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# MEMORANDUM

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Date: September 13, 2013

To: Chairman and Members  
Pima County Bond Advisory Committee

From: C.H. Huckelberry  
County Administrator 

Re: **Future Bond Election Planning – Update and Recommendations for the September 20, 2013 Bond Advisory Committee Meeting**

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### **I. BACKGROUND**

Since the Bond Advisory Committee (BAC; the Committee) last met on June 14, 2013, there have been many new developments related to a proposed bond issue in Pima County.

This memorandum outlines these issues for your consideration at the September 20, 2013 meeting.

## II. PROJECTS

### A. Updates to BAC's Tentatively Approved Projects

At the January 18, 2013 meeting, the BAC asked staff to review the Committee's Tentatively Approved project list for possible updates given all of the time that had elapsed since the tentative approval of many of the projects. In February, I provided the BAC with recommended updates. After receiving requests in April and May for new bond projects and revisions to tentatively approved bond projects, I provided another iteration of updates to the Committee. At the June 14 BAC meeting, the Committee approved the deletion of 10 projects no longer needed from the Tentatively Approved project list, reducing the bond allocation from \$650 million to \$579 million.

At the BAC's September 20, 2013 meeting it is recommended the Committee continue to update the Tentatively Approved Projects List by considering the changes itemized in this memorandum and summarized in the attached tables (Attachment A). These include the latest version of the updates provided prior to the June 14 meeting. If the Committee was to approve all of these changes, the Tentatively Approved Projects List would be reduced to \$521.9 million.

Regardless of the timing of a future bond election, keeping these projects up to date will make it easier for the public, the BAC and staff to track these projects over time. Currently, there are two project description sheets for many of the projects; one for the BAC-approved version and one for the updated version. To reduce confusion, the updated versions were included in the survey and are posted on the County's bond website.

I understand that some of these changes may be more controversial than others. Some are more significant than just updating costs and scope. The BAC could, for instance, choose to defer action on the following projects to allow for more time to consider the recommended changes:

- Habitat Protection Priorities Reduction
- Affordable Housing Reduction
- Neighborhood Reinvestment Reduction
- City of Tucson Urban Greenways Deletion
- Velodrome Deletion

1. *Revisions to Tentatively Approved Projects (projects highlighted in red)*

Of the 83 Tentatively Approved projects 27 are highlighted in red on the attached tables because of requests for changes to scope, funding or project need. If the BAC approved funding revisions to all 27 projects (some increased, some decreased), the bond funding allocation for the tentatively approved projects would be reduced overall by a net \$18.8 million.

**HP103 – Archaeological Site Acquisitions: Marana Mounds, Cocoraque Butte: Increase Funding**

The BAC approved \$1.5 million for this project in 2010. Staff is now requesting \$4.4 million based on revised cost estimates due to the Marana Mounds acreage now including the private portion of the site, as well as the fact that matching grant funds through Growing Smarter State legislation will no longer be available from State Parks to assist with purchase of the State Trust land portion of the Marana Mound Site.

**HP111 – Steam Pump Ranch Rehabilitation: Scope change and increase funding**

This project was approved by the BAC for \$2 million in 2009. Since then, the Town of Oro Valley has completed the initial stabilization and restoration of a historic ranch house, preparation of the master plan and site improvements sufficient to open the site to the public. The Town is proposing scope changes to proceed to the next phase of the master plan, which would include stabilization and rehabilitation of another historic house, development of new community event facilities and other infrastructure improvements. The Town is requesting that bond funding be increased to \$4 million.

**OS1 – Davis Monthan Approach Corridor Open Space Acquisitions: Project No Longer Needed**

In the 2004 bond authorization, this category received \$10 million in funding. These funds have been fully expended. The most significant ownership of land now in the Davis-Monthan Approach and Departure Corridors is State Trust land. These lands are substantial and total approximately 3,800 acres. The BAC tentatively approved \$5 million for the category. The County's Economic Development Action Plan included a recommendation to increase the amount to \$10 million.

Recent voter approval of Proposition 119, however, makes future bond funding for this purpose unnecessary. Proposition 119 permits exchanges of State Trust land for other public lands if the purpose is to preserve and protect military facilities from encroaching development. Federal, state or local public land could be exchanged for the State Trust

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land located within the Davis-Monthan Approach and Departure Corridors. A single block of ownership would add significant operational flexibility if such exchanges resulted in allowing the former State Trust lands to be owned or leased by the U.S. Air Force for compatible uses, thereby expanding the operational land surface area of Davis-Monthan Air Force Base, as well as preventing urban encroachment. Given this new alternative, I recommend this project be deleted.

### **OS2 – Habitat Protection Priorities and Associated Lands: Reduce funding**

In the 2004 bond authorization, \$112 million was approved for the purchase of properties identified as Habitat Protection Priorities. These monies have all been expended and resulted in the County purchasing 43,444 acres of important natural areas and 129,708 acres of State grazing leases throughout Pima County. In 2009, the County entered into an agreement to purchase the last, large privately owned property in Pima County, the Marley Ranch, over three phases. When completed, the Marley Ranch will be the County's single largest conservation area. Phase 1 included the County's purchase of 6,337 acres completed in 2009 and options to acquire the remaining property over two additional phases. The options were amended in 2011 to extend the deadlines due to the delay of a future bond election and to permit Freeport McMoRan Copper and Gold, Inc. to purchase a portion of the lands, 2,283 acres, for mitigation for their operations at their Sierrita copper mine. These amendments reduced the County's total price for the options from \$80 million to \$65.8 million for the remaining 15,000 acres, which equates to a savings of \$14.2 million. I would add that even at \$65.8 million, which is roughly \$4,400 per acre, the property is substantially overvalued by \$10 or \$20 million. This bond category, Habitat Protection Priorities, could be reduced by at least the \$14 million savings, from \$110 million to \$96 million.

### **CD1 – Affordable Housing Program: Reduce funding**

The Affordable Housing Program, when allocated at \$10 million in the 2004 program, was sufficiently funded. The 2004 Affordable Housing Program has almost been fully expended, with expenditures totaling approximately \$9.22 million. In addition, 96 percent of the housing bond projects completed and approved for funding are located within the City of Tucson. Given the significant decline in market value of housing since the Great Recession, there should be much less pressure to advance affordable housing programs; hence, the need to increase the allocation in the next bond authorization is questionable. I recommend it be set at the same value it was in the 2004 bond program at \$10 million, as opposed to the \$30 million tentatively approved by the BAC. If there is a desire to increase this funding to \$20 million and since 96 percent of funding has been spent inside the City of Tucson, the program could be amended to require an equal match from the benefiting jurisdiction thus doubling the overall program value.

**CD2 – Neighborhood Reinvestment Program: Reduce funding**

For the 2004 program, the Neighborhood Reinvestment Program was set at \$20 million. Implementation of the program provided that total funding of \$500,000 could be received for each project. There has been significant difficulty implementing neighborhood reinvestment projects within the City of Tucson from a project administration and implementation perspective.

Of the 2004 Neighborhood Reinvestment bond funds, about 67 percent were spent or were allocated (three pending projects) for projects within the City of Tucson (see Table 1 below).

**Table 1: Neighborhood Reinvestment Projects by Location.**

Location	Number of Projects	Percent of Projects	Expenditures, Percent of Total
City of Tucson	38	70%	67%
Unincorporated Pima County	12	22%	25%
City South Tucson	3	6%	6%
Town of Marana	1	2%	2%

In almost all cases, the City has not provided any matching funds for even the small percentages necessary for project design and construction management. Given past difficulties with implementation of the Neighborhood Reinvestment Program through other jurisdictions, I recommend the program not be expanded to the \$30 million tentatively approved by the BAC and that the original allocation of \$20 million in 2004 be set for any future bond authorization. I would further recommend that no more than 25 percent of the amount be used for items traditionally funded through jurisdictions' transportation budgets. If the BAC has a strong desire to fund this program at \$30 million, I suggest that matching funds of one third from benefiting jurisdictions be required, which would, in effect, bring the program back up to the \$30 million originally approved by the Committee.

**FM35 – West Valencia Branch Library: Increase funding**

The BAC tentatively approved \$6 million for the West Valencia Library. Pima County Facilities Management is asking for an increase to \$8 million based on 2013 construction costs and their experience constructing the Wheeler Taft Abbett Library in Marana.

**FM45 – Sahuarita Branch Library: Increase funding**

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The BAC tentatively approved \$6.67 million for the Sahuarita Library in 2009. Pima County Facilities Management is asking for an increase to \$8 million based on 2013 construction costs and their experience constructing the Wheeler Taft Abbott Library in Marana.

**FM51 – Flowing Wells Branch Library: Increase funding**

The BAC Tentatively approved \$2.91 million for the Flowing Wells Library expansion. Similar to FM35 and 45, the bond funding allocation was reassessed to update costs. Staff is now asking for \$3.1 million in bond funding.

**FM77 – Fairgrounds Infrastructure Improvements: Scope change and increase funding**

This project was tentatively approved by the BAC for \$3 million in 2009. The revised proposal removes the recreational vehicle park component of the project and replaces it with redevelopment of the exhibit buildings, which resulted in an increased cost estimate overall. The bond funding request is now \$3,741,381. This project will continue to further the Board of Supervisors' economic development and tourism goals.

