



MEMORANDUM

Date: April 12, 2019

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

From: C.H. Huckelberry
County Administrator 

Re: **House Bill 2109 Giving Pima County Authority through the Regional Transportation Authority to Ask the Voters for Increased Transportation Funding passed by the Legislature and Signed into Law by the Governor**

House Bill 2109 (**HB 2109**) is simply a bill to allow the Regional Transportation Authority (RTA) to increase its taxing authority in the next reauthorization to one percent, with a guarantee that a plan has to be developed and the voters have to approve the plan before any tax can be levied.

Attached is a distribution by Supervisor Miller on March 25, 2019 requesting opposition to HB 2109 for a variety of reasons, all of which are incorrect. It is unknown who her sources are other than her reference to Senator Vince Leach. First, she tries to indicate the County and its other jurisdictions has sufficient funds to meet our road repair needs. This is incorrect and an attempt to mislead the taxpayer. The basic and most simple example can be provided by examining what she has presented, which is approximately \$594 million in revenue for all Pima County jurisdictions over the last five years. She indicates it is to repair roads; it is not. It is to finance the entire transportation system of these jurisdictions.

Let us assume it is for road repair, which it is not. If one were to then examine the Highway User Revenue (HURF) receipts from the County of Maricopa, it is clear that their revenue receipts of \$504 million to maintain, operate and repair the roads in only the unincorporated area of Maricopa County that supports a population of 306,580, actually is roughly equal to the funding of all jurisdictions in Pima County. We maintain our road and transportation system for 362,058 persons living in the unincorporated area but Maricopa County gets more than double our HURF revenues.

One particular line item in her distribution states, "Pima Association of Governments (MPO) \$119,706,200." If she had examined where this money went she would have noted that the law prohibits its use for road repair. It has been used for transportation and mobility improvements for many of the projects in her own district, such as, Corarto Farms and Sunset roads in District 1.

The Honorable Chairman and Members, Pima County Board of Supervisors

Re: **House Bill 2109 Giving Pima County Authority through the Regional Transportation Authority to Ask the Voters for Increased Transportation Funding passed by the Legislature and Signed into Law by the Governor**

April 12, 2019

Page 2

It should also be noted that the aggregate HURF to all jurisdictions, cities and towns in Maricopa County is \$2.16 billion, and exceeds the amount allocated to Pima County by a factor of nearly four. This is another indication that Pima County residents and taxpayers are on the short end of the state distribution formula for transportation purposes.

Supervisor Miller also cites three reasons Senator Leach apparently opposed HB 2109:

1. Pima County residents already pay high sales tax rates.

False. Pima County is the only Arizona county that does not levy a sales tax. The combined retail sales tax within the City of Tucson totals 8.7 percent. This includes State, RTA and City sales tax. This combined retail sales tax is lower than 70 percent of the cities and towns in Arizona. (Table 1 attached)

2. Pima County debt stands at \$1.2 billion and is responsible for most of the county debt statewide which is \$1.7 billion; a clear demonstration of leadership's inability or unwillingness to spend your tax dollars wisely.

False and misleading. Pima County's total outstanding long-term debt will be \$847 million as of July 2019. The Arizona Department of Administration (ADA) determines the level of debt of all counties and their political subdivisions and divides by the population of the county. This method accounts for the fact that some county governments, like Pima County, levy debt for regional purposes, meaning many of the capital improvements are built to serve city and town residents, not only unincorporated residents. Our general obligation bonds, HURF bonds and Sewer Revenue bonds fund improvements across the region, thereby decreasing the amount of debt issued by cities and towns.

By the ADA method, Maricopa County's combined long-term outstanding debt is the highest in Arizona, at \$16.8 billion and the highest in Arizona on a per capita basis at \$3,981 per person. See the attached Table 2 from the FY2018 Arizona Department of Administration's Report of Bonded Indebtedness.

This debt analysis requires additional facts and analysis based on the ADA report with regard to outstanding debt per capita. The below table shows the outstanding debt per capita by jurisdiction in Pima County and clearly the "winner" is Marana. Pima County per capita debt based on the actual debt that will occur after payments at the end of this Fiscal Year will be the lowest of all the jurisdictions in Pima County.

