



# MEMORANDUM

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DATE: September 6, 2011

To: Honorable Mayor and  
Council Members

From:   
Mike Letcher  
City Manager

SUBJECT: My Resignation as City Manager Effective August 31, 2012

Honorable Mayor and Council:

I welcome thoughts on improving our moves toward transparent and accountable management; that's what I was hired to do two years ago--provide leadership in unprecedented challenging times and bring to light areas of City operations requiring stronger and better oversight. During this time I have developed the Mayor and Council Work Plan that has provided significant improvements to city operations, (note: New Parking Ordinance recognized as finalist in Metropolitan Pima Alliance Common Ground Award) balanced budgets and maintaining core and other services with over 1,000 positions being eliminated from the budget. Salary costs down over 20% and overtime down 44% to provide current and future employment security for our employees during a time of increased service demand from our residents and businesses.

My strategies for balancing the budget have resulted in over \$70 million in reductions. These accomplishments would not have been possible without the leadership of Mayor Council and the hard work of our Assistant City Manager, Assistant City Manager/ Chief Financial Officer, Budget Director their staffs and Department Heads and employees. It has been an honor and pleasure for me to serve them. I have dedicated my whole life to serving the public in cities that were never home to me. Tucson is my home and it is time for me to start enjoying the rest of my life that God grants to me. I have done my best with no regrets.

Unfortunately, I cannot change the current political and media climate in this community that focus more on blame than resolution. I know now that I can only go so far in changing the organizational climate of the city that has not seen consistent City Management since Joel Valdez. I know that I will continue to find problems to fix that expose the city to public criticism. Based on these facts I am submitting my resignation as City Manager effective August 31, 2012. This will allow me to complete one more budget cycle and for the new Mayor and Council to start a thoughtful recruitment process to select the next City Manager.

During the search process and the final months of my service in 2012, I will work with Mayor and Council to: implement the adopted plan for lifting furloughs, fulfill the final year of the current budget and finalizing the budget for FY 2013. I am committed to holding our bond ratings and establishing a firm foundation to maintain core services within acceptable budgetary resources in my work on the budget for next fiscal year.

As I have communicated to many of you previously, I have considered my service transitional until retirement to pave the way for the next City Manager. In keeping with that I have good reason to retire. My focus is not to have this organization hide problems, but to have open transparency so problems are brought forward and are corrected. Its important to make sure the problems do not reoccur and that the people who are responsible for day-day operations in the department the problem occurred are held accountable. Problems are meant to be solved not ignored. I choose to solve them. Let me provide information on some of our upcoming challenges.

I am in the process of authorizing our consultants to do an extensive payroll audit of the Water Department based on reports from employees of potential issues. We were notified of the potential issues in the Water Department by the interim director. Recently, after authorizing the city's first Five –year projection of transit expenses, I discovered that over the next four years the city could be faced with well over \$10 million in additional capital cost for transit with \$5-\$6 million of the expense being borne in FY 2013. The City Manager's Office found out about the transit issue when the Five-Year revenue plan was completed, this was not acceptable to me. If I had not requested a review of the transit expenses over Five –years; not sure when this issue would have been brought to my attention. Since the Deputy City Manager is over both of these departments, during his annual review, I will be requesting from him plans to resolve these issues and why he was not aware of the increased future costs for transit.

You hired me as City Manager to fix problems and improve the organization. It was also clear to me that my work would lay the foundation for transitioning to a new City Manager, at the appropriate time. I am working very hard to meet my commitment to you. I am not done with my work and plans to improve this city, but I serve at your pleasure. It's your choice after reading this memorandum.

### **THE FY 2012 BUDGET, 911/FIRE EMS COMMUNICATION CENTER, AND PARKWISE FY 2013 BUDGET**

The Ward 6 City Councilmember has questioned my leadership and management of the FY 2012 budget and has expressed that the 15% cut I recommend resulted in creating all the problems we experienced in 911. He is wrong. The 15% cut was the amount, at the time required, to balance the city budget and eliminate any structural deficit, if the proposed Core Tax in November of 2010 did not pass. The Core Tax Committee reduced my recommendation to 10% for public safety. This was followed by a further reduction in the percentage of cuts for public safety after the Core Tax did not pass in November 2010 by the Mayor and Council. All of these steps were prudent and I adjusted my original recommendation after Mayor and Council action.