**FM84 – Marana Health Center Expansion: Scope change**

The BAC tentatively approved this project for \$3 million in 2010. Marana Health Center was able to complete the work in the original project request through other means. As a result, they are now asking for the same amount of bond funding for Phase III, which would include construction of an annex to the main facility. The Committee should note that there could be legal and accountability concerns with the County providing bond funding for this project. Such is discussed in more detail later in this memorandum.

**FM107 – Tucson Children's Museum: Increase funding**

This project was tentatively approved by the BAC for \$5 million in 2010. The Tucson Children's Museum originally requested \$6 million. I originally recommended \$5 million in 2008 and 2009. More recently, in the County's Economic Development Action Plan approved by the Board of Supervisors in 2012, I recommended full funding of \$6 million for this project.

**FM108 – East Side Government/Community Center, Park Sheriff Substation, Library: Increase funding**

The BAC tentatively approved \$14 million for this project in 2010. It is recommended that the bond funding allocation for this project be increased to \$15 million to account for

revised cost estimates for constructing libraries. A new project was proposed earlier this year to develop a library at The University of Arizona Science and Technology Park (UA Tech Park) instead of including it as part of this FM108 project at Houghton Road and Mary Ann Cleveland Way. When the Committee discusses new projects, and if the decision is made to locate the library at the UA Tech Park instead of at this location, then this project could later be amended to eliminate the library and the cost associated with it.

**FM109 – Pima Air and Space Museum – Cold War Hangar: Scope change, increase bond funding and decrease other funding**

The BAC tentatively approved this project for \$4 million in 2010, along with \$7.5 million in other funding. The County's Economic Development Action Plan included a new proposal for \$8 million in bond funding for a University of Arizona Space Gallery (UA Space Gallery) displaying artifacts and exhibits related to the significant contributions made by the University to the exploration of space. It has been determined that the UA Space Gallery project is not feasible due to lack of artifacts to display. I and the Pima Air and Space Museum propose withdrawing the Space Gallery project and instead expand the Cold War Hangar project to include a 200-seat theater. In addition, the other funding of \$7.5 million was apparently misunderstood and should be \$4 million. As a result of the added theater and reduction in other funding, the request is to increase the bond funding from \$4 million to \$10 million. The museum is one of the top five air and space museums in the world. This bond project would double the indoor display gallery space, allowing guests to view the diverse collection of aircraft and aviation displays in comfort significantly increasing the time spent at the museum.

**PR6 – Reid Park Zoo Africa Expansion: Remove**

The BAC tentatively approved \$3.75 million toward the construction of an elephant exhibit in 2009. The project has since been completed with other funding and should, therefore, be removed from the Committee's Tentatively Approved Projects List. The City of Tucson submitted what is essentially a new project to develop a hippopotamus exhibit at the zoo for \$3.75 million. The BAC should consider this new request when new projects are considered.

**PR13 – Southeast Regional Park (to be renamed Esmond Station Regional Park): Scope change and funding increase**

The BAC tentatively approved \$2.4 million in 2009 for this project. Earlier this year, Pima County acquired 280 acres at Houghton and Mary Ann Cleveland Way, which included the historic Esmond Station Site, at public auction from the Arizona State Land Department. This is the property needed for this project and the FM108 project. It is now proposed that

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the scope of the project change to include six lighted athletic fields, restroom facilities, maintenance building, basketball court, utility upgrades, paths, picnic areas, parking and preservation of the historic Esmond Station Site. It is also proposed that the bond funding request increase to \$6.8 million.

**PR18 – El Pueblo Center Improvements: Increase funding**

The BAC tentatively approved \$2 million for this project in 2009. Cost estimates submitted by the City of Tucson were initially done in 2006. Since then, the construction cost estimates have risen. Their request is for bond funding to be increased to \$2.5 million.

**PR19 – Freedom Center Expansion: Scope change and increase funding**

The BAC tentatively approved \$2 million in 2009. The City of Tucson is now requesting a scope change and bond funding increase to \$2.5 million. If approved, the project scope would include improvements to Freedom pool, including a new slide, installation of non-slip decking, a modernized pump room and vessel upgrades.

**PR28 – Lincoln Park Improvements: Scope change**

The BAC tentatively approved \$1.5 million for this project in 2009. The City of Tucson is now requesting a complete scope change from a pedestrian path system, picnic area with ramadas, lighting improvements and associated infrastructure, to design and construction of two soccer fields or a new four field complex with lights and associated amenities. The funding request remains the same.

**PR103 – Rillito Racetrack Conversion: Scope change**

The BAC tentatively approved \$14 million in 2009. This project is to finish the conversion of the Rillito Racetrack to a regional soccer complex. A number of soccer facilities have already been built on the property. As part of the 2004 bond program, a recreation center was planned by the City of Tucson. The City now desires to construct additional athletic fields and recreational facilities at this location. The funding originally set aside for the recreational complex will be applied to a phased improvement plan that will allow the completion and construction of several more soccer fields, improved access, public restrooms, circulation and parking. Originally, I had anticipated we would be able to reduce the amount for this project based on the City's funding. However, in the interim, racetrack enthusiasts had the property listed with the State Historic Preservation Office, which will require additional mitigation of the site; costs that were not anticipated. This project is highlighted for a scope change only. This project will also be discussed in the

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Re-justified section for PR266 Pima County Southeast Regional Park (Fairgrounds) Horseracing Facility.

**PR115 – Ted Walker Park Sporting Dog Training Site: Scope change**

The BAC tentatively approved \$2.5 million for this project in 2009. The current proposal is to expand the scope to include meeting rooms for dog training and veterinary clinics with no change to the project cost.

**PR137 – BAJA Seniors Sports Complex: Decrease funding**

The BAC tentatively approved \$4 million for this project in 2010. The County has invested \$500,000 in the project to date. I recommend we decrease the bond funding from \$4 million to \$3.5 million.

**PR140 – Ajo Detention Basin Park: Decrease funding**

The BAC tentatively approved \$2.2 million for this project in 2011. The Ajo Detention Basin Park is substantially complete. The allocation of \$2.2 million should be reduced to \$500,000 to allow for the construction of a number of additional shaded basketball courts on the park property.

**PR181 – Sahuarita Pool and Recreation Complex/YMCA: Increase funding**

The BAC tentatively approved \$12,652,000 for this project in 2010. The Town of Sahuarita submitted revised cost estimates for the pool project and is requesting that the tentatively approved bond funding allocation be increased to \$15,880,500. The Town is currently holding public meetings to determine whether to move the project from Anamax Park to a site owned by Rancho Sahuarita near the Town Hall. The Town is also currently working on an operational agreement with the YMCA. In the past, we asked the Town whether this project could be constructed in phases, thereby reducing the initial County bond investment. The Town responded that phasing the project was not possible; however, most other large recreational projects approved by the Committee have been built in phases. Numerous examples of such phased construction exist.

**PR201 – Oury Pool Renovations: Increase funding**

The BAC tentatively approved \$620,000 for this project in 2010. City of Tucson Councilmember Regina Romero's office submitted a request to revise the scope to include more detail on proposed improvements and increase bond funding to \$1.5 million. According to their information, the pool needs significant renovations to be operational.

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The project scope will bring the pool up to national design recommendations for pool accessibility and operation and expand the features of the pool to meet the needs of all users, including a slide, splash area and zero depth pool entry.

**PR210 – Bureau of Reclamation Sports Park: Scope change and increase funding**

The BAC tentatively approved this project for \$10 million in 2010. The Town of Marana is requesting that the scope be expanded and the bond funding increased to their original request of \$17.5 million. The scope change, if approved, would increase the number of soccer fields from 10 to 18 fields, 5 softball fields to 12 fields, and 5 baseball fields to 12 fields. An equestrian center with indoor and outdoor arenas, stalls and a trailhead for the Central Arizona Project (CAP) trail system are also planned for this site. It should be noted that in the most recent list of priorities provided by the Town, the Mayor and Council dropped the priority of this project to Number 7 (from Number 2 in 2007). In addition, when reviewing the survey results, the residents with zip codes in the Northwest/Marana area did not rank this project within their top 15 parks and recreational type projects. Mayor and Council have made it clear that their highest priority project is now the Marana Heritage and Cultural Center, which was also ranked number one in the survey by those residing in the Northwest/Marana area. For these reasons, the Committee may want to consider dropping this project and replacing it with a bond allocation for the Marana Heritage and Cultural Center when the Committee considers new proposals.

**PR217 – James D. Kriegh Park Upgrades: Scope change and increase funding**

The BAC tentatively approved PR217 for \$1 million in 2009. The Town of Oro Valley is now requesting \$3 million for an expanded scope that would include extension and reconstruction of Egleston Drive between Linda Vista and Calle Concordia and additional parking. The \$2 million increase is primarily due to the proposed road improvement.

**2. *Re-justifications (projects highlighted in blue)***

Of the 83 Tentatively Approved projects, I identified 13 projects, which are highlighted in blue on the tables in Attachment A, because I feel these projects are in substantial need of re-justification. If the Committee approves all of these, the bond funding allocation for the tentatively approved projects would be reduced by an additional \$38.1 million.

