



COUNTY ADMINISTRATOR'S OFFICE

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C. H. HUCKELBERRY
County Administrator

August 15, 2003

James Keene, Manager
City of Tucson
P.O. Box 27210
Tucson, Arizona 85726-7210

Re: City Representation on the Bond Advisory Committee

Dear Mr. Keene:

Thank you for your letter dated August 12, 2003. A membership position for a representative of the City of Tucson will remain open and available should the City change its position on this matter. We hope the City will participate in this fundamental formulation process for the May 2004 Bond Election. In addition, staff is certainly welcome to make presentations to the Committee regarding City needs.

To help resolve the concerns of the City, you should be aware that approximately 74 percent of the Committee members have places of residence inside a municipality, and almost half reside within the City of Tucson.

I am certain the Committee will make an appropriate, reasonable and balanced recommendation to the Board regarding a Bond Program to present to the voters in May of 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Huckelberry", is written over the typed name and title.

C.H. Huckelberry
County Administrator

CHH/jj

c: The Honorable Chair and Members, Pima County Board of Supervisors
The Honorable Mayor and Council Members, City of Tucson
Pima County Bond Advisory Committee



CITY OF
TUCSON

OFFICE OF THE
CITY MANAGER

August 12, 2003

C.H. Huckelberry
Pima County Administrator
130 W. Congress, 10th Floor
Tucson, AZ 85701

Subject: May 18, 2004 Special Pima County Bond Election

Dear Mr. Huckelberry:

At their August 4, 2003 meeting, Mayor and Council discussed the issue of Pima County's proposed bond election in May. The memorandum from that meeting is attached. As you can see from the memorandum, the City of Tucson is concerned that a Pima County bond election in May may not benefit City taxpayers and the community at large. During their discussion, the Mayor and Council expressed a desire to have a larger role in the process. The Council is disappointed that the committee process was developed without City input, and that it includes only one representative on the Advisory Committee and no seats on the two subcommittees.

To reiterate the City's concerns:

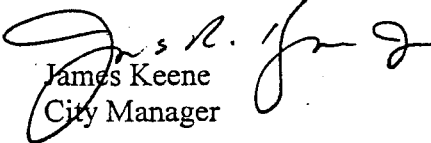
1. Because City of Tucson citizens will bear the burden of repaying the debt from any county bond issue, the City would like assurances that a future bond package does not primarily benefit the unincorporated urban population at City taxpayer expense.
2. The debt burden of our citizenry is limited, and the City would like to ensure that additional debt will be used to address the highest priority issues for our community.
3. A May election may not allow enough time for adequate community and jurisdictional input.

C.H. Huckelberry , Pima County Administrator
May 18, 2004 Special Pima County Bond Election
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Because of the concerns, the Mayor and Council have asked that a City representative for the Advisory Committee not be selected until further discussions take place. Although the Mayor and Council voiced concern with the process as laid out by Pima County, they explained that this concern should not be construed as opting out of the process. They emphasized that their comments reflect their desire to play a much larger role in the process.

I am available to discuss this matter further.

Sincerely,


James Keene
City Manager

JK:AE:sap

Attachment: August 4, 2003 Mayor and Council Memorandum

c: The Honorable Mayor of Tucson and Councilmembers
Honorable Chair and Members of the Pima County Board of Supervisors
Members of the Pima County Bond Advisory Committee



MAYOR & COUNCIL MEMORANDUM

August 4, 2003

**Subject: Pima County Special Bond Election - May 18, 2004
(City-Wide)**

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Issue – The Pima County Board of Supervisors has indicated a desire to call a May 18, 2004, special bond election that will seek voter approval of questions that will likely include both general obligation bonds for open space, and neighborhood reinvestment, as well wastewater revenue bonds. Potentially, other bond funded programs and projects may also be considered. The City of Tucson has been asked to appoint one representative to the 15 member Pima County Bond Advisory Committee established by the Board of Supervisors. Staff is requesting direction from Mayor and Council on the policy issues related to the special bond election.

City Manager's Recommendation – The City Manager recommends that the Mayor and Council provide direction to staff to:

1. Develop specific information to provide Pima County regarding the needs of City of Tucson citizens that should be included in the final of program of projects presented to the voters.
2. Develop a draft cooperative intergovernmental agreement with Pima County that establishes direct allocation of funds for projects in the city and/or a process that permits the City of Tucson to plan, design, and execute the projects within the city limits.
3. Utilize the attached guiding principles in developing the possible programs of projects with Pima County.
4. Return to Mayor and Council for review and approval prior to formal presentation to Pima County (for both the IGA and projects).

