

**Pima County Bond Advisory Committee
Meeting**

**Wednesday June 27, 2018
8:00 A.M.**

**Abrams Public Health Center
3950 S. Country Club Road
Tucson, Arizona 85714**

SUMMARY OF MEETING

Committee Members Present

Carolyn Campbell, Vice-Chair
Joe Boogaart
Ed Buster
Art Eckstrom
Joyce Garland
Rene Gastelum
Curt Lueck
David Lyons
Wade McLean
Joyce Powers
Ted Prezelski
Ted Schmidt
Chris Sheafe
Tom Warne
Greg Wexler

Committee Members Absent

Gary Davidson
Tom Dunn, Chairman
Brian Flagg
Kelly Gomez
Michael Lund
Patty Richardson
John Sundt
James Ward

Staff that Addressed the Committee

Pima County:
Chuck Huckelberry, County Administrator
Carmine DeBonis, Deputy County
Administrator for Public Works
Nicole Fyffe, Assist. to County Administrator

MOTIONS

MOTION: Chris Sheafe moved, seconded by Curt Lueck, to approve the March 9, 2018 meeting summary. Motion approved 14-0.

MOTION: Tom Warne moved, seconded by Greg Wexler, to move the \$430 million general obligation bond for regional road repair forward. Vice-Chair Campbell requested a friendly amendment to include the proposition wording suggestions made by Ms. Powers. Mr. Warne added that the mileage in the resolution should be looked at. Mr. Warne and Mr. Wexler agreed to those additions. After discussion and questions, the motion was approved 14-1.

MEETING SUMMARY

1. Welcome

The meeting began at 8:05 a.m. New member, Art Eckstrom, was introduced.

2. Approval of the March 9, 2018 Meeting Summary

MOTION: Chris Sheafe moved, seconded by Curt Lueck, to approve the March 9, 2018 meeting summary. Motion approved 14-0.

3. Request from Board of Supervisors to Consider a November 6, 2018 Bond Election for Regional Road Repair

County Administrator Chuck Huckelberry briefly reviewed other funding options the County and Board have pursued unsuccessfully over the past decade for road repair, including more recent efforts this year that included a County sales tax, and legislation to allow for a public vote on an additional RTA sales tax. The last option available to the Board is to consider a bond election for road repair, and two alternatives were presented to them: \$860 million or \$430 million. The Board chose \$430 million probably because they felt \$860 was too sizable of a bond issue, but more importantly because bonds are not their first choice for how road repair should be funded, and therefore the \$430 million option could give the Legislature more time to come up with a better solution.

Mr. Huckelberry also stated that these bonds could be issued while keeping the tax rate constant (no tax rate increase), and if issued at \$50 million a year the payback period could be kept very short at average of 3.4 years. Mr. Huckelberry then presented the two charts that show graphically how the tax rate would be maintained at the same rate while adding in the new debt and when that debt would be paid off in full. The new debt could be issued at a fast rate (greater than \$50 million a year) if the tax base grows faster than anticipated, interest rates are favorable, and the contacting community can deliver at larger volumes. Mr. Huckelberry also reported that the Board discontinued the 25 cent local road repair primary property tax at the same time that they directed staff and the committee to consider the bond option. As a result, the Board was able to decrease the primary property tax rate by 40 cents, which is the largest decrease in over 30 years. Mr. Huckelberry also referenced Pima County's excellent AAA general obligation bond rating and how the County's rapid debt repayment and low long term liability burden, including overall debt and net pension liabilities, were cited in the recent rating report.

Carmine DeBonis, Deputy County Administrator for Public Works, and former Development Services Director, made a presentation to the Committee about state-shared transportation funding, County road conditions, the County's road repair plan, and the critical need for funding for road repair.

Mr. Huckelberry went over a few more handouts received by the Committee, showing the side by side comparison of the \$830 million and \$430 million options with regard to interest rates, number of sales, average payback terms, and average tax rate necessary to repay the bonds. Mr. Huckelberry also reviewed prior interest rates for GO bond and other debt issuances, the history of the tax base, and the forecasted tax base growth over the next 5 years.

Questions from the Committee

Ted Prezeski asked why the Board was considering general obligation bonds as opposed to HURF bonds, what impact the cost of oil will have on implementation, the role of the Bond Advisory Committee if this passes, and the planning process for which roads to fix first. Mr. Huckelberry replied that issuing HURF bonds, which require HURF revenues to pay the debt, means those HURF revenues will then not be available to directly fund road repair. Regarding the cost of oil, the County intends to competitively bid all of the road repair and therefore it will be up to the market. In a meeting with the Arizona Transportation Builders Association Board that morning, Mr. Huckelberry stated that the Board stated that there is the capacity to complete higher volumes of road repair work. Regarding the role of the Bond Advisory Committee and which roads to fix first, Mr. Huckelberry responded that the Transportation Advisory Committee and the Bond Advisory Committee will both have inputs into the plan and that it may be that some cities or towns chose to take their share of the funding annually, while others may take it later in the program. A bond implementation plan ordinance will be developed prior to early voting, which will include more details.

