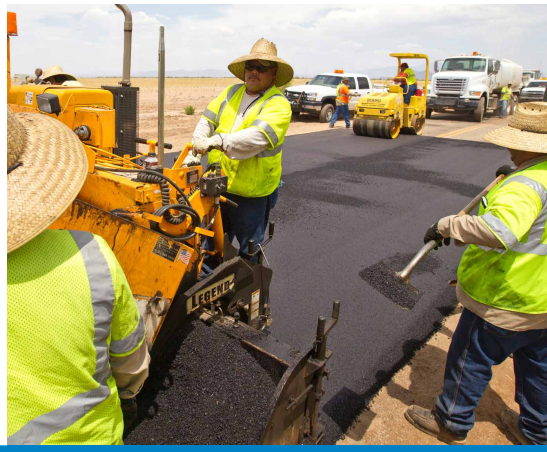
Report and Recommendations



Sales Tax Advisory Committee

February 2018

PIMA COUNTY

Sales Tax Advisory Committee

Members

Wendell Long, Chair

Michael McDonald, Vice-Chair

Allan Cameron

Mark Clark

Dan Eckstrom

Larry Gibbons

Bob Gugino

Larry Hecker

Curtis Lueck

Robert Medler

Mark Miller

Dennis Minano

Anita Smith-Etheridge

Mark Van Buren

Charles Wetegrove

March 8, 2018

The Honorable Chair and Members
Pima County Board of Supervisors
130 W. Congress
Tucson, Arizona 85701

Re: **Final report and recommendations from the Sales Tax Advisory Committee**

Dear Supervisors:

We present to you the final report and recommendations of the Sales Tax Advisory Committee and request your immediate action to adopt a temporary, 10-year half-cent sales tax for road repair and property tax relief, in the manner outlined in the four recommendations on Page 11, which includes taking actions to lessen the impact such a tax will have on low-income households.

As you know, 70 percent of roads in unincorporated Pima County and the City of Tucson are in poor or failed condition. Poor road conditions are estimated to cost Tucson drivers an extra $542 a year and are a disincentive to encouraging businesses investment and job growth in Pima County, as is Pima County's high property tax rate.

The cost to fix the roads to at least a fair condition is well over $1 billion. Current revenues sources are inadequate. With current revenues it would take at least 35 years to fix the roads in unincorporated Pima County. State-shared Highway User Revenue Funds relied upon by local governments to maintain and improve roads, have been diverted by the State for other purposes and have not kept up with the growing needs. The gas tax as the main source of these revenues has not been increased in 27 years, and more fuel efficient vehicles are using less gas and generating less tax revenue. In the past four years alone, 26 other states have raised their gas tax. All other Arizona counties have a sales tax except Pima County. Six Arizona counties specifically use all or a portion of their sales tax revenue to fund road maintence and improvements. A half-cent sales tax is projected to generate an average of $80 million a year, whereas the current property tax for road repair only generates $19 million a year.

A half-cent sales tax for 10 years, plus other existing revenues, has been shown to be enough to fix and adequately maintain all of the paved roads in unincorporated Pima County in 10 years, and make significant improvements

to roads in cities and towns. Your transportation staff developed a detailed draft 10-year plan with each road listed by condition, treatment type and schedule for treatment, proving that this is a plan that can work.

It has been an honor to serve on this Committee over the past seven months, to travel to many different communities and municipalities in Pima County, to listen to what people had to say, and to talk with them about these important policy matters, including the County's need to mitigate the disproportional impact that this sales tax will have on low-income households. It has also been a real pleasure to serve with such a diverse membership who asked good questions, made meaningful information requests, and were willing to consider issues that may not have initially been a priority for them. Finally, your staff have been extremely helpful and provided all the support the Committee needed to do its job.

In short, it is clear that the people of Pima County want and expect you to fix the roads, and they want you to do so now. When you created this Committee, you did so by unanimous vote and hopefully with a genuine willingness to receive our recommendations and the input of the public who participated, without already having a predetermined stance on the issue. Please don't pass on this opportunity to lead on this critical and most basic issue that is clearly your responsibility.

