




MEMORANDUM

Date: March 11, 2021

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

From: C.H. Huckelberry
County Administrator 

Re: **Pavement Management Program Update**

On February 2, 2021, I provided you an overview of the plan to repair the pavement of all roads in unincorporated Pima County and improve their condition to an average pavement condition index (PCI) of 80, which is considered very good. The Board subsequently requested, at the February 16, 2021 meeting, that options be provided to accelerate the repair of County roadways. As previously discussed, all of these options require supplementing Department of Transportation state-shared revenues with allocations from the County's General Fund Pay-As-You-Go (PAYGO) program, consistent with Board Policy D22.12, *General Fund Capital Improvement Fund Pay-As-You Go Program*.

Each option will be presented in terms of cost. The baseline road repair plan provided to you on February 2, 2021 reflects funding allocations presented in Table 1.

Table 1

Baseline Plan			
Year	Transportation Department Funding	General Fund PAYGO Allocation	Total Funding
FY19/20	21,000,000	15,000,000	36,000,000
FY20/21	3,000,000	53,000,000 ¹	56,000,000
FY21/22	35,500,000	0	35,500,000
FY22/23	18,466,015	9,533,985	28,000,000
FY23/24	20,759,886	14,540,114	35,300,000
FY24/25	25,445,643	14,554,357	40,000,000
FY25/26	26,943,837	14,556,163	41,500,000
FY26/27	29,100,000	25,000,000	54,100,000
FY27/28	31,500,000	25,000,000	56,500,000
FY28/29	35,000,000	25,000,000	60,000,000
FY29/30	36,900,000	25,000,000	61,900,000
TOTAL	283,615,381	221,184,619	504,800,000

¹Reflects \$50 million of PAYGO and \$3 million of remaining FY 18 Local Road Repair Program.

The baseline plan advanced \$50 million of PAYGO this fiscal year, previously approved by the Board, with a commensurate reduction in subsequent years to remain within the total amounts adopted in the PAYGO policy. These General Fund PAYGO amounts include financing costs and principal reimbursement associated with the Certificates of Participation (COPS) sale. The following options further accelerate the repair of failed County roads.

Table 2 provides an option where an additional \$50 million of PAYGO is allocated next fiscal year through the sale of COPS, resulting in \$85.5 million available for road repair. As with the \$50 million of COPS sold this fiscal year, the financing costs and principal reimbursement would be deducted from future road repair General Fund PAYGO allocations to remain within the total General Fund PAYGO amounts approved within the Board Policy. This option slightly reduces the total General Fund PAYGO allocations available for road repair compared to the baseline plan due to the financing costs of the additional COPS sale, but still results in an average PCI of 80 by FY 2030. In addition, this scenario allocates \$50 million to local road repair, resulting in the FY 2022 repair of approximately 130 more miles of local roads than the baseline plan.

Table 2

Scenario with \$50M additional in FY 22			
Year	Transportation Department Funding	General Fund PAYGO Allocation	Total Funding
FY19/20	21,000,000	15,000,000	36,000,000
FY20/21	3,000,000	53,000,000	56,000,000
FY21/22	35,500,000	50,000,000	85,500,000
FY22/23	16,595,644	204,356	16,800,000
FY23/24	19,553,662	446,338	20,000,000
FY24/25	23,766,910	333,090	24,100,000
FY25/26	26,259,170	240,830	26,500,000
FY26/27	27,000,000	25,000,000	52,000,000
FY27/28	32,500,000	25,000,000	57,500,000
FY28/29	35,500,000	25,000,000	60,500,000
FY29/30	37,900,000	25,000,000	62,900,000
TOTAL	278,575,386	219,224,614	497,800,000

Table 3 provides an option to achieve PCI 80 by FY 2028, or two years prior to the baseline and Table 2 option. This scenario exceeds the road repair amounts reflected in the General Fund PAYGO Policy by \$13.4 million plus financing costs, compared to the baseline plan.

Table 3

PCI 80 by 2028 (Cash Flow Using Dec 2020 Forecast)			
Year	Transportation Department Funding	General Fund PAYGO Allocation	Total Funding
FY19/20	21,000,000	15,000,000	36,000,000
FY20/21	3,000,000	53,000,000	56,000,000
FY21/22	35,500,000	14,300,000	49,800,000
FY22/23	17,000,000	32,800,000	49,800,000
FY23/24	19,500,000	30,300,000	49,800,000
FY24/25	24,500,000	25,300,000	49,800,000
FY25/26	26,000,000	23,800,000	49,800,000
FY26/27	27,500,000	22,300,000	49,800,000
FY27/28	32,000,000	17,800,000	49,800,000
TOTAL	206,000,000	234,600,000	440,600,000

Table 4 provides an option to achieve PCI 80 by FY 2027, or three years prior to the baseline and Table 2 option. This scenario exceeds the road repair amounts reflected in the General Fund PAYGO Policy by 24.4 million plus financing costs, compared to the baseline plan.

