

Pima County Bond Advisory Committee
Meeting

The Manning House
450 W. Paseo Redondo
Tucson, Arizona 85701

November 18, 2011
8:00 a.m.

SUMMARY OF MEETING

Committee Members Present

Larry Hecker, Chair
Carolyn Campbell, Vice Chair
Peter Backus
Pat Benchik
Donald Chatfield
Gary Davidson
Brian Flagg (arrived 8:10)
Rene Gastelum
Jesus Gomez (left 10:15)
Kelly Gomez (arrived 8:10, left 10:15)
Kelly Gotschalk
Terri Hutts
David Lyons (arrived 8:10, left 10:15)
A.C. Marriotti
Wade McLean (left 10:15)
Ted Prezelski (arrived 8:15)
Patty Richardson (arrived 8:10)
Chris Sheafe
Thomas Six (arrived 8:30)
Dan Sullivan
Tom Warne (arrived 8:10, left 10:30)
Greg Wexler

Committee Members Absent

Pete Delgado
Harry George

MOTIONS

MOTION: Ms. Hutts moved, seconded by Mr. Chatfield, to approve the September 16, 2011 meeting summary. Motion approved 14-0.

MOTION: Mr. Sullivan moved to schedule a January meeting to continue the discussion on the transportation proposals and receive more materials relevant to the issue, including more on economic impacts. Mr. Chatfield

stated that he would second the motion if a more regional approach to assessing needs could be included. Mr. Flagg requested more diverse speakers. Mr. Sheafe asked for more information on the interrelationship of these transportation improvements with other transportation projects. Mr. Sullivan amended his motion to include all of these suggestions. Vice-Chair Campbell asked for more information on how these road projects would create jobs. Mr. Sullivan amended his motion further. Mr. Chatfield seconded the motion. Motion approved 18-0.

MEETING SUMMARY

1. Welcome

The meeting began at 8:00 a.m. with a quorum. Chairman Hecker welcomed two new members to the Bond Advisory Committee: Kelly Gotschalk, representing the City of Tucson (present), and Susan Romero, representing County Supervisor Ray Carroll (not present).

2. Approval of the September 16, 2011 Meeting Summary

MOTION: Ms. Hutts moved, seconded by Mr. Chatfield, to approve the September 16, 2011 meeting summary. Motion approved 14-0.

Ms. Hutts asked and Chairman Hecker responded that there was in fact a City Council meeting regarding the analysis of the fairness of the County bond programs and he did indeed attend and respond to questions.

3. Future Bond Election Planning: Proposed Transportation Improvements – Infrastructure for Jobs Program

Mr. Huckelberry provided an overview of the proposal, beginning with a map that showed the number of employees at each of the major employment centers on the Southside of Tucson, as well as a brief history of past transportation improvements in the area. He then explained that the purpose of the current proposal is to facilitate mobility between these employment centers, Tucson International Airport and the Port of Tucson, in addition to protecting Raytheon. A second map showed how the proposed transportation improvements could be phased over time. A slide was shown that included 4 draft land use scenario maps developed from public input by Imagine Greater Tucson, all of which showed significant employment in this Tucson Southside area. Mr. Huckelberry concluded by stating that staff continues to look at what other types of public infrastructure investments would facilitate continued job growth in and around these major employment centers. Regarding a question as to whether this is being proposed as a standalone bond election, Mr. Huckelberry responded that the decision is up to the Committee, and that he is still recommending a 2013 election for the projects the Committee has been deliberating on for several years, including this proposal.

A. Guest Speakers

Marshal Vest, Director of the Economic and Business Research Center at the University of Arizona's Eller College of Management

Mr. Vest provided his perspective on the necessary foundations for positive economic growth, as well as some history on the ups and downs of the high tech industry in Arizona and its replacement with housing growth over the recent time period. He noted that Arizona was recently rated as weak in workforce investment. He expressed support for these transportation investments to link employment centers and explained how he felt these investments would benefit the entire community.

Mr. Flagg cited a recent study on defense industry investment. Chairman Hecker explained that this proposal was about multiple industries, not just defense. Mr. Chatfield asked whether these investments were the right investments, at the right location, and at the right time. Mr. Vest responded that that was up to the Committee. Mr. Warne asked if it was true that these companies would attract other investments, and Mr. Vest agreed. Mr. Davidson asked about the growth potential of existing businesses verses new businesses, and Mr. Vest responded that most job growth occurs in small businesses but that we must also protect large employers.