Sincerely,

Wendell Long, Chair

Michael McDonald, Vice-Chair

Attachment

C: Members of the Pima County Sales Tax Advisory Committee
Chuck Huckelberry, Pima County Administrator

Date: February 28, 2018

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

From: Chair and Members
Pima County Sales Tax
Advisory Committee

Re: **Report and Recommendations from the Sales Tax Advisory Committee approved at the February 28, 2018 Committee Meeting**

I. Committee Systematic Review

First, as you review this report and its recommendations it is important to emphasize that the Committee considered and reviewed a significant amount of data, scenario analysis, reports and credible information as a basis for this report and these recommendations. This includes information provided by Pima County professional staff, other organizations, the public, and stakeholders. We have footnoted this report extensively so that those reading it can locate the documents reviewed by the Committee, as well as meeting summaries of the Committee's discussions, all of which have been posted on the County's website at www.pima.gov/salestax. The footnotes at the bottom of each page of this report are also hyperlinked so readers can click on the links to review the specific information without having to scroll through the website.

II. Sales Tax Advisory Committee – Composition and Origin

In our view, your unanimous vote to commission this Sales Tax Advisory Committee reflects a concerted view by each of you that our roads need to be fixed and that the recent addition of a 25-cent property tax for road repair was inadequate. You appointed a broad based commission with representation from businesses groups that would be impacted by a sales tax, advocates for the low-income and elderly communities that would be disproportionately impacted, and those with expertise in this region's transportation issues. Attached is a list of each Committee member and who we represent. The Committee reflects years of experience with issues that impacted the scope of these recommendations, and a personal commitment to a better community.

III. Committee Charge

You commissioned our Committee to seek out public input, apply our perspectives, and make recommendations to you on the following specific questions:

Should Pima County adopt a half-cent general County sales tax?
Should the sales tax revenue be used for road repair and/or property tax reduction?

Should the sales tax be temporary or permanent?

This Committee undertook a process to confirm the extent of the road condition problem, consider a range of solutions, and consider critical ancillary issues such as the high Pima County property tax rate, the disproportionate impact of a sales tax on low-income households, and the need for mechanisms to assure the public that the funding is spent as stated.

IV. Findings

A. Road Conditions are an Extensive Problem that Require Board of Supervisors Action

It is indisputable that the Committee, government entities, business and advocacy groups and the public have concluded that the roads are in terrible condition and action must be taken now. The public confirmed this in public hearings, meetings and online comments.[1]

Tucson Association of Realtors confirmed this in a recent poll.[2] A majority of respondents rated the condition of roads in Pima County as poor and responded that there is some need or a great need to increase the current level of funding for roads and highways in Pima County.

The Tucson Metro Chamber confirmed this during surveys of their member businesses between 2014 and 2017.[3] The 2014 survey asked 570 major employers in Pima County to identify what they like most about doing business here and what they like least. "At the top of the list of dislikes was dissatisfaction with the condition of our streets and roads. These employers made it clear that they wanted our roads fixed and wanted them fixed now."[4]

Members of the Site Selectors Guild, representing major industries and corporations looking for relocation/expansion opportunities, visited Tucson and Southern Arizona in February. According to Sun Corridor, the group provided constructive feedback on areas to strengthen as a community, including the "Need to dramatically improve surface road conditions."[5]

A recent poll by the Arizona Daily Star confirmed this.[6] "In the poll, 68 percent said they are somewhat or extremely dissatisfied with road maintenance where they live..." "Of the 1,700 people who participated in the poll, nearly 7 in 10 said they would, or might be willing to, pay more taxes for road maintenance."

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[1] Summary of Public Input Regarding Possible Pima County Sales Tax
[2] Tucson Association of Realtors November 27-29, 2017 Poll
[3] February 12, 2017 Sales Tax Advisory Committee meeting summary, presentation by M. Varney
[4] The Chamber Edge, Winter 2018, Why NOW Is the Time to Fix Our Streets, page 12
[5] Sun Corridor Inc., Presidents Memo, Site Selectors Revisit Southern Arizona – What did they think?
[6] Arizona Daily Star Poll: Good roads a top priority for many local residents, February 24, 2018

Pima Association of Governments (PAG) and Regional Transportation Authority (RTA) staff confirmed this during a presentation to the Committee.[7] Pima County and City of Tucson Transportation staff estimate that 70 percent of the roads in unincorporated Pima county and the City of Tucson are in poor or failing condition.[8,9] The dollars needed to repair the roads to at least a fair condition has been confirmed. Pima County Transportation staff have identified the specific roads, including which treatments are needed and when, and have provided an estimated cost of $527 million to repair and routinely maintain unincorporated County paved roads over 10 years.[10] City of Tucson Transportation staff estimated that it would cost at least $800 million to repair the roads within the City of Tucson to at least a fair condition.[11]