It is also recommended that the Mayor and Council appoint a City of Tucson representative to the Pima County Bond Advisory Committee.

Background – On June 17, 2003, the Board approved a motion endorsing a May 18, 2004, Special Bond Election for open space, neighborhood reinvestment and other purposes as the Pima County Citizen Bond Advisory Committee might recommend. In a letter of June 23, 2003, Chair Bronson of the Pima County Board of Supervisors has requested that the City of Tucson choose a representative for the committee (Attachment A).

Pima County Administrator Chuck Huckelberry, in a letter dated July 8, 2003 to the City Manager, indicates the criteria for developing the program of improvements for the potential bond election (Attachment B). Mr. Huckelberry indicates that the Board of Supervisors will use three criteria for prioritizing projects for the proposed 2004 bonds:

1. Does the project provide regional benefit?
2. Can it be completed within a five- to seven year time frame?
3. Would there be enough bond authorization and other revenues to fund the project?

In addition to the Pima County Bond Advisory Committee, Mr. Huckelberry's letter indicated that the Board has created and made appointments to both a Conservation Advisory Committee and a Neighborhood Reinvestment Advisory Committee, who will meet and provide recommendations to the Pima County Citizen Bond Advisory Committee (PCBAC). The letter indicates that the City of Tucson will have a lone appointment to the PCBAC and no appointments to the other two committees. The Council may wish to engage the Board in a conversation regarding City representation on those committees given the scope of the potential impact upon City residents.

The PCBAC met for the first time on July 18, 2003. The members of the Committee selected Lawrence Hecker as the chair and Carolyn Campbell as the vice chair. The Committee agreed to hear presentations from Pima County departments as well as local jurisdictions including the City of Tucson. The Conservation and Neighborhood Reinvestment Committees will be reporting to the PCBAC in October 2003. With this input and the deliberations by members of the PCBAC, a series of recommendations regarding the Special Bond Election will be forwarded to the Board of Supervisors by late November 2003. The next meeting of the PCBAC is on August 19, 2003.

The Needs of City of Tucson Residents

City of Tucson residents will pay a substantial portion of the secondary property taxes and user fees necessary to retire any general obligation and/or revenue bonds approved by the voters. The needs of the 515,175 residents of the City of Tucson, the largest single municipality, comprising 56% of the population in Pima County, should be carefully considered in the development of the program of projects for this special bond election. City residents will repay more than half of the bond debt.

Unfortunately, the City's experience with the 1997 Pima County Bond election regarding Transportation suggests that City projects could be at risk. Participation and support of the Bond election should not be considered until guarantees are provided to ensure that City projects occur as approved by voters and on time.

Tucson's growth pattern clearly affects our current needs. Like many other western cities, rapid growth occurred following World War II. The built environment features primarily one-story, low-density development with strong automobile orientation, and most of the urban area lacks basic elements of public infrastructure and facilities that define modern American cities. Tracts of Sonoran Desert landscape were built on, (and continue to be developed), even though acres of vacant land were, (and are) available within the urban area.

As Tucson grew, development occurred largely in unincorporated areas outside of the boundaries of the city limits. Sewer and water service availability permitted development of vast tracts of land. This growth pattern features minimal infrastructure and poor enforcement of weak development standards. An integrated transportation system, facilities to support public services such as parks, libraries, and public safety facilities were virtually non-existent until years after development occurred when these areas were annexed into the City of Tucson, and then generally provided retroactively at great expense to existing City residents.

The social and fiscal costs of this type of growth pattern and built form are now significant issues for City of Tucson residents. The cost of retrofitting existing urban development with modern infrastructure and public facilities requires an investment that places a financial strain on City of Tucson residents. The extent to which these needs are addressed in the program of improvements for the proposed 2004 bonds is a key consideration. This is especially crucial given a growing disparity in income between the City and unincorporated County, and increased County investment in infrastructure and amenities in the unincorporated County.

The Impact of Urban Development in Unincorporated Areas

Tucson is unique within Arizona as the only large metropolitan area that has substantial urban development that is not within the boundary of a municipality. The existing urban development in the Tucson metropolitan area that is outside of existing cities and towns, if incorporated, would form the fourth largest city in Arizona. If these existing urban areas were annexed or incorporated, our community would also receive an estimated additional \$60 million annually in state shared revenues.

