TRANSPORTATION FUNDING REPORT

PREPARED BY

CHUCK HUCKELBERRY
PIMA COUNTY ADMINISTRATOR

May 7, 2013

May 7, 2013

Transportation Funding Report

Executive Summary

Background

The American Society of Civil Engineers (ASCE) recently released its 2013 report card of the current state of America's infrastructure. This report indicates significant poor grades for most of our nation's infrastructure, including roads. Roads received an overall "D rating;" generally inadequate and requiring a significant investment.

Fifty-two percent of Arizona roads were rated in poor to mediocre condition, and driving on these poor roads costs Arizona motorists almost $887 million per year in vehicle repair and operating costs. In Pima County, this equates to $143 million based on the number of licensed motorists.

In Arizona, transportation systems; primarily highways and their construction, operation and maintenance; are funded through state-shared revenues known as Highway User Revenue Funds (HURF). HURF are a combination of transportation-related taxes, the largest single component being the gasoline tax, which is currently 19 cents per gallon (including a one-cent tax for environmental remediation of underground storage tanks). The gasoline tax has not increased since 1991. By comparison, the average tax of surrounding states is 29.7 cents per gallon.

During this 22-year period when gas taxes have not been increased, the Consumer Price Index has increased from 136 to 232, or 71 percent. More importantly, the index that actually reflects transportation-related costs, the Construction Cost Index, increased from 4,835 to 9,453, or 96 percent. Hence, the same dollar of HURF in 1991 can now only purchase 51 cents worth of highway improvements.

Transportation Revenue Trends

HURF revenues increased steadily through Fiscal Year FY 2006/07, and nothing in the forecast of future HURF would have predicted the present decline in HURF that is the result of a number of factors. HURF revenues for the Pima County Department of Transportation for road repair and maintenance are now lower than they were 13 years ago. Revenue bonds are unique in that they can only be issued based on the strength of future revenues. The decline in HURF growth, as well as the fund losses associated with legislative sweeps, has made the issuance of future HURF bonds very problematic.

The significant decline in HURF from FY 2007/08 through FY 2011/12 is due to a variety of factors. First, the decline of the national economy in the current Great Recession has stalled economic activity, such as the use of transportation systems and the purchase of fuel (generation of gasoline tax), the primary source of revenue for the HURF.

The very rapid rise in the price of fuel over time has also tempered the purchase and use of gasoline. Over the eight-year period from 2005 to today, the per-gallon price of fuel has nearly doubled.

Third, in response to the rapid rise in fuel cost, vehicle fleet efficiency has increased significantly over the last 10 years. The average new light vehicle fleet fuel efficiency over this period has increased from 19.84 miles per gallon to 23.64 miles per gallon, an increase of 20 percent. This means that the same quantity (or less) fuel can be purchased; but wear and tear on the highway system increases by 20 percent, without a corresponding increase in revenue to operate and maintain the highway system.

Another significant factor in the decline of County HURF revenues in the past few years has been the legislative sweeps of funding where the State of Arizona, to balance their budget, diverted funds from HURF to pay for expenses that normally would have been paid through the State's General Fund. These legislative sweeps have been devastating to local governments' ability to adequately maintain their streets and highways. In Pima County, these legislative sweeps have resulted in an aggregate loss of $37.9 million for highway maintenance and repair.

Transportation Impact Fees

The County adopted transportation impact fees (TIFs) in 1997. Overall, TIFs have raised $109,463,840 through FY 2011/12 for transportation investments in the unincorporated area of Pima County. State law prohibits the use of TIFs on any highway improvements other than capacity improvements, and the roadway must be located in the unincorporated area of Pima County. TIFs have been used productively to augment transportation capacity improvements throughout Pima County; in total, $71,150,070 million have been spent through FY 2011/12.

The methodology for levying and collecting TIFs is highly restricted by state legislation and requires the fees to be deposited in accounts identified for very specific geographic benefit areas in the unincorporated area of Pima County and then allocated only to projects that improve capacity and are approved by the Board of Supervisors. By law, TIFs cannot be spent to repave, resurface or perform pavement preservation on any local street or highway, including arterials, within Pima County.

Insufficient Transportation Funding is Widespread

Transportation funding challenges are not unique to our region. The Maricopa Association of Governments' (MAG) March 29, 2013 Regional Transportation Plan Update cites the same factors adversely impacting revenue that are discussed in the accompanying report and also notes the increased conversion to alternative fuel sources such as electricity and compressed natural gas. The ASCE and MAG reports both indicate many other states face similar funding challenges and are implementing new strategies to increase funding, including increased per-gallon gas taxes and other changes in the calculation of fuel-related fees.