Business representatives, the Tucson Association of Realtors and members of the public commented on how our bad road conditions and high property taxes are a disincentive to encouraging businesses to relocate or expand in Pima County.[12,13] In addition, it is estimated that our poor road conditions cost Tucson drivers $542 in additional vehicle operating costs.[14]

B. Funding Road Repair – Board of Supervisors Action is the Sole Realistic Solution

County officials and elected representatives of the County over years have examined multiple non-County sales tax options to secure the funding necessary to repair the roads. However, no acceptable mechanism has been agreed upon to date.[15,16] These include, but are not limited to, general obligation bonds funded with property taxes that were rejected by Pima County voters in 2015; insufficient State-shared Highway User Revenue Funds (HURF) that largely fund voter-approved debt issued by the County to expand the capacity of roadways throughout the region; and multiple legislative efforts to increase the state gas tax that was regularly increased until 1990 and has not been increased since then, and to stop the legislature from continuing to sweep HURF funds for other purposes reducing the amount available to local governments. During our deliberations Supervisor Miller undertook an extensive effort to find revenues for road repair within the County's existing budget. However, the Committee received several detailed memorandums from the County Administrator stating that the funding is simply not available as much of it is legally restricted

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[7] PAG, the RTA and Regional Transportation Funding, November 13, 2017
[8] Attachment 2, Draft Pima County Roadway Pavement Repair and Preservation 10-year Plan for Unincorporated Pima County for Board discussion February 6, 2018
[9] Current State of Road Conditions and Road Repair Funding memo to Committee Sept.19, 2017
[10] Attachment 2, Draft Pima County Roadway Pavement Repair and Preservation 10-year Plan for Unincorporated Pima County for Board discussion February 6, 2018
[11] Current State of Road Conditions and Road Repair Funding memo to Committee Sept.19, 2017
[12] January 9, 2018 Sales Tax Advisory Committee meeting summary
[13] February 12, 2018, Sales Tax Advisory Committee meeting summary
[14] Tripnet.org 2016
[15] Current State of Road Conditions and Road Repair Funding memo to Committee Sept.19, 2017
[16] September 29, 2017 Sales Tax Advisory Committee Meeting Summary

for the purposes for which it is spent.[17, 18, 19, 20,21]

An independent evaluation by PAG has estimated the need for additional transportation funding for the region though 2045, has summarized possible funding options, and has concluded that the region has the opportunity to determine how to be self-sufficient using local revenue sources.[22] Local funding sources will generate more funding for our region than revenues raised by the state or federal government.[23] A long-awaited Federal infrastructure plan has now been proposed by the President and based on local match requirements it would be unlikely to help us at all.[24] While the County and RTA continue to support legislation that would result in funding for local road repair, it is clear that funding support from the state or federal legislatures is extremely remote in the near term, nor can it be assumed in the long term. [25, 26] To say otherwise would be providing false hope.

Even with the County's recent action to adopt a 25-cent property tax per $100 of assessed property valuation for road repair, the Pima County Transportation Advisory Committee (TAC) concluded unanimously by letter to you that the property tax was "severely inadequate to repair the roads in any reasonable period of time," expressed their frustration, and implored you to consider any and all road repair funding options.[27] The property tax is estimated to generate about $19 million a year for the region for repair of local roads only. At that rate, it is estimated to take at least 35 years to fix the roads, assuming the roads don't continue to deteriorate, which they will.[28, 29]

Municipalities across the Nation and other Arizona counties are also challenged by this issue and are seeking to find a solution that fits their needs.[30,31]

C. Members of the Board of Supervisors have Engaged with Solutions

Current analysis indicates that if a sales tax proposal is approved, and depending on the final structure, it can resolve the road repair funding dilemma within 10 years for unincorporated Pima County, and contribute largely to resolving the problem within the City of Tucson and