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Re: **House Bill 2109 Giving Pima County Authority through the Regional Transportation Authority to Ask the Voters for Increased Transportation Funding passed by the Legislature and Signed into Law by the Governor**

April 12, 2019

Page 3

Jurisdictional Long Term Debt in Pima County

Entity	Per Capita Long Term Debt outstanding
Marana	\$1,922 ¹
Tucson	\$1,676 ¹
South Tucson	\$1,242 ¹
Sahuarita	\$1,203 ¹
Oro Valley	\$877 ¹
Pima County	\$819 ²

Clearly Pima County does not have the debt problem portrayed in the information distributed by Supervisor Miller.

To further expand on the County debt status, it is important to know that the County provides a number of services and functions and other counties do not. None of the tables in the ADA report show the aggregate debt in Pima County by function, such as wastewater and highways. It is clear that our debt is being rapidly and consistently repaid as we had indicated and promised to the voters in previous bond issues. We have always said that our debt is short-term and will be repaid quickly and Table 3 attached verifies this promise.

While Supervisor Miller states our debt is \$1.2 billion, it will be \$847 million in June 2019 (Table 3). More importantly is what service requirement caused this debt. Pima County is the only County in Arizona that operates a regional wastewater system. Of our \$847 million debt at the end of the Fiscal Year, \$458 million, or 54 percent of over half of this debt is related to our sewer system of which no other county provides regional sewer service in Arizona. In addition, another 7.7 percent of this debt is attributed to our HURF bond issue, again, which no other county in Arizona has ever issued debt for. Hence, Pima County's debt is greatly exaggerated and portrayed in false and misleading terms.

3. This tax increase will also adversely affect those living in SaddleBrooke, Eagle Crest, Oracle, etc.

These are unincorporated areas in Pinal County. If these residents travel on roads in Pima County they should contribute to the cost of improving and maintaining those roads. Pinal County, in comparison to Pima County, has the second highest County-wide retail sales tax

¹ Source Arizona Department of Administration FY2018 Report as Bonded Indebtedness

² Running debt balance as of July 2019

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April 12, 2019

Page 4

rates of all counties, including a county general fund sales tax, a county road sales tax, a Regional Transportation Authority road sales tax, and a county health sales tax. The sales taxes in Pinal County do not benefit those residing in Pima County, who are in need of revenue for transportation improvements and maintenance in Pima County.

The County supported HB2109 because our Board adopted Legislative Agenda 2019, Section 2, Paragraph B states "Transportation Funding – Support any increase in funding for transportation, including authorizing an additional one-half cent sales tax for the Regional Transportation Authority subject to voter approval." The RTA tax cannot occur without an approved plan and voter approval. It is likely development of an approved plan will take approximately two years.

Attachments:

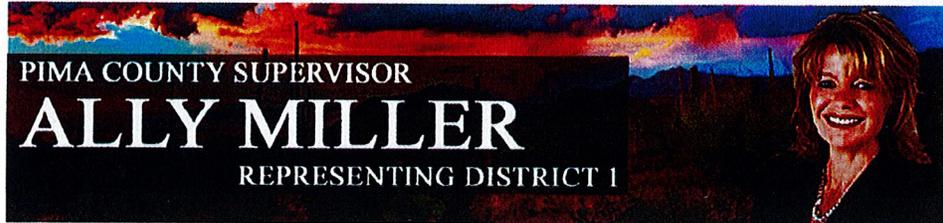
- (1) Supervisor Ally Miller's March 25, 2019 Distribution
- (2) Table 1 – State and Local Retail TPT Rates by City (Per Arizona Tax Research Association)
- (3) Table 2 – FY2018 Per Capita Debt by County or State (Per the Arizona Department of Administration)
- (4) Table 3 – Aggregate Pima County Debt Retirement Schedule

CHH/dr

c: Carmine DeBonis, Deputy County Administrator for Public Works
Yves Khawam, Assistant County Administrator for Public Works
Ana Olivares, Director, Department of Transportation
Michael Racy, Racy Associates, Inc.