Our challenge is, we now have a \$9.5 million dollar structural deficit that will grow to over \$25 million in the FY 2013 budget based on eliminating furloughs for General Fund employees (\$8 million), loss of COX cable revenue due to compliance with State Law (\$2 million), increase cost for transit (\$5-\$6 million) and increase costs for pension and medical (\$4 million). These are estimates at this time, but its the challenge we face in balancing the FY 2013 budget since the structural deficit of \$9.5 million was not eliminated to save critical services like public safety, parks and transit.

The city will need to have sustained growth in revenues of over 4% a year at minimum to be able to start recovering from this recession. We may not see more than 2% growth over the next 2 years, which is only enough revenue growth to cover pension, medical and other inflationary operating costs. It will be critically important to protect our limited reserves during this time. Our first priority as the city continues to navigate through these waters of the recovery is to protect our limited \$22.8 million General Fund reserve.

I fully support the Mayor and Council's action on the budget for this year; but the challenge is in front of us for the FY 2013 budget. I have started to develop preliminary strategies to help the city navigate through my last budget as a City Manager. I am committed to work with Department Heads, Labor Council and employees to finalize this budget.

I am very encouraged that the Mayor and Council's continued focus on growing the economy through the Economic Framework and Scorecard will help grow and stimulate economic expansion in Tucson that will give us an "edge" during this recovery.

As the City Manager I want to outline specific steps my office has taken to address the 911/Fire EMS Communication Center Dispatch issues and the Parkwise audits. These actions were taken with the assistance of the Assistant City Manager that was over these two areas. Hopefully, this summary will clearly show I have moved diligently, and in some cases aggressively, to get on top of and resolve these issues. No other city management employee is accountable for directing the resolution of these issues. I directed the resolution and am willing to be held accountable for not meeting your expectations. The Assistant City Manager and Deputy City Manager will continue to work closely with me to resolve any remaining issues. I will be discussing the actions the Assistant Manager took regarding 911 and Parkwise during his review.

I have also included some lessons learned from these issues that hopefully will assist us in the future with other corrective actions on problems we need to take. A monthly count on the number of months it took to move the issue toward resolution is also included.

### **911/FIRE EMS COMMUNICATION CENTER**

I feel very strongly that the Ward 6 City Councilmember may have violated the City Charter by his actions and involvement in the 911/Fire EMS Communication Center issues. As City Manager, he was consistently interfering and intimidating to try and influence me to make decisions not in the best interest of the city. You and the City Attorney can make your own judgment on this matter after reading my account of what occurred with the Ward 6 Councilmember's involvement in this issue.

The most troubling concern about the Ward 6 Councilmember's involvement in this issue was that he was focused primarily on eliminating furloughs for dispatchers and coordinating his own media coverage on the 911/Fire EMS Communication Center. He was not focused on resolving the issues or offering long-term solutions. My focus was to get problems resolved as soon as possible, restore public trust and make sure this did not happen again. These factors along with the continued unproductive involvement of the Ward 6 Councilmember resulted in my quick decision to transfer the 911/Fire EMS Communication Center to the Tucson Fire Department.

**July 12 2011** - City Manager notified by Ward 6 City Councilmember that 911/ Fire EMS Communication Center Dispatchers talking directly to him have indicated significant problems with the new dispatch system. The City Manager indicated to his knowledge none of these employees had previously notified him of any issues with the Communications Center. City Manager request Ward 6 Councilmember to let him do his job.

**July 19, 2011**- A string of text message from the Ward 6 Council member received by the City Manager. The Ward 6 Councilmember was requesting elimination of furloughs for dispatchers. The City Manager was concerned that if the review from Finance and Budget did not clearly show that furloughs should be eliminated this issue should go to the Internal Audit and Performance Commission (IAPC).