**FM1 – Pima County One Stop Career Center: Scope change and funding increase to add Literacy Connects/Job Path facility**

The Committee approved \$4.5 million in 2009 for the development of a new Pima County One Stop Career Center to replace the existing west side facility that is located in leased

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space. More recently the Committee received a proposal for a new \$6 million facility to house two non-profit organizations, Literacy Connects and Job Path. Both projects scored top in their category on the bond survey. It may make more sense to house all of these services in one facility, instead of two. There could be cost saving, both from an initial bond funding perspective and long term operating costs. For now, I recommend the Committee approve the concept of combining these facilities for a total cost of \$10.5 million. After undertaking more specific facilities planning in the future, the bond funding cost may be able to be reduced slightly.

#### **FM11 – Kino Health Campus Improvements**

This project was originally approved in 2007 and was designed to be primarily related to health education, providing a full spectrum of allied health professional training, as well as nursing training, by Pima Community College. Given the passage of time and changing management at Pima Community College, it is likely such would not be the priority of the College; and such a facility may not be a priority for optimal medical education and service delivery at the Kino Health Campus. Present utilization of the Kino Health Campus has pointed more toward a need for medical office space to complement service delivery through The University of Arizona Medical Center-South Campus, as well as for the delivery of behavioral health services through the Behavioral Health Pavilion and Crisis Response Center. The majority of critical psychiatric and behavioral health services continue to be provided at the Kino Health Campus for the entire community through the regional behavioral health authority.

The original allocation of \$40 million should continue to be reserved for capital and facility improvements on the Kino Health Campus. I will be asking all of our partners in healthcare and medical training, as well as biosciences, to collaborate on developing an appropriate expenditure plan that maximizes the delivery of medical and healthcare services, as well as provides expanding economic development opportunities in the professional and paraprofessional healthcare fields. When a plan is developed, it will be sent to the BAC for review and comment.

#### **FM97 – Teresa Lee Clinic Relocation: No change**

With the opening of the Modern Streetcar, the Teresa Lee Health Clinic, presently housed in a 1950s vintage building formerly the juvenile detention facility called Mother Higgins, needs to be demolished and replaced. The County's new Health Director, Dr. Francisco Garcia, is developing a communitywide public health services delivery plan, which will optimize the location and number of public health facilities and clinics throughout Pima County.

The existing location remains viable for the development of new public health facilities if an optimal service delivery plan prepared by the Health Director is approved by the Board of Health and the Board of Supervisors. If such occurs, \$4 million should continue to be reserved for reconstruction. If not, it is still appropriate to reserve additional funding, as this County-owned site along the Modern Streetcar becomes of significant importance in the tourism element of the County's adopted Economic Development Action Plan and a component of a potentially complex art museum and visitors center plan that links downtown and Tumamoc Hill.

**FM110 – Elections Equipment: Reduce funding**

The BAC approved \$5 million for this project in April 2010. In reviewing this project earlier this year, I was concerned that the new, nationally certified, optical scanning and tabulating election equipment would not be available for purchase for some time and that certification of the equipment may still be under review. However, staff has confirmed the equipment is currently available for purchase and has met the necessary certification (see Attachment B). In addition, cost estimates for the equipment have decreased. I am now recommending this project remain on the Committee's Tentatively Approved Projects List but be reduced from \$5 million in bond funding to \$2.4 million.

**PR75 – Green Valley Performing Arts Center Phase 3: Delete project**

The BAC approved \$16 million for this project in March 2010. The first and second phases of this center were funded with 1997 and 2004 bond funds. The foundation that operates the Community Performing Arts Center was unable to support the operating and maintenance costs for this current fiscal year. The foundation requested General Fund support from the County and such was approved by the Board of Supervisors. Given the fiscal stress associated with operating the existing facility, the foundation and I recommend the \$16 million proposal to develop Phase 3 of the facility be deleted.

**PR235 – Freedom Park Adult Learning Center: Delete project**

The BAC approved \$4 million for this project in May 2010. Since then, Pima Community College acquired and modified a nearby school for the purpose of providing adult educational services. As a result, we have notified Pima Community College in writing that this bond project is no longer necessary.

**PR34 – Urban Greenways, City of Tucson: Delete project**

The BAC approved \$15 million for this project in November 2010 after the City of Tucson provided two presentations with very limited details beyond a general map showing

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segments that would be eligible for bond funding under this project. This is in sharp contrast to the level of detail developed for the County's Project PR278 River Park Acquisitions and Development Countywide. The County's project is backed by significant analysis, thousands of pages of research reduced to 64 individual project segment sheets, and maps that include right of way ownership, existing conditions, and detailed cost estimates to complete or bring each segment up to an agreed upon standard. The County's complete report can be accessed by the BAC and the public at [http://webcms.pima.gov/UserFiles/Servers/Server\\_6/File/Government/The%20Loop/11061\\_2\\_River\\_Park\\_Initiative\\_Report.pdf](http://webcms.pima.gov/UserFiles/Servers/Server_6/File/Government/The%20Loop/11061_2_River_Park_Initiative_Report.pdf). Attachment C shows the contrast between the details available for the City's project compared to the County's. We requested that the City provide a similar level of detail to support their bond project proposal and were told that they were willing to provide another presentation to the BAC but that the information would be similar to what has already been provided. It is, therefore, my recommendation that the BAC delete this project until additional details are provided by the City. This project appears to be more appropriate for the recently formed City of Tucson Bond Advisory Committee to consider for a City bond election.

#### **PR35 – City of Tucson Sports Fields and Lighting: Expand scope and increase funding**

The BAC approved \$10 million for this project in October 2010. The project description sheet lists 13 parks within the City of Tucson that would receive the bulk of the bond funding for replacement of existing lighting systems; 8 parks that would receive bond funding to light fields that are not currently lit; and 2 parks that would receive bond funding for development of new fields and lighting of those new fields.

I recommended this project be expanded to provide funding for every jurisdiction proportionate to their share of assessed valuation, with preference given to construction of new sports fields and lighting versus replacement of existing lighting. This summer, staff contacted each city and town to determine if they had projects that should be added to this umbrella project. No answer was received from the Town of Marana. The Town of Oro Valley preferred to keep their request for PR217 James D. Kriegh Park as a separate project. The same was true for the two new park proposals from the Town of Sahuarita (North Santa Cruz Park and Quail Creek-Veteran's Memorial Park). These three parks requests are of adequate size (\$3 million or greater) to justify separate bond projects. However, the Town of Sahuarita would be interested in adding components to the regional lighting project if their two new projects are not approved independently by the BAC. The City of South Tucson was not contacted as they do not have their own fields.

County staff developed a list of five County parks to add to the list for lighting replacement and five County parks to add to the list for lighting of fields not currently lit. In addition, staff reviewed and revised cost estimates for each subproject. As a result, I am

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recommending that these be added, the name be changed to Regional Sports Fields and Lighting and the bond funding be increased from \$10 million to \$15 million to adequately fund the project. See Attachment D for project sheet and revised cost estimate detail.

**PR220 – Adaptive Recreation Center Expansion: Update scope**

The BAC approved \$12 million for this project in October 2010. The existing project description sheet lacked specific details regarding the type of improvements to be made with the \$12 million in bond funding. Attachment E is a revised project description sheet that contains significantly more detail, including:

“The City of Tucson Mayor and Council adopted the master plan in 2000. The master plan identifies two major components of the center – an aquatic facility and a non-aquatic (‘dry’) facility. The aquatic facility was built using City of Tucson 2000 bond funds. The design and construction of the ‘dry’ facility is the scope of the proposed Pima County bond funded project, PR220. The dry facility will support therapeutic programming for a wide variety of disabilities. The planned ‘dry’ facility includes a kitchen for life skills, nutrition classes and social programming, a gym/multipurpose room for Special Olympics and sports programming (basketball, floor hockey, and team handball), a walking track with emergency call stations, frequent benches for rest and a surveillance system for walking clubs and a fitness room with accessible equipment. Other programming to address life skills, fitness, socialization, nutrition and developmental delays will occur in the planned rooms for changing clothes, aerobic exercise, arts and crafts, games, social gatherings, meetings, quiet respite and computer training. The associated parking facilities will have more accessible spaces than is minimally required by code.”

I recommend the BAC approve this updated scope for PR220.

**PR231 – Arizona Velodrome Center at Kino Campus: Delete project**

The BAC unanimously approved \$5 million for this project in November 2010 and in a separate motion, recommended 10 to 9 that the Velodrome be located at the Kino Campus. There has been discussion both by the BAC and independent of the BAC as to whether Kino Campus is the best location for such a facility. In addition, I forwarded a report to the BAC on May 23, 2013 that examined other existing and proposed velodromes worldwide. The report found that \$5 million may not be adequate to construct such a facility. In addition, it highlighted the importance of having a financial commitment for operations and maintenance. I then wrote to the group that proposed the project, Perimeter Bicycling Association (PBA), and requested that they develop a 25-year agreement for PBA to fund all operating and maintenance costs. I have not received a response. For this

reason, I ask that the BAC drop this project from the Tentatively Approved Projects List until such assurances are received.