Attachment

From: Supervisor Ally Miller <ally.miller@pima.gov>
Date: March 25, 2019 at 3:40:13 PM MST
Subject: Pima County residents must be heard
Reply-To: ally.miller@pima.gov



HB2109: They want to raise your taxes - it is time to raise your voice and be heard

Senator Vince Leach has advised my office that the Senate Transportation Committee will hold a hearing on HB 2109, Wednesday at 9:00 a.m., which could lead to another sales tax increase.

Please consider joining me in opposing this unnecessary and cost prohibitive legislation.

According to the Joint Legislative Budget Committee, a bipartisan authority on bills before the Legislature, entities in Pima County have received nearly \$600 million to repair roads for the last five years:

**HURF Monies Distributed to Government Entities
in Pima County from FY 2014 to FY 2018**

ENTITY	TOTAL DISTRIBUTION
Pima County (County)	\$ 209,055,700
Pima Assoc of Governments (MPO)	\$ 119,706,200
Marana (City)	\$ 13,553,700
Oro Valley (City)	\$ 14,959,600
South Tucson (City)	\$ 2,004,200
Tucson (City)	\$ 226,227,600
Sahuarita (City)	\$ 9,476,200
Total	\$ 594,982,200

This is not a taxpayer problem--this is a failure of Pima County to spend HURF funds properly.

As Senator Vince Leach noted, HB 2109 is poor tax policy for many reasons:

- 1. Pima County residents already pay high sales tax rates.**
- 2. Pima County debt stands at \$1.2 billion and is responsible for most of the county debt statewide which is \$1.7 billion; a clear demonstration of leadership's inability or unwillingness to spend your tax dollars wisely.**

**NEXT BOARD
MEETING**

April 2, 2019
9:00 a.m.

Administration
Bldg - East 130
W. Congress
Street 1st Floor
Tucson, AZ
85701

3. This tax increase will also adversely affect those living in SaddleBrooke, Eagle Crest, Oracle, etc.

Please call/email the Senators listed below. Also, please forward to all your groups, members and friends to help us beat back this tax increase.

Senate Transportation Committee

David Livingston Chair dlivingston@azleg.gov (602) 926-4178

Frank Pratt fpratt@azleg.gov (602) 926-5761

Eddie Farnsworth efarnsworth@azleg.gov (602) 926-5735

Sonny Borrelli sborrelli@azleg.gov (602) 926-5051

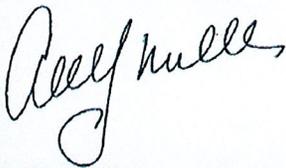
Sine Kerr skerr@azleg.gov (602) 926-5955

or simply click on the button below to email all Senate Transportation Committee members:

**EMAIL ALL
COMMITTEE
MEMBERS**

Make your voice be heard!

PLEASE CALL OR EMAIL TODAY.



