

DRAFT report format for Committee discussion purposes only

This draft is intended to show a proposed format for the report and the sections to be included. So far it only includes narrative for the first couple of sections including the Findings section which evolved out of the "Sign Posts".

Date: March 13, 2018

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

From: Chair and Members
Pima County Sales Tax
Advisory Committee

Re: **Report and Recommendations from the Sales Tax Advisory Committee**

I. Committee Systematic Review

First, as you review this report and its recommendations it is important you keep in mind that the Committee considered and reviewed a significant amount of data, scenario analysis, reports and information as a basis for this report and these recommendations. This includes information provided by your staff, other organizations, the public, and stakeholders. This report is footnoted extensively so that those reading the report can locate the documents reviewed by the Committee, as well as meeting summaries of the Committee's discussions, all of which have been posted on the County's website at www.pima.gov/salestax. The footnotes at the bottom of each page of this report are also hyperlinked so readers can click on the links to review the specific information without having to look for it on the website.

II. Sales Tax Advisory Committee – Composition and Origin

In our view, your unanimous vote to commission this Sales Tax Advisory Committee reflects a concerted view by each of you that our roads need to be fixed and that the recent addition of a 25 cent property tax for road repair was inadequate. You appointed a broad based commission with representation from businesses groups that would be impacted by a sales tax, advocates for the low-income and elderly communities that would be disproportionately impacted, and those with expertise in transportation issues. Attached is a list of each Committee member and who we represent. The Committee represents years of experience in issues that impacted the scope of these recommendations, and a commitment to a better community.

III. Committee Charge

You commissioned our Committee to seek out public input and make recommendations to you on the following specific questions:

Should Pima County adopt a half-cent general County sales tax?

Should the sales tax revenue be used for road repair and/or property tax reduction?

Should the sales tax be temporary or permanent?

This Committee undertook a process to confirm the extent of the road condition problem, consider a range of solutions, and consider critical ancillary issues (such as the high Pima County property tax rate and the disproportionate impact of a sales tax on low-income households).

IV. Findings

A. Extent of the problem

It is indisputable that the Committee, government entities, advocacy groups and the public have concluded that the roads are in terrible condition and action must be taken now. According to Pima County and City of Tucson Transportation staff, 70 percent of the roads in unincorporated Pima county and the City of Tucson are in poor or failing condition.¹ The public confirmed this in public hearings, meetings and online comments.² Pima Association of Governments (PAG) and Regional Transportation Authority (RTA) staff confirmed this during a presentation to the Committee.³ The dollars needed to repair the roads to at least a fair condition has been confirmed by Pima County and City of Tucson Transportation staff. Pima County Transportation staff have identified the roads, including which treatments are needed and when, and have provided an estimated cost of \$527 million to repair and routinely maintain unincorporated County paved roads over 10 years.⁴ City of Tucson Transportation staff estimated that it would cost at least \$800 million to repair the roads within the City of Tucson to at least a fair condition.⁵

B. Funding the fix

County officials and elected representatives of the County over years have examined multiple non-County sales tax options to secure the funding necessary to repair the roads. However, no acceptable mechanism has been agreed upon to date.^{6, 7} These include, but are not limited to, general obligation bonds funded with property taxes that were rejected by Pima County voters in 2015; insufficient State-shared Highway User Revenue Funds (HURF) that largely fund voter-approved debt issued by the County to expand the capacity of roadways throughout the region and will still require another 10 years of repayment; and multiple legislative efforts to increase the state gas tax that was regularly increased until 1990 and has not been increased since then, and to stop the legislature from sweeping HURF funds for other purposes. During our deliberations Supervisor Miller undertook an extensive effort to find revenues for road repair within the County's existing budget. However, the Committee received several detailed memorandums from the County Administrator stating

¹ [Current State of Road Conditions and Road Repair Funding memo to Committee Sept.19,2017](#)

² Public Input Report

³ [PAG, the RTA and Regional Transportation Funding, November 13, 2017](#)

⁴ [Draft Pima County Roadway Pavement Repair and Preservation 10-year Plan for Unincorporated Pima County for Board discussion February 6, 2018](#)