**PR266 – Pima County Southeast Regional Park (Fairgrounds) Horseracing Facility: Delete Project**

The BAC approved \$6.5 million for this project in October 2009 to replace Rillito Racetrack, as it would be repurposed for a youth soccer tournament site per the BAC's approval of PR103. The Southwestern Fair Commission, which manages the County Fairgrounds and other facilities, recently completed a master planning effort. The \$6.5 million proposal for developing a horseracing facility at the Fairgrounds was not included in their master plan. There were several reasons for this. First, the proposed bond funding allocation for \$6.5 million was determined to be inadequate to construct such a facility. Second, horseracing in Arizona no longer appears to be a viable industry; and, therefore, the Commission was concerned about a lack of revenue to cover annual operating and maintenance costs. Third, there is a lack of space within the current footprint managed by the Commission to include such a facility without compromising the expansion plans for existing facilities. This issue is more apparent when you consider the facility would only be used for a few weeks each year but would take up space for the whole year.

The master plan did, however, include an option and cost estimates for a multiuse facility that could include a horseracing track (see this section of the master plan; Attachment F). I asked staff to review this information available and develop a bond project proposal for such a facility. Attachment G is a project description sheet for a \$27 million project for a multiuse facility that includes horseracing. Clearly, this is not affordable. I recommend the BAC delete this \$6.5 million project. At this time, there are no clear plans to replace horseracing at Rillito; and given the brief use of this valuable public asset for County Fair horseracing, the conversion to a regional soccer facility is appropriate. Pima County Fair horseracing days can be easily transferred to other County horseracing facilities in the state.

**PR278 – River Park Acquisitions and Development Countywide: Update scope**

The BAC approved \$20 million for this project in October 2010. On November 6, 2012, the River Park Initiative Report was provided to the Pima County Board of Supervisors. The full report may be accessed by the BAC and the public utilizing the link [http://webcms.pima.gov/UserFiles/Servers/Server\\_6/File/Government/The%20Loop/110612\\_River\\_Park\\_Initiative\\_Report.pdf](http://webcms.pima.gov/UserFiles/Servers/Server_6/File/Government/The%20Loop/110612_River_Park_Initiative_Report.pdf). This 126-page document provided an exhaustive review of the river park standards, current compliance of The Loop with those standards and costs to bring the entire system to the premium standard. This document reviewed the entire Loop and suggested up to 84 improvement projects that total over \$89 million.

Staff then used this report to develop a list of very specific projects that could be funded with the \$20 million bond project (Attachment H). Projects are prioritized and intended to be delivered in the priority order shown until the bond funding is expended. Table 2 below provides the suggested priority order of projects. The first 14 prioritized projects total approximately the \$20 million tentatively approved. If additional grant or external funding is found for individual projects, then additional prioritized projects beyond the initial expectations will be included.

**Table 2: Suggested Priority Order for River Park Projects.**

Reach/Project	River Park*	Map	BOS District	Project Cost	Priority Rank
Rillito (R) River Bridge Replacements	R		1,3,4	\$ 1,175,000	1
Rillito River Underpass Widening	R		1,3,4	2,000,000	2
Santa Cruz River (SCR) Underpass Program: Speedway, St. Mary's, Congress and Ina	SCR		1,3,5	2,250,000	3
Camino del Cerro to Ina (Future El Corazón River Park) (East Bank)	SCR	S12	1	4,050,000	4
SCR Pavement Improvement Program	SCR		1,3,5	2,000,000	5
Broadway to Fifth Street Wash (West Bank)	P	P7	4	895,000	6
Fifth Street Wash to Speedway (West Bank)	P	P8	4	449,000	7
Kenyon to Broadway (West Bank)	P	P6	2	230,000	8
Magee to Ina (South Bank)	CDO	C7	1	1,180,500	9
Dodge to Country Club (South Bank)	R	R5	3	1,915,000	10
North Boundary of Continental Ranch to Avra Valley Road (West Bank)	SCR	S15	3	444,000	11
Country Club to Kino Environmental Restoration Project (KERP) Outlet	J/TDC	J7	2	740,000	12
KERP Outlet to Campbell (West Bank)	J/TDC	J8	2	1,110,000	13
Twin Peaks to Avra Valley Road (East Bank)	SCR	S15	3	1,987,500	14
Avra Valley Road to Tangerine (East Bank)	SCR	S16	3	3,003,000	15
Drexel to Irvington (East Bank)	SCR	S2	5	4,150,000	16
Tanque Verde to Craycroft (South/West Bank)	P	P10	4	5,710,000	17

Harrison Connection: Valencia to Irvington	P	P1.5	2,4	1,300,000	18
River Park Enhancement Overall Total				\$34,589,000	

\*SCR = Santa Cruz River; R = Rillito River; P = Pantano Wash; CDO = Cañada del Oro Wash; and J/TDC = Julian Wash/Tucson Detention Channel.

I recommend the BAC approve this updated scope for project PR278.

**PR 280 School District Partnerships – Update Scope**

In 2011, the Committee approved \$15 million for what would be a new category of bond funding for the development of ball fields and other recreational facilities at eight schools with the intent that the facilities would be used by both the public and the schools. These eight school proposals were recommended by the BAC’s Parks and Recreation Subcommittee in 2007 from a list of more than 20 original school proposals.

The Committee spent a substantial amount of time discussing this proposed new bond program prior to voting on it. I remained concerned about a lack of specific project scopes, who would pay the operations and maintenance costs for these facilities once built, and what type of commitments could be made to assure adequate public access to these bond funded facilities. In addition, the internal performance audit of projects built with 1997 and 2004 bond funds indicated there is a wide variation across school districts and how they manage and have access to partially or fully County bond funded public park improvements. Such variation is inappropriate.

As a result I asked staff to meet with representatives of these schools to revise the individual project scopes and develop uniform policies for who pays for maintenance costs and how public access is assured. A meeting was held on August 27, 2013, and BAC member Terri Hutts attended. School district representatives then met amongst themselves on September 6, 2013 and have stated they will provide a written summary of the meeting to us. We also received revised project scopes from a few of the school districts.

It is likely additional meetings will be necessary. Therefore, at this time, I am asking that the BAC continue to include this project on the list but expect revisions in the future. If we cannot reach agreement with the school districts, I will recommend this \$15 million project be deleted.

B. Additional Analysis of Survey Results

On August 15, 2013, I provided you a memorandum summarizing the initial results of the survey conducted by the County of various bond project proposals. The results of the survey have also been widely reported in the press. The press reports concentrated on individual projects rather than the overall interests of respondents that were solicited in the first part of the survey. In a few cases, there appears to be a disconnect between the interests of the voters and the actual proposed projects. It is also interesting to consider the bond funding amounts at both an aggregate (project type) level and individual project level. This section of the memorandum provides additional discussion on these topics. Results of the open-ended comment responses are now also available and provided herein.

1. *Disconnects Between Interests of Respondents and Actual Project Proposals*

The purpose of the first part of the survey was to gauge community interest in funding various types of projects (public health, libraries, transportation, etc.). The purpose of the second part of the survey was to have respondent's rank actual projects that have been proposed for bond funding within five categories.

Table 3 below shows the level of interest respondents showed for funding certain types of projects (ranked by extremely and very important to fund) and then compared to the number of actual project proposals that met that project type and the sum of bond funding requested for those actual projects. This is one way of assessing whether the number of actual project proposals and sum of bond funding for those projects being considered by the Committee is aligned with the interests of respondents.

**Table 3: General Interests of Survey Respondents Compared to Actual Projects Proposed.**

<b>Project Types</b>	<b>% of Respondents Ranking Project Type as Extremely or Very Important</b>	<b>Number of Proposed Projects</b>	<b>Total Bond Funding Requested for Proposed Projects</b>
Job Growth, Education and Workforce Training Facilities	69	14	\$203,162,500
Transportation Improvements	66 (33 EI)	2	100,772,000
Parks and Recreational Facilities	66 (32 EI)	57	273,130,500
Libraries and Community Facilities	63	32	298,299,210
Public Health Facilities	57	5	49,280,000
Historic, Cultural and Natural Areas Conservation	55	15	162,050,000
Neighborhood Reinvestment and Affordable Housing	43 (17 EI)	5	112,500,000
Flood Control Improvements	43 (15 EI)	5	24,700,000

\*EI = Extremely Important

Respondents showed the highest level of interest in funding Job Growth, Education and Workforce Training Facilities, which aligns with some of the more recent bond projects proposed in the past two years by the County. However, the number of actual projects proposed that fit this category (14 projects) and the sum of bond funding requested (\$203 million) is not as high as the number of actual projects proposed and bond funding proposed for Parks and Recreational Facilities, Libraries and Community Facilities. It is important to note, though, that many projects not officially placed in this "job growth" category would, in fact, contribute to job growth; such as museum improvements and other projects that support job growth in the tourism sector of the economy.

While respondents are clearly interested in seeing more transportation improvements funded, there are only two actual transportation-related projects that have been proposed for bond funding, both of which were proposed because of their ability to stimulate job growth. Clearly, the community wants to see more transportation improvements. This was also evident in a significant number of responses to the open-ended comments question discussed later in this memorandum. Prior to this survey, I felt strongly that it was important to continue funding transportation improvements with non-general obligation bond funding sources such as Highway User Revenue Funds (HURF) and the sales tax revenues allocated to the Regional Transportation Authority (RTA); and that in the long term, significant changes must occur at the state and federal level regarding transportation funding. However, these survey results point toward some level of support for the use of County general obligation bonds for transportation improvements and/or maintenance. In response to this, please see the discussion of a potential new project on Page 24 of this memorandum.