PIMA COUNTY
ALLY MILLER • DISTRICT 1

130 W Congress, 11th Floor
Tucson, AZ 85701

Phone: 520-724-2738 | Email: ally.miller@pima.gov
www.allymillerdistrict1.com

Table 1

State and Local Retail TPT Rates by City
Updated March 11, 2019

Cities by County	State	County					City	Total Rate	Cities by County	State	County					City	Total Rate
		GF	Road	Jail	Capital	Health					GF	Road	Jail	Capital	Health		
Apache County								Maricopa County									
Eagar	5.60	0.50	-	-	-	-	3.00	9.10	Scottsdale	5.60	-	0.50	0.20	-	-	1.75	8.05
St. Johns	5.60	0.50	-	-	-	-	3.00	9.10	Surprise	5.60	-	0.50	0.20	-	-	2.20	8.50
Springerville	5.60	0.50	-	-	-	-	3.00	9.10	Tempe	5.60	-	0.50	0.20	-	-	1.80	8.10
Cochise County									Tolleson	5.60	-	0.50	0.20	-	-	2.50	8.80
Benson	5.60	0.50	-	-	-	-	3.50	9.60	Wickenburg	5.60	-	0.50	0.20	-	-	2.20	8.50
Bisbee	5.60	0.50	-	-	-	-	3.50	9.60	Youngtown	5.60	-	0.50	0.20	-	-	3.00	9.30
Douglas	5.60	0.50	-	-	-	-	2.80	8.90	Mohave County								
Huachuca City	5.60	0.50	-	-	-	-	1.90	8.00	Bullhead City	5.60	0.25	-	-	-	-	2.00	7.85
Sierra Vista	5.60	0.50	-	-	-	-	1.95	8.05	Colorado City	5.60	0.25	-	-	-	-	3.00	8.85
Tombstone	5.60	0.50	-	-	-	-	3.50	9.60	Kingman	5.60	0.25	-	-	-	-	2.50	8.35
Willcox	5.60	0.50	-	-	-	-	3.00	9.10	Lake Havasu City	5.60	0.25	-	-	-	-	2.00	7.85
Cocconino County									Navajo County								
Flagstaff	5.60	0.50	0.30	0.50	-	-	2.051	8.951	Holbrook	5.60	0.50	-	-	-	-	3.00	9.10
Fredonia	5.60	0.50	0.30	0.50	-	-	4.00	10.90	Pinetop-Lakeside	5.60	0.50	-	-	-	-	3.00	9.10
Page	5.60	0.50	0.30	0.50	-	-	3.00	9.90	Show Low	5.60	0.50	-	-	-	-	2.00	8.10
Sedona	5.60	0.50	0.30	0.50	-	-	3.50	10.40	Snowflake	5.60	0.50	-	-	-	-	2.00	8.10
Tusayan	5.60	0.50	0.30	0.50	-	-	2.00	8.90	Taylor	5.60	0.50	-	-	-	-	2.00	8.10
Williams	5.60	0.50	0.30	0.50	-	-	3.50	10.40	Winslow	5.60	0.50	-	-	-	-	3.00	9.10
Gila County									Pima County								
Globe	5.60	0.50	0.50	-	-	-	2.30	8.90	Marana	5.60	-	0.50	-	-	-	2.00	8.10
Hayden	5.60	0.50	0.50	-	-	-	3.00	9.60	Oro Valley	5.60	-	0.50	-	-	-	2.50	8.60
Miami	5.60	0.50	0.50	-	-	-	2.50	9.10	Sahuarita	5.60	-	0.50	-	-	-	2.00	8.10
Payson	5.60	0.50	0.50	-	-	-	3.00	9.60	South Tucson	5.60	-	0.50	-	-	-	4.50	10.60
Star Valley	5.60	0.50	0.50	-	-	-	2.00	8.60	Tucson	5.60	-	0.50	-	-	-	2.60	8.70
Winkelman	5.60	0.50	0.50	-	-	-	3.50	10.10	Pinal County*								
Graham County									Apache Junction	5.60	0.50	1.00	-	-	0.10	2.40	9.60
