

Pima County Sales Tax Advisory Committee
Meeting

Tuesday January 9, 2018
4 P.M.

El Pueblo Activity Center
101 W. Irvington Road
Tucson, Arizona

SUMMARY OF MEETING

Committee Members Present

Wendell Long, Chair
Vice Chair McDonald, Vice Chair
Allan Cameron
Dan Eckstrom
Bob Gugino
Larry Hecker
Curt Lueck
Robert Medler
Dennis Minano
Rick Price
Anita Smith-Etheridge
Mark Van Buren

Committee Members Absent

Mark Clark
Kelly Fryer
Larry Gibbons
Mark Miller

MOTIONS

MOTION: Dennis Minano moved, seconded by Robert Medler, to approve the November 13, 2017 meeting summary. Motion approved 12-0.

MEETING SUMMARY

1. Welcome

The meeting began at 4:10 p.m. with a quorum.

2. Pledge of Allegiance

3. Call to the Audience

David Lutz spoke about the subsidizing of growth in Marana after the pygmy owl was delisted as an endangered species, Twin Peaks and I-10 expansion projects, and the County spending frivolously on soccer stadiums instead of roads and raises for Sheriff deputies.

4. Presentation by Pima County Supervisor Ramon Valadez, District 2

Supervisor Valadez made a presentation regarding a proposed plan and ordinance that he requested be developed by staff detailing uses of a proposed county sales tax. The presentation is posted at www.pima.gov/salestax under the "Resources" tab, Sales Tax Advisory Committee Meeting Materials, January 9, 2018 meeting.

Larry Hecker asked if the sales tax would be assessed on food and prescription medicine, and the response was no.

Dennis Minano asked if the Regional Transportation Authority (RTA) is willing to administer the program. Supervisor Valadez responded that he sits on the RTA Board and the legal opinion from the RTA attorneys on what the RTA can administer has not yet been released, but that the RTA appears willing if permitted by law.

Chairman Long asked the Supervisor's opinion with regard to which entity should administer the program. Supervisor Valadez responded that he is open to either County or the RTA administering the program, under the parameters permitted by law, so long as people understand that if the RTA administers the program there will be a one percent cost associated with that. Both the County and RTA have received positive audits from the Arizona Auditor General's office (AG), which is a branch of the State Legislature, with the AG audit of the County's bond program stating that the County's bond process should be a model for other local governments.

Chairman Long asked if the Supervisor felt it was possible to mitigate the cost of the sales tax on low-income households. Supervisor Valadez explained the Arizona income tax credit for increased sales taxes, but pointed out that only households with incomes less than \$25,000 were eligible (\$12,000 for single filers), which leaves out low-income households who earn above that amount.

Dennis Minano confirmed that the Supervisor's intent was to ask the Board to approve an implementation plan ordinance first before considering the vote on the sales tax. Mr. Minano also asked whether the Supervisor's proposal would provide the public with a clear contact for road issues. Supervisor Valadez responded that each city and town would be responsible for implementing their own road repair program under IGAs with the County, and the County would administer its own program. Mr. Minano also asked if the County's Transportation Advisory Committee would have a role. Supervisor Valadez responded, yes, that there would definitely be citizen's oversight as the County always provides for such.

Chairman Long asked the Supervisor if there was an alternative in Phoenix. Supervisor Valadez responded that help was not coming from the State legislature or the Federal government. Chairman Long also asked if there was an opportunity to raise the State gas tax. Supervisor Valadez responded that the County has repeatedly made that proposal to the State legislature, with no response. Chairman Long asked about one of the other Supervisors who has stated that there is money in the budget already that could be allocated to roads. Supervisor Valadez responded that the majority of the funds identified by that Supervisor are dedicated for other purposes and legally cannot be spent on roads. A couple of times in the past the County allocated about \$5 million in general funds to road repair, but that was unfair as all county taxpayers fund the general fund, but only those in unincorporated Pima County saw their roads repaired with the general

fund monies. Over 85 percent of Supervisor Valadez's district is in the City of Tucson or Town of Sahuarita and saw no benefit, but paid the taxes. Chairman Long also asked if the Supervisor has the support of the Board for his proposal. Supervisor Valadez responded that he doesn't know as polling the Board would be illegal.