The third highest category was Parks and Recreational Facilities, which the County has always indicated would be an important part of any future bond election. The number of actual projects proposed and bond funding proposed appears to align with the high level of interest shown by respondents for these types of projects.

Two other points are worth noting. The support for funding public health facilities was significantly higher than the number of actual projects and project funding proposed. However, if the nursing training facility proposed for Kino Health Campus had been included in the public health category instead of the workforce training category, it would have added \$40 million to public health. In addition, we are more aware of the important role parks and recreational facilities play in contributing to the physical and mental health of a community.

The comparatively low interest in funding neighborhood reinvestment and affordable housing projects and programs is counter to the ranking of the two actual County/region

wide projects in the second part of the survey. The County's neighborhood reinvestment and affordable housing programs ranked third and fourth when compared to actual projects listed under the "public health, flood control, neighborhood reinvestment and governmental facilities" category.

**2. Bond Funding Requests for Actual Project Proposals by Category**

The categories included in the second part of the survey were a variation of the categories or bond questions included in the BAC's Tentatively Approved project list and varied slightly from the project types listed in the first part of the survey. Respondents were asked to rank their top 5, 10 or 15 projects (depending on the category) under each category. Table 4 below shows the highest ranked projects by respondents in order under each project category and the total amount of bond funding requested for each.

**Table 4: Highest Ranking Bond Projects by Category.**

<b>Historic, Cultural and Natural Area Conservation (Top 5)</b>	
Habitat Protection Priorities and Associated Lands	\$110,000,000
Community Open Space	10,000,000
Floodprone and Riparian Land Acquisition	10,000,000
Mission San Xavier East Tower Restoration	1,500,000
Performing Arts Center Rehabilitation	1,000,000
Subtotal	\$131,600,000
<b>Public Health, Neighborhood Reinvestment and Governmental Facilities (Top 5)</b>	
Pima County Animal Care Center Improvements	\$22,000,000
Pedestrian Safety and Walkability Improvements	50,000,000
Affordable Housing Program	30,000,000
Neighborhood Reinvestment Program	30,000,000
Pima County Forensic Science Center Expansion and Remodel	20,000,000
Subtotal	\$152,000,000
<b>Libraries, Community Facilities and Museums (Top 10)</b>	
Arizona-Sonora Desert Museum-Exhibits and Facility Expansion	\$ 4,000,000
Reid Park Zoo Hippo Exhibit	3,750,000
Tucson Children's Museum	6,000,000
Loft Cinema Renewal and Expansion	500,000
Tucson Wildlife Center, Inc. - Acquisition and Expansion	2,200,000
Pima Air and Space Museum Cold War Hangar and Theater	10,000,000
Colossal Cave Mountain Park Improvements	535,500
Downtown Stravenue/Wilde Way Pedestrian and Art Corridor	99,600,000
Sahuarita Food Bank and Multi-Agency Community Service Facility	300,000
Art of the American West - Tucson Art Museum	5,000,000
Subtotal	\$131,885,500

**Table 4: Highest Ranking Bond Projects by Category.**

<b>Job Growth, Education and Workforce Training (Top 5)</b>	
Literacy Connects and JobPath Programs Facility	\$ 6,000,000
Pima County One Stop Career Center	4,500,000
Pima Community College Health Education Campus	40,000,000
Freedom Park Adult Learning Center	4,000,000
Pima County Small Business Entrepreneur and Academic Center	76,000,000
Subtotal	\$130,500,000
<b>Parks and Recreation (Top 15)</b>	
Reid Park Improvements	\$ 2,000,000
Swimming Pool Renovations	1,500,000
Public Natural Park Trailheads	2,000,000
Udall Park Expansion	4,000,000
River Park Acquisitions and Development Countywide	20,000,000
Kino Sports Complex Soccer and Multiuse Sport Improvements	5,500,000
Urban Greenways City of Tucson	15,000,000
School District Partnerships	15,000,000
City of Tucson Sports Fields and Lighting	10,000,000
Sentinel Park - A Mountain Park Improvement Project	2,500,000
Countywide Splash Pad Program	3,500,000
Rillito Racetrack Conversion	14,000,000
CAP Trail Program	10,000,000
Shooting Sports Program Site Improvements	3,000,000
Oro Valley and Linda Vista Trailheads	600,000
Subtotal	\$108,600,000
<b>TOTAL</b>	<b>\$654,600,000</b>

If the BAC were to only consider the highest ranked projects based on the results above, the total amount would be approximately \$654.6 million in bond funding for 40 projects.

**3. Responses to the Open-Ended Survey Question**

Survey respondents were also asked if they had any other comments to share with the BAC. Of the 16,958 completed surveys, 4,175 (25 percent) included comments in response to this open-ended question. Our consultant determined that some of these 4,175 comments addressed more than one bond project or issue, resulting in 5,666 distinct comments. These 5,666 distinct comments were sorted by bond project (and then by positive and negative comments), grouped under the same categories included in the second part of the survey. However, 3,960 comments (70 percent) were identified as not

applying to any specific project. Those were then sorted into 27 "non-project specific comment" categories.

It is important to note that our consultant was not as familiar as are staff and the BAC with many of the bond projects; and, therefore, we have found a few occurrences of project specific comments sorted into the "non-project specific" categories. We have not attempted to correct this, as it would have been too time consuming to accomplish prior to the September 20 BAC meeting. Additionally, when a comment covered multiple topics, the entirety of the comment was included under each project or non-project specific category addressed in the comment. Where respondents included their own names or contact information, staff has attempted to delete this personal information.

Attachment I shows how these comments were organized and the counts for each. The comments themselves are too numerous to include in this memorandum; however, they are located on the County's bond website organized by these tables at <http://webcms.pima.gov/cms/One.aspx?portalId=169&pageId=50549>. The comments are located below the tables, but links in the tables will take you to the first comment in that series.

Below is a brief summary of the comments followed by discussion of some of the more interesting findings.

- 30 percent of the distinct comments were about a specific bond project proposal.
- 70 percent of the distinct comments could not be linked to a specific bond project proposal.
- Of the project specific comments, 88 percent were positive, and 12 percent were negative. Half of the negative project specific comments were about the Rillito Racetrack Conversion project.
- The following bond project proposals received the most comments:
  - Pima Animal Care Center (335)
  - Community Open Space (179)
  - Loft Cinema (128)
  - Rillito Racetrack Conversion (126 – majority negative)
- The following non-project specific categories received the most comments:
  - Transportation/fix roads – general (560)
  - General comment/miscellaneous (350)
  - No bonds/anti-tax/no spend/keep to budget (319)
  - Suggested project not on list (263)
  - Specific transportation project, not a proposed bond project (222)
  - Economic development/job creation (219)

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- Specific parks/recreation/sports (212)
- Parks/recreation/sports, general (202)
- Survey, positive comment (185)
- Pedestrian/bicycle (176)

In reviewing the negative general comments (109), it was dismaying to find that so many confuse the County with other governmental agencies and blame the County for negative outcomes associated with these other governmental agencies. This need to educate the public about who does what was also a concern that arose out of the 2009 bond survey.

In reviewing the suggested project not on the survey list (263), many refer to a project that was not received in time to include in the survey, the Community Food Cooperative of Southern Arizona (43). Likewise, there were 25 comments in support of restoration of the ponds at Agua Caliente Park, which is a project that was just recently submitted.

C. Additional Comments

In addition to the survey results, we will continue to receive public comments through letters, emails, and verbal comments at BAC meetings. Attachment J contains comment letters and emails received since the last BAC meeting.

D. Jurisdictional Priorities

At the last meeting, the Committee requested that the Cities of Tucson and South Tucson and the Town of Sahuarita prioritize the projects for which they are seeking County bond funding. The Towns of Marana and Oro Valley already provided prioritized lists; and following the meeting, South Tucson and Sahuarita provided such lists. These prioritized lists are enclosed as Attachment K. We have been advised that the City of Tucson may request that their new bond advisory committee prioritize their County bond funding requests.

There has been discussion regarding whether the County will similarly prioritize our requests. As County Administrator, I can certainly provide my recommendations on project requests as I have in the past in response to requests from the Committee. I have done so in this memorandum for several of the changes requested to the Committee's tentatively approved projects and could do so in the future for the newly proposed projects should the Committee make such a request. However, the priorities of the County cannot be provided without a vote of the Board of Supervisors; and historically, the Board has supported the final recommendations of the BAC. It would be out of the ordinary to request such of the Board, since the Committee is advisory to the Board.

E. Additional New Project Requests

The August 5, 2013 report to the Committee contained project description sheets and applications of criteria for new projects received as of that date. Attachment L contains the new project requests received since that report, including \$300,000 for a new Elephant Head Volunteer Fire Department station, \$10 million for new exhibits and improvements to Old Tucson Studios (under transition to nonprofit ownership by the Arizona Sonora Western Heritage Foundation), and \$1 million for improvements to Agua Caliente Park and pond.

F. Potential New Project Based on Survey Results

The survey recently conducted at the request of the BAC included an option for providing an open-ended comment. Approximately 560 comments were categorized as "transportation/fix roads general," and another 222 comments were categorized as "specific transportation projects." An overwhelming message in these comments for which there was no bond question attached was simply "fix the roads." In the past, there has been some very brief discussions regarding having a general obligation bond road repair category where the funds would be distributed to each jurisdiction in proportion to their assessed value; thereby returning the tax revenues to the geographic area from which they are raised, which is a parallel with jurisdiction local street repair responsibility, i.e., the County handles the unincorporated area, and each jurisdiction handles the area within their jurisdiction.