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[17] Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 1, October 20, 2017
[18] Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 2, October 31, 2017
[19] Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 3, November 8, 2017
[20] Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 4, December 4, 2017
[21] Pima County Supervisor Miller's 30-day Challenge to find Road Repair Money, Part 5, December 14, 2017
[22] Transportation Funding Options for Southern Arizona, PAG, provided to Committee Sept.19, 2017
[23] January 9, 2018 Sales Tax Advisory Committee meeting summary
[24] Federal Infrastructure Funding and the County's One-Half Cent Sales Tax, February 12, 2017
[25] Legislative Bills Authorizing Counties to Submit to Voters a Transportation Sales Tax, January 31, 2018
[26] Recommended Legislative Agenda for 2018, December 12, 2017
[27] Transportation Advisory Committee letter to Board of Supervisors, October 30, 2017
[28] September 29th Sales Tax Advisory Committee Meeting Purpose and Scope, September 19, 2017
[29] September 29, 2017 Sales Tax Advisory Committee Meeting Summary
[30] November 2017 Transportation Funding Ballot Measures, November 11, 2017
[31] Arizona Association of County Engineers, January 16, 2018

other cities and towns. The Committee and you, the Board, have been presented with two proposals, one authored by Supervisor Christy and one prepared at the request of Supervisor Valadez to include elements specified by Supervisor Valadez. Both also provide a measure of property tax relief.

1. Pima County Supervisor Steve Christy's "Just Fix the Roads" proposal [32, 33]

There are three fundamental elements to Supervisor Christy's proposal:

1) Board of Supervisors to repeal/de-authorize the 25-cent property tax for road repair.

2) Board of Supervisors enacts a one half-cent sales tax by a unanimous vote.

3) Board of Supervisors directs sales tax revenue to the RTA, with the mandate that the RTA develop, administrate and execute a 10-year countywide road repair plan.

2. Draft Sales Tax Implementation Plan Ordinance, Adopting Resolution and 10 year Road Repair Plan prepared at the request of Supervisor Valadez [34,35,36]

This proposal would eliminate the 25-cent property tax for road repair and allocate the full amount of sales tax revenues to road repairs in the first year. In subsequent years, the road repair portion of sales tax revenues would be reduced by 2.5 percent annually with that amount going toward property tax reduction. After year 10, the full sales tax revenues would be applied to property tax reduction. By year 11, this proposal would have the effect of reducing the Pima County primary property tax rate by 31 percent. The 10 years' worth of road repair funds would be shared with cities and towns, based on their proportional population. The road repair funds allocated to unincorporated Pima County roads would be combined with growth in HURF revenues, additional HURF resulting from reductions in debt-service, and Transportation Department cost saving measures, to ensure that all County-maintained paved roads in unincorporated Pima County are repaired to at least a fair condition and maintained within the 10 years. Transportation staff developed a detailed draft 10-year road repair plan with each road listed by condition, treatment type and schedule for treatment.[37]

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[32] Just Fix the Roads Program, as presented by Supervisor Christy at October 27, 2017 Committee meeting
[33] Pima County Supervisor Christy's District 4 webpage, summary of plan
[34] Draft Sales Tax Implementation Plan Ordinance and Road Repair Plan for Discussion, February 6, 2018
[35] Additional Information – Draft Sales Tax Sales Tax Implementation Plan Ordinance and Road Repair Plan for Discussion, January 31, 2018
[36] Supervisor Valadez's Plan Summary for Sales Tax Advisory Committee Meeting, February 12, 2018
[37] Draft Road List – 10 Year Road Repair Plan for Unincorporated Pima County

An ordinance could be adopted by a majority of the Board of Supervisors that specifies how the sales tax revenues would be allocated between road repair and property tax reduction, how the road repair portion would be allocated between the cities and towns, and would include a detailed 10 year plan for repairing and maintaining every unincorporated Pima County paved road. The ordinance could also include some method of mitigating the sales tax impact to low-income households.

A resolution, which could only be adopted by a unanimous vote of the Board of Supervisors, would require that the revenues be deposited into segregated funds for clear line of sight accounting and auditing (road repair fund and general fund); RTA to oversee county and municipalities road repair programs, including annual audits, establishment of performance standards and best practices for road repair, and evaluation of the road repair programs; additional annual audit by Arizona Auditor General's office; if either audit finds funds misspent, County has opportunity to reimburse the road fund, and if that does not occur, the sales tax is terminated.