The future of financing the construction, operation and maintenance of transportation systems needs substantial review at the national, state and local levels. New transportation financing strategies must be developed for surface transportation, including highways; air transportation; transit systems; freight and rapid passenger rail systems. While reinventing our transportation financing system is beyond the scope of the attached report, it is very important to recognize that many of our transportation problems, whether due to a of lack of funding for adequate road maintenance; an inability to expand or develop new highway systems; or to provide rapid rail passenger transport, are all tied to a dysfunctional financing support system for this infrastructure component that is essential for economic growth and vitality. A solution to this problem must be the goal of every level of government and will require an unparalleled level of cooperation between governments in the future.

The cost to improve those roads that are rated Failed, Poor or Fair in the aggregate within the unincorporated area of Pima County requires a future investment of $268 million. This is a considerable investment and can only be made over a period of time.

Recommendations

There is no single recommendation that will significantly resolve our existing highway maintenance investment dilemma. We need to focus on the problem using multiple strategies and continue to stress the need for long-term, stable and consistent funding for transportation. This is not a problem unique to Pima County; it is a problem for every local government within our region. Some local government transportation problems are more acute than others and vary directly in proportion to the age of their transportation infrastructure.

The recommendations below, which are discussed more fully in the attached report, are intended to attempt to manage the problem, not solve it. Only comprehensive transportation funding reform will solve the problem.

- Continue the $5 million annual allocation from the General Fund to the Department of Transportation for road maintenance.

- Continue to request that the State Legislature partially or fully return HURF revenues swept since 2002.

- Ask the Arizona Legislature to pass legislation to maintain the one-cent per gallon tax previously earmarked for leaking underground fuel tank remediation and provide the annual revenue from this tax to the state, cities, towns and counties for pavement improvement programs.

- Request that the Arizona Legislature increase the state gas tax by 10 cents to coincide with the 29.7-cents per gallon average gas tax of surrounding states.

- Consider in any new funding initiative, such as renewal of the Regional Transportation Authority tax, a significant allocation of new revenues toward pavement preservation and repair.

- Consider any of the funding options provided to the Board in my April 10, 2012 transportation report.

CHH/mjk

Attachment

Board of Supervisors Memorandum

May 7, 2013

Transportation Funding Report

Table of Contents

I. County Transportation Funding Equity

In Arizona, transportation systems, primarily highways and their construction, operation and maintenance are funded through state-shared revenues known as Highway User Revenue Funds (HURF). HURF are a combination of transportation-related taxes, the largest single component being the gasoline tax, which is currently 19 cents per gallon (including a one-cent tax for environmental remediation of underground storage tanks); and it has not increased since 1991. By comparison, the average tax of surrounding states is 29.7 cents per gallon.

During this 22-year period when gas taxes have not been increased, the Consumer Price Index has increased from 136 to 232, or 71 percent. More importantly, the index that actually reflects transportation-related costs, the Construction Cost Index, increased from 4,835 to 9,453, or 96 percent. Hence, the same dollar of HURF in 1991 can now only purchase 51 cents worth of highway improvements.

HURF are divided between the state, counties, cities and towns. The basic formula is that the state receives approximately 50 percent of HURF; cities and town 30 percent; and counties 20 percent. Of the counties' 20 percent, it has historically been distributed in accordance with the origin of fuel sales, which means each county received their share of HURF in proportion to their share of fuel sales as compared to total statewide fuel sales. This formula for distribution ignored transportation needs and demands and for years heavily weighted distribution of county funds to Maricopa County.

Pima County has always had the largest unincorporated population and, hence, the highest number of highway miles to construct, operate and maintain. Pima County's unincorporated population far outweighs any other county in the State of Arizona, including Maricopa County. Pima County has argued for years that HURF distribution is inequitable to Pima County. Pima County successfully argued in the State Legislature and enacted legislation creating HURF equity among counties by introducing population as a component of the distribution formula. Today, HURF are distributed among the counties based 50 percent on fuel sales and 50 percent on unincorporated population. Table 1 below shows Pima County's total HURF distribution four years before HURF equity legislation in 1997 and four years after. Obviously, HURF equity had a significant impact on the revenues due Pima County to construct, operate and maintain our highways in the unincorporated area.

Table 1 – Pima County HURF Revenue Four Years Before and After 1997 Legislation.

Fiscal Year	HURF/Vehicle License Tax (VLT) Revenues*
1994	$23,859,978
1995	24,208,243
1996	25,764,022
1997	25,611,615
1998	33,445,602
1999	39,535,440
2000	47,699,353
2001	48,317,052

**Data available only as combined HURF and VLT revenues.*

II. <u>Decision to Utilize Revenue Bonds for Transportation in Pima County</u>

Given the historic inequitable distribution of HURF to Pima County, the County developed a very significant backlog in transportation capacity improvements, such as widening existing two-lane roads to multiple-lane highways. This backlog, coupled with the increased flow of HURF from equity legislation, led to the County's decision to bond for highway improvements as a method of catching up with past highway capacity deficiencies.

