

Pima County Sales Tax Advisory Committee
Meeting

Monday February 12, 2018
4 P.M.

Oro Valley Town Council Chambers
11000 N. La Canada Drive
Oro Valley, Arizona

SUMMARY OF MEETING

Committee Members Present

Wendell Long, Chair
Allan Cameron
Mark Clark
Larry Gibbons
Curt Lueck
Robert Medler
Mark Miller
Dennis Minano
Anita Smith-Etheridge
Charles Wetegrove

Committee Members Absent

Michael McDonald, Vice-Chair
Dan Eckstrom
Bob Gugino
Larry Hecker

MOTIONS

MOTION: Robert Medler moved, seconded by Curt Lueck, to approve the January 9, 2018 meeting summary. Motion approved 10-0.

MEETING SUMMARY

1. Welcome

The meeting began at 4:05 p.m. with a quorum. Chairman Long welcomed the newest member, Mark Miller, who represents the Pima County Small Business Commission.

2. Pledge of Allegiance

3. Call to the Audience

None

4. Approval of January 9, 2018 meeting summary

MOTION: Robert Medler moved, seconded by Curt Lueck, to approve the January 9, 2018 meeting summary. Motion approved 10-0.

5. Draft report summarizing public input

Nicole Fyffe, Assistant to the County Administrator, presented the draft report summarizing the public input received so far, including from hearings, meetings, and on line forms. As there were no questions or concerns voiced about the report, it will continue to be updated until the Committee's last meeting for approval by the Committee.

6. Mike Varney, Outgoing President and CEO of the Tucson Metro Chamber of Commerce

Chairman Long introduced Mr. Varney and Mr. Varney introduced the newly appointed President and CEO, Amber Smith. Mr. Varney was asked to provide the business perspective regarding a potential sales tax for road repair and/or property tax reduction. Mr. Varney explained that the Chamber represents 1,500 business and 160,000 employees of those business, and that these businesses have repeatedly stated strong support for road repair through various surveys conducted between 2014 and 2017. He provided a report summarizing results from a survey of 570 companies in Tucson regarding the advantages and disadvantages of doing business in Tucson (BEAR, March 2014), which included a high degree of criticism concerning poor road conditions, and a copy of the latest Metro Chamber Magazine focused on infrastructure needs. He added that although there will always be concerned voters, the City of Tucson proved through their road bond program that they could deliver more than promised, and the County proved through the Arizona Auditor General's audit of their bond program that they are the gold standard for delivering bond projects as promised. Regarding the need for road repair verses property tax reduction, Mr. Varney responded that the demand for road repair far exceeds what he's heard about the needs for property tax reduction. Regarding how to prioritize capacity improvements over road repair, Mr. Varney responded that it is a balancing act but that he hears light years more concerns about road conditions versus traffic capacity. Mr. Varney did not have much to say about the regressive nature of sales taxes, except to say that the Chamber would undoubtedly come out in favor of a reasonable sales tax proposal for road repair.

Mr. Wetegrove, Ms. Smith-Etheridge, and Mr. Medler made comments with regard to the estimated cost of the sales tax in comparison to potential savings from reducing or eliminating the added costs associated with vehicle maintenance and repair due to poor road conditions. Mr. Clark noted that not all low-income households have access to cars. Mr. Minano added that the Committee discussed this issue at length at the last meeting, staff has suggested potential mitigation measures, and the issue should definitely be given consideration in the Committee's final report. Mr. Miller noted that the recently approved Federal tax bill eliminated many reimbursements for employee expenses, which likely included eliminating the benefit of providing transit subsidies to employees. Mr. Clark added that Pima Council on Aging spends considerable funding provided by the RTA to reimburse volunteers' mileage costs for driving those in need to appointments, etc. This program is offered throughout the metro area and within rural areas.

On a final note, Mr. Varney added that Las Vegas recently raised its gas tax and indexed it to inflation.

7. Steve Huffman, Tucson Association of Realtors, Results of Poll

Mr. Huffman began by explaining that the property tax system in Arizona has been, since statehood, set up to significantly benefit owner-occupied housing, and that low income families that rent are absolutely being negatively impacted by our property tax system. For example, if you have two similarly valued homes next to each other and one is a rental property and the other is owner-occupied, the property taxes on the owner-occupied property will be significantly lower because of a variety of property tax laws, including the 1 percent maximum property tax limit for owner-occupied properties and the limitation on increasing the valuation of owner-occupied homes. Those that own rental properties would most definitely want to cover their costs by including property taxes in the rent, and therefore those renters are paying significantly more than the homeowners who live next door. For Pima County to continue to rely 100 percent on property taxes has major consequences for low-income renters. Having the highest property tax rate in the state is also a major disincentive to attracting new businesses that create jobs. Big businesses, like the mines, lobby for exemptions and special treatment when it comes to property taxes, but the average business cannot afford lobbyists and most employees in Pima County are not working for large businesses.

The Tucson Association of Realtors (TAR) poll included 100 randomly selected high turnout voters in each of the Board of Supervisor's districts between November 27 and 29, 2017, and asked a series of questions concerning a potential County half cent sales tax for road repair and property tax reduction. Presentation slides summarizing the results are posted on the County's sale tax page www.pima.gov/salestaxes under the "Resources" tab.