D. Ancillary Issues Integral to a Broad Based Solution

1. Both of the scenarios proposed have the positive effect of reducing the Pima County primary property tax rate.

Clearly the public and the business community prioritized fixing the roads as the most important use of the sales tax revenues.[38, 39] But we also heard public support for using the sales tax revenue for a combination of road repair and property tax relief.[40] Tucson Association of Realtors favors this combination, and their 2017 poll showed that a slight majority responded in favor of a County half-cent sales tax for road repair and property tax reduction.[41] 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.[42]

We heard from staff that Pima County has the highest primary property tax rate of all Arizona counties. All other Arizona counties have one or more sales taxes that fund a portion of their general funds or general fund-type expenses, diversifying their revenue base.[43,44] The idea of a sales tax for both road repair and property tax relief was not created by Pima County. Yavapai County, in 1994, adopted a general county sales tax to specifically reduce property

[38] Summary of Public Input Regarding Possible Pima County Sales Tax
[39] February 12, 2017 Sales Tax Advisory Committee meeting summary, presentation by M. Varney
[40] Summary of Public Input Regarding Possible Pima County Sales Tax
[41] Tucson Association of Realtors November 27-29, 2017 Poll
[42] February 12, 2017 Sales Tax Advisory Committee meeting summary, presentation by S. Huffman
[43] January 9, 2018 Sales Tax Advisory Committee meeting summary
[44] Sales Tax Advisory Committee Presentation, Supervisor Ramon Valadez, January 9, 2018

taxes and fund the construction/reconstruction of roads throughout the County.[45]

We heard from Tucson Association of Realtors that Arizona has one of the most complicated property tax systems in the nation; owner-occupied residential properties are heavily subsidized, powerful industries carve out special exemptions that reduce their property taxes, and many of the areas largest employers are governmental and therefore don't pay property taxes, all of which has the effect of increasing the tax burden the average business and renters.[46, 47]

We heard from the public and Tucson Association of Realtors that Pima County's high property tax rate is a barrier to business investment and job growth in Pima County.[48,49] Pima County's high property tax rate contributes to exceedances of the one percent Arizona constitutional limit on primary property taxes, largely for homeowners located in the City of Tucson and Tucson Unified School District (TUSD), costing the State and other taxpayers to subsidize property taxes for these homeowners.[50] This has led to efforts by the State legislature to pass millions of dollars of costs to the County, and to continued criticism of Pima County by the Arizona Tax Research Association – a powerful lobbying organization.[51]

The majority of respondents to the Tucson Association of Realtors poll agreed with the following statements: 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 the only source of revenue for county services; and sales taxes are a good way to lessen the overall tax load on local residents by having visitors and tourists pay their fair share.[52] Up to 17 percent of the sales tax would be paid by visitors and businesses outside the County, lessening the tax burden on Pima County property tax payers.[53]

2. Sales taxes do disproportionately impact low-income households.

Your staff provided us with detailed information estimating the cost of the sales tax on households of various incomes, the regressive nature of sales taxes and property taxes in comparison to income taxes in Arizona, the number of low-income households and

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[45] Countywide Sales Tax Dedicated to Property Tax Relief and Local Pavement Preservation and Repair, June 20, 2017
[46] Tucson Association of Realtors, Arizona and Property Taxes
[47] February 12, 2017 Sales Tax Advisory Committee meeting summary, presentation by S. Huffman
[48] Summary of Public Input Regarding Possible Pima County Sales Tax
[49] February 12, 2017 Sales Tax Advisory Committee meeting summary, presentation by S. Huffman
[50] Half-cent Sale Tax for Road Repair and Property Tax Reduction Over 15 Years, October 18, 2017
[51] Arizona Tax Research Association Newsletter, September 2017
[52] Tucson Association of Realtors November 27-29, 2017 Poll
[53] Countywide Sales Tax Dedicated to Property Tax Relief and Local Pavement Preservation and Repair, June 20, 2017

households living in poverty in Pima County, and possible mitigation measures. [54,55] We discussed the issue at length during Committee meetings.[56,57] Our Vice-Chair provided concerning information about the 155,000 individuals in Pima County that are considered "food insecure" and accessed hunger relief services in a given year.[58]

While the cost of a County half-cent sales tax to the average income household in Pima County is estimated to be $91 a year or $7.58 per month, about one-third or 128,000 households in Pima County are estimated to have incomes below $30,000 and are therefore estimated to pay about $36 to $48 a year or $3 to $4 per month per household. While low-income households are disproportionally impacted by sales taxes, at least one-third of households at the lower-income levels own homes and would see a reduction in Pima County primary property taxes if some or all of the sales tax revenue is applied to property tax reduction. More than two-thirds of households at even the lowest income levels own cars and would see some reduction in vehicle maintence and repair costs if the funding went to road repair. The City of Tucson's 2017 voter-approved half-cent sales tax is set to expire in four years, at which time the total sales tax in the City would be reduced by a half-cent. There is a specific increased sales tax income tax credit in Arizona for low-income individuals and households that was established when voters increased the State sales tax for education in 2000. This shows that there is precedence for including mitigation measures with sales tax increases. You, the Board, could increase County support for the United Way's free tax filling assistance program to increase the number of households taking this credit. In addition, you, the Board, could consider allocating one-percent from a County half-cent sales tax to programs and services that increase the financial stability of low-income households that would be disproportionally impacted by the sales tax.