The one miscalculation in this decision was due to the fact that revenue bonding legislation for counties had not been updated since originally conceived and had been modeled after revenue bonding for cities and towns. In this particular case, even though cities and towns have their own HURF distribution from the state, the statutes allowing for revenue bond elections allowed everyone in Pima County (including cities and towns) to vote on a County revenue bond election that was primarily intended to provide capital improvements in the unincorporated area. This led the City of Tucson to demand a share of County HURF in order to support the County's election. On September 5, 1997, the City, through the Mayor at a press conference, indicated that if the County did not provide sufficient revenues to the City, the City would be unable to support the election.

III. Court Action Necessary to Spend County HURF within Cities and Towns

Even though the statutes allowed cities and town residents to vote in a County HURF bond election, it was unclear and likely illegal for the County to spend County HURF on city streets and highways. In order to do so, the County requested a legal determination through the Arizona Court of Appeals that did provide certainty regarding a process and mechanism the County would need to utilize to ensure the use of County HURF inside cities and towns was legal. This involved the establishment and abandonment process set forth in the statutes that allows the County to establish and maintain one or more highways within or through a city or town. The Court of Appeals Decision is included herein as Attachment A.

IV. Voter Approved 1997 County HURF Bond Program

In November 1997, the voters approved the County's ability to issue County HURF bonds to complete a capital program that distributed the aggregate of $350 million of revenue bonds among 57 projects. The Board of Supervisors passed and adopted the original Bond Implementation Plan (BIP, Attachment B) for the program as Ordinance No. 1997-80. The BIP envisioned building a large number of highway capacity improvements throughout the region, including a number of projects within the City of Tucson. The BIP also specified the approximate timeframe for implementing each project and defined the original proposed scope of each project through the BIP. The BIP has since been amended a number of times to reflect contemporary reality regarding project implementation, decreased flow of HURF and other factors not anticipated at the time of the BIP.

V. Unanticipated Decline in the HURF

Table 2 below shows the 16-year aggregate HURF total fund receipt since 1997. As can be seen, the trend line is positive through Fiscal Year (FY) 2007/08. Nothing in the forecast of future HURF would have predicted the present decline in HURF caused by a number of factors.

Table 2 – Unanticipated Decline in HURF Revenue.

Fiscal Year	HURF Revenue	HURF/VLT Revenue
1997		$25,611,615
1998		33,445,603
1999		39,535,440
2000		47,699,354
2001		48,317,053
2002		47,074,605
2003		48,071,873
2004	$38,425,059	51,334,009
2005	41,755,890	53,878,131
2006	43,291,930	56,936,526
2007	44,606,855	58,637,775
2008	44,060,131	57,847,328
2009	41,209,550	53,906,177
2010	38,739,414	50,535,191
2011	38,973,544	50,459,963
2012	33,664,646	44,889,756

**1997 through 2003 data available only as combined HURF and VLT revenues.*

As can be seen, HURF revenues for the Department of Transportation for road repair and maintenance are now lower than in the Year 2000 – 13 years ago.

Revenue bonds are unique in that they can only be issued based on the strength of future revenues. The decline of HURF growth and even fund losses associated with legislative sweeps has made the issuance of future HURF very problematic.

The significant decline in HURF from FY 2008 through 2012 as indicated in Table 2 above is due to a variety of factors. First, the decline of the national economy in the current Great Recession has stalled economic activity, such as the use of transportation systems and the purchase of fuel (generation of gasoline tax), the primary source of revenue for the HURF.

Second, the very rapid rise in the price of fuel over time has also tempered the purchase and use of gasoline. Over the eight-year period from 2005 to today, the per-gallon price of fuel has nearly doubled (see Figure 1 below).

Figure 1

Third, in response to the rapid rise in fuel cost, vehicle fleet efficiency has increased significantly over the last 10 years. The average new light vehicle fleet fuel efficiency over this period has increased from 19.84 miles per gallon to 23.64 miles per gallon, an increase of 20 percent. This means that the same quantity (or less) fuel can be purchased, but wear and tear on the highway system increases by 20 percent, without a corresponding increase in revenue to operate and maintain the highway system.

Most of the previous factors are due to free market economic conditions and could not have been anticipated or controlled. One of the most important factors in the decline of County HURF revenues in the past few years has been the legislative sweeps of funding where the State of Arizona, to balance their budget, diverted funds from HURF to pay for expenses that normally would have been paid through the State's General Fund. These legislative sweeps have been devastating to local governments' ability to adequately maintain their streets and highways. In Pima County, these legislative sweeps have resulted in an aggregate loss of $37.9 million for highway maintenance and repair.

Table 3 below shows the amounts of these legislative sweeps each year for the past 12 years.

Table 3. Legislative Sweeps, 12-year History.