The significant urban development in unincorporated areas is a major factor in the Pima County property tax rate being high compared to other Arizona counties. Pima County has said that two of every five dollars spent by Pima County goes to provide urban services in the unincorporated areas. The considerable urban development in unincorporated areas effectively causes Pima County government to provide residents urban services that would typically be provided by a municipality, and are currently subsidized by City residents. Residents of unincorporated areas of Pima County enjoy the benefits of urban services without the significant financial burden being shouldered by City residents.

If the Pima County Board of Supervisors potentially seeks voter approval for additional bond debt, it will be paid back largely by City of Tucson residents. Keeping in mind that City residents already face a high Pima County property tax rate fueled in part by a Pima County budget that must grow in response to providing urban services to those who live outside of a municipality, the impact of additional debt at this time is cause for concern. The fact that urban development continues to occur in unincorporated areas of Pima County adds a greater level of concern to decisions related to the Special Bond Election.

Staff is also concerned that additional bond debt will adversely affect the City of Tucson's ability to address existing and future needs of City residents. In the City's recently adopted five-year Capital Improvement Program for Fiscal Years 2004-2008, unfunded projects in the five year program total \$458 million; an additional \$466 million has been identified for the next five to ten years. It is clear the City has limited resources to address these existing needs. Any new City of Tucson General Obligation Bond authorization in Fiscal Year 2005 will likely be \$60-80 million and will not be sufficient to fund all of the eligible projects. Note that bond rating agencies consider "overlapping" debt from various governmental agencies when analyzing a community's ability to pay. Excessive bond debt in the Tucson region could create a negative marketing aspect for future City of Tucson bonds sales.

Issues of Project Selection, Project Management, and Accountability

If projects within the City of Tucson are included in the Special Bond Election, staff believes it is necessary to address issues of project selection, project management and schedule, and the matter of fiscal accountability. This is necessary in order to ensure completion of projects within the City of Tucson as promised to the voters.

When the program of improvements for Pima County's 1997 Highway User Revenue Bonds (HURF) were first considered, Pima County used criteria similar to what is currently proposed, such as "projects with regional benefit" and "use of bond authorization and other revenues to fund the projects", to establish the program of improvements.

Not only were projects that the City of Tucson did not request included in the program, but key projects requested by the City were never added (such as the Barraza Aviation Parkway). Pima County cited the "regional benefit" criterion as a factor in that decision. Other projects that were strongly supported by City staff, (such as Broadway: Euclid Avenue to Campbell, Grant: Oracle to Park Avenue, Houghton: Golf Links to Speedway, Speedway: Camino Seco to Houghton, 22nd Street: I-10 to Park Avenue), have not progressed, have had their funding diverted, or at best, are slated for very the last years of the Pima County 1997 HURF Bond Program. It is unclear if Pima County will ever complete certain projects in the City. Given Pima County staff response, at this point in time we must conclude that those City projects will never receive the funding allocations approved by the voters.

Further, the 1997 HURF Bond Ordinance included a provision that any project costs above the bond authorization amount became the responsibility of the local municipality in which the project is located. This provision was included despite the Board of Supervisors action to deny the City's request for authority to plan, manage, or design all projects within the city limits. Without a clear agreement on cost sharing, this provision provided Pima County the ability to make unilateral decisions on projects within the City of Tucson that require additional funding (as occurred with the 22nd Street: I-10 to Park Avenue project), and is presently occurring with other projects.

Need for a Very Specific Intergovernmental Agreement

Approval of an intergovernmental agreement between Pima County and City of Tucson is recommended before holding any special election, in order to address issues of project selection, project management, schedule, and fiscal accountability. Without this type of formal agreement, City residents could rightfully question whether certain projects will be completed and what they will cost. Unlike the 1997 HURF Bonds, which are paid back with Pima County's share of HURF revenues, the Special Bond Election will result in a secondary property tax assessment and/or user fees levied directly on city residents. City residents deserve an irrevocable guarantee as to where their assessment will be spent.

Analysis of Bond Program Issues

The process to determine the program of improvements to be included in the Special Bond Election is underway. However, it is not clear as to the extent or process by which the needs of City residents will be addressed in Pima County's program development.

The City of Tucson's representative on the 15 member Pima County Bond Advisory Committee cannot be given detailed project information until such time as the Mayor and Council provides direction whether or not to develop candidate projects in particular program areas. While certain program areas such as the purchase of conservation lands in rural or undeveloped areas and unincorporated Pima County may be worthy of public investment, so are smaller environmentally sensitive parcels that provide direct benefits to City residents. Similarly, City residents have many neighborhood reinvestment needs but it is unclear what criteria would be used particularly if neighborhoods within the City of Tucson have to compete for these funds with neighborhoods in unincorporated areas of Pima County or other municipalities.