Ted Schmidt asked if the County's road repair plan is designed to not only bring roads up to good condition, but also to keep them in good condition. Mr. DeBonis replied yes.

Joe Boogaart asked several questions. Referencing the Resolution, what about the 30 percent of roads that are not in failing or poor condition, are they included in the plan? Mr. Huckelberry responded that yes the plan covers all the paved roads in unincorporated Pima County. What is the process to spend the funding if it requires agreements with the cities and towns and roads to be deemed County roads or highways? Mr. Huckelberry responded that similar to the HURF bond program whereby the County funded the expansion of roadways within cities and towns, roads would need to be deemed County roads through an existing process in statute, to allow spending of County funds, and this would be achieved through intergovernmental agreements between the County and cities and towns. Why can't we delay unissued Certificates of Participation (COPs) and use for road repair? Mr. Huckelberry responded that most of our COPs are issued for sewer improvement and repaid with sewer revenues, which cannot be spent on roads. By way of another example, the \$10 million in COPs scheduled to fund the soccer fields at the Kino Sports Complex are repaid with hotel/motel bed tax, which by state statute cannot be spent on road repair. How is the constitutional debt limit calculated? Mr. Huckelberry responded that is 15 percent of the taxable net assessed value of the County. Regarding the proposition text, what are premiums and other allowable costs? Mr. Huckelberry responded that those are the financial and legal costs associated with each bond sale. How can we be assured that the municipalities will not be left out even though it says the funding will be shared with them? Mr. Huckelberry responded that the cities and towns are each represented on the Bond Advisory Committee, that implementation process involving the cities and towns will be spelled out in the bond implementation plan ordinance prior to the election, and that the cities and towns have stated that they also have annexed older roads that are in need of funding for reconstruction.

Joyce Powers stated that Oro Valley is very supportive of this effort and that she appreciates Mr. Huckelberry's tenacity. Ms. Powers made three suggestions on how to

improve the wording of the proposition: (1) instead of "repair" consider using "rehabilitation" or "reconstruction" as voters may think of filling potholes as repair, and that's not really the purpose; (2) consider adding text stating that these improvements will extend the life of the roads, and (3) find out if there is anything the County can do about the statutorily required statement that these bonds will result in a property tax increase, since they will not. Mr. Huckelberry, in response to the third suggestion, said that he would discuss this with bond council to see what could be done. It could be read to state that because taxes are being paid for a longer time period, they are essentially increased over that time period, but not increased on a yearly basis.

Vice-Chair Campbell asked how many miles of roadways the City of Tucson maintains, what components of a road would be included, and if the County's 10 year road repair plan would be included in the bond ordinance. Joyce Garland, Assistant City Manager and committee member, responded 5,000 miles. Mr. DeBonis responded that the City reports its mileage in lane miles and some roads have 2 to 6 lanes per road mile, whereas the county reports it in road miles regardless of number of lanes. Ms. Campbell suggested that mileage be also included in the resolution calling the election, along with the County's mileage. Mr. DeBonis stated that eligible repair/reconstruction would occur curb to curb, and not include curbs and sidewalks. Mr. Huckelberry stated that the County's road repair plan would be referenced in the bond ordinance.

Tom Warne, who had called for the question earlier, made a motion.

MOTION: Tom Warne moved, seconded by Greg Wexler, to move the \$430 million general obligation bond for regional road repair forward. Vice-Chair Campbell requested a friendly amendment to include the proposition wording suggestions made by Ms. Powers. Mr. Warne added that the mileage in the resolution should be looked at. Mr. Warne and Mr. Wexler agreed to those additions.

The Committee asked for public comment, but no one chose to speak.

Chris Sheafe asked for clarification of Ms. Power's suggestions. Vice-Chair Campbell asked when the County or the committee could begin to consider the need for bond funding for other purposes if these road bonds are approved by voters and sold? Mr. Huckelberry responded that because these bonds will be repaid so quickly, the committee could begin those discussions in a couple of years. Vice-Chair Campbell also asked about whether the Board considered waiting until another year for the road bond election, since the City will be placing a parks bond question on the ballot this year. Mr. Huckelberry responded that the Board can call for bond elections on odd (non-general election) years, but the cost is then about \$2 million because there is not already an election. In the case of this November, the added cost is only about \$200,000 for printing and mailing the voter information pamphlet.

The motion was approved 14-1.

Curt Lueck requested that the meeting summary and Mr. DeBonis's presentation be provided to the Transportation Advisory Committee.

Vice-Chair Campbell asked if the Transportation Advisory Committee voted on the issue of the bond election? Mr. Lueck responded, no, but that he didn't sense any objection, and there was some concern about the loss of the 25 cent local road primary property tax.

4. Next meeting

Ms. Fyffe stated that the next meeting will be scheduled in September for the Committee's regular oversight of remaining bond projects. If the Board does call for a bond election, the Committee will be sent a draft bond implementation plan ordinance and asked to provide comments on it, but is not required to take official action on it.

5. Call to the Audience

No one spoke at this time.

6. Meeting Adjourned

MOTION: Chris Sheafe moved, seconded by Curt Lueck, to adjourn the meeting. Motion approved 15-0. Meeting adjourned at 9:23 a.m.