Fiscal Year	Amount Swept
2002	$ 616,289
2003	1,114,001
2004	1,583,290
2005	2,012,825
2006	4,663,683
2007	3,882,919
2008	3,358,184
2009	2,900,363
2010	3,488,483
2011	2,596,771
2012	7,983,212
2013*	3,734,865
Total	**$37,934,884**

**Projected*

In summary, our ability to adequately and timely implement the 1997 HURF bond program, as well as adequately maintain our streets and highways, has been adversely impacted by economic conditions at the national, state and local levels. Rapidly rising fuel prices responding to market conditions, increased vehicle fleet efficiency resulting in fewer gallons of gasoline purchased for taxation, and legislative sweeps at the state level to balance the state budget have all combined to significantly impact the implementation of the 1997 County bond program for transportation and adversely impacted our highway maintenance program.

Transportation funding challenges are not unique to our region. The Maricopa Association of Governments' (MAG) March 29, 2013 Regional Transportation Plan Update cites the same factors adversely impacting revenue that are discussed in this report and also notes the increased conversion to alternative fuel sources such as electricity and compressed natural gas. The MAG report indicates other states face similar funding challenges and are implementing new strategies to increase funding, including:

- Washoe County, Nevada indexes federal, state and local gas taxes to keep revenue in the county;
- In Virginia, a bill awaits the Governor's signature that would, among other actions, replace the cents-per-gallon gas tax with a percentage tax;

- Wyoming has increased its gas tax from 14 to 24 cents per gallon effective July 1, 2013, and localities will receive one third of the revenue;
- Maryland reduced its per-gallon tax but now indexes it to inflation;
- New Hampshire has legislation pending that would raise the gas tax and use casino revenues to fund roads and bridges; and
- Oregon has legislation pending that would require per-mile fees for high-efficiency vehicles after 2015.

VI. Status of the 1997 HURF Bond Program

Despite the challenges of inadequate revenues to support the HURF bond program, there has been significant and substantial progress made in implementing the program. Attachment C contains graphic representation of the status of the various 1997 HURF bond projects. Also shown are 92 separate DOT-57 safety projects. A list of projects improved or planned for improvement under DOT-41, which is a category created previously by a reallocation by the Board of Supervisors, is also included in Attachment C.

In total, 82 percent of projects listed have been completed or are under construction, excluding two programs. The two programs, DOT-41 Neighborhood Transportation Improvements and DOT-57 Safety Improvements, have 91 projects completed or under construction. This represents almost $250 million of HURF revenue bonds expended to date. In essence, the 1997 bond program is nearly complete.

Expenditures of these bond programs in many cases have been matched by other revenues, either by transportation impact fees of the County or Regional Transportation Authority (RTA) funding. To date, the expenditure of $246 million in revenue bonds has attracted or been matched by an equal expenditure of other funds. It is forecasted that when complete, the $350 million in revenue bonds will have attracted or been matched by an estimated $561 million in other funds.

While most of the program has been completed or is currently under construction, a number of projects remain to be implemented. Six projects are under development and five others are shown as future projects. Four of the five projects under development are now RTA projects within the City of Tucson and require County allocation of bond funds to the City. Some of the City of Tucson projects are presently being contested, i.e., widening of Broadway Boulevard. Others are being constructed in phases and substantially supplemented with RTA funding, such as Houghton Road, Grant Road and 22nd Street. The County will continue to meet these obligations, while at the same time work to complete the essential components of the original program.

The two remaining County projects under development are DOT-50 and DOT-53. DOT-53 involves the improvement of the Kinney Road/Ajo Highway intersection. Starting in FY 2013/14, the Arizona Department of Transportation (ADOT) will be improving Ajo Highway, including the intersection. It is proposed that this bond project be modified through the bond ordinance amendment process to modify the scope so that County bond funds can be provided to ADOT for the rebuilding of the intersection. DOT-53, the Old Nogales Highway project in the area of the Summit Neighborhood, is under development. The County is proposing to relocate this intersection approximately 1/8 mile to the south to allow for the construction of perpendicular approaches to the intersection. The new intersection will be named Nogales Highway/Old Vail Connection. The project will require a new railroad crossing to be constructed by the County. Construction is scheduled to begin in FY 2014/15.

Five other projects remain to be completed and are shown on the attached maps as future projects, even though portions of them may have already been improved. These are portions of Cortaro Road, Thornydale Road, Orange Grove Road, Kolb Road, and Mainsail Boulevard/Twin Lakes Drive in Catalina.

A portion of Cortaro Road (DOT-18) has been improved through the County's allocation of bond funds to the Town of Marana. However, a segment of Cortaro Road from Camino de Oeste to Thornydale Road remains to be completed. Due to limited bond funding, a bond ordinance amendment is being proposed that would acknowledge that only the design of this segment can be completed with bond funding and that additional non-bond funds would be needed for construction.

