




MEMORANDUM

Date: October 31, 2017

To: Chair and Members
Sales Tax Advisory Committee

From: C.H. Huckelberry
County Administrator 

Chair and Members
Transportation Advisory Committee

Re: **Pima County Supervisor Miller's 30-Day Challenge to Find Road Repair Money – Response Part 2**

This memorandum is Part 2 of a response to false and misleading information posted on Supervisor Ally Miller's webpage, regarding a variety of County expenditures that she alleges should instead be available to spend on road repair. Again, the majority of the funds listed on her webpage **cannot legally be used for road repair**. Additionally, most of what Supervisor Miller is assailing in her Challenge is funding for economic development; funding that has paid off immensely for the County's economy, creating jobs and growth in the tax base.

1. HURF and VLT – 2016 State Shared Revenues \$85,000,000

Responded in Part 1 memorandum dated October 20, 2017.

2. World View "Balloon" Enterprises and SpacePort \$17,179,000

This economic development agreement was financed using Certificates of Participation which are being paid back through the World View lease payment to the County (Certificates of Participation are loans secured by mortgaging county assets and repaid through dedicated revenue sources). The World View agreement, is fiscally sound. Over the term of the agreement, World View will pay the County \$21.1 million to lease the County building for its headquarters and manufacturing. It cost the County \$13.3 million to build the facility, including the financing costs. Therefore, the revenue to the County will be \$7.8 million more than it cost to build the facility. Spaceport Tucson is a County aerospace amenity and available for use to aerospace organizations. The County has applied for a grant to cover its construction cost. Meanwhile, World View has begun operations at the facility and hired nearly 80 new employees, most at high wages. In other words, if we had not entered into this agreement, World View would have moved out of state, no new high-wage jobs would have been created to support our economic growth. Increasing high-wage aerospace and manufacturing employment south of Tucson International Airport is a major goal of the County Economic Development Plan.

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3. Rocking K CFD (Arterial Road) for Diamond Ventures Development \$15,000,000

Responded in Part 1 memorandum dated October 20, 2017.

4. Kino South Sports Complex (Completion: 3/11/2020) \$18,600,000

To fund the development of additional sports facilities to the south of the existing Kino Sports Complex, it is anticipated that the County will issue certificates of participation (COPs) that will be repaid with Stadium District revenues; specifically, a portion of the share of hotel/motel bed tax and car rental surcharge revenues that are now available for additional investment. State statutes specify authorized uses for the hotel/motel bed tax and car rental surcharge revenues, **neither of which can be spent on road repair**. The debt on the original stadium will be paid off by the end of this calendar year. The Sports Complex is operating at maximum capacity. Now that the debt is paid and this revenue is available, it makes sense to expand the Sports Complex, which will make it one of the largest and best tournament sports facilities in the Western United States. The expected increase in intrastate, interstate and international tournament and event bookings will add to the Stadium District's already considerable economic impact. Improving and expanding major recreational and sports tourism amenities is a major goal of the County Economic Development Plan.

5. Old Courthouse Renovations (voters said "NO" to this purpose) \$25,000,000

Pima County is currently in the process of renovating and repurposing the Old County Courthouse. The \$25 million listed by Supervisor Miller was the cost estimate of the proposed 2015 bond project. Current funding spent and allocated to contracts for restoration and renovation of the Old Courthouse, for tenant improvements to the second and third floors, for build out of space for two County departments, and for the proposed Visitor Center portion of the first floor, total \$18.5 million. Of this, \$4.5 million was essentially 2004 voter-approved funding for the rehabilitation of the Old Courthouse; and \$1.5 million comes from Visit Tucson for its share of the tenant improvements to the second and third floors. **Neither funding source could legally be spent on road repair**. The remainder of the funding will come from the General Fund. Over the long term, Visit Tucson and the University of Arizona Mineral Museum will contribute to the operations and maintenance cost of the Courthouse through their leases. In addition, the University of Arizona Mineral Museum will invest more than \$9.5 million developing the Mineral Museum on part of the first floor and basement. This is a historic County facility for which we are responsible for maintaining, including significant repairs to the dome itself. It would be inappropriate to leave this iconic building as a vacant, deteriorating shell. The mineral museum, the Visitors Center, and the adjacent Jan. 8th Memorial will bring tourists and others downtown, aiding downtown's revitalization and the region's economic development progress. Downtown revitalization and increasing regional tourism are major goals of the County Economic Development Plan.