A project category that could be considered by the BAC to respond to this sentiment would be a road repair category in which \$50 million would be set aside and distributed to each jurisdiction in proportion to their assessed value compared to the total assessed value of the County with a caveat that these funds would have to be matched equally with local jurisdictional funding, which simply means that a \$50 million bond program for road repair results in a \$100 million program. While this level of funding will not resolve the entire backlog of highway maintenance and repairs necessary in the community, it will demonstrate the community's priority to make meaningful and timely repairs and improve maintenance of the local highway system.

G. University of Arizona Proposals and Others in Significant Need of Refinement

As was briefly discussed at the Committee's last meeting, several of the new project requests are very conceptual in nature and will require significant research and planning before the proposals are ready for review by the Committee. These include the two University of Arizona proposals that currently total approximately \$176 million. For example, the \$99.6 million Downtown Stravenue/Wild Way Pedestrian and Art Corridor

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involves so many different organizations and components that it is likely to go through several iterations before something meaningful can be provided to the Committee. The idea of developing the roots of a downtown university campus appears to have merit, but time is needed to undertake the necessary planning and evaluation of the potential economic benefits necessary to quantify benefits to the region as a whole.

While the art proposal for downtown is a significant step in increasing the cultural attractiveness of downtown, it does require an immense amount of cooperation and coordination among many entities, including the various nonprofit arts organizations, the City of Tucson, The University of Arizona, and Pima County. The level of cooperation and coordination between these entities to accomplish the arts/museum component of cultural downtown project is unprecedented and will take time to achieve if the project is to be successful. Furthermore, such a proposal could be accomplished in a number of phased improvements over two to three bond authorizations.

While the business incubator concept related to The University of Arizona may have some difficulty regarding legal tests, other job creating activities related to The University of Arizona in coordination with County bonds could and should be considered, similar to those implemented by the City of Phoenix in partnership with Arizona State University. Job creation is an essential component of the County's Economic Development Action Plan; and based on survey results, it is a high community priority. Hence, efforts should be undertaken to re-engage The University of Arizona to discuss employment center development and how County bond funds could be leveraged with other funds and actions of the University to increase employment opportunities and created new job based on the intellectual capacity of the University system.

H. Economic Development and Transportation Corridor Funding

As the BAC knows, I have proposed several new transportation investment corridors for complementing and expanding the existing and future employment centers within the region. Already funded with regional funds is the relocation of Hughes Access Road and the establishment of the basic structure for an aerospace parkway. I also suggested that future bond funds be allocated to the development of high-capacity, high-speed surface transportation connection from Interstate 10 at Rita Road to the Old Nogales Highway. The funding initially requested for this project was an additional \$90 million in general obligation bond authorization.

Since that time, additional discussions among business, community and regional interests have occurred regarding a more expansive connection of Interstates 10 and 19, building on multiple corridor studies conducted by the Arizona Department of Transportation (ADOT) over the last 30 years. It is now time to seriously consider a functional surface

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transportation connection between Interstates 10 and 19 as an auxiliary interstate highway. Such a project will cost multiple times the potential amount of bonding now requested and will take years to develop. Furthermore, such a project will require the involvement and contribution of federal, as well as state governments, through the Federal Highway Administration and ADOT. Hence, our funding should focus on required local matches for such new highway construction and/or the advance right of way acquisition for a designated and approved location alternative for such an auxiliary interstate highway. For this reason, I suggest that the amount originally set aside for this corridor be reduced to \$20 million for local match for a first phase planning study and right of way acquisition.

I. Legal and Practical Impediments to Funding Certain Projects with General Obligation Bonds

Historically, the County has used general obligation bonds to acquire property or construct or improve publicly-owned facilities. Several of the new proposals fall outside of these traditional uses of County bond funds. The following projects raise concerns because of 1) legal issues concerning statutory authority for Arizona counties, state constitutional prohibitions against public agencies providing gifts, the tax exempt nature of bond funding, and tax liabilities; and/or 2) raise practical concerns regarding how the County would ensure the long term-public investment for which voters and bond buyers hold the County accountable.

In consultation with the County Attorney's Office, these projects were evaluated with respect to the following potential legal issues:

- (1) Authority. The County can only fund projects that it has statutory authority to undertake ("Dillon's rule").
- (2) Gift Clause. The County is prohibited by the Arizona Constitution, art. 9, § 7, from "giv[ing] or loan[ing] its credit in the aid of, or mak[ing] any donation or grant, by subsidy or otherwise, to any individual, association, or corporation."
- (3) Private Activity Bonds. An entire series of bonds, some of the proceeds of which were used to finance the project in question, will be taxable if the project is used in such a way that it causes (1) more than 10 percent of the bond proceeds to be used, directly or indirectly, in the trade or business of a person other than a state or local government unit; and (2) the County to get a return on privately-used bond-funded property in an amount that exceeds 10 percent of the debt service on the bond series.

- (4) Arbitrage. If bond funds are not spent in a timely manner or the funds are returned to the County and treated as unspent, it can create a tax liability.

The first two issues are relevant regardless of what County funds are used; the latter two issues are tax issues specific to the use of bond funds.

These projects were also evaluated with respect to 1) whether the County could protect long-term the public investment of bonds' funds as intended by the voters and bond buyers, and 2) whether other County projects or programs could better provide the proposed public benefits.

1. Business Neighborhood Stabilization Program – \$5 million

Scope: Funds will be used for all the activities funded with the federally funded Neighborhood Stabilization Program (NSP), including down payment assistance for homebuyers, acquisition and rehabilitation of single-family and multifamily properties, demolition of blighted structures, land banking for future development, and redevelopment of vacant and underutilized properties. Unlike the federally funded NSP2 program, the bond funded program will not necessarily target foreclosed properties but properties that will be critical to the revitalization of neighborhoods. A second difference is that commercial and mixed-use properties will also be considered for improvement and/or redevelopment. A third difference is that funds could also be used for small infrastructure projects that will enhance neighborhoods, such as pocket parks and community gardens, sidewalks, and public art.

Concerns: The County would have gift clause issues if using bond funds to benefit private businesses unless adequate consideration is provided to the County in return, which is unlikely. In addition, the resale of property purchased with bond funds creates significant arbitrage problems. From a practical standpoint, the County's neighborhood reinvestment program could provide for the small infrastructure projects such as neighborhood parks, gardens, sidewalks and public art.

2. Business Façade/Public Infrastructure Improvement Project -- \$3 million

Scope: Pima County will provide technical design assistance and funding for improvements for business facades in the public right of way to the curb. The goal will be for all businesses on a street or in a district to participate. The program will also address code and safety issues for properties to the extent bond funds can be invested in improvements of this nature. An additional goal is to address historic issues, especially preservation of historic structures and features.

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Concerns: Other than in cases where the County is purchasing historic preservation easements (an actual property right), funding any other type of improvements to privately-owned properties would be problematic under the gift clause. The project could be re-scoped to limit the use of bond funds to historic preservation related facade improvements and it could then be considered under the cultural and historic resources category of projects.

3. Pima County Small Business Incubator – \$5 million

Scope: Bond funds will be used to acquire a site and develop a small business incubator serving innovative startup businesses in Pima County with the potential for future growth. An incubator typically provides support services such as payroll, communications, meeting and common space, as well as technical assistance to help new business succeed. The incubator will seek tenants in the following fields: technology, arts, and home based consulting businesses. Pima County will identify and develop the site, improvements will be leased to a nonprofit agency that will manage and operate the incubator. The site could be an existing building which will be renovated or a new building.

Concerns: Private businesses would be benefiting from this facility. If they do not pay market rent or some direct consideration, the County could face a gift clause issue. If they do pay rent and it exceeds 10 percent of the debt service on that particular bond sale, there could be a private activity bond concern. In addition, if more than 10 percent of the proceeds from any single bond sale are used for these purposes, there could also be a private activity issue. Administratively, tracking the bond sales and subsequent rent arrangements for each tenant to avoid triggering a private activity bond issue would be extremely time consuming and complicated. The project also appears to overlap with a portion of The University of Arizona's proposal for the Small Business Entrepreneur and Academic Center, which is a much larger project of which private incubator space is a minor component. A contribution from the University to cover this minor portion of that project should eliminate any gift clause and private activity bond issues for the County. Therefore, it makes sense to remove the Pima County Small Business Incubator Project, since its scope can be achieved through the University project.

4. Town of Sahuarita Business Center – \$3,162,500

Scope: A new 10,000 square foot business center located at the Sahuarita Municipal Complex, adjacent to the intersection of Starlight View Way/Sahuarita Center Way...Facilities are needed in the Town Center area of Sahuarita to accommodate

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activities such as high-tech research and development, incubator/office space and conference facilities for business and community meetings. The Sahuarita Municipal Complex was designed to accommodate another two-story building as part of future expansion plans. Constructing this building now, as the Sahuarita Business Center, on land owned by the Town and within the Municipal Complex, would enable local businesses to access a facility from which to grow their companies and retain these companies in Sahuarita. Currently, no such facilities exist, and none have been planned by any developers or landowners.