A significant component of Thornydale Road has already been improved from Orange Grove Road to Cortaro Farms Road. The segment from Cortaro Farms Road to Linda Vista Boulevard (DOT-23) remains to be completed. This project was original stalled due to the endangered species listing of the cactus ferruginous pygmy-owl. This species has since been delisted by the US Fish and Wildlife Service, and the project should resume. However, it appears there is not enough bond funding available to complete design and construction. It may be necessary in the future to consider amending the bond ordinance to acknowledge this constraint.

Orange Grove Road is being improved in segments. The most recent segment improvement (DOT-44b) was recently bid, and an award of contract is anticipated to be before the Board of Supervisors on April 16, 2013, with construction to start this summer. This will improve and widen Orange Grove Road from Camino de la Tierra Road to La Cholla Boulevard. The segment of Orange Grove Road from La Canada to Oracle is scheduled for construction soon. These improvements include left turn lanes and bike lanes to be funded under the DOT-57 Safety program.

Kolb Road from Sabino Canyon Road to Sunrise Drive (DOT-32) remains to be completed and continues to be delayed due to reduced HURF allocations.

Similarly, DOT-24, Mainsail Boulevard and Twin Lakes Drive in the vicinity of Twenty-Seven Wash in Catalina, remains to be completed and continues to be delayed due to reduced HURF allocations. An assessment of the needs in this area found that traffic demands are lower than anticipated and would likely not occur at the levels expected over the next 20 years. The recommendation was to perform as-needed, site-specific improvements for drainage and safety issues. Sometime in the future it may be prudent to amend the scope of this project in the bond ordinance.

VII. Possible Future HURF Bond Programs and Need for National Policy Attention to Finance Transportation Improvements

Given the statutory imbalance regarding who is permitted to vote for HURF programs and the decline of revenue source for transportation purposes, it is highly likely there will not be future HURF revenue bond programs. The future of financing the construction, operation and maintenance of transportation systems needs substantial review at the national, state and local levels.

The November 13, 2012 Economic Development Action Plan approved by the Board of Supervisors contained a section on significant and important future issues that need to be resolved. One item was the long-term future of transportation funding. The section in the Economic Development Action Plan that covered this issue applies today and is restated below.

A. Developing New Investment Strategies for Transportation Systems

A vibrant economy and real growth in economic activity are the result of a variety of factors related to available capital, innovation, financial systems and supporting infrastructure.

One of the essential components of infrastructure support systems is now threatened by disinvestment. In a September 17, 2012 New York Times article, an in-depth analysis of transportation funding indicated traditional methods of financing transportation infrastructure that have been in place for 60 years or longer are no longer capable of producing the revenues to support these systems, let alone expand or adequately maintain them.

New transportation financing strategies must be developed for surface transportation, including highways; air transportation; transit systems; freight and rapid passenger rail systems. While reinventing our transportation financing system is beyond the scope of this economic development report, it is very *important to recognize that many of our transportation problems; whether due to a of lack of funding for adequate road maintenance, inability to expand or develop new highway systems, or to provide rapid rail passenger transport; are all tied to a dysfunctional financing support system for this infrastructure component that is essential for economic growth and vitality.*

A solution to this problem must be the goal of every level of governmental jurisdiction and will require an unparalleled level of cooperation between governments in the future.

Recently, the American Society of Civil Engineers (ASCE) released a report card rating America's infrastructure in 2013. This report indicates significant poor grades for most of America's infrastructure, including roads. Roads received an overall "D rating;" generally inadequate and requiring a significant investment.

Fifty-two percent of Arizona roads were rated in poor to mediocre condition, and driving on these poor roads costs Arizona motorists almost $887 million per year in vehicle repair and operating costs, or approximately $205 per motorist. In Pima County, this would equate to $143 million based on the number of licensed motorists. The report also noted that Arizona's gas tax, one of the lowest in the nation at 19 cents per gallon, has not increased in 22 years. Table 4 below charts the history of Arizona's gas tax increases since its inception in 1921.

Table 4 – Arizona Motor Fuel/Gas Tax History.

Year	Gas Tax Rate
1921	$0.01
1923	0.03
1927	0.04
1931	0.05
1963	0.06
1965	0.07
1974	0.08
1982	0.10
1983	0.12
1984	0.13
1986	0.16
1988	0.17
1991	0.18

Source: ADOT

The additional one-cent tax not reflected above funds the Arizona Department of Environmental Quality's Underground Storage Tank (UST) Assurance Account. This account, also known as the State Assurance Fund (SAF), was established in 1990 to clean up leaking underground fuel storage tanks. However, since 2004, the Arizona Legislature has passed legislation that swept much of the UST revenue to help balance the state budget. The SAF and the accompanying one-cent per gallon excise tax will sunset on December 31, 2013.