As for the voters, County voters approved renovations of the Old Courthouse in the 2004 bond election. And Supervisor Miller is sending mixed signals about the 2015 bond election. Voters also turned down \$100 million for road repairs during the 2015 election. Using her

fractured logic, this 30-day Challenge nonsense should not be happening because voters do not want road repairs. Clearly, that is not the case. Nor is it the case that the public does not want the County's most iconic historic building preserved and adapted for reuse.

6. American Airlines Bailout \$100,000

Pima County did allocate \$100,000 in contingency fund reserve revenues to Visit Tucson earmarked for the air service guarantee agreement with American Airlines for the direct flight between Tucson and New York. Visit Tucson's mission is to increase tourism opportunities in the region, which in turn creates jobs and increases tax revenues for local governments and businesses. Expanding Tucson International Airport (TIA) nonstop flights to economically important cities is a key economic development strategy and a lack of such flights are often noted as a deficiency in the region's business recruiting efforts. Almost all major corporate expansion or relocation efforts include non-stop flights from the region as a major consideration, which makes non-stop flights an important factor in job creation. Widespread community support in overcoming this deficiency, including by the County, was important for the region's economic development. Supporting regional employment centers like TIA is a major goal of the County Economic Development Plan.

7. Kino South Sports Complex: Soccer Fields (principal) (County appraised value \$8,380,000) \$8,750,000

Pima County purchased this property in 2014 to expand sports facilities, largely soccer fields, south of the existing Kino Sports Complex (KSC) (See No. 4 above). The initial down payment was made with general fund revenues. The project was included in the 2015 bond election, but as that was unsuccessful general funds were used instead to complete the transaction. Ever since the repurposing of KSC became necessary in 2012, the County has looked for expansion opportunities and had previously approached the owner of the property for acquisition but the asking price was excessive. In 2014, the property owner significantly dropped the price, creating an opportunity to expand KSC and increase its already considerable economic effect on the region. When KSC was hosting spring training for two Major League Baseball (MLB) teams, revenues totaled about \$1.1 million. With the loss of MLB spring training, revenues initially dropped but today have rebounded to almost \$1.2 million.

Improving and expanding major recreational and sports tourism amenities is a major goal of the County's Economic Development Plan. Regional and national sports competitions generate millions of dollars in local tax revenues. Pima County is currently unable to compete for such tournaments. Local soccer teams routinely travel to Maricopa County, including the Reach 11 Sports Complex in Phoenix. Owned by the City of Phoenix, this complex generated nearly \$116 million in sales and tax revenues and accounts for 77 percent of the field sports tournament revenues in the Phoenix area.

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8. Kino South Sports Complex: Soccer Fields (interest) \$1,308,874

See response to number 7.

9. County Photovoltaic Energy Facilities \$36,091,000

The solar service agreements approved by the Board on October 17, 2017, were for solar projects to be installed at County facilities, at no cost to taxpayers. The \$36 million represents anticipated purchase of electricity for the next 20 years through solar service agreements. A solar service agreement (SSA) is an agreement where a solar company owns, operates, and maintains a solar energy system at the County facilities and sells the power generated to the County at a fixed rate, generally less than current utility retail rates, which result in cost savings. Over time, these cost savings grow significantly as the price of electricity from the private utility companies increase. Therefore, based on the calculations provided in the contractors' bids, Pima County will accrue estimated cost savings over current and increasing grid supplied electricity of approximately \$32 million over the 20-year contract term. The solar companies are responsible for the construction costs as well as the operation and maintenance of the system for the duration of the agreement. The \$36 million cited by Supervisor Miller are the County's payments over 20 years for electricity that would have otherwise been paid to TRICO Electric and Tucson Electric Power; not new funding. Installing these solar facilities costs the County nothing, but will save taxpayers \$32 million in future utility payments. These funds would not have been available to fund road repairs.