Mark Van Buren asked what percent of sales tax revenue collected by other Arizona counties goes to roads. County Administrator Chuck Huckelberry responded that many Arizona counties have more than one type of sales tax, some collect a sales tax specifically for roads, and others allocate a portion of the general sales tax to roads. Some levy sales taxes for jails or healthcare. Staff will find out how much other Arizona counties allocate from a sales tax to roads.

Rick Price stated that he likes that up to 17 percent of the sales tax revenue would be paid by visitors. Mark Van Buren noted that tourists do pay a sizable hotel-motel tax.

Chairman Long asked Supervisor Valadez to explain the types of transportation improvements that would be funded. Supervisor Valadez stated that the funding is proposed for repairing and maintaining local roads, and arterial and collector roads, not state highways and not for the expansion of roads. Chairman Long also asked why the Supervisor's proposal was to include property tax reduction when the Committee has not heard many requests for property tax reduction. Supervisor Valadez responded that the reliance on one tax, a property tax, is not as stable as relying on two taxes. Both have different up and down cycles. In addition, Pima County has the highest property tax rate of Arizona counties because Pima County does not have a sales tax, and Pima County and the State were previously involved in a law suit over the high property tax rate and its impact on State aid within the Tucson Unified School District. Chairman Long also stated that he's concerned with the impact of the tax on low-income residents while property tax payers like him would be benefiting. Supervisor Valadez responded that low income households often have greater needs during recessions, and that having both a sales tax and a property tax would provide more stability and resources for the County to consistently serve those low income residents. Chairman Long asked how Supervisor Christy's plan differed from Supervisor Valadez's plan. Supervisor Valadez responded that his plan expands upon Supervisor Christy's by providing details that were previously unavailable for the County's responsibilities that cannot be delegated to RTA (how the tax would be collected, deposited into segregated funds and distributed to cities and towns; and identifying which roads in unincorporated Pima County will be treated and when). It also includes property tax relief.

Denis Minano stated that the high property tax is definitely an issue in attracting new businesses.

Curt Lueck asked how much of the County sales tax would stay locally versus revenues from an increase in the state or federal gas tax? Supervisor Valadez responded that all of the County sales tax would be spent locally and perhaps less than half of the state and federal gas tax comes back to this region.

Mr. Huckelberry stated that it is important to remember that low income residents also pay property taxes regardless if they are renters or home-owners.

5. Update from the December 7 and 14th public hearings, feedback forms, and public comments at Board of Supervisor meetings

Summaries of the public hearings and a log of the feedback forms were provided to committee members prior to the meeting. Nicole Fyffe, Assistant to the County Administrator, summarized these and stated that meeting minutes for Board of Supervisor meetings would also be provided as members of the public often comment on issues related to this Committee during Call to the Audience.

6. Approval of November 13, 2017 meeting summary

MOTION: Dennis Minano moved, seconded by Robert Medler, to approve the November 13, 2017 meeting summary. Motion approved 12-0.

7. Forming and Confirming Assumptions

This item was continued from the last meeting to provide an opportunity to revisit the vote taken at that time. No additional action was taken at this meeting.

Dennis Minano presented the main points or “Sign Posts” that he’d provided for the Committee’s ongoing consideration. The Sign Posts include issues that the Committee is learning about and hearing from the public and other presenters, and provides a way of keeping track of and summarizing those issues.

8. Impact of sales tax on low income residents

Nicole Fyffe summarized the memo provided to the Committee on this subject on December 8, 2017, including Table 1 of the memo that included estimates for the cost of the half cent tax by income level – ranging from \$36 a year on the lower income end to over \$200 a year on the higher income end.

Vice Chair McDonald stated that he’d provided an addendum to the memo documenting the 155,000 individuals that accessed hunger relief services in one recent year. He explained that many of these low-income individuals make tradeoffs, which may result in paying things like utility bills, and leaving them in need of food assistance. Of these individuals, about half of them need one to three months of food assistance (3-5 days a month), and about half need rent or utility assistance. Vice Chair McDonald stated that the income tax credit assistance was a good idea, but that it will take a lot of work to get those that don’t currently file taxes to do so and to take the tax credit. He added that of the 155,000 food insecure individuals cited in the addendum, only about one-third are being served by the United Way’s income tax filling assistance program.

Curt Lueck pointed out that one of the public comments received suggested that road repairs be prioritized for low income areas first, which was an intriguing concept.