The ASCE 2013 report card also indicates current investment trends are doing little to improve roadway conditions and may result in a decrease of conditions and performance. "With each passing year, the economic cost of underfunding maintenance and repair produces a mounting burden on our economy and increases costs to make improvements."

New transportation financing strategies must be developed for surface transportation, including highways; air transportation; transit systems; freight and rapid passenger rail systems. While reinventing our transportation financing system is beyond the scope of this report, it is very important to recognize that many of our transportation problems, whether due to a of lack of funding for adequate road maintenance, an inability to expand or develop new highway systems; or to provide rapid rail passenger transport, are all tied to a dysfunctional financing support system for this infrastructure component that is essential for economic growth and vitality. A solution to this problem must be the goal of every level of government and will require an unparalleled level of cooperation between governments in the future.

VIII. Debt Repayment Structure of the 1997 HURF Program

Of the $350 million bonds authorized in 1997, $260.6 million have been sold and issued. $122.5 million have been repaid, and the current repayment structure is shown in Attachment D. Future bond sales must be carefully structured, given the current weak status of the HURF flow. The maximum debt period of HURF-issued bonds is 15 years, and the first $90 million of authorization was limited to a 10-year repayment structure; hence, there will be a time in the future when the program will be completed, bonds will be repaid and the full flow of HURF funds to the County can be used to construct, operate and maintain only those highways in the unincorporated area.

IX. Development Impact Fees and their Use in Transportation System Investment

The County adopted transportation impact fees (TIFs) in 1997. These fees originally were adopted at $1,550 per single family residence. These fees have steadily risen over the years to $5,199 per single family residence on average. Overall, TIFs have raised $109,463,840 through FY 2011/12 for transportation investments in the unincorporated area of Pima County. State law prohibits the use of TIFs on any highway improvements other than capacity improvements, and the roadway must be located in the unincorporated area of Pima County. TIFs have been used productively to augment transportation capacity improvements throughout Pima County. In total, $71,150,070 million have been spent through FY 2011/12. The methodology for levying and collecting TIFs is highly restricted by state legislation and requires the fees to be deposited in accounts identified for very specific geographic benefits areas in the unincorporated area of Pima County and then allocated only to projects that improve capacity and are approved by the Board of Supervisors. To date, Table 5 below shows the various benefit areas identified in Pima County and the fund balances of TIFs collected for specific capacity improvements in these geographically identified benefit areas.

Table 5 – TIF Collections and Balances by Benefit Area.

Benefit Area	Collections through FY12 (including interest earned)	Expenditures through FY12	Balance
Altar Valley	$ 713,155	—	$ 713,155
Avra Valley	12,724,945	$776,132	11,948,813
Catalina Foothills	11,200,337	9,805,642	1,394,695
Canyon del Oro	18,225,327	14,930,677	3,294,650
Mountain View	11,170,847	2,505,784	8,665,063
Rincon Valley	14,702,151	13,729,135	973,016
San Xavier	16,398,854	12,105,289	4,293,565
Santa Cruz	11,966,797	10,846,199	1,120,598
Silverbell — Tortolita	5,533,633	3,152,828	2,380,805
Southwest	973,662	—	973,662
Tucson Mountains	5,854,132	3,298,384	2,555,748
TOTALS	**$109,463,840**	**$71,150,070**	**$38,313,770**

By law, TIFs cannot be spent for highway maintenance purposes. Hence, TIF cannot be spent to repave, resurface or perform pavement preservation on any local street or highway, including arterials, within Pima County.

X. Funding Obligations of Maintenance Deficiencies in the County Transportation System

Not unlike most local governments that are now new communities, the transportation system in the unincorporated area of Pima County requires serious maintenance reinvestment. The reinvestment is needed for a variety of reasons and is acutely evident in the poor condition of many of our local street and highway pavement surfaces. The County has begun to reinvest in pavement resurfacing and rehabilitation through the allocation of $10 million from the County General Fund in FY 2012/13. These allocations will not be required to be repaid to the County General Fund. Further, a recurring allocation of $5 million annually from the General Fund will be made by the County beginning in FY 2013/14 and for the foreseeable future.

The County Transportation Department has developed a conditions assessment for all of the paved roadways within each supervisorial district that are under the jurisdiction of the County. These roadway conditions are shown for each district in Table 6 below.

Table 6: Paved Roadways Condition Assessment by Supervisorial District.

District	Condition	Miles	Percentage
1	Failed	84	15.0
	Poor	316	56.5
	Fair	57	10.3
	Good	58	10.3
	Very Good	44	7.9
	Total	**558**	**100.0**
2	Failed	21	18.6
	Poor	37	32.3
	Fair	17	14.9
	Good	21	18.1
	Very Good	18	16.1
	Total	**115**	**100.0**
3	Failed	116	21.5
	Poor	245	45.4
	Fair	53	9.8
	Good	52	9.6
	Very Good	74	13.7
	Total	**538**	**100.0**

4	Failed	66	13.0
	Poor	231	45.6
	Fair	70	13.8
	Good	61	12.1
	Very Good	79	15.6
	Total	**506**	**100.0**
5	Failed	21	16.5
	Poor	67	54.0
	Fair	14	11.0
	Good	17	13.4
	Very Good	6	5.2
	Total	**125**	**100.0**

A further refinement showing local roads and major roads by supervisorial district is shown in Table 7 below.

