiple factors which contribute to the City's annual costs including the actual costs incurred by PACC for shelter, enforcement, and service calls. The need for these services could increase as the result of license fees being set too high which may deter citizens from following the City's animal control ordinance, thus resulting in unlicensed animals and increased enforcements.

### 5. FINANCIAL CONSIDERATIONS

Describe and quantify all financial consequences, e.g., potential revenue, potential savings, or potential costs.

The City could increase its licensing services and late fees by 25% beginning in FY 2011 and each fiscal year thereafter generating an approximate \$164,000 in increased annual revenue for FY 2011.

Since the County sets the other revenue fees and controls the spending for PACC, it is difficult to project any cost savings.

### 6. PROPOSED ACTION PLAN

If applicable, describe steps and potential timeframe needed to achieve the goal.

Staff could prepare an ordinance to revise the City's fees for PACC licenses for Mayor and Council approval effective July 1, 2010.