




MEMORANDUM

Date: February 12, 2018

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Response to Board Questions Regarding Proposed Sales Tax Resolution, Ordinance and Road Repair Plan**

On February 6, 2018, the Board discussed a proposed sales tax resolution, ordinance and road repair plan that was submitted to the Board in response to a request from Supervisor Valadez. Below are responses to certain questions raised by Board members during the discussion.

1. Draft 10-year Road Repair and Maintenance Plan for Unincorporated Pima County

The draft ordinance includes a draft plan to repair to at least a fair condition every road in unincorporated Pima County within 10 years, including regular maintenance treatments. Attached is the 77 page list of roads by condition rating and treatment schedule, which is searchable by road name. This 10-year plan is estimated to cost \$527 million. The share of sales tax revenues that would be allocated to unincorporated Pima County over 10 years for road repair, plus the additional HURF transportation revenues that are projected to be available during these 10 years and Transportation Department cost savings, are projected to sufficiently fund this plan even with the incremental 2.5 percent reduction in sales tax revenues for property tax relief.

To be clear, the ordinance also proposes, during the first 10 years, the funding of road repair within the cities and towns, based on their proportional population. The attached road list only includes unincorporated Pima County roads. The cities and towns would have to develop their own road repair and maintenance plans as part of intergovernmental agreements with Pima County to receive sales tax funding.

2. Role of the Regional Transportation Authority (RTA)

The draft resolution includes the following roles for the RTA:

- c. Role of Regional Transportation Authority. The County Administrator is directed to work with the Regional Transportation Authority (the "RTA") to develop an intergovernmental agreement under which the RTA will oversee the County's and municipalities' road repair*

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and pavement preservation programs that receive funding from the Road Repair Fund; cause the Road Repair Fund to be audited annually by a certified public accountant as described in paragraph 3(d) below; establish performance standards and best practices for road repair and pavement preservation programs; and review and comment on County and municipal road repair and pavement preservation programs.

3. Annual Audits by RTA and State Attorney General's Office and required termination if misspending occurs and is not corrected

The draft resolution includes the following reporting, auditing and termination clauses:

d. Reporting and Auditing. The County Administrator or their designee will track and report the amount of revenue received from the County Sales Tax, the amounts deposited to the Road Repair Fund, and all expenditures of monies in the Road Repair Fund, as well as all expenditures of the proceeds of any obligations issued by the County, the debt service on which is to be paid from the Road Repair Fund, in the County's financial statements that are audited annually by the Arizona Auditor General's Office. The County Administrator or their designee will also report this information in separate financial schedules, and will cause those schedules to be audited annually by an independent certified public accountant retained by RTA per paragraph 3(c), who will attest that the schedules fairly represent Pima County's deposits to and expenditures of the monies in the Road Repair Fund, that the appropriate percentage of the County Sales Tax revenue, as set forth in the table in Section 2 above, was deposited in the Road Repair Fund; and that the use of the monies in the Road Repair Fund complied with the restrictions in paragraph 3(a) above.

e. Cure. If an audit report issued by the Auditor General or by an independent certified public accountant under paragraph 3(d) above indicates that the deposits to the Road Repair Fund less were than they should have been, or that any expenditure of monies in the Road Repair Fund was improper, and if this finding is not reversed after consultation with the County, the County will, during the then-current fiscal year, deposit additional monies in the Road Repair Fund to cure any shortfall in the deposits and reimburse the Road Repair Fund the amount of any improper expenditures, provided that sufficient funds are legally available to the County to be used for that purpose. The first annual independent audit that is conducted after this reimbursement will certify that the prior violation was cured.

f. Sunsetting. If an improper use of monies in the Road Repair Fund is reported as provided in paragraph 3(d) above, and the following annual independent audit does not certify

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that the monies have been replaced as provided in paragraph 3(e) above, the levy of the County Sales Tax will lapse and cease as of the end of the fiscal year in which that audit is conducted, except that the levy will continue so long as any obligations that are secured by a pledge of the County Sales Tax revenue, or for which the County Sales Tax revenue is the identified debt-service funding source, are outstanding. The County Administrator or their designee will cause the appropriate notices terminating the collection of the Sale Tax to be delivered to the Arizona Department of Revenue.

4. Temporary versus Permanent Sales Tax

The term of the sales tax is of course up to the Board. So far, public comments have been equally split between those supporting a temporary sales tax versus those supporting a permanent sales tax. Every other Arizona county has adopted a permanent sales tax, which diversifies revenues and reduces their property tax rate. If the Board chooses to support a sales tax that provides any measure of property tax relief beyond eliminating the 25 cent road repair property tax, then the Board needs to be aware that when that sales tax expires, a future Board would be faced with a choice of drastically increasing property taxes to make up for the elimination of the sales tax, or drastically cutting services.

5. Sales Tax Advisory Committee

The Sales Tax Advisory Committee's last meeting is scheduled for March 13, 2018. The Committee has three meetings left and is already beginning to consider their final report and recommendations to the Board. After they transmit their final recommendation to the Board, I will place this item back on the Board's agenda.

CHH/dr

Attachment

c: Jan Leshar, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis, Deputy County Administrator for Public Works
Nicole Fyffe, Executive Assistant to the County Administrator