Joe Snell, President and CEO, Tucson Regional Economic Opportunities (TREO)

Mr. Snell spoke about the need to diversify our economic base, and the need for transportation infrastructure to move employees to jobs located throughout the region, reducing commute times and increasing quality of life. He stated that the number one question from employers researching Tucson is can I fill the jobs. He explained how Denver failed in this area because employees living in Boulder can't commute to the tech park. Mr. Snell stated that TREO is focused on growing 5 key industries: logistics, bio tech – specifically diagnostics, solar, aerospace – specifically commercial aircraft sector, and defense. He emphasized the need to retain our largest employer, Raytheon.

Mr. Sullivan asked whether Mr. Snell was concerned that other employment centers in Oro Valley and Marana weren't being addressed in this proposal. Mr. Snell responded that we have to start with priorities, like what is being proposed, while keeping the rest of the region in mind. Ms. Gotschalk asked if the proposal would address existing employers. Mr. Snell said yes and no, and that Colleen Niccum Director, Community & Government Relations for Raytheon Missile Systems could address that question. Mr. Davidson stated that the Committee has to consider limits, and which is better to fund (transportation improvements or other quality of life improvements). Mr. Snell agreed it must be a balanced approach.

Chairman Hecker noted that City Manager Richard Miranda was in attendance.

Colleen Niccum, Director, Community & Government Relations & Richard Mendez, Facilities Management Director for Raytheon Missile Systems

Ms. Niccum summarized the history of Raytheon in Tucson, the number of employees and where they live, the continued growth in sales and number of employees, and the economic impacts statewide.

Mr. Mendez spoke about the size of the Tucson facility, the missile testing portion of the facility, the encroachment to the south of that portion of the facility, and how phase 1 of the transportation proposal would address this encroachment issue by buffering the facility.

Bruce Wright, Director of the University of Arizona's Office of University Research Parks and CEO for the University of Arizona Science and Technology Park (UA Tech Park) and Arizona Bioscience Park (UA Bio Park)

Mr. Wright spoke about the larger tech corridor and the Tech Park, citing the numbers of businesses, types of employers, number of employees, where employees lived in relation to the tech corridor and park, continued growth in the corridor and the park, and economic impacts. He reiterated that employers are interested in the commute time issue. He explained that the proposed transportation infrastructure investments are necessary for job growth, which will create tax revenue to fund other types of quality of life improvements for the community. Mr. Wright also provided information on the expected economic impacts of the Bio Sciences Park at The Bridges.

Mr. Sullivan asked if this proposal would benefit the solar industry, and Mr. Wright responded yes. Chairman Hecker asked what types of jobs could be expected for The Bridges. Mr. Wright responded that for the non-retail, non-residential side of The Bridges, 60% of the jobs would not require an advanced degree and would therefore include many income levels. Mr. Chatfield asked why there are access issues when both parks are located along Interstate 10. Mr. Wright responded that there were secondary roads that were in need of improvement to facilitate commutes by employees, some of which commute via I-10 and others that don't. Vice-Chair Campbell asked whether these projects were included in discussions the Regional Transportation Authority (RTA) had. Mr. Huckelberry responded that he chaired the RTA technical committee and that limited funding limited the projects considered. Mr. Sullivan stated that during the RTA time the committees were struggling with many visions. Vice-Chair Campbell stated that not all of these were in the Pima Association of Governments 2040 plan either, which was more recent than the RTA plan. Mr. Davidson asked whether there had been consideration of connecting Old Vail to I-19. Mr. Huckelberry responded that that is purely a Tohono O'odham issue that has not been explored. Mr. Flagg asked if Mr. Wright was being overly optimistic due to the loss of jobs in the region recently. Mr. Wright disagreed and re-stated that the Tech Park and tech corridors had both seen continued growth in number of jobs, contrary to other job sectors. Mr. Flagg asked about wages. Mr. Wright said \$70K was the average annual wage at the Tech Park with \$200K on the high end and \$50K on the low end. Mr. Sullivan

asked for a study that showed the ripple effects. Mr. Wright replied that in 2 weeks he will have the updated economic impact study to share with the committee. Mr. Sheafe explained how there were only 2 companies at the Tech Park when Mr. Wright started there and now there are 70 companies, 60 of which are brand new companies incubated there.

Karen Mlawsky, University of Arizona Medical Center CEO of the Academic Medical Facility Teaching Centers (North, University, and South campuses)

Ms. Mlawsky explained the new organization formed in 2010 and thanked the Committee for supporting the 2004 and 2006 bond elections that provided funding for numerous improvements to the UA Medical Center South Campus, including the new Emergency Department and Behavioral Health Pavilion. She reported the growth in the number of admissions, number of visits, number of residents training in the Graduate Medical Education Program, and number of employees. She also explained how the proposed transportation projects would improve the accessibility of the campus, increase the size of the service area from 5 miles to 15 or 20 miles, and assist in providing employer based health services to these other employment centers. She also stated that the current campus serves as a training site for many local colleges training others in health careers providing salaries less than the \$70k a year mentioned previously.

