

Pima County Sales Tax Advisory Committee
Meeting

Monday November 13, 2017
4 P.M.

Ellie Towne Flowing Wells Community Center
1660 West Ruthrauff Road
Tucson, Arizona

SUMMARY OF MEETING

Committee Members Present

Wendell Long, Chair
Michael McDonald, Vice Chair
Allan Cameron
Mark Clark
Dan Eckstrom
Larry Gibbons
Bob Gugino
Curt Lueck
Robert Medler
Dennis Minano
Rick Price
Anita Smith-Etheridge
Charles Wetegrove

Committee Members Absent

Sergio Arellano
Kelly Fryer
Larry Hecker

MOTIONS

MOTION: Vice-Chair Michael McDonald moved, seconded by Curt Lueck, to approve the October 27, 2017 meeting summary. Motion approved 13-0.

MOTION: Dan Eckstrom moved, seconded by Bob Gugino, to acknowledge the assumptions and proceed with the meeting. Motion approved 13-0.

MOTION: Robert Medler moved, seconded by Bob Gugino, to approve the proposed Committee meeting and public hearing schedule through January, 2018. Motion approved 13-0.

MOTION: Robert Medler moved, seconded by Curt Lueck, to adjourn the meeting. Motion approved 13-0 and the meeting was adjourned at 5:37 p.m.

MEETING SUMMARY

1. Welcome

The meeting began at 4:02 p.m. with a quorum.

2. Pledge of Allegiance

3. Call to the Audience

No one spoke at this time.

4. Approval of October 27, 2017 meeting summary

MOTION: Vice-Chair Michael McDonald moved, seconded by Curt Lueck, to approve the October 27, 2017 meeting summary. Motion approved 13-0.

5. Forming and Confirming Assumptions

Chairman Wendell Long provided the Committee with a list of statements and asked committee members what they thought of them. Dennis Minano responded by stating that he thought the committee was beginning to consider such issues, which may eventually evolve into consensus points but that there probably wasn't absolute agreement with the statements at this point. For example, none of the Committee members verbally disagreed with the statement that the majority of roads in Pima County were in poor shape. But there was a difference in opinion as to whether the poor road conditions were a priority or the number one priority. Chairman Long asked that members continue to share thoughts about these issues.

MOTION: Dan Eckstrom moved, seconded by Bob Gugino, to acknowledge the assumptions and proceed with the meeting. Motion approved 13-0.

6. Future meeting and public hearing schedule and agenda items

The Committee was provided with a proposed meeting and public hearing schedule through January 2018.

MOTION: Robert Medler moved, seconded by Bob Gugino, to approve the proposed Committee meeting and public hearing schedule through January, 2018. Motion approved 13-0.

7. Transportation Advisory Committee

Curt Lueck, representative for the Transportation Advisory Committee (TAC), explained why TAC sent the October 30 letter to the Board of Supervisors, including frustration with the inadequacy of the funding available (\$20 million a year from the new road property tax) in comparison to the need (over \$1 billion to improve the region's roads to at least a fair condition.) In addition Mr. Lueck stated that TAC is currently in the process of working with the Pima County Department of Transportation (DOT) and the cities and towns, to identify roads that will be recommended to the Board of Supervisors to be treated with the new road property tax revenues. Comments from the public to TAC include requests to fix the roads in general, and in particular, to fix roads in their subdivisions.

Dennis Minano thanked TAC members for their hard work and added that the letter showed TAC had arrived at the conclusion that fixing the roads is an urgent matter, which is something that this Committee should consider as it moves towards making recommendations to the Board of Supervisors. Chairman Long asked specifically if it was the amount of funding currently available that TAC was particularly concerned with. Mr. Lueck responded, yes.

