




MEMORANDUM

Date: September 12, 2003

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

From: C. H. Huckelberry
County Administrator 

Re: **Attached Memorandum from the Tucson City Manager Regarding the Proposed May 2004 County Bond Election**

Attached is a memorandum from the Tucson City Manager recommending conditions for City participation in the Pima County Bond Advisory Committee. There is some good news in the City Manager's recommendations. For the 1997 County bond election, the City initially proposed \$210 million in projects, or 84 percent of the total bond package, as their "equitable distribution of projects." For the 2004 bond election, the City Manager is only demanding "50 percent of the total bond package to be directed at the needs of City of Tucson residents."

The City Manager provides the Mayor and Council with an "analysis" on pages two through four of his memorandum that is flawed. I will highlight the problems.

Pima County Provides Governmental Services for All Residents of Pima County

The most fundamental problem is on Page 2, in the first paragraph under "Analysis": "The City would like assurances that a future bond package does not primarily benefit the unincorporated urban population at City taxpayer expense." The City Manager is attempting to make an argument in equity, based on the fact that "City of Tucson residents make up approximately 56 percent of the population of Pima County and will be responsible for approximately half of the debt on any bonds issued by Pima County."

There are fundamental flaws with this argument. First, while it is true that "47 percent of the assessed valuation of Pima County is within the City of Tucson," only approximately 23 percent of that assessed valuation is owned by "City of Tucson residents." The remainder of the City's assessed valuation is owned by businesses, which may be owned by a resident of Tucson or Pima County, or, as is increasingly the case, a non-resident.

Second, "City of Tucson residents" pay primary property taxes to Pima County **for services they receive from Pima County**. An analysis of the of the Fiscal Year 2003/04 General Fund budget shows that 74 percent of these expenditures are for **Countywide services**. In other words, "City of Tucson residents" pay primary property taxes for the services they receive and require. If one includes Fiscal Year 2003/04 expenditures for health care and Wastewater Management, then approximately 90 percent of the County budget is for **Countywide services**. It is incorrect to state that City of Tucson residents' property taxes "primarily benefit the unincorporated urban taxpayer."

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Countywide Benefits of the 1997 General Obligation Bond Program

As noted above, Pima County is a regional government and provides most services to all residents of the county, consistent with a mission to provide **Countywide services**. County bond programs have supported and enhanced the provision of those services. For example, in the 1997 General Obligation bond program, 58 percent of the bonds are allocated to projects with Countywide benefits. The best example from the 1997 bond program of a project with Countywide benefits was the \$42 million Juvenile Courts and Detention Center project. On any given day, 60 percent, sometimes more, of the juveniles at the Center have been referred by the Tucson Police Department.

Furthermore, in the 1997 General Obligation Bond Program, 23 percent of the expenditures are allocated to projects that **primarily benefit** residents of one of the five incorporated jurisdictions. Only 19 percent of the 1997 General Obligation bonds are being spent on projects that **primarily benefit** the unincorporated population.

As the 2004 General Obligation Bond Program package is assembled by the County Bond Advisory Committee, it is possible we will see this same concentration on enhancing the provision of **Countywide services**.

Project Management Authority

In the 1997 General Obligation Bond Program, the City of Tucson has managed design and construction of the Parks projects, the largest category of projects inside the City. The 1997 Transportation Bond Program projects are another matter. Because the City has not been able to provide matching funds to allow many of their transportation projects to move forward, the City has not been able to construct or manage a project within the City.

City Budget Pressures and Needs

Debt service on County issued bonds are paid for by the County's secondary property tax levy. This debt service has no impact whatsoever upon the City's secondary property tax levy for debt service and therefore has no impact on the City's debt capacity.

Need for an Intergovernmental Agreement

On its own initiative, the Pima County Board of Supervisors mandated that it adopt a Bond Improvement Plan ordinance prior to the 2004 election that will inform voters of the projects that will be constructed if the general obligation bonds are approved. A County ordinance has the force of law and provides adequate assurances to the voters. The projects and programs from the property tax supported 1997 General Obligation Bond Program are now constructed or will essentially be completed by Fiscal Year 2004/05. This is three years ahead of the time deadline of the original Bond Improvement Plan ordinance of 1997.