Business representatives, the Tucson Association of Realtors and members of the public commented on how our bad road conditions and high property taxes are a disincentive to encouraging businesses to relocate or expand in Pima County. Key to addressing poverty and raising incomes is growing good paying jobs.[59,60,61]

Low income residents pay property taxes whether they are renters or property owners. For Pima County to continue to rely exclusively on property taxes also has major consequences for renters as rental properties do not receive the State aid subsidies and property valuation

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[54] December 14, 2017 Agenda Item Concerning the impact of a Possible Sales Tax on Low-Income Households, December 8, 2017
[55] Additional Information Concerning a Proposed County General Sales Tax and the Impact to Low-Income Households, January 31, 2018
[56] January 9, 2018 Sales Tax Advisory Committee meeting summary
[57] February 12, 2018, Sales Tax Advisory Committee meeting summary
[58] December 14, 2017 Agenda Item Concerning the impact of a Possible Sales Tax on Low-Income Households, December 8, 2017
[59] January 9, 2018 Sales Tax Advisory Committee meeting summary
[60] February 12, 2018, Sales Tax Advisory Committee meeting summary
[61] Summary of Public Input Regarding Possible Pima County Sales Tax

growth limitations that significantly lower property taxes for homeowners in Arizona.[62] These higher property taxes are most assuredly passed on to renters.

3. Public confidence that the funding will be utilized as stated must be assured

We heard clearly from the public, those in support of a sales tax and those opposed, that there needs to be iron clad assurances that the funding will be spent for the stated purposes.[63] Supervisor Christy's plan attempts this by transferring all responsibility for administering the road repair programs to the RTA. While the County Attorney's office has determined that you, the Board, cannot delegate the decision on prioritizing roads for repair, that leaves many other administrative roles that could be delegated to the RTA.[64] The proposal prepared at the request of Supervisor Valadez attempts this by requiring two annual independent audits, one to be conducted by the RTA and one to be conducted by the State's Auditor General's Office, a termination clause if funding is misspent and not corrected, and RTA responsibility for evaluating County and municipal road repair programs based on best practices and standards.

V. Public Input

Several methods were used to solicit input from the public on a possible sales tax, the results of which were then regularly communicated to the Committee as a whole.[65] The majority of public comments were received at the seven public hearings held throughout the County, and through online feedback forms. Overall, there was generally more support for a sales tax than not. The far majority of those in support stated the funding should be used for road repair. There was some support for a combination of road repair and property tax reduction. There was little support for only property tax reduction. Public comments were split equally over the term of the sales tax – temporary or permanent. Those in support of a sales tax, and those opposed, clearly stated that there needs to be assurances that the funding is spent as stated. Those opposed often commented that taxes were too high already and/or the County should find funding for road repair within existing revenues. Feedback from the public has been incorporated throughout this report and is summarized in a separate report, Summary of Public Input Regarding Possible Pima County Sales Tax, which includes all of the public input received including summaries of each public hearing and meeting, a log of the online feedback forms showing each comment, and more.[66]

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[62] February 12, 2017 Sales Tax Advisory Committee meeting summary, presentation by S. Huffman
[63] Summary of Public Input Regarding Possible Pima County Sales Tax
[64] Letter to F. Moghimi, Executive Director, Pima Association of Governments/RTA, January 28, 2018
[65] Summary of Public Input Regarding Possible Pima County Sales Tax
[66] Summary of Public Input Regarding Possible Pima County Sales Tax

VI. Participation of the Board of Supervisors during our deliberations

Clearly this is an issue that you care about as you have continually discussed it during your Board meetings that occurred during the tenure of this Committee. We thank you for recognizing the importance of this issue, the urgency to act on this issue now, and for your unanimous decision to undertake this public process and create our Committee. We also thank Supervisor Christy and Supervisor Valadez, in particular, for developing proposals and presenting them to us and to you, their fellow Board members.