Concerns: The same as those for the Pima County Small Business Incubator project.

5. Oro Valley Business Accelerator – \$15 million

Scope: The Oro Valley Business Accelerator will help small bioscience and high-tech companies, that have made it through the startup phase, scale up to compete in national and international markets. The Accelerator will be built on Town-owned property in Innovation Park in Oro Valley's bioscience corridor, to strengthen the Town's foothold in the bioscience and high-tech industry. The Oro Valley Accelerator could make the following services and shared facilities available to startup companies: office space, lab space, shared access to reception, information technology infrastructure, biospecimens collection and repository, conference rooms, video and teleconference facility, training suites, video production for investigator training and/or human subject enrollment, research site monitors, administrative support (bookkeeping, payroll and human resources), and consultation on regulatory strategy, market analysis and business planning. Collaborations between DxInsights, C-Path, AZCERT and The University of Arizona could provide essential elements of the Accelerator's programs.

Concerns: The same as those for the Pima County Small Business Incubator project.

6. Elephant Head Volunteer Fire Department Station: \$300,000

Scope: The project is to purchase the lot adjacent to County-owned buildings located in Amado, near the Food Bank and Health Clinic and to construct a fire Station for the Elephant Head Volunteer Fire Department (EHVFD). The EHVFD is a private, nonprofit tax-exempt organization serving "approximately 5,800 residents living and visiting the communities of Arivaca Junction, Lakewood, Half-way Trailer Park, and Elephant Head. EHVFD has 33 volunteers serving in various roles ... 14 Fire Fighters trained in structure fires; 10 Emergency Medical Technicians (EMTs); 5 first responders trained in basic life-saving techniques and 7 support personnel who are board members, fundraisers, mechanics, etc."

Concerns: There are no real legal impediments; but from a practical standpoint, this project does not make sense to fund with County bond funds, since other fire providers could then request bond funding for their fire stations. The EHVFD is not an actual fire district with the taxing authority of a fire district. Perhaps they should become an actual fire district so that they can levy a tax rate necessary to meet their facility needs.

7. Economic Development Land Bank: \$10 million

Scope: A small amount of development-appropriate vacant land would be directed to commercial (retail, hotel/motel, restaurant, etc.). Limit nonprofit acquisitions. Build South Tucson sales tax base to preserve continued fiscal viability.

Concerns: This project appears to involve providing some type of subsidy to private business without return, which is a fundamental gift clause issue. If there is a return, it could be a private activity bond issue. In addition, the resale of property purchased with bond funds creates significant arbitrage problems.

8. Desert Senita Community Health Center Facility Improvement: \$280,000

Scope: Desert Senita Community Health Center (DSCHC) is an aging men's dormitory that was donated by Phelps Dodge and slowly converted into a community health center in 1986. The building was built in the 1940s. The building has gone under many changes to meet local healthcare needs in western Pima County. Although steady maintenance has occurred, the building has deteriorated over time. The building was never insulated, and it is not able to be cooled sufficiently or economically to meet patients' needs. The old ambulance bay was to be converted into a much needed physical therapy area; but due to the facility not being able to be adequately cooled, the cooler leaking through the ceilings in the summer, the need for a larger in-house pharmacy, flooding issues when it rains, and sewer lines that have collapsed over time DSCHC's finds itself in need of more than moderate remodeling. DSCHC cannot continue 'band-aiding' these repairs and provide health care with the dignity our patients deserve without correcting these issues. DSCHC is the sole provider of primary health and dental services in the entire rural Ajo Primary Care Area, a geographically-isolated area roughly two thirds the size of the State of Connecticut and surrounded on all sides by federal lands, with a population of approximately 4,000 residents. DSCHC currently provides services to approximately 75 percent of local residents from the Arizona-Mexico Border at Lukeville to the western Districts of the Tohono O'odham Nation, including Why, Arizona, and typically records over 15,000 patient visits a year.

Concerns: There could be a gift clause issue if the DSCHC cannot provide binding assurance they will provide free or low-cost healthcare services to the public at a value equal to or exceeding the County's bond funding investment. From an accountability standpoint, since the County does not own the building, it is difficult to assure with certainty that the public investment would be maintained long term if the organization went out of business and sold the facility to an organization that did not provide the same public benefit. This would not be a problem if the County owned the building and leased it to DSCHC.

9. Marana Health Center Expansion: \$3 million

Scope: Development of a 45,000 square foot annex to the Marana Health Center (MHC) main facility to include an Imaging Center, expand MHC's Urgent Care, provide additional space for the expansion of the Pediatric, Family Practice, and Obstetrics and Gynecology programs; and provide additional space for Specialty Providers. Currently, MHC's MRI equipment is in a temporary location in a trailer in the parking lot. The Annex will allow MHC to move the MRI to a permanent location and to consolidate MHC's other imaging equipment including a CT-Scan, Dexa Scan, Mammography and X-Ray equipment for greater efficiency. The Annex will also allow expansion of adjacent Pediatrics and Family Practice clinics and of the Urgent Care and Specialty Provider programs. MHC provides primary medical and behavioral healthcare for all populations. This includes underserved populations that rely upon public assistance programs. Approximately 25 percent of MHC's patients have no healthcare coverage, and an additional 38 percent are enrolled in the Arizona Health Care Cost Containment System (AHCCCS).

Concerns: The same as those for the DSCHC project.

10. Loft Cinemas, Inc. Sustainability Expansion and Rehabilitation Project: \$500,000

Scope: Design, construct and rehabilitate The Loft Cinema (a 501(c)(3) nonprofit arts organization) into a regional film-based arts center. The project will consist of new construction of a fully accessible lobby with new concessions, rehabilitated restrooms, open spaces (both indoors and outdoors) for patrons, two new screening rooms, a community resource room, a gallery for local artists and administrative offices, now located offsite. The current 50-year old Loft Cinema will be brought up to Tucson City Code through this rehabilitation project, including the addition of an elevator to the now non-accessible upper theater.

Concerns: Unless the property is historic and the County would acquire a historic preservation easement in return for its investment and/or unless the "community

resource room” could provide public benefits valued equal to the County’s investment, there would be gift clause concerns with this project. From an accountability standpoint, since the County does not own the building, it is difficult to assure with certainty that the public investment would be maintained long term if the organization went out of business and sold the facility to an organization that did not provide the same public benefit; if, in fact, a public benefit could be provided.

**11. Sunshine Mile Commercial District or Corridor: \$2 million**

**Scope:** The project program is the economic development and physical enhancement of historic commercial buildings along the Sunshine Mile corridor. This gateway to downtown presents a unique opportunity to celebrate and enhance an important collection of mid-century modern commercial storefronts and buildings while encouraging and cultivating small businesses. The project is envisioned to create a multi-faceted approach to improve economic development opportunities while protecting historic resources. Façade improvement programs, the creation of incubator spaces and local business development are all anticipated outcomes.

**Concerns:** Improvements to historic facades are appropriate so long as the County acquires a historic preservation easement in return. However, the creation of business incubator spaces raises the same gift clause and private activity concerns discussed with other similar projects. If the project scope is revised to include only historic facade preservation, it could be considered under the historic and cultural resource category of the bond program.

**12. South 12<sup>th</sup> Avenue Cultural Corridor: \$1.5 million**

**Scope:** Master planning and infrastructure improvements to develop pedestrian and bicycle facilities, shade, signage and art in a cultural district that celebrates the unique Mexican-American heritage and brings commercial investment to this highly used transportation corridor.

**Concerns:** So long as the improvements are in publically-owned right of way, there should be no legal concerns. However, these improvements would be eligible under the County’s existing neighborhood reinvestment program instead of duplicating programs.

**13. Residential Noise Attenuation Program for Davis-Monthan Air Force Base: \$10 million**

**Scope:** Create a program to address noise abatement for site built homes that are within the Federal Yearly Day-Night Average Sound Levels (DNL) 65 or greater decibel

level contours as defined in the U.S. Air Force Air Installation Compatible Use Zone (AICUZ) analysis (i.e. FAA Part 150 Analysis). This program would apply to neighborhoods most affected by operational air traffic in and out of Davis-Monthan Air Force Base...provide attenuation modifications to eligible homes to reduce interior ambient noise resulting from aircraft operations...

Concern: This project would result in a gift clause issue, as there is no indication the program would be limited to low-income families, nor is there any consideration for the County.

14. Historic Miracle Mile/Oracle Revitalization Corridor: \$2 million

Scope: This reinvestment project builds on the capital improvement goals outlined in the Oracle Area Revitalization Project report (OARP) (*Final Report-September 13, 2011*) by funding reinvestment in historic resources and cultural economic development initiatives in the area through public/private partnership projects that preserve historic buildings, neon signs, develop heritage attractions, and cultivate economic reinvestment into this high stress area. Examples of past demonstration projects to date include: historic preservation/development of the Old Pascua Museum and Yaqui Culture Center (grand opening in August 2013); renovation and placement of six neon signs in the area; adaptive reuse of several historic motor courts such as the Monterey Courts, the Wayward Winds and the Ghost Ranch Lodge; Annual Historic Miracle Mile tours and lectures (for the past six years); and the publication of the "*Neon Pueblo – Guide to Tucson's midcentury vintage signage.*"

Concerns: So long as the improvements are limited to cultural and historic improvements and the County receives some consideration for the improvements, such as historic preservation easements, then there should not be a legal issue. The project could be re-scoped to make this clear and could then be considered under the cultural and historic resource category of the bond program.