Text message from Ward 6 Councilmember: "Both Mike's cc on this text-I have a very reasonable offer that will result in de-escalation of 911 issues needs a 3-way conversation with us." City Manager responds by text: Steve. Sorry missed call. Had lunch with John C Scott you the mayor and council will have an e-mail from me on Wed. Ward 6 Councilmember responds: "timing and messaging are key we should talk." No response text sent by City Manager. City Manager calls Ward 6 Councilmember. Ward 6 Councilmember text again: in fact you took flack for giving Kelly and Joyce raises- punting furlough decision to IPAC begs the question at their pay grades can't they support the policy? Your looking for outside cover isn't the leadership people want from you. I will openly support the elimination for fire/ems , 911 and TPD dispatch and will stand with you in telling TPOA and TFFA that we were following their expressed support of the larger furlough reduction plan those are 2 different issues."

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**July 31, 2011-** Text from City Manager to Ward 6 Councilmember. "Steve appreciate your advice on this one, but do not think it is good idea for you to attend a meeting I called with my staff. This is an operational issue that is my responsibility. Let me handle this one. I will give folks my personal cell phone to call if they want to talk with me one on one after the meeting. Response from Ward 6 Councilmember "Mike, you represent the man. They're not gonna buy it.

**July, 2011-** Assistant City Manager/CFO and Budget Director complete their review and confirm that Communication Center Fire and Police Dispatchers are costing the city more in overtime with furloughs. The city up to this point had not look at individual work unit savings on furloughs since the over all program is saving the city \$900,000 per month.

**August 1, 2011** - City Manager holds meeting with General Services Department Management, Dispatch Center Supervisors and Qwest. Encourages dispatchers to call him directly and gives them his personal cell phone number. Ward 6 Councilmember continues to get calls from dispatchers. Some of the dispatchers start calling the City Manager, he makes sure General Services Management is aware of their concerns, but also encourages them to work with the department.

**August 5, 2011-** Memorandum sent to Mayor and Council outlines issues with the conversion of new 911 systems.

**August 9, 2011-** Mayor and Council meeting to review and provide direction on 911. Mayor and Council direct staff to lift furlough for dispatchers and expedite hiring based on the recommendations from the City Manager.

**August 12, 2011-** City Manager receives request from Ward 6 Councilmember to be involved in the next staff meeting on the 911 conversion issues. City Manager states this would not be appropriate. Ward 6 Councilmember indicates he will have a press conference on Monday, August 15. City Manager requested that he give him the weekend to think about this and he will call the Ward 6 Councilmember on Monday, August 15. Also, information from a Workplace Audit of the 911/ Fire EMS Communication Center from April 5, 2010 ( I had just became aware of this audit The audit was not shared with the City Managers Office when it was completed.) was privately shared with the Ward 6 Councilmember. The Workplace Audit clearly indicated that the city was not just dealing with the current technical issue in the 911/ Fire EMS Communication Center, but also significant workplace issues between dispatchers and dispatchers and their supervisors that had developed over time. City Manager discusses issue with the City Attorney for advice.

**August 13-14 2011-** The City Manager receives calls over the weekend from Tucson Fire and Northwest Fire that they have turned down requests from the Ward 6 Councilmember to participate in a Monday August 15 Press Conference. City Manager discusses transitioning the 911/ Fire EMS Communication Center from General Services to Fire with the Fire Chief, City Attorney and General Services Director.

**August 15, 2011-** Ward 6 Councilmember holds press conference with dispatchers. City Manager directs that the 911/ Fire EMS Communication Center be transferred from General Services to the Tucson Fire Department.

**August 16, 2011-** Ward 6 City Councilmember texts City Manager with following message: "Excellent move shifting Comm Center mgmt kudos" City Manager responds: "More work to do...but I agree"

**September 2011-** 911/Fire EMS Communications Superintendent formerly responsible for the day-to-day operations is in the process of demotion by General Services Department. He was removed

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from day to day management supervision of the 911/ Fire EMS Communication Center immediately after it was transferred to the Tucson Fire Department.

**Lessons Learned** – I have started focusing on creating a more transparent internal organization so employees start coming to city management first to resolve problems. We need to make sure that more employees do what the Parkwise employees did; give city management a chance to solve the problem before involving the Mayor and Council or the media.

I should have released the April 5 2010 Work Place Audit by OEOP to the entire Mayor and Council.

I wish the transfer of the 911/Fire EMS Communication Center to Fire could have been delayed until I was ready to transfer it. Unfortunately, it became clear to me that I needed to act more quickly based on the continued direction this issue was going.