Pima	5.60	0.50	-	0.50	-	-	2.00	8.60	Casa Grande	5.60	0.50	1.00	-	-	0.10	2.00	9.20
Safford	5.60	0.50	-	0.50	-	-	2.50	9.10	Coolidge	5.60	0.50	1.00	-	-	0.10	3.00	10.20
Thatcher	5.60	0.50	-	0.50	-	-	2.50	9.10	Eloy	5.60	0.50	1.00	-	-	0.10	3.00	10.20
Greenlee County									Florence	5.60	0.50	1.00	-	-	0.10	2.00	9.20
Clifton	5.60	0.50	-	-	-	-	3.00	9.10	Kearny	5.60	0.50	1.00	-	-	0.10	3.00	10.20
Duncan	5.60	0.50	-	-	-	-	2.00	8.10	Mammoth	5.60	0.50	1.00	-	-	0.10	4.00	11.20
La Paz County									Marana	5.60	0.50	1.00	-	-	0.10	2.00	9.20
Parker	5.60	1.50	-	0.50	-	-	2.00	9.60	Maricopa	5.60	0.50	1.00	-	-	0.10	2.00	9.20
Quartzsite	5.60	1.50	-	0.50	-	-	2.50	10.10	Queen Creek	5.60	0.50	1.00	-	-	0.10	2.25	9.45
Maricopa County									Superior	5.60	0.50	1.00	-	-	0.10	4.00	11.20
Apache Junction	5.60	-	0.50	0.20	-	-	2.40	8.70	Winkelman	5.60	0.50	1.00	-	-	0.10	3.50	10.70
Avondale	5.60	-	0.50	0.20	-	-	2.50	8.80	Santa Cruz County								
Buckeye	5.60	-	0.50	0.20	-	-	3.00	9.30	Nogales	5.60	0.50	-	0.50	-	-	2.00	8.60
Carefree	5.60	-	0.50	0.20	-	-	3.00	9.30	Patagonia	5.60	0.50	-	0.50	-	-	3.00	9.60
Cave Creek	5.60	-	0.50	0.20	-	-	3.00	9.30	Yavapai County								
Chandler	5.60	-	0.50	0.20	-	-	1.50	7.80	Camp Verde	5.60	0.50	-	0.25	-	-	3.65	10.00
El Mirage	5.60	-	0.50	0.20	-	-	3.00	9.30	Chino Valley	5.60	0.50	-	0.25	-	-	4.00	10.35
Fountain Hills	5.60	-	0.50	0.20	-	-	2.60	8.90	Clarkdale	5.60	0.50	-	0.25	-	-	3.00	9.35
Gila Bend	5.60	-	0.50	0.20	-	-	3.50	9.80	Cottonwood	5.60	0.50	-	0.25	-	-	3.50	9.85
Gilbert	5.60	-	0.50	0.20	-	-	1.50	7.80	Dewey-Humboldt	5.60	0.50	-	0.25	-	-	2.00	8.35
Glendale	5.60	-	0.50	0.20	-	-	2.90	9.20	Jerome	5.60	0.50	-	0.25	-	-	3.50	9.85
Goodyear	5.60	-	0.50	0.20	-	-	2.50	8.80	Prescott	5.60	0.50	-	0.25	-	-	2.75	9.10
Guadalupe	5.60	-	0.50	0.20	-	-	4.00	10.30	Prescott Valley	5.60	0.50	-	0.25	-	-	2.83	9.18
Litchfield Park	5.60	-	0.50	0.20	-	-	2.80	9.10	Sedona	5.60	0.50	-	0.25	-	-	3.50	9.85
Mesa	5.60	-	0.50	0.20	-	-	2.00	8.30	Yuma County								
Paradise Valley	5.60	-	0.50	0.20	-	-	2.50	8.80	San Luis	5.60	0.50	-	0.50	-	0.112	4.00	10.71
Peoria	5.60	-	0.50	0.20	-	-	1.80	8.10	Somerton	5.60	0.50	-	0.50	-	0.112	3.30	10.01
Phoenix	5.60	-	0.50	0.20	-	-	2.30	8.60	Wellton	5.60	0.50	-	0.50	-	0.112	2.50	9.21
Queen Creek	5.60	-	0.50	0.20	-	-	2.25	8.55	Yuma	5.60	0.50	-	0.50	-	0.112	1.70	8.41