In summary, the majority responded that:

- Road conditions in Pima County are poor.
- There is a need to increase funding for roads in Pima County.
- Pima County, City of Tucson and RTA are doing a fair to poor job of maintaining and improving roads compared to a good to excellent job.

A slight majority responded in favor of a County half-cent sales tax for road repair and property tax reduction. Those responding from Supervisorial Districts 1, 3 and 5 were slightly more in favor of a sales tax for road repair and property tax reduction than those in Districts 2 and 4.

When asked if certain statements would make them more or less likely to support the sales tax, a majority responded that:

- They were more likely to support the sales tax if the revenue had to be spent in Pima County and could not be taken by the State.
- RTA administering the road repair programs made no difference in support for the sales tax.

When asked if they agree or disagree with certain statements, the majority agreed that:

- The quality of roads play a major role in attracting business investment in Pima County.
- A half-cent sales tax is a small price to pay for better roads and lower property taxes.
- It is not fair that property and business owners are only source of revenue for county services.

- Sales taxes are a good way to lessen the overall tax load on local residents by having visitors and tourists pay their fair share.

15 percent of respondents were renters, and renters showed a higher level of support for a sales tax for road repair and pavement preservation.

Ms. Smith-Etheridge recalled a statement she'd heard recently about always voting no on tax increases because then rents go up. Mr. Huffman responded that it is likely that if property taxes go up, rent would go up. Mr. Clark added that vacancy rates are also a factor in rents. Mr. Minano asked whether businesses ask TAR about the property taxes in Pima County. Mr. Huffman responded that it depends where they are from, because for example if they are from a high property tax state they think ours are low. Mr. Huffman added that one reason Maricopa County has a low property tax rate is that the Palo Verde Nuclear plant has a higher assessed value the entirety of Pima County. Mr. Medler asked if TAR was in favor of a temporary or permanent sales tax. Mr. Huffman responded that if a portion of the sales tax is to be used for property tax reduction then if that sales tax sunsets, that Board would have to go back to the old property tax rates to raise enough revenue once the sales tax revenue is gone. TAR supports a permanent sales tax for both road repair and property tax relief, along the lines of what has most recently been proposed.

8. Update from Transportation Advisory Committee (TAC)

Ana Olivares, Transportation Department Director, summarized the last meeting, which included a report on the property tax local road repair program, the sales tax proposal and 10 year draft road repair plan for unincorporated Pima County, and the Department's proposed budget and reorganization. Mr. Minano asked whether the draft plan include the continuation of TAC. Ms. Olivares and Mr. Lueck responded yes, as it's a long term advisory committee. Chairman Long asked if RTA does much promotion. Ms. Olivares and Mr. Lueck responded no, except for the signage during road projects and the occasional newspaper ad.

9. Draft sales tax implementation plan ordinance and 10 year road repair plan

Ms. Fyffe provided a one-page summary of the draft sales tax ordinance, resolution and road repair plan provided at the request of Supervisor Valadez. Mr. Medler asked about the financing costs associated with the road repair plan. Ms. Fyffe responded that expenditure of the sales tax revenues for road repair would exceed the County's annual expenditure limitation, but to overcome that, the County could issue short term debt as debt service payments are not subject to the expenditure limitation. Ellen Moulton, Deputy Finance Director, added that the County uses interest rates of 4-5% in its planning even though that is higher than today's interest rates, just to be conservative. Mr. Medler asked if the debt could be longer term and Ms. Moulton responded yes, but then the financing costs would be higher. There appeared to be agreement that it's a waste of money to have to borrow just to spend revenues the County would already have, but that it was the only way around the constitutional expenditure limitation. It was noted that there is legislation that is successfully moving through the Arizona Senate, but is on hold in the House, that would permit counties, by a majority vote of the Board of Supervisors and at the request of the RTA, to place a sales tax for road maintenance on

the ballot for a public vote, and that the revenues would not be subject to the expenditure limitation – meaning there would be no need to issue short term debt to spend the revenues under this legislation. Mr. Medler requested a copy of the HURF bond debt repayment schedule showing the debt would be repaid in 10 years and then additional HURF revenue would be available for road repair. Chairman Long asked when the Board would consider the Committee’s recommendations. Ms. Fyffe responded that the Board has asked the County Administrator to place the Committee’s recommendations on a Board agenda when they are complete, which could be a late March or early April Board meeting. This will be timely for the Board’s budget discussions that take place after the County Administrator has submitted his recommended budget in April, with final budget adoption to occur by the third week in June. Mr. Cameron asked about the status of the legislation and Chairman Long asked if there would be enough time if the legislation passed this session to hold an election in November 2018. Ms. Fyffe and Mr. Medler thought there would be enough time, but it would also require the RTA to put together a plan that would be required to be on the ballot with the sales tax increase.

10. Format of final report and recommendations to the Board of Supervisors

Mr. Minano presented the partially completed draft final report for input from the Committee on whether the format was acceptable. As there were no comments or objections, Mr. Minano suggested that he and staff continue to work on drafting the rest of the report for the Committee’s consideration at the next meeting.

11. Next meeting and agenda items

The Committee will meet next February 28 and March 13 (final meeting). Each meeting will be held between 4-6pm. The agenda will be dedicated to deliberation on a final report and recommendations.

Chairman Long asked staff to ask committee members on his behalf if there is any additional information they need on this subject.

12. Call to the Audience

None

13. Adjournment

Meeting was adjourned at 5:56 p.m.