10. Accelerate Diagnostics \$1,874,372

In an effort to increase high paying jobs, Pima County invested general funds in this amount for tenant improvements to the County's Abrams Public Health Center to attract this medical technology startup company to Pima County from Denver. Accelerate began operations in the Abram's Center in January 2013. Since then, Accelerate has grown from 20 employees to now over 120 with an average employee salary of over \$79,000. Through their first three years of lease payments to Pima County, Accelerate fully repaid the cost of tenant improvements, and invested an additional \$1.2 million of their funds into making improvements to the County's buildings. When accounting for the next three years of lease payments, the total economic return to the County will be over \$6.4 million on our investment of \$1.89 million. Pitting the proven expansion of good paying jobs against road repair needs does not make sense. If we had not made this investment, Accelerate's high-wage jobs and its fast-growing annual economic impact would be occurring in other state and not in Pima County. Bioscience and biotechnology job development is a major goal of the County Economic Development Plan.

11. The Loop \$70,000,000

Development of The Loop, a 131 mile multi-use path following the major river's around metro Tucson, has been funded largely by the Army Corp of Engineers and other federal funding, the Regional Flood Control District tax levy, voter approved bonds, and adjacent developer

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projects; **none of which can be spent on road repair**. Many of the improvements now used for recreation were required as part of the bank stabilization built before the early 1980s (access ramps to get heavy equipment in and out for flood control maintenance, pavement to prevent sediment going into the rivers to comply with Arizona's Clean Water Permit, and hand rails for safety). Later the Corps began requiring landscaping to address federal mitigation requirements. The Loop has become a major recreational amenity and is immensely popular with residents and visitors. In fact, it is the most visited park in Pima County and has set national standards for car-free, multi-use urban trail facilities.

Improving and expanding major recreational and sports tourism amenities is a major goal of the County Economic Development Plan. It has raised property values along its path, has a considerable economic impact and is a major tourist and visitor draw. Every one dollar invested in The Loop yields over nine dollars of economic benefit to residents of Pima County. Its creation is one the most significant public policy decisions in recent county history.

12. St. Demetrius (purchase of church land) \$950,000

This property was purchased in 2015 by the Regional Flood Control District under the Floodprone Land Acquisition Program because it is in the Finger Wash floodplain, is floodprone, and is located in an area we are actively trying to acquire to prevent development in the floodplain. This program is funded by the District's tax levy; **funding that cannot be spent on road repair**.

13. Wastewater Facility (Dodge Road) \$1,000,000

This was a property purchased to expand the existing facility due to space needs for additional personnel, vehicles and equipment. The property was with Regional Wastewater Reclamation Department Obligations funded with sewer user fees. **These user fees cannot be spent on road repair**.

14. State Highway Fund-Special Distribution (Released 10/18/17) \$3,185,200

Responded in Part 1 memorandum dated October 20, 2017.

15. Arizona Bowl Sponsorship (why not funded from Visit Tucson who received \$3.766 million from Pima County Bed-Tax revenue?) \$40,000

The Arizona Bowl Sponsorship is an investment in regional tourism, one of our region's most important economic sectors. These funds will aid the marketing of this college football bowl game, which will result in out-of-state visitors bringing an economic impact in the hundreds of thousands, and possibly millions. The taxes on this economic activity will recoup or nearly so, this entire investment.

Improving regional tourism is a major goal of the County Economic Development Plan.

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16. Tucson Regional Economic Opportunities (TREO) / Sun Corridor contract (12 contracts plus amendments) - Note: Private employment reported down by 2,400 from last year \$9,444,403

Job growth and business recruitment and retention are major goals of the County Economic Development Plan. Pima County needs a regional economic development agency. All metropolitan areas with which Pima County competes for business growth and retention, have regional economic development agencies. Sun Corridor Inc. performs services that would otherwise have to be done by the county, and other regional governments, in order to compete nationally for new employment or to retain the employers we have. Sun Corridor's recent projects include: ADP, a Fortune 500 company that plans to hire 450 employees with a total economic impact of \$485 million; Caterpillar Surface and Mining Technology headquarters, including the hiring of 635 employees and economic impacts of \$1.9 billion over 10 years; Hexagon Mining, including the hiring of an additional 120 employees over the next five years; Raytheon Missile Systems expansion, including the hiring of nearly 2,000 additional employees with an economic impact of several billion dollars over the next few years; and Vector Space Systems, including the hiring of 200 employees with an economic impact of \$290 million over five years.