Sources: Arizona Department of Revenue; Model City Tax Code

NOTE: If these rate tables are being used to remit taxes, please refer to the Arizona Department of Revenue website at www.azdor.gov.

*A lawsuit has been filed challenging the legality of Pinal County's increased transportation excise tax approved by voters under Prop 417. For more information, visit the Arizona Department of Revenue's website at <https://www.azdor.gov/ClassActionNotices.aspx>.

Table 2

FY 2018 Per Capita Debt by County or State

County or State	Current Outstanding Principal	Current Per Capita Debt	Prior Year Outstanding Principal	Prior Per Capita Debt
Maricopa	\$16,804,604,959	\$3,981	\$16,982,512,090	\$4,023
Pima	\$2,892,971,938	\$2,819	\$2,981,457,981	\$2,906
Santa Cruz	\$111,380,506	\$2,162	\$117,088,096	\$2,273
Mohave	\$449,626,859	\$2,143	\$467,441,485	\$2,228
Yavapai	\$455,317,627	\$2,020	\$442,580,655	\$1,964
Statewide	\$12,729,956,022	\$1,827	\$12,836,913,215	\$1,843
Pinal	\$779,766,582	\$1,824	\$760,034,960	\$1,777
Yuma	\$403,327,536	\$1,820	\$426,189,310	\$1,923
Graham	\$48,480,798	\$1,267	\$50,059,316	\$1,308
Gila	\$67,682,091	\$1,232	\$60,596,435	\$1,103
Coconino	\$175,331,990	\$1,217	\$176,533,796	\$1,225
Navajo	\$115,646,589	\$1,039	\$118,221,604	\$1,063
Cochise	\$96,924,970	\$755	\$108,084,036	\$842
La Paz	\$15,597,990	\$722	\$14,920,276	\$691
Apache	\$21,207,426	\$292	\$27,288,246	\$375
Greenlee	\$1,605,664	\$146	\$1,919,851	\$175
Grand Total	\$35,169,429,549		\$35,571,841,352	

A summary of debt and security obligations of Arizona political subdivisions is presented in the following table. Each type of political subdivision is grouped within the county in which it is located. County governments are only responsible for debt listed specifically as "County" obligations. Other jurisdictions are aggregated within the county boundaries for convenience and analysis purposes only.

This table provides a quick reference tool when attempting to research the outstanding indebtedness of political subdivisions.

Table 3

Aggregate Pima County Debt Retirement Schedule

	GO ¹	HURF ²	COPS ³	Sewer ⁴	Total	Percent Reduction
6/30/2018	275,990,000	80,330,000	161,260,000	515,484,892	1,033,064,892	
6/30/2019	227,335,000	65,510,000	96,385,000	458,482,871	847,712,871 ^{5 6}	18%
6/30/2020	174,910,000	51,105,000	74,425,000	412,347,125	699,110,000	32%
6/30/2021	133,965,000	39,905,000	52,345,000	354,162,315	561,737,315	46%
6/30/2022	93,615,000	29,300,000	42,350,000	293,723,096	437,648,096	58%
6/30/2023	64,805,000	23,205,000	34,980,000	230,304,112	339,284,112	67%
6/30/2024	44,590,000	16,935,000	30,175,000	173,420,000	250,410,000 ⁷	75.8%
6/30/2025	30,960,000	13,530,000	25,145,000	116,140,000	170,330,000	83.5%
6/30/2026	16,800,000	9,995,000	19,875,000	73,155,000	119,825,000	88.4%
6/30/2027	6,890,000	6,340,000	14,355,000	49,315,000	76,900,000	92.6%
6/30/2028	985,000	4,165,000	8,570,000	36,735,000	50,455,000	95.1%
6/30/2029	-	3,410,000	2,510,000	28,490,000	34,410,000	96.7%
6/30/2030		2,620,000	1,280,000	19,915,000	23,815,000	97.7%
6/30/2031		1,790,000	-	10,995,000	12,785,000	98.8%
6/30/2032		915,000	-	5,630,000	6,545,000	99.4%
6/30/2033		-	-	-	-	
6/30/2034		-	-	-	-	

¹ General Obligation Bonds repaid with secondary property tax.

² Highway User Revenue Bonds repaid with HURF and VLT annual funds from State distribution.

³ Certificates of Participation paid by numerous sources and includes short term debt (less than 3-years) to comply with Expenditure Limit requirements. Presently about \$40 million of this debt will be repaid in three years.

⁴ Sewer obligations repaid with sewer user and connection fees.

⁵ Sewer debt represents 54 percent of total County debt and Pima County is the only county to provide regional sewer services

⁶ HURF debt represents 7.7 percent of total debt and Pima County is the only County to issue HURF Revenue Bonds

⁷ Within 5-years Pima County aggregate debt will drop to \$250 million, a 76 percent reduction. The County has no plans to now, or in the future, issue bond debt financing. This debt will drop to 96 percent within the next 10 years