B. Reports from the County Administrator

Mr. Huckelberry summarized the memorandum he wrote to the Committee describing Pima County's current debt (General Obligation (GO), sewer revenue bonds, sewer obligation bonds, and Certificates of Participation), management of existing debt (short payoffs, low interest rates, history of assessed value, tax rate caps) and debt capacity. He asked the Committee for input on the economic development program, such as the total dollar amount and the length of the program (number of years to spend the funds), so that staff can then run an analysis on how much the tax rate would have to be, and what the impacts would be to the management of our existing debt.

Mr. Sheafe asked about the assumptions for reductions in assessed values. Mr. Huckelberry responded that the assumptions were based on a 5 year forecast and stated on page 13. Mr. Warne noted that if assessed values have dropped 25 %and the County raised the tax rate by 5 or 10%, then tax payers would still see a reduction. Mr. Flagg asked if the State's shift in mandates to the County and diversion of HURF funds would effect debt. Mr. Huckelberry replied, yes, it effects the amount of HURF bonds we can sell, but not GO bonds. Ms. Gotschalk explained that she was an investment banker in the public sector prior to working for the City of Tucson, and that she thought this was a conservative approach to debt management. She said we need scenarios going forward on what is affordable. Mr. Prezelski stated that politically it is difficult to step aside from the projects we've been discussing for years for the purposes of expediting the transportation proposal. He asked about the other transportation needs the Committee

heard about today. He noted that typical County bond packages include something for everyone all over the region, and asked whether it would be difficult to sell something like this to the voters. He asked whether it would benefit future private prisons that may locate in the corrections corridor and whether that would impact voter appeal. Chairman Hecker responded that if we can't show benefits to all, then it would be a waste of time. Mr. Huckelberry suggested a new map that showed already funded, but unbuilt, transportation projects across the region. Mr. Chatfield stated that it is a no brainer that we have to deal with the Raytheon buffer issue, but that then the program crept. He continued by asking that we look at the economic needs of the region and invite speakers from other employment centers. Mr. Davidson asked for a review of what other funding may be available to fund these transportation improvements. He also asked what the cost is for just the straight line from I-10 to Nogales Highway. Mr. Huckelberry responded - \$76 million. Mr. Flagg stated that economic development needs to address poverty. Ms. Richardson stated these employment centers still need janitors and landscapers, etc. Mr. Warne stated that in a recent conversation with Board of Supervisors' Chairman Valadez, Mr. Valadez said that we need to protect and maintain the tax base. A healthy tax base, and jobs at \$70k a year, support the tax revenues that fund Neighborhood Reinvestment and other low income projects. Mr. Sullivan stated that he appreciated this discussion, needed time to digest the information, anticipated additional reports on the issue, and recommended continuing the discussion at the next meeting. Vice-Chair Campbell asked how this program would help correctional facilities. Mr. Huckelberry responded that the intent of the program is not to facilitate growth in the corrections industry. The facilities are already located there.

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Mr. Huckelberry had given the Committee a memorandum on the issue concerning bridge financing for the joint courts facility. He stated that it is up to the City whether construction starts soon or not until after a future bond election, and that there were risks to both options. He also mentioned a newsletter from City Councilman Kozachik concerning the joint courts, and that he'd be responding to those questions via a letter to City Manager Miranda. Mr. Sheafe and Mr. Backus expressed concern about the pre-construction costs associated with the project. Mr. Huckelberry explained that

the unexpected archaeological costs, as well as the redesign of the building 3 times by a committee of judges added significant costs to the project.

4. Future Agenda Items and Next Meetings

Next meeting will be in January.

Mr. Davidson referenced a November 14th Wall Street Journal article concerning municipal bond funding, and asked that the County Attorney review it to see if we needed to change anything in response.

5. Call to the Audience

Paul Mackey stated that we need to think differently about commuting and consider alternative development patterns that allow us to live closer to our jobs. He also posed the question of how many businesses are reliant on declining government funding. He then asked the committee to consider the types of projects they think would be a priority if \$200 million was available.

Richard DeBernardis requested that the Velodrome be on the next agenda so that he could report on the results of a study just completed on the optimum location of the facility. He will provide the study before the meeting so that it can be included in the mailing. He reminded everyone that El Tour de Tucson was tomorrow (Saturday).

6. Adjournment

Meeting was adjourned at 11 a.m.