8. October 18, 2017 Memorandum re: Alternative scenarios for half-cent sales tax for road repair and property tax reduction over 16 years

County Administrator Chuck Huckelberry presented a series of graphs summarizing the October 18 memo to the Committee and one particular scenario that showed how a half-cent sales tax could be used to address both road repair needs and reduce property taxes. Mr. Huckelberry also addressed an October 30 memo to the Board of Supervisors forwarding the road repair/property tax reduction scenarios, which included a proposal to pursue legislation to amend the state statute authorizing county general sales taxes, to allow for adoption of a county general sales tax by a majority vote of the Board. Currently the statute requires a unanimous vote of the Board, which means that all Board members must be present and must vote in the affirmative. Mr. Huckelberry stated that other organizations in Arizona may support such legislation, especially if it limited eligible uses for the sales tax revenue and limited the timeframe for collection. The Arizona Tax Payers Association (ATRA), which is a very influential lobbying organization at the state level, has expressed concern over Pima County's property tax rate and the resulting State subsidy. The total tax rate exceeds the 1% constitutional limit within the TUSD tax area resulting in other taxpayers across the State subsidizing TUSD homeowners to reduce those homeowners tax bills so that they do not exceed 1% of their taxable value. ATRA's September newsletter included an article on this issues and pointed out that the County's new road property tax was not being paid by those homeowners in TUSD, but instead was being paid by taxpayers throughout the State.

The charts showed that all scenarios assumed over 16 years \$812 million would be allocated to road repair and \$760 million would be allocated to reducing property taxes. Scenario 1 in particular would result in an estimated property tax savings of \$12,000 over 16 years for a commercial property valued at \$500,000; \$500 over 16 years for a residential property inside TUSD; and \$2,000 over 16 years for a residential property outside of TUSD. This in comparison to an estimated cost of \$91 a year for the average household in additional sales tax payments.

Mr. Huckelberry stated that he is in favor of the Board acting unanimously to approve a temporary sales tax all for road repair. However, if a unanimous vote is not possible, he feels there may be support at the State legislature to reduce the approval threshold to a simple majority vote if the funding was limited to specific types of expenses. The County's legislative agenda will likely be sent to the Board of Supervisors for approval at their second meeting in December, so there is time for TAC and this Committee to weigh in on the issue.

Curt Lueck asked what it would take to undo or repeal a sales tax. Mr. Huckelberry replied that he was unsure as it likely has not occurred before, but possibly could require a unanimous vote to repeal.

Bob Gugino asked where Pima County would fall in relation to other Arizona counties' tax rates if we were able to reduce the tax rate as shown in the graphs. Mr. Huckelberry replied that Pima County would likely fall below the top 1/3 of counties.

Vice-Chair McDonald asked if the County's repaid repayment of debt provides any opportunities. Mr. Huckelberry replied, yes, and that he has asked budget staff to provide planning options with regard to the tax rate capacity that will become available as the debt is repaid.

Dennis Minano stated that the take away message for him was that under this scenario we can immediately begin to address the roads, while at the same time strategically addressing the high property tax issue. In addition, he stated that lowering property taxes is a significant issue in attracting new employers to the region.

Robert Medler pointed out that property tax reduction does begin immediately under this scenario, because the 25 cent road property tax would be repealed in year 1.

Mark Clark stated his support for eliminating the 25 cent road property tax, but is concerned about using the sales tax to reduce property taxes even further because sales taxes are more regressive than property taxes. Mr. Clark explained that many of those who would have to pay additional sales taxes are renters and he is skeptical that landlords would react to reduced property taxes by reducing rent payments. Bob Gugino clarified that a county general sales tax would not apply to unprepared food, prescription medicine and rent. Mr. Huckelberry stated that sales taxes were much more regressive when they applied to food, medicine and rent. Chairman Long asked Mr. Clark if his comments meant that he was more supportive of a short term sales tax for roads with a clear expiration date, to which Mr. Clark responded, yes. Vice-Chair McDonald reminded the Committee that Committee members made suggestions at the last meeting with regard to how sales tax revenues could possibly be used to benefit low income residents (i.e. Larry Hecker's suggestion of funding transit and Kelly Fryers suggestion of procuring road repair contracts such that preferences are provided to women and minority-owned – no longer permitted by state law, but preferences for local small businesses is permitted). The Chair and Vice-Chair asked that this item be included on next meeting's agenda.