Larry Hecker stated that one way to address the County’s high poverty rate is through increasing job opportunities, and that transportation improvements are high on the list for businesses considering relocating here or expanding.

Mr. Huckelberry stated that Supervisor Valadez has suggested that the County commit to not diminish or reduce funding for low income programs, that staff will continue to work on this issue to provide the Committee with something to include in its recommendations, and that those policies or programs could then be included in the ordinance and institutionalized.

Vice Chair McDonald praised the County's Ending Poverty Now Initiative and acknowledged that handouts are not going to solve the poverty issues. Vice Chair McDonald stated that job creation and the ability for low income individuals to have a voice in community and politics, are essential to reducing the poverty rate. Vice Chair McDonald also stated that Committee member Mark Clark was unable to attend the meeting, but has expressed concerns about the impact of this tax, as has Kelly Fryer, who is not at the meeting and recently announced she's running for Governor. Vice Chair McDonald also stated that it may be that he and other members representing these low-income service organizations cannot sign on to what the majority of this committee recommends. However, he hopes that this does not become a time where poor members of this community are blamed for holding back the community from addressing other community needs.

Chairman Long asked how we get low-income residents to participate in this process. Vice Chair McDonald stated that he's trying but there are many barriers within their daily lives that result in their lack of participation.

Robert Medler estimated the amount a low income household would save in car maintenance costs, if the roads were improved, in comparison to what it is estimated they would pay in extra sales tax, and found that by year three there should be a net benefit. Mr. Medler stated that the Tucson Metro Chamber has identified fixing the roads as the number one priority for local governments because good roads attract businesses and reduce transportation costs for existing businesses, resulting in job growth.

Mark Van Buren asked what the plan will be to maintain the roads after they are fixed. Mr. Huckelberry responded that Supervisor Valadez's 10 year plan for the unincorporated area includes regular maintenance so that the roads never get this bad again. Because it includes both fixing the roads and maintaining them, the cost for the 10 year plan is bigger than the initial \$330 million estimate we first talked about.

Chairman Long asked if the figures in Supervisor Valadez's proposal will be controversial. Mr. Huckelberry responded that funding for the plan includes revenue forecasts and as with any forecasts they involve assumptions, such as no recession during the 10 year period.

9. Update from Transportation Advisory Committee

Carmine DeBonis, Deputy County Administrator for Public Works, reported that the Transportation Advisory Committee (TAC) met last in November and would meet again in late January. The TAC transmitted its 2 year plan to the Board identifying roads to be treated with the 25 cent property tax revenue. The plan for unincorporated Pima County prioritized roads in poor condition with the goal of preventing those poor roads from falling into a failing condition. The Board did make some modifications. The Department

of Transportation is currently putting bid packages together for the Year 1 roads, with treatments to occur this spring. Year 2 will be bid in the summer with treatments to occur in the fall, pending budget approval, which will include discussion of replacing the property tax with a sales tax. TAC is a long term advisory committee to the Board.

Chairman Long asked if Supervisor Valadez's plan would also do away with the 25 cent property tax. Supervisor Valadez responded, yes.

10. Next meeting and agenda items

The Committee will meet next on February 12, followed by February 28 and March 13 (final meeting). Each meeting will be held between 4-6pm at locations to be determined.

11. Call to the Audience

No one spoke at this time. One comment card was submitted and is attached to this meeting summary.

12. Adjournment

Meeting was adjourned at 5:45 p.m.

DRAFT

STAC meeting
11/9/18

Pima County Sales Tax Advisory Committee
We Want to Hear from YOU!

1. **Should the Pima County Board of Supervisors adopt a half-cent general sales tax?**

YES / NO / NOT SURE (circle one)

Comment: TYPICAL POLITICIAN - NO NEW TAXES!

2. **Should the sales tax revenue be spent on road repair, property tax reduction or some combination of both?**

Road Repair ONLY / Property Tax Reduction ONLY / Combination of Both (circle one)

Comment: NO NEW TAXES!

3. **Should the sales tax be temporary or permanent?**

Temporary / Permanent (circle one)

Comment: NO NEW TAXES!

For additional information or to provide comments electronically please visit www.pima.gov/salestax or County Administrator's Office at (520) 724-8661.

C. Williams