Table 7: Paved Roadways Condition Assessment by Supervisorial District.

Local Roads

District	Failed	%	Poor	%	Fair	%	Good	%	Very Good	%	Total	%
1	68	16	256	61	47	11	27	7	19	5	418	100
2	15	22	21	31	4	6	13	19	14	21	67	100
3	38	13	133	46	32	11	33	11	51	18	287	100
4	37	16	205	61	33	11	37	7	0	5	312	100
5	14	16	52	58	4	4	16	18	4	4	90	100
Totals	**172**	**16**	**667**	**58**	**120**	**4**	**126**	**18**	**88**	**4**	**1,174**	**100**

Major Roads

District	Failed	%	Poor	%	Fair	%	Good	%	Very Good	%	Total	%
1	20	13	63	43	12	8	31	21	21	15	147	100
2	9	18	16	32	13	26	9	18	3	6	50	100
3	83	31	121	46	23	9	19	7	18	7	264	100
4	40	18	47	43	30	8	27	21	46	15	190	100
5	6	19	19	59	3	9	1	3	3	9	32	100
Totals	**158**	**18**	**266**	**43**	**81**	**8**	**87**	**21**	**91**	**15**	**683**	**100**

Our Transportation Department has developed large wall maps for each supervisorial district that show the condition assessment for local and major roads.

The average cost per mile to repair deteriorated roadways varies widely based on their condition as shown below in Table 8. As expected, it is much less expensive to repair a roadway in good or fair condition than it is to repair a roadway that is in poor or failed condition.

Table 8: Pavement Preservation/Rehabilitation Types and Costs.

Treatment Types	Type of Road Condition	Cost Per Mile (26 feet wide)
Minor seal coat (fog)	Good	$ 15,250
Major seal coat (chip, slurry, micro)	Fair	53,375
Asphalt paving (overlay or mill/fill)	Poor/Failed	213,500

To determine a rough cost estimate of bringing all roadways up to a "good" standard, the average cost per mile is multiplied by the number of miles of roadways in fair, poor and failed condition. These costs are shown by supervisorial district in Table 9 below.

Table 9: Roadway Condition Improvement Cost Estimates.

District	Condition	Miles	%	Cost per mile	Cost per Type	Cost per District
1	Failed	84	15.0	$213,500	$17,870,367	
	Poor	316	56.5	213,500	67,372,740	
	Fair	57	10.3	53,375	3,067,909	
	Good	58	10.3			
	Very Good	44	7.9			
Totals for District 1		**558**	**100.0**			**$88,311,016**
2	Failed	21	18.6	$213,500	$4,558,322	
	Poor	37	32.3	213,500	7,895,985	
	Fair	17	14.9	53,375	909,885	
	Good	21	18.1			
	Very Good	18	16.1			
Totals for District 2		**115**	**100.0**			**$13,364,191**
3	Failed	116	21.5	213,500	$24,746,075	
	Poor	245	45.4	213,500	52,244,933	
	Fair	53	9.8	53,375	2,809,987	
	Good	52	9.6			
	Very Good	74	13.7			
Totals for District 3		**538**	**100.0**			**$79,800,994**

4	Failed	66	13.0	213,500	$14,055,030	
	Poor	231	45.6	213,500	49,242,542	
	Fair	70	13.8	53,375	3,715,180	
	Good	61	12.1			
	Very Good	79	15.6			
Totals for District 4		**506**	**100.0**			**$67,012,752**
5	Failed	21	16.5	213,500	$ 4,392,330	
	Poor	67	54.0	213,500	14,384,902	
	Fair	14	11.0	53,375	733,383	
	Good	17	13.4			
	Very Good	6	5.2			
Totals for District 5		**125**	**100.0**			**$19,510,615**
TOTAL COST						**$267,999,569**

The cost to improve those roads that are rated Failed, Poor or Fair in the aggregate within the unincorporated area requires a future investment of $268 million. This is a considerable investment and can only be made over a period of time. Recent action by the Board of Supervisors to invest approximately $20 million in highway pavement preservation and repair has taken care of less than 10 percent of the problem. As I discussed earlier in this report, highway funding for the last 20 years or more has not kept pace with demand or inflation. Twenty-two years is too long a time period to effectively ignore transportation investment obligations.

