MEMORANDUM

Date: April 10, 2019

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

From: C.H. Huckelberry
County Administrator

Re: **Transportation Road Repair and Pavement Preservation Funding**

In the Fiscal Year 2019/20 Budget that will be transmitted to the Board of Supervisors later this month, I intend to ask the Board to make a significant investment in road repair and pavement preservation. The magnitude of this investment is more than has been possible in the last 10 years. Our primary efforts in transportation has been completing the 1997 bond program where 55 roadway segments throughout the County were improved, or are scheduled to be improved, for capacity or mobility improvements. This program is coming to an end and will now allow significant and continuing investment in road repair and pavement preservation. I will also provide the Board an option of re-levying the $0.25 cent road tax as now allowed by Statute. In addition, I am making an ongoing and increasing commitment from the General Fund through a pay-as-you-go funding program that will also be described and proposed in the Fiscal Year 2019/20 Budget.

In 1997 when voters approved the Highway User Revenue Bond program, there was little and, even no concerns expressed regarding roadway maintenance. Because of the lack of transportation funding at all levels of government over the past several decades, maintenance and repair of our highway system and roadway network is now receiving more attention, as it should. I am hopeful the Legislature will heed our year after year request for increased transportation funding and increase the primary user fee for transportation, the gas tax, in the near future. Until that time, we need to begin to make significant investments in road repair and pavement preservation.

Unfortunately, it has been claimed that if the voters disapproved a specific project or program in a recent bond election, then there is no need to fund the particular project or program and in fact doing so is *"going against the wishes of voters."*

This argument has been used to discredit any funding of the Pima County Historic Courthouse and the expansion of the Kino Sports Complex. This same argument could then justify not funding road improvements, since the voters in 2015 defeated the bond issue for $140 million primarily for road repairs and again in 2018 for $430 million entirely for road repairs. Since public votes on a bond issue only address the method of financing capital improvements, they should not be viewed as a referendum on a particular project or program. Fortunately, trying to use the argument that funding road repairs *"goes against the wish of* *voters"* is not sound logic, and I believe it is now appropriate to fund road repairs through County budget appropriations.

Hence, I will recommend for the first time that a specific line item in the Transportation Department budget contain a funding category entitled Pavement Preservation and Repair Contracts. For Fiscal Year 2019/20, I will be recommending a combined allocation of $26 million. This is a significant investment in road repair and pavement preservation. I will also recommend that appropriations continue to be made specific for road repair and preservation in future budget years based on the pay-as-you-go funding plan described in more detail in the budget memorandum.

The table below identifies the projected amounts available in the funding category, which will include a General Fund pay-as-you-go allocation, growth in revenues from the Highway User Revenue Fund (HURF) and Vehicle License Tax, reduced Debt Service associated with the 1997 HURF Revenue Bonds, as well as department operational savings. In addition, the Board also has the option to levy up to a 25-cent road tax.

Five-Year Road Repair Funding Options					
Fiscal Year	Transportation Budget[1]	Taxable Net Assessed Value[2]	General Fund[3]	Road Tax 25-Cent/$100 of Taxable Net Assessed Value[4]	Total
2019/2020	$21,000,000.00[5]	$8,729,964,923	$5,000,000.00	$21,294,284	$46,294,284
2020/2021	$16,000,000.00	$9,220,262,449	$10,000,000.00	$22,823,097	$48,823,097
2021/2022	$16,000,000.00	$9,599,633,472	$15,000,000.00	$23,763,654	$54,763,654
2022/2023	$21,000,000.00	$9,998,506,728	$20,000,000.00	$24,749,060	$65,749,060
2023/2024	$23,000,000.00	$10,384,094,456	$25,000,000.00	$25,708,070	$73,708,070
	$91,000,000.00		$75,000,000.00	$118,338,165	$289,338,165

[1] Forecasted Transportation Budget amount from annual growth in Highway User Revenue Fund (HURF)/Transportation Vehicle License Tax (VLT) and department operational savings

[2] Taxable Net Assessed Value growth assumptions including new construction are as follows:

FY 2020/2021: 5.62%
FY 2021/2022: 4.11%
FY 2022/2023: 4.16%
FY 2023/2024: 3.86%

[3] General Fund amount from growth in Taxable Net Assessed Value; funding applied to regional arterial/collectors and recreational gateway roads in unincorporated area. This allocation is possible through the pay-as-you-go capital program being developed to replace the previous capital debt financing plan

[4] Road Tax assessed at 25-cents/$100 of Taxable Net Assessed Value; funding applied to regional arterial/collectors and recreational gateway roads in unincorporated area

[5] Including $6 million from previously reallocated 1997 HURF Bonds

If the Board were to readopt the 25-cent road tax added to available funding identified in the budget, nearly $300 million could be invested in road repair and pavement rehabilitation.

As can be seen in Column 2, Transportation Budget, the allocation from the Transportation budget significantly increases from year to year based on HURF growth, debt service reduction and operational efficiencies. Regarding the rapid retirement of the Highway User Revenue bond debt, the total indebtedness of this authorization of $350 million stands at approximately $65 million as of the end of this fiscal year. Hence, this debt is being rapidly retired which allows for accelerated reduction in the principal and interest payments. The table below demonstrates how these principal and interest payments are reduced over the 2018 base year, which is the highest amount of HURF allocated each fiscal year for debt service payments.

1997 HURF Authorization Debt Service Payments as of 4/4/19

Fiscal Year	Principal	Interest	Total Debt Service Payments	Cumulative Decrease from2018 Base FY
2018	$15,105,000	$3,597,502	$18,702,502	-
2019	14,820,000	3,680,545	18,500,545	$201,957
2020	14,405,000	3,998,906	18,403,906	298,596
2021	12,610,000	3,328,906	15,938,906	2,763,596
2022	12,090,000	2,723,606	14,813,606	3,888,896
2023	7,650,000	2,132,106	9,782,106	8,920,396
2024	7,905,000	1,875,906	9,780,906	8,921,596
2025	5,120,000	1,617,582	6,737,582	11,964,920

As I have indicated in a meeting before the Green Valley Council in 2016 regarding the County's efforts to repair roads, we are now at the point where we can begin to dedicate significant investments in road repair and pavement rehabilitation.

The General Fund column that increases at $5 million per year is directly dependent on the Board adopting and approving the transition I have proposed in capital debt financing to Capital pay-as-you-go financing. If this program is not approved by the Board, then the increasing General Fund contributions to pavement repair and rehabilitation as shown in the previous table will not be possible.

CHH/anc

c: Jan Lesher, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Carmine DeBonis, Jr., Deputy County Administrator for Public Works