Pima County's contribution to Sun Corridor is amplified by private sector investment in the agency. Without the Sun Corridor, it is likely the County would have to spend more than this amount to remain competitive. Either that, or we would have to surrender the field and allow other, more aggressive and forward-thinking communities to poach our existing employers and land prospective new employers for their regions.

CHH/dr

Attachment

c: The Honorable Chair and Members, Pima County Board of Supervisors
Jan Leshner, Chief Deputy County Administrator
Carmine DeBonis, Deputy County Administrator for Public Works
Tom Burke, Deputy County Administrator for Administration
Ana Olivares, Director, Transportation Department
Nicole Fyffe, Executive Assistant to the County Administrator
Michael Racy, Racy Associates, Inc.



WHERE'S OUR ROAD MONEY?

October 25, 2017 -- **DAY 20 of the 30 DAY CHALLENGE: \$380,895,215**

(see full details below)

THE THIRTY-DAY CHALLENGE TO FIND ROAD MONEY

It is estimated that we need \$400 million to fix our local roads. The newly appointed, but probably soon to be disbanded, Property Tax Advisory Committee suggests we will need in excess of \$1 billion when combined with road repair needs of the City of Tucson. County Administrator Huckelberry says, "our only option is to act on our own to raise revenues for pavement preservation and road repair." My response is:

We Already Have The Revenue ...

We Just Need To Prioritize Our Spending

To demonstrate my point, I'm kicking-off the "**THIRTY DAY CHALLENGE TO FIND OUR ROAD MONEY**" ... check-in daily and you'll see how soon we can identify existing revenue to fix our roads! Click on each link to read about the project.

THIRTY-DAY CHALLENGE DAY 20: **\$380,895,215**

DAY	DESCRIPTION	AMOUNT
1	HURF and VLT - 2016 State Shared Revenue	\$85,000,000
2	World View "Balloon" Enterprises and SpacePort	\$17,179,000
3	Rocking K CFD (Arterial Road) for Diamond Ventures Development	\$15,000,000
4	Kino South Sports Complex (Completion: 3/11/2020)	\$18,600,000
5	Old Courthouse Renovations (voters said "NO" to this purpose)	\$25,000,000
6	American Airlines Bailout	\$100,000
7	Kino South Sports Complex: Soccer fields (principal) (County appraised value - \$8,380,000)	\$8,750,000
8	Kino South Sports Complex: Soccer fields (interest)	\$1,308,874
9	County Photovoltaic Energy Facilities	\$36,091,000
10	Accelerate Diagnostics (a "start-up" company who conducted a Public Offering in December 2015 raising \$109 million, but still receiving benefits as a "start-up" company)	\$1,874,372
11	The Loop : a 131 mile infrastructure project which ranked higher than road pavement preservation	\$70,000,000
12	St. Demetrius (purchase of church land)	\$950,000
13	Wastewater Facility (Dodge Road)	\$1,000,000
14	State Highway Fund - Special Distribution (released 10/18/17)	\$3,185,200
15	Arizona Bowl Sponsorship (why not funded from Visit Tucson who received \$3.766 million from Pima County Bed-Tax revenue?)	\$40,000
16	Tucson Regional Economic Opportunities (TREGO) / Sun Corridor contract (12 contracts plus amendments) - Note: Private employment reported down by 2,400 from last year	\$9,444,403
17	University of Arizona (dba Arizona Board of Regents) for continued funding in support of operations of the hospital at Banner-University Medical Center and UA College of Medicine Graduate Medical Education Program (annual allocation)	\$15,000,000
18	Downtown Court Complex (Bond package listed for \$76 million / Actual expenses = \$141,276,344 which means \$61,872,366 over budget)	\$61,872,366
19	Pima County Fleet Services Building (1291 S. Mission Road Complex - Budget = \$14 million / Actual expenses = \$18 million)	\$4,000,000
20	Painted Hills land purchase (\$7.5 million = \$3 million Open Space funds plus \$4.5 million from General fund)	\$7,500,000