Mayor & Council Memorandum

September 15, 2003

Subject: Further Discussion of the City of Tucson's Page 1 of 4
Appointment and Participation in Pima County's
Proposed Bond Election (City-Wide)

Issue – The third meeting of the Pima County Bond Advisory Committee will be held on September 19, 2004. City staff seeks Mayor and Council direction regarding this issue. This item was discussed at the Mayor and Council meeting of August 4, 2003. The Mayor and Council did not pass a motion during that discussion, but there appeared to be consensus in asking the City Manager to return with a stronger, more specific recommendation to address the City's concern that a Pima County Special Bond Election in May, 2004 may not benefit City of Tucson residents.

City Manager's Recommendation – The City Manager recommends that the Mayor and Council approve a request to the Pima County Bond Advisory Committee to:

1. Appoint a City representative to the Pima County Bond Advisory Committee.
2. Give the City of Tucson authority for 50 percent of the total bond package to be directed at the needs of City of Tucson residents. The City would determine the appropriate projects for this portion of the bond package and would manage these projects. The 50 percent figure is based on the City's portion of the assessed valuation of the County and the City's portion of the County's population. An Intergovernmental Agreement that gives the City assurances regarding how funds will be spent and how projects will be managed would be one possible vehicle to memorialize this prior to County action on the bond measure.
3. Discuss these matters and representation on other committees.

Background – For a complete background on this issue, please see Attachment A – Mayor and Council Memorandum dated August 4, 2003, entitled *Pima County Special Bond Election – May 18, 2004*. The Pima County Bond Advisory Committee has held three meetings. The Committee held its third meeting on Thursday, September 4th. At that meeting, the City Manager addressed the committee at their request and explained that the Mayor and Council had not taken formal action on this issue, but the item would be scheduled again for Mayor and Council discussion on September 15th. The Committee scheduled a discussion item regarding the City of Tucson again for their next meeting, which is on September 19th.

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Bond Election (Citywide and Outside the City)

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Other items on the Pima County Bond Advisory Committee agenda on September 4th included presentations from the Pima County Sheriff's Department on a proposed regional public safety communications network, a jail renovation proposal, and two new proposed substations to be located in one unincorporated county. There was also a presentation regarding a proposal for a new Pima County Justice Court facility.

Analysis - As discussed in the previous memorandum (attached), City of Tucson residents make up approximately 56 percent of the population of Pima County and will be responsible for approximately half of the debt on any bonds issued by Pima County because 47 percent of the assessed valuation of Pima County is within the City of Tucson. The City would like assurances that a future bond package does not primarily benefit the unincorporated urban population at City taxpayer expense. One way to ensure that City residents get their fair share is to designate 50 percent of the bond package for City of Tucson projects. All City residents are County residents, but the reverse is not true. If City residents are asked to pay for capital improvements, those capital improvements should not be targeted outside City limits, but should benefit all Pima County taxpayers.

Pima County has the highest property tax rate of any Arizona county, mostly as a result of providing municipal-type services to unincorporated urban residents. A bond package with few projects within City limits will once again place City residents in the position of funding improvements for which they derive little benefit. Setting aside half of the bond package to meet the needs of City residents will ensure that City residents are fairly treated. If the Mayor and Council approve this recommendation, City staff will return to Mayor and Council within approximately 60 days with a list of bond projects that address the highest priority capital needs within City limits.

Project Management Authority

An important component of this recommendation is that the City of Tucson be authorized to manage the projects within the City's jurisdiction. This has not been the case in the past. City authority will allow Mayor and Council and City staff to manage the public notification process and better meet the needs of City constituents during the planning and construction process.

City Budget Pressures and Needs

With the City facing a projected \$26 million FY 2005 operating budget shortfall, residents will once again be asked to sacrifice services and/or pay additional tax dollars. On the capital side, the City's property tax cap will limit the City's next general bond authorization (over the next 6-7 years) to between \$60 million and \$80 million, which is a fraction of the dollars needed for capital improvements within City limits. The City of

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Tucson has identified capital needs of approximately \$1 billion over the next 10 years. Given these facts, the City needs to ensure that the debt capacity of City residents is used to address the highest priority issues for our community.

Urban Development in Unincorporated Pima County

The unincorporated portions of Pima County have seen tremendous development and population growth. The population of unincorporated Pima County grew 278 percent from 1970 to 2000. Much of the growth has occurred in the Tucson metropolitan area and is urban in nature. This unincorporated urban population has relied on Pima County to provide municipal-type services. Pima County taxes are paid by all Pima County residents, including those who live within a city or town, to fund these urban services. This unincorporated urban area is more prosperous than the area within City limits, and the gap is widening, as seen by the following facts:

- The median family income in the City of Tucson is \$37,344, and the median family income for Casas Adobes, Catalina Foothills, and Tanque Verde averages \$74,943 (2000 census figures).
- The assessed valuation within the City of Tucson grew 46 percent from 1990 to 2003, while the assessed valuation of the balance of Pima County grew by over 72 percent during this time.
- In 1970, the gap between the number of people living in poverty within the City of Tucson and those living in poverty in the balance of Pima County was 2.5 percent; the gap widened to 10 percent in 2000.

Because of this growing economic disparity, the City of Tucson must be vigilant in ensuring that the program of improvements in a bond package funded by City residents directly benefit residents of the less affluent City core rather than the more affluent unincorporated urban suburbs.

Need for an Intergovernmental Agreement

It is recommended that the City of Tucson enter into a binding Intergovernmental Agreement with Pima County prior to a bond election. This agreement would cover funding, project management, schedule, and fiscal accountability. The agreement will give City residents the necessary assurances that their tax dollars will be spent in a manner that benefits the City of Tucson.

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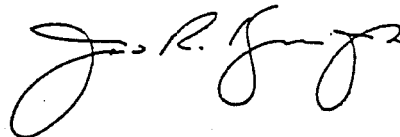
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City Representation on Bond Committees

As stated in the August 4th Memorandum, the Pima County Bond Advisory Committee includes only one representative chosen and appointed from the City of Tucson out of a total of 19 members. The City has yet to select this representative. It is recommended that Mayor and Council allow the Mayor, in consultation with Council Members, to appoint the City's representative to the Pima County Bond Advisory Committee.

The Committee also has two subcommittees, the Neighborhood Reinvestment Bond Advisory Committee and the Conservation Advisory Committee. The City has not been given representation on these subcommittees. The Council may wish to discuss this matter also and take action.

Respectfully submitted,



James Keene
City Manager

JK:Albert Elias
Comprehensive Planning Task Force
SS/SEPT15-03-253(2)
Attachment

A: Mayor and Council Memorandum dated August 4, 2003



MAYOR & COUNCIL MEETING NOTICE & AGENDA

STUDY SESSION

MAYOR AND COUNCIL CHAMBERS – CITY HALL

255 W. ALAMEDA, TUCSON, AZ

MONDAY, SEPTEMBER 15, 2003

*** 1:30 P.M. ***

ESTIMATED DURATION	TOPICS	COMMENTS
15 min.	1. Executive Session – Conklin v. City of Tucson (City-Wide) SS/SEPT15-03-247	Discussion or consultation for legal advice with the Attorneys for the City of Tucson pursuant to A.R.S. 38-431.03(A)(3) and discussion or consultation with the Attorneys for the City of Tucson in order to consider its position and instruct its attorneys regarding the City of Tucson's position regarding contracts that are the subject of negotiations in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation pursuant to A.R.S. 38-431.03(A)(4).
5 min.	2. Mayor and Council Direction Regarding Executive Session – Conklin v. City of Tucson (City-Wide) SS/SEPT15-03-248	REPORT/RECOMMENDATION
10 min.	3. Renaming of 22 nd Street Bridge to the Ruben Romero Bridge (Ward 1) SS/SEPT15-03-252	REPORT/RECOMMENDATION
5 min.	4. Boards, Commissions and Committees (City-Wide) SS/SEPT15-03-250	
5 min.	5. Mayor and Council Discussion of Regular Agenda SS/SEPT15-03-251	
<u>PROJECTED TIME TO RECONVENE AFTER CONCLUSION OF THE REGULAR MEETING</u>		
20 min.	6. Initiative Petition Process (City-Wide) SS/SEPT15-03-245	REPORT/DISCUSSION

STUDY SESSION

MAYOR AND COUNCIL CHAMBERS – CITY HALL

255 W. ALAMEDA, TUCSON, AZ

MONDAY, SEPTEMBER 15, 2003

*** 1:30 P.M. ***

ESTIMATED DURATION	TOPICS	COMMENTS
20 min.	7. Further Discussion of City of Tucson's Appointment and Participation in Pima County's Proposed Bond Election (City-Wide) SS/SEPT15-03-253	REPORT/RECOMMENDATION
5 min.	8. Mayor and Council Subcommittee Reports (City-Wide) SS/SEPT15-03-246	
7 min.	9. Mayor and Council Discussion of Future Agendas SS/SEPT15-03-244	

FOR INFORMATION ONLY

10. Administrative Action Report and Summary SS/SEPT15-03-249