It is recommended that the County not use bond funds to construct or improve privately-owned property. Deleting the previously listed projects as submitted due to legal concerns will reduce the bond funding request by \$60.7 million. We will notify these project proponents that their projects are being removed from consideration. If projects are modified to meet eligibility for County bond funds, we will transmit the modified versions, along with the requested funding amount, to the BAC for consideration.

### III. EXTERNAL FACTORS IMPACTING TIMING OF NEXT BOND ELECTION

#### A. Status of the City of Tucson Bond Advisory Committee

As the BAC knows, the City of Tucson established their own bond advisory committee (CTBAC) to advise the Mayor and Council of a possible bond issue to be held by the City of Tucson. The CTBAC was created on April 9, 2013. We now understand all members of the advisory committee have been appointed, and they are as follows:

<u>Member</u>	<u>Appointed by</u>
Mr. Dennis Arnold	Ward 5
Mr. Earl Causbie	Ward 2
Mr. Kevin Daily	Ward 3
Mr. Michael Keith	Ward 6
Mr. Matthew Kopec	Ward 4
Mr. Roger Pfeuffer	Mayor
Dr. Liz Rangel	Ward 1
Honorable Robert Walkup	City Manager
Mr. Thomas Warne	City Manager

Please note that Mr. Warne is also a member of the County's BAC.

The CTBAC held their first meeting on September 4, 2013. According to City staff, the City committee is to review all of the City's unmet capital needs and identify the best funding sources to address those needs. In addition to County bond funding, this might include future city bonds, impact fees, dedicated transit funding, improvement districts, etc. The first order of business for the CTBAC will be to make recommendations on City priorities within a 2014 County bond package because of the short timeframe for making that decision.

I am concerned the CTBAC may regionalize what should be local projects. If the City is considering a City bond election, coordination will be necessary regarding what is a regional funding priority for County bonds versus a local funding priority for City bonds. As cited earlier in this memorandum, the far majority of Neighborhood Reinvestment and Affordable Housing projects have been located within the City of Tucson. In addition, the newly proposed Pedestrian Safety and Walkability Improvement program states that the funding would be allocated based on a jurisdiction's population, which would provide the majority of the funding to the City of Tucson even though they are only 41 percent of the tax base. These projects funded by local bonding should require significant local matches because of the primarily local benefits.

Deliberations of the CTBAC are problematic regarding continuing deliberations of the County BAC for a November 2014 election. Projects submitted to the voters should not be duplicated by the two committees. I suggest the County BAC suspend deliberations until the CTBAC has completed their deliberations and made a recommendation to the Mayor and Council. Such would eliminate confusion and overlap of recommendations for specific projects. Once we have a clear understanding what the City of Tucson will include in a possible bond election, it will be possible to continue with County deliberations.

B. Pima County Sports and Tourism Authority Election

The Pima County Sports and Tourism Authority (PCSTA) has been meeting for some time to develop, as required by Arizona law, a plan to place before the voters for funding of professional and amateur sports facilities. The PCSTA commissioned a study designed to determine what gaps in these facilities exist within the community. The effort included interviews of all Parks and Recreation Directors and the Economic Development Authorities from each jurisdiction and sports and event promoters region-wide, as well as a variety of professional, amateur and youth league owners and managers. Their report is complete; and while providing a great deal of data on facility needs and possible locations, it does not include specific recommendations regarding the development of capital facilities. The PCSTA must undertake additional efforts before advancing any facility plan to the voters. Development of a specific program, a list of projects, facility ownership, operating guidelines, and an implementation schedule are the next areas of study. As the BAC is well aware, this task is labor intensive and requires significant commitment of resources from regional stakeholders.

Further complicating the effort is the mandated election timing. Current statutes authorizing the PCSTA require an election to be held by 2014. The election limitation in State law is problematic. Pima County will assist the PCSTA in seeking a simple modification to the existing law that allows the PCSTA to request that the Board of Supervisors call for an election once the PCSTA has developed an appropriate plan. In addition to permitting PCSTA to undertake more advanced facilities planning before pursuing an election, this modification would better ensure that any PCSTA plan for amateur and professional sports facilities would complement, rather than conflict with or duplicate, a bond issue.

If legislation extending the date for the election is successful, based on information, feedback and requirements, it is unlikely any election could occur for a plan before 2016.

C. Updated Fiscal Indicators

Perhaps the most critical element associated with timing of the next bond election is the affordability and tax implications associated with a new general obligation bond authorization. I reported to the BAC in detail on January 7, 2013 all of the various factors related to debt issuance and repayment.

The most critical element that continues to control the amount of debt the County can issue is our voluntary secondary property tax rate cap. This cap is at \$0.815. Even though the tax rate cap for the 2004 authorization was \$0.815, the tax rate for debt service has been as low as \$0.605 in Fiscal Year (FY) 2008/09, which is 25.8 percent below the stated cap.

Adding to this rate cap issue is the continuing decline of the property tax base. Due to the Great Recession, the tax base has declined from \$9.86 billion in FY 2009/10 to as low as the \$7.57 billion projected for FY 2014/15. This is a decline of 23.2 percent and is a significant factor in determining the timing of new debt issuance. The forecasted assessed values have been re-estimated by our Finance and Risk Management Department and assume growth at a lower rate than that capped by constitutional amendment, or three percent. The current forecasted aggregate tax base of the County does not show any increase in the tax base until FY 2015/16.

Attached are three tables (M1, M2 and M3 in Attachment M) for the BAC's review. Table M1 simply shows no future authorization and debt. As can be seen, after the sale of prior authorizations now estimated to be \$28.7 million, the tax rate begins to decline and does so rapidly over the next 10 years.

Table M2 illustrates maintenance of the tax rate cap of \$0.815. As this table shows, new debt can begin to be issued in FY 2015/16, but only in limited amounts over the 10-year projected life of the bond issue. The tax rate cap, based on the forecasted growth in assessed value after its maximum decline in FY 2014/15, would sustain a general obligation bond issue of only \$550 million with no new debt issued until FY 2015/16.

Table M3 shows that if the tax rate were allowed to exceed the present cap and be increased to approximately \$0.91 over the same period, the total bond debt authorization could be in the range of \$650 million.

In summary, the continuing declining tax base and the secondary property tax debt service rate cap control the timing of a future bond authorization. Under the present forecast, there is no need to have an authorization or election in 2014, since new debt would not be issued until 2016. If the current rate cap continues to be maintained, the amount of

authorization would be in the vicinity of \$550 million. This assumes, however, a program where bonds are sold over 10 years. If the Committee extended this timeframe to 12 years, it is possible to fund a \$650 million program and maintain the current rate cap.

D. Timing of Next Bond Election

Based on:

1. The continued slow recovery of the Pima County economy;
2. The continued decline of the tax base in Pima County, 23 percent since 2010, which is not expected to grow until FY 2015/16;
3. The desire to continue an aggressive debt retirement policy for the County;
4. The need to coordinate and integrate local and regional bond funding and needs with the recently created City of Tucson Bond Advisory Committee;
5. The need to elaborate upon and detail certain recent bond funding requests with The University of Arizona;
6. The need to evaluate the necessity of bond funding certain economic development transportation improvements as opposed to the traditional method of user financing;
7. The need to clearly and deliberately explain the legal inability of the County to bond finance certain private improvements now requested;
8. The need to understand the ability of each jurisdiction receiving capital bond funding from the County to adequately maintain the facilities as required by the County;
9. There are so many new issues under consideration, as well as confusion, that there is insufficient time to provide for appropriate public input on each one and still meet the schedule for a November 2014 bond election; and
10. The fact that based on present economic conditions and forecasts, the County will not be able to issue new bond debt until 2016.

I recommend the BAC not consider asking the voters for a new authorization until November 2015.

#### **IV. NEXT STEPS AND RECOMMENDATIONS**

If the BAC accepts my recommendation to postpone the bond election until November 2015, the Committee can resume its typical monitoring and review process of existing bond programs for approximately the next six to eight months. This would mean that after the September 20, 2013 BAC meeting, the next meet would not need to be held until sometime in March 2014.

Chairman and Members, Bond Advisory Committee

Re: **Future Bond Election Planning - Update and Recommendations for the September 20, 2013 BAC Meeting**

September 13, 2013

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The Committee can also determine how to proceed with the evaluation of new projects in a more deliberate manner over the 12 months and then begin in earnest preparation for a November 2015 bond authorization election.

It may still be worthwhile for the Committee to consider updates to the Tentatively Approved Projects List, since having an updated list will make it easier for the public, the BAC, and staff to track projects over time and will reduce confusion over multiple project descriptions sheets for the same project. If the BAC finds some of these updates controversial, the Committee could defer action on just those projects.

Based on the information contained in this memorandum, I would recommend the BAC:

1. Postpone any consideration of a bond election for November 2014 to November 2015.
2. Consider some or all of the updates proposed to the BAC's Tentatively Approved Projects List.

CHH/mjk

#### Attachments

- c: The Honorable Chairman and Members, Pima County Board of Supervisors  
Nicole Fyffe, Executive Assistant to the County Administrator  
Diana Durazo, Special Staff Assistant to the County Administrator