**Timing on Conclusion of Actions by City Manager-** 2 months

### **PARKWISE**

**October 2010** -Parkwise employees notify the Human Resources of organizational and payroll issues.

**October 10, 2010-** City Manager's Office directs Workforce Assessment of Parkwise.

**November 24, 2010-** Workforce assessment completed and corrective actions taken.

**December 9, 2011-** Payroll Audit Completed

**December 2011-** Parkwise Management Assistant, who oversaw day-to-day management, goes on authorized Family Medical leave (FMLA). City cannot deny request for FMLA. (This employee would have been disciplined based on the findings in the payroll and financial audits if she returned to work after the authorized leave.. Federal Law does not allow us to impose discipline while she was on leave.)

**January 3, 2011-** Parkwise Coordinator Chris Leighton, provides a written response on steps he has taken to address the payroll and workplace assessment audits. The City Manager, based on these responses, directs a complete financial audit of Parkwise on February 7.

**February 1, 2011-** Parkwise day to day management transferred to General Services Department.

**February 2011-** Financial audit underway and financial issues being corrected by audit findings and General Services Department.

**May 16, 2011-** After being out on approved Federally protected FLMA, city receives resignation of Parkwise Management Assistant who was formerly responsible for the day to day management of Parkwise.

**July 14, 2011-** Canisters stolen in 92 parking meters. Meters are left inoperable and city is losing money. City Manager felt the first priority was the repair of meters. Meter keys collected and put in key control system established by General Services.

**July 2011-** Parking meters repaired and General Service's Staff makes decision not to pursue new parking meter system, but to rekey the current meters for further security

**July 28, 2011-** Financial Audit of Parkwise completed. City Manager starts discussion with City Attorney and Human Resources Director on the discipline of the Parkwise Coordinator, Chris Leighton. City Manager's position is termination, but is informed that the Civil Service Commission would not support this action.

**August 18, 2011-** Parkwise Supervisor given Notice of Termination after admitting he violated the city's procurement process when new parking meter system was being bid. Prior to receiving his Notice of Termination he was responsible for rekeying the parking meters that was authorized for purchase on August 10.

**August 26, 2011-** City Manager becomes aware that meters have not been rekeyed. He directs immediate purchase and rekeying of meters.

**September 1 2011-** Rekeying of meters begins.

**September 2011-** (Pending Memorandum on Parkwise Reorganization)- Mayor and Council will receive a memorandum on Tuesday outlining a Management and Supervisory Reorganization of Parkwise that will eliminate the current position held by Parkwise Program Coordinator Chris Leighton.

**Lessons Learned** – I should have disciplined Park Wise Program Director Chris Leighton after the completion of the workplace Assessment and payroll audit instead of waiting for the completion of the financial audit in July to determine discipline. In the future with critical payroll or financial audits I may have to authorize staff to seek external consulting help to complete financial audits quicker.

**Timing on Conclusion of Actions by City Manager-** 11 months total (includes implementation of reorganization in September) and two months from completion of financial audit on July 28.

The Ward 6 Councilmember's comparison of the issues of the 911/Fire EMS Communication Center and Parkwise to the mismanagement of the Rio Nuevo is misleading, ridiculous and very much politically motivated. Rio Nuevo was a project that had issues over 11 years and consumed over \$200 million in public funds. Fortunately, over the last two years the city has formulated better strategies on approaching downtown development and growth. The private sector champions for downtown, leadership of Mayor and Council and the hard work of key staff led by Assistant City Manager Sean McBride have resulted in a sustainable resurgent downtown. Every great city deserves a great downtown. Tucson is no exception.

The only negative with the downtown's comeback is the Governor appointed Rio Nuevo District Board. This board is more interested in political maneuvering, lawsuits and investigations than getting real work done downtown. The City was required to pay in excess of \$2 million for Rio Nuevo expenses because Rio Nuevo refused to authorize payment. The City has not been reimbursed to date. Rio Nuevo has not authorized releasing \$3 million dollars they are holding for critical Convention Center renovations that would help us retain the economic engine of the Gem Show and secure other conference center activities. This was one of their major charges and they cannot even get this simple issue resolved.

If the Rio Nuevo Board was more effective downtown revitalization would have a true teammate in the game instead of one on the sidelines. This is one of my hopes and prayers for this city that I have come to love and call home.

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