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# MEMORANDUM

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Date: August 30, 2013

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

From: C.H. Huckelberry  
County Administrator 

Re: County Comparison of Transportation Funding with the Top Six Arizona Counties with the Largest Unincorporated Service Population

I previously communicated with the Board of Supervisors regarding our transportation funding dilemma, stagnant revenues, State Legislature diversions, and shrinking budgets.

The lack of an excise tax for transportation in Pima County similar to other counties has caused significant underfunding to meet our transportation obligations in the unincorporated area of the County.

By law, the County only has transportation obligations and funding responsibilities in the unincorporated area of the County. Cities and towns have a separate Highway User Revenue Fund (HURF) funding source; and the State receives the majority of the available funds from the statewide HURF to build, operate and maintain state highways.

The table below places in some perspective our funding dilemma.

**Table 1: HURF Comparison by Arizona Counties with Largest Unincorporated Populations.**

County	Unincorporated Area Service Population	HURF and VLT Revenue	Road Mileage	Per Capita Revenue
Pima	356,881	\$48,163,987	2,379	\$135
Maricopa	287,057	95,410,417	2,462	332
Pinal	194,303	28,730,743	2,064	*148
Yavapai	84,255	12,364,015	1,532	147
Mohave	77,683	12,678,972	2,079	163
Yuma	61,500	10,231,460	1,592	166

*\*Includes Pinal County half-cent sales tax dedicated specifically to transportation.*

For decades, Pima County has had the largest unincorporated service population in the State of Arizona, which is currently is 356,881 based on the most recent census and administrative forecast.

The Honorable Chairman and Members, Pima County Board of Supervisors  
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As stated previously, Pima County does not have a separate dedicated transportation excise tax. Pinal County has a general half-cent sales tax, as well as a half-cent sales tax dedicated exclusively to transportation. Gila County also has a half-cent sales tax dedicated to transportation. Pima and Maricopa Counties have a regional half-cent sales tax; but such funds are dedicated to a regional transportation system for all cities and towns, as well as the County.

Pima County receives only \$48 million; half of the \$95 million in HURF and Transportation Vehicle License Tax (TVLT) revenues received by Maricopa County, even though our road mileages are nearly identical.

Similar comparisons can be made for the other counties in Arizona with relatively high unincorporated area service populations, such as Pinal, Yavapai, Mohave and Yuma Counties.

When comparing HURF and TVLT revenues on a per capita basis, Pima County is at \$135 per capita, nearly the lowest of the compared counties with the exception of Pinal County at \$113 per capita. However, Pinal County, as noted previously, has a separate transportation half-cent excise tax, bringing their per capita transportation revenues significantly higher than Pima County at \$148 per capita.

Given the limited amount of HURF and TVLT revenue available to Pima County, we have met our capital expansion needs through bonding. No other county in Arizona has issued HURF revenue bonds for capital development or any other purpose. Given our past experience with cities and towns that believe they are entitled to a portion of our HURF revenue bonds, the County will never pursue another HURF bond issue.

Maricopa County also regularly allocates between \$30 and \$50 million of their HURF revenue to capital pay-as-you-go funding. This leaves approximately \$50 to \$60 million of Maricopa's HURF and TVLT revenue for operating and maintaining their transportation system. Since the road mileage being maintained by Maricopa and Pima Counties is nearly identical, it is clear our annual \$48 million is barely enough to operate and maintain our transportation system.

In examining Maricopa County's budget in greater detail, they dedicate nearly \$213 million for capital improvements from their General Fund. This \$213 million is equivalent to 42 percent of Pima County's General Fund entire expenditure budget allocation. The amount of funds Pima County dedicates annually to capital improvements from our General Fund is less than \$6.3 million.

While Maricopa County allocates transportation funds between \$30 and \$50 million annually for highway capital improvements through a pay-as-you-go program, they also allocated from their General Fund in FY 2013 over \$200 million in other capital improvement funding.

Projected transfers from Maricopa's Transportation Operating Budget to their Transportation Capital Improvement Program for the period FY 2014 to FY 2018 are shown in Table 2 below.

<b>Fiscal Year</b>	<b>Projected Transfer</b>
2014	\$ 48,134,797
2015	49,698,082
2016	67,369,542
2017	79,210,581
2018	90,224,822
<b>Total</b>	<b>\$334,637,824</b>

There has been and continues to be a stark difference in revenues available to Maricopa County for capital improvements compared to Pima County, both in the area of transportation and funds from their General Fund.

Based on the information and analysis presented, it is clear Pima County appropriately and correctly uses its entire share of HURF and TVLT revenues to maintain its highway system. Little, if any, funding is available for capital improvements, including pavement preservation; hence, the need to allocate \$5 million from the General Fund for these purposes.

Until there is an increase in overall transportation funding, we will continue to struggle with adequately funding our transportation needs.

CHH/mjk

c: Martin Willett, Chief Deputy County Administrator  
John Bernal, Deputy County Administrator for Public Works  
Priscilla Cornelio, Director, Transportation Department  
Michael Racy, Racy Associates, Inc.