⁵ [Current State of Road Conditions and Road Repair Funding memo to Committee Sept.19,2017](#)

⁶ [Current State of Road Conditions and Road Repair Funding memo to Committee Sept.19,2017](#)

⁷ [Committee Meeting Summary, September 29, 2017](#)

that the funding is simply not available as much of it is legally restricted for the purposes for which it is spent.^{8, 9, 10, 11,12}

Similarly, an independent evaluation by PAG has estimated the need for additional transportation funding for the region through 2045, has summarized possible funding options, and has concluded that the region has the opportunity to determine how to be self-sufficient using local revenue sources.¹³ It is clear that funding support from the state or federal legislators is extremely remote in the near term, not can it be assumed in the long term. To say otherwise would be providing false hope in their professional opinion.

Even with the County's recent action to adopt a 25 cent property tax per \$100 of assessed property valuation for road repair, the Pima County Transportation Advisory Committee (TAC) sent a letter to the Board of Supervisors stating that they had unanimously determined that the property tax was "severely inadequate to repair the roads in any reasonable period of time," expressed their frustration, and implored the Board to consider any and all road repair funding options.¹⁴ The property tax is estimated to generate about \$19 million a year for the region for repair of local roads only. At that rate, it is estimated to take at least 35 years to fix the roads.^{15, 16}

Municipalities across the Country and other counties in Arizona are challenged by this issue and are seeking to find a solution that fits their needs.^{17,18}

REMAINDER OF THIS DRAFT IS AN OUTLINE THAT WILL BE DRAFTED AFTER COMMITTEE DISCUSSION

C. Proposed Solutions

Current analysis indicates that if a sales tax proposal passes, and depending on the final structure, it can resolve the road repair funding dilemma now and in the future.

1. Supervisor Christy plan:
2. Describe Supervisor Valadez plan:

⁸ [Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 1, October 20, 2017](#)

⁹ [Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 2, October 31, 2017](#)

¹⁰ [Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 3, November 8, 2017](#)

¹¹ [Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 4, December 4, 2017](#)

¹² [Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 5, December 14, 2017](#)

¹³ <http://www.rtamobility.com/documents/pdfs/RTARTF/2016/RTARTF-2016-09-19-TransportationFundingOptions2016-04-28.pdf>

¹⁴ [Transportation Advisory Committee letter to Board of Supervisors, October 30, 2017](#)

¹⁵ [September 29th Sales Tax Advisory Committee Meeting Purpose and Scope, September 19, 2017](#)

¹⁶ [Committee Meeting Summary, September 29, 2017](#)

¹⁷ [November 2017 Transportation Funding Ballot Measures, November 11, 2017](#)

¹⁸ [Arizona Association of County Engineers, January 16, 2018](#)

D. Ancillary Issues

1. Both of the scenarios proposed have the positive aspect of reducing Pima County primary property taxes for County residents.
2. Discuss the estimated cost to low-income households.

VI. **Public Input**

Cite public input report. Public comments have already been integrated into “findings” section.

VII. **Participation of the Board of Supervisors during our deliberations**

Thank the Board for continuing to discuss this issue at their Board meetings during our deliberations. And thank Supervisor Christy and Supervisor Valadez for developing proposals and presenting them to us and their fellow Board members.

VIII. **Recommendations**

SAMPLE RECOMMENDATIONS FOR DISCUSSION PURPOSES ONLY

1. Yes/No to a County sales tax

If yes:

2. For road repair and property tax relief, so long as enough of the funding is allocated to road repair get the unincorporated roads fixed within 10 years and make significant improvements to the roads maintained by the cities and towns.
3. For 10 years or some period of time that where the termination of the sales tax won't result in a radical escalation of the property tax rate back to its current levels. The term beyond the 10 years should really be up to the Board.
4. Needs to include some type of trusted mechanism, like involvement of the RTA, or ordinance and resolution with required independent audits and a termination clause that ensure the funding will only be spent for its intended purpose.
5. Needs to include mitigation for the disproportionate impact to low income households.