Table 4

PCI 80 by 2027 (Cash Flow Using Dec 2020 Forecast)			
Year	Transportation Department Funding	General Fund PAYGO Allocation	Total Funding
FY19/20	21,000,000	15,000,000	36,000,000
FY20/21	3,000,000	53,000,000	56,000,000
FY21/22	35,500,000	19,100,000	54,600,000
FY22/23	17,000,000	37,600,000	54,600,000
FY23/24	19,500,000	35,100,000	54,600,000
FY24/25	24,500,000	30,100,000	54,600,000
FY25/26	26,000,000	28,600,000	54,600,000
FY26/27	27,500,000	27,100,000	54,600,000
TOTAL	174,000,000	245,600,000	419,600,000

Table 5 provides an option to achieve PCI 80 by FY 2026, or four years prior to the baseline and Table 2 option. This scenario exceeds the road repair amounts reflected in the PAYGO Policy by 47.6 million plus financing costs, compared to the baseline plan. Additionally, and due to the road repair rate of this scenario, insufficient Transportation state-shared revenues will exist for maintaining repaired roads in Fiscal Years 2033, 2034 and 2036, thereby necessitating an additional PAYGO allocation of \$21.5 million plus financing costs to cover

deficits for those three years. The total cost of this scenario will therefore exceed the Board Policy road repair amounts by \$69.1 million plus financing costs.

Table 5

PCI 80 by 2026 (Cash Flow Using Dec 2020 Forecast)			
Year	Transportation Department Funding	General Fund PAYGO Allocation	Total Funding
FY19/20	21,000,000	15,000,000	36,000,000
FY20/21	3,000,000	53,000,000	56,000,000
FY21/22	35,500,000	29,160,000	64,660,000
FY22/23	17,000,000	47,660,000	64,660,000
FY23/24	19,500,000	45,160,000	64,660,000
FY24/25	24,500,000	40,160,000	64,660,000
FY25/26	26,000,000	38,660,000	64,660,000
TOTAL	146,500,000	268,800,000	415,300,000

Summary

In order to minimize pressure on the General Fund County Budget by staying within the allocations approved within the PAYGO Policy, I recommend we proceed with the Table 2 scenario allocating an additional \$50 million of PAYGO next fiscal year. The total PAYGO amount required to fund this scenario remains within the totals adopted in the PAYGO policy and accelerates the repair of approximately 130 miles of local roads. Since \$85.5 million of road repair work is a significant amount to deliver in one year, I have directed, with Board concurrence, Transportation Director Ana Olivares begin the selection of roads for repair and to prepare bid packages in accordance with the criteria recommended by the Pima County Transportation Advisory Committee. The procurement process for this large investment will need to begin in April in order to commence work at the start of next fiscal year.

We also examined all series of alterations to the PAYGO formula adopted by the Board two years ago, which indicated that PAYGO should be funded with 60 percent of the increase in assessed value year-to-year and 60 percent of the decrease in debt service year-to-year. All of those alternatives made little, if any, difference to the achievement of the goal indicated by the Board.

In addition, Tables 3 and 4 would require substantial additional General Fund allocations to transportation, which was not envisioned by the adopted PAYGO formula and would distort the total amount of General Fund allocated to the program and would potentially conflict with tax equity issues that have been addressed previously with the Board regarding property tax contributions from City of Tucson residents versus County HURF revenue bond allocations to City of Tucson projects.

The Honorable Chairman and Members, Pima County Board of Supervisors

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Recommendation

I would recommend the Board of Supervisors approve the concept of accelerating the PAYGO program for road repair by authorizing the additional \$50 million in COPS to be implemented next fiscal year. Given the data in Table 2, it is clear that the debt service for these additional COPS can be made in addition to the previous debt service for \$50 million of COPS without violating the principles of the allocations made by the General Fund to the PAYGO program for road repair as was originally envisioned in the Board adopted PAYGO program.

I would also recommend this issue be revisited next fiscal year to determine if there are any modifications that need to be made to the program to either accelerate the road repair program or alter the original Board adopted PAYGO concepts that now govern the program.

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Yves Khawam, PhD., Assistant County Administrator for Public Works
Ana Olivares, Director, Transportation Department
Michelle Campagne, Director, Finance and Risk Management