VII. Response to Committee Charge

Based on our deliberations, extensive public input and independent research, the Committee has the following response to the three basic questions that you posed to us:

Should Pima County adopt a half-cent general County sales tax? YES
Should the sales tax revenue be used for road repair and/or property tax reduction? BOTH
Should the sales tax be temporary or permanent? TEMPORARY

VIII. Recommendations

The following recommendations are based on all of the findings noted above, and in addition to the proposals and solutions presented to the Committee. It is the view of this Committee that the recommendations set forth below can be transformative as it relates to the road repair issue and other relevant issues important to the concerns and future needs of Pima County.

The days of acting purely sequentially on major policy issues are an artifact of the past. The road repair issue has been exhaustively studied for years and analyzed for every possible option. This is the singular time to address the road repair and related maintenance issue for the long term benefit of Pima County residents. The direct financial impact our poor road conditions have on vehicle repair and maintence costs are well known direct costs, and coupled with the high property tax rate for the County, create barriers we have to overcome presently to attract new jobs, economic development, and retain our employment base, as a desirable community.

RECOMMENDATION 1: Yes, you, the Pima County Board of Supervisors, should adopt a half-cent sales tax for road repair and maintenance across Pima County and within cities and towns, but it must be limited in duration. We recommend 10 years and all expenditures must be monitored through trusted mechanisms like independent agencies, independent audits, and ongoing community involvement such as the Transportation Advisory Committee, and these monitoring mechanisms must be institutionalized through County ordinances and resolutions. The allocation of sales tax revenues should be enough to result in the full repair and maintenance of unincorporated Pima County paved roads, and be shared with cities and towns based on their proportional population.

RECOMMENDATION 2: Upon passage of a half-cent sales tax, the 25-cent property tax for road repair must be eliminated.

RECOMMENDATION 3: The sales tax funds should be utilized, per the revenue projections over 10 years, and as demonstrated in the various scenarios presented to us, to also reduce the property tax rate in addition to eliminating the 25-cent property tax for road repair. This property tax reduction option, or some variant of it, should be further analyzed and adopted by you, the Board. We heard from the public and interested parties that Pima County's high property tax rate is a community concern, and while it cannot be fixed in one instance, this is a critical first step. It is further suggested that the funding from sales tax revenue could be used to reasonably moderate increases in property taxes and in a way that avoids a dramatic increase in the property tax after the sales tax terminates.

RECOMMENDATION 4: With passage of a sales tax, you, the Board, should take mitigation actions to lessen the disproportional impact such a tax will have on low-income households. While no one wants to pay more taxes, a sales tax and the revenue it would generate, if administered properly, has the potential to also fund such mitigation actions. Examples of mitigations actions you, the Board, should consider include increasing support for existing free tax filling assistance programs to increase the number of low-income households receiving the Arizona income tax credit for increased sales taxes, and allocating a portion of the sales tax funds to programs and services that increase the financial stability of low-income households though existing institutional frameworks.

In addition, by utilizing sales tax funds for property tax reduction, it is our understanding that at least one-third of households at the lower-income levels who own homes would see a reduction in County primary property taxes. By utilizing the funds for road repair, the more than two-thirds of households at the lower-income levels who own cars should see reductions in vehicle maintenance and repair costs. Also the City of Tucson's sales tax increase is set to expire in four years, reducing the sales tax in the City by an equivalent half-cent.

Pima County Sales Tax Advisory Committee Members as of February 28, 2018 Meeting

Member	District
Allan Cameron	1
Larry Hecker	2
Dennis Minano	3
Wendell Long	4
Transportation Advisory Committee Representatives	
Member	**District**
Dan Eckstrom	2
Bob Gugino	5
Dr. Curtis Lueck	County Administrator
Business Representatives	
Member	**Organization**
Robert Medler	Tucson Metro Chamber
Larry Gibbons	Southern Arizona Home Builders Association
Mark S. Miller	Pima County Small Business Commission
Charles Wetegrove Alternate: Mark Van Buren	Southern Arizona Lodging and Resort Association
Low-Income Families and Elderly Representatives	
Member	**Organization**
Michael McDonald	Community Food Bank of Southern Arizona
Anita Smith Etheridge	Tucson Urban League
Mark Clark	Pima Council on Aging