XI. Recommendations

There is no single recommendation that will significantly resolve our existing highway maintenance investment dilemma. We need to focus on the problem using multiple strategies and continue to stress the need to reach long-term, stable and consistent funding for transportation. This is not a problem unique to Pima County; within our region it is a problem for every local government. Some local government transportation problems are more acute than others and vary directly in proportion to the age of their transportation infrastructure.

The following recommendations are intended to attempt to manage the problem, not solve it. Only comprehensive transportation funding reform will solve the problem.

1. Continue to allocate $5 million annually from the General Fund to the Department of Transportation for road maintenance.

2. Continue to request that the State Legislature partially or fully return to Pima County the $38 million in HURF revenues that have been swept since 2002.

3. Request that the Arizona Legislature pass legislation to maintain the one-cent per gallon excise tax previously earmarked for the USTAA and provide the estimated annual revenue of $29 million from this tax to the state, cities, towns and counties for pavement repair and maintenance. This program has existed since 1990, and regulatory and technological advances should diminish the magnitude of the underground storage tank problem. In addition, the concept that the polluter should pay, not the gas tax payer, means that gas taxes diverted to this program over the last 23 years should now be used to allow the state, cities and towns, as well as counties, to better maintain their highways for the public – the individuals who pay the tax.

4. Request that the Arizona Legislature increase the state gasoline tax by 10 cents to coincide with the 29.7-cents per gallon average gasoline tax of surrounding states. While gas tax increases are not likely to be popular, they are necessary. The state, cities and towns, as well as counties, cannot maintain, build or improve their transportation systems on thin air. The conservative state of Wyoming increased their gas tax by 10 cents effective July 2013. We should have the courage to do the same, as this will significantly improve economic opportunities within our region. As noted previously is this report, surrounding states have a total average state gas tax of 29.7 cents per gallon.

5. Consider in any new funding initiative such as renewal of the Regional Transportation Authority tax, a significant allocation of new revenues toward pavement preservation and repair in an amount not less than $500 million to be distributed in accordance with assessed value, population or a combination thereof among the various local governments maintaining and operating streets and highways in Pima County.

6. Consider any of the funding options I provided to the Board in my April 10, 2012 report (Attachment E).

Respectfully submitted,

C. Huckelberry

C.H. Huckelberry
County Administrator

CHH/mjk – April 10, 2013

Attachments

c: Martin Willett, Chief Deputy County Administrator
John Bernal, Deputy County Administrator for Public Works
Priscilla Cornelio, Transportation Director
Steve Christy, District 2 Member, Arizona State Transportation Board
Cherie Campbell, Interim Executive Director, Pima Association of Governments and Regional Transportation Authority
Ronald Shoopman, President, Southern Arizona Leadership Council
Michael Varney, President and CEO, Tucson Metro Chamber
Michael Racy, Racy Associates, Inc.

ATTACHMENT A

IN THE COURT OF APPEALS

STATE OF ARIZONA

DIVISION TWO

CITY OF TUCSON, a municipal corporation, Plaintiff/Appellee, v. PIMA COUNTY, a body politic; RAUL GRIJALVA, MIKE BOYD, RAY CARROLL, SHARON BRONSON and DAN ECKSTROM, as Members of the Pima County Board of Supervisors, Defendants/Appellants.	)	2 CA-CV 97-0135 DEPARTMENT B OPINION

APPEAL FROM THE SUPERIOR COURT OF PIMA COUNTY

Cause No. 320864

Honorable Michael Alfred, Judge

VACATED

Barbara LaWall, Pima County Attorney

By Katharina Richter Tucson

Attorneys for Defendants/Appellants

Thomas J. Berning, City Attorney

By Thomas J. Berning and Tobin Rosen Tucson

Attorneys for Plaintiff/Appellee

Shelley & Bethea, P.L.C.

By J. LaMar Shelley Mesa

Attorneys for Amicus Curiae League of Arizona Cities and Towns

---

H O W A R D, Judge.

Pima County appeals the trial court's judgment in favor of the City of Tucson, which declared that A.R.S. § 11-371 authorizes the County to issue Highway User Revenue Fund (HURF) revenue bonds for projects within incorporated areas of the County without restriction. We vacate the court's judgment.

The state collects fuel and vehicle taxes, vehicle registration and license fees, and other transportation-related revenues and places them in the HURF. A.R.S. § 28-6533 (formerly § 28-1598(A)).[1] Pursuant to a comprehensive distribution scheme, the legislature divides HURF monies among the state highway fund, the counties, incorporated cities and towns, and other transportation-related agencies and funds. A.R.S. §§ 28-6534 through 28-6546 (formerly § 28-1598). The bulk of the monies is distributed, approximately, as follows: 50% to the state highway fund, 20% to the counties, and 30% to incorporated cities and towns. § 28-6538(A) (formerly § 28-1598(D)). Each city and county is allocated its share of the total city or county money pursuant to another statutory formula. § 28-6540(2) and (3) (