Chairman Long asked what the on-going annual road maintenance costs would be after the roads are brought up to a fair condition. Mr. Huckelberry replied \$20 million a year. The County is currently paying \$18 million a year in debt service payments for road capacity expansion projects approved by voters in 1997. These will be largely repaid in 10-15 years, freeing up this revenue to then be spent on regular road maintenance.

9. Pima County Supervisor Steve Christy's "Just Fix the Roads Program"

The Committee invited Regional Transportation Authority (RTA) representatives and cities and towns to attend this meeting and comment on Supervisor Christy's proposal. Jaime Brown and Paul Casertano attended to represent the RTA. Mr. Brown provided a presentation that showed the variety of funding mechanisms used by the RTA and PAG to fund transportation related improvements and services, as well as a white paper

written in 2016 about additional funding mechanisms for road repair, including a half-cent county sales tax.

Dennis Minano and Chairman Long asked several questions regarding the role of RTA in implementing program versus the roles of the County and cities and towns. Mr. Brown, Mr. Casertano, Mr. Huckelberry and Mr. Lueck provided the following responses:

Mr. Brown - The current RTA plan does not include road maintenance. Attorneys representing RTA and the County will provide a legal opinion shortly regarding whether RTA has the authority to implement a road repair program funded by the County. RTA's role is not to actually build roads. RTA currently distributes funding to others with expertise (cities, towns, county) who then contact for the road work. The role of the RTA in the region is to cooperate with the cities, towns and the County. The RTA is trusted in the region and recently had a positive audit from the State.

Mr. Casertano - The approach that Pima County DOT staff has taken in working with the cities and towns regarding the current road repair program is similar to the approach RTA would likely take.

Mr. Huckelberry - RTA's roll is in collection and distribution of funding. If the County was to approve a sales tax, it would be subject to a detailed implementation ordinance that would clearly state eligible expenses and allocation processes – regardless of whether the program is administered by the County or the RTA. It was purely a political decision to propose the RTA as the administrator in order to garner a unanimous vote of the Board. The County could administer the program, reducing the administrative costs that would otherwise have to be paid to the RTA. The County also received high marks from the State's Auditor General for the County's bond program. If involving the RTA helps garner a unanimous vote of the Board of Supervisors for a sales tax for road repair, then Mr. Huckelberry is in support of it. But if a unanimous vote can't be achieved and legislation is successful in allowing for approval of a sales tax with a majority vote, then Mr. Huckelberry favors the County administering the program to reduce adding an unnecessary layer of administrative costs.

Mr. Lueck - TAC will continue to advise the Board on transportation related issues and their role in prioritizing roads for road repair would have to be determined. RTA's expertise is in data collection, project prioritization, and inter-jurisdictional coordination.

Carmine DeBonis, Deputy County Administrator for Public Works, described two technically sound approaches that DOT staff worked through with TAC regarding prioritizing which roads to repair first in unincorporated Pima County: Worst first and pavement preservation to prevent roads rated in poor condition from falling into a failed condition. DOT staff recommended the pavement preservation approach and the TAC approved that approach for Year 1, with Year 2 to include a mix of poor and failed roads. At the November 28th TAC meeting, the Committee will consider minor changes proposed by members. Average Daily Trips (traffic volumes) were also factored into the prioritization.

Dennis Minano stated that regardless of who administers the program, it is essential that there is a clear line of site from collection of the funding to expending the funding.

Bob Gugino asked if Supervisor Christy's proposal would be on a Board agenda anytime soon. Beth Borozan, Supervisor Christy's Chief of Staff, responded that the proposal was on the Board's last agenda as a basis for requesting the legal opinion.

10. Call to the Audience

No one spoke at this time.

Mr. Eckstrom requested that the motion regarding forming and confirming assumptions approved earlier in the meeting, be placed on the next meeting agenda for reconsideration.

11. Adjournment

MOTION: Robert Medler moved, seconded by Curt Lueck, to adjourn the meeting. Motion approved 13-0 and the meeting was adjourned at 5:37 p.m.

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