In addition, the City should examine a direct revenue sharing program with the County that transfers neighborhood reinvestment and other categories dollars to the City, so that the best projects, criteria, and competitive schedule can be identified and managed by the City.

The following is a brief overview of categories where needs of City residents should be addressed. Staff seeks direction on developing candidate projects in the following categories or others as may be identified by Mayor and Council.

General Obligation Bonds

Parks - missing links in river park system, natural resources parks, urban trails and greenways.

Open Space – areas with high habitat and environmental value such as linkages between public open space preserves.

Flood Control – storm drains, regional multi-use detention facilities that include trails and fields, urban washes designated for protection or revegetation.

Public Facilities – police stations, fire stations, libraries, neighborhood centers.

Environmental – landfill remediation, redevelopment of closed landfills, landfill development.

Historic/Cultural Resources – acquisition of key historic and/or archeological properties of significance.

Neighborhood Reinvestment – sidewalks, street lights, housing rehabilitation, traffic calming, multi-use paths.

Wastewater Revenue Bonds

Maintenance and repair – repair and rehabilitation of aging sewers

New interceptors – interceptors that can serve to relieve pressure on existing interceptors (in some cases permit reinvestment in the urban area, such as Rio Nuevo / Downtown)

Treatment facilities – possible new regional treatment plant(s) to avoid having to convey sewage over long distances to existing treatment plants and/or allow reclaimed facilities to the sites upstream of the service area. New facilities would serve growth areas designated in the Tucson General Plan.

Once a specific program of improvements is presented to the Mayor and Council, it will be more clear if specific projects can potentially be included in the Special Bond Election. If differences of opinion regarding the priorities of City of Tucson and those of Pima County occur, staff will request direction from Mayor and Council to ensure that the program of improvements fully addresses the needs of City residents. Staff can also be directed to develop new funding options to address the City needs whether or not the Special Bond Election is successful.

Guiding Principles

The following guiding principles establish parameters that will serve to protect the interests of the residents of the City of Tucson. If Pima County does not embrace these guiding principles, Mayor and Council should consider opposing the Special Bond Election.

- *Regional Benefit*

The needs of City residents *are* regional in nature. To ensure that the program of projects in the proposed special bond election addresses needs throughout Pima County, the bond package should be divided into three broad categories and the percentage of the package that

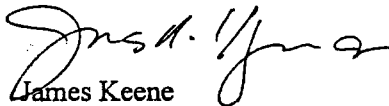
will be allocated to each category shall be set. The three categories shall be: 1) within the incorporated areas, 2) urban areas within unincorporated Pima County, and 3) in tribal/rural/conservation areas. Population, stress factors, assessed valuation, and infrastructure, open space, and park needs within these areas shall be used as criteria for determining funding allocations.

- *Funding and Project Management*
Prior to the election, an intergovernmental agreement shall be approved by Pima County and each of the municipalities and tribal government entities to determine full funding availability and phasing for each project and to provide each municipality or tribal government the ability to control project management, design, and scheduling if they so choose.
- *Schedule*
Given the significance of the bond question(s) and the potential for other ballot measures being placed before voters over the next 18 months, additional input is needed. Public forums with a cross-section of stakeholders, including the Pima County Bond Advisory Committee, are necessary prior to establishing a specific date for the special bond election. This input shall include analysis by professional staff regarding the feasibility and estimated budget for individual projects.

Conclusion

The Pima County Special Bond Election must address the needs of City of Tucson residents, who are also Pima County residents. Given how the County has handled the voter approved 1997 Transportation Bond program, the City should be extremely cautious. Once Mayor and Council provide direction to staff on the issues raised today, staff will return in 90 days to Mayor and Council with information that is more detailed on how to meet the needs of City residents with a specific program of improvements for the Special Bond Election. In the interim, staff will keep the Mayor and Council informed on the activities of the Pima County Bond Advisory Committee.

Respectfully submitted,


James Keene
City Manager

JK:Albert Elias/sap/PC Special Bond Election 7.21.03
Comprehensive Planning Task Force
SS/AUG4-03-224
Attachments:

- A.-Letter from Sharon Bronson, Chair of Pima County Board of Supervisors dated June 23, 2003
- B.-Letter from Chuck Huckelberry, Pima County Administrator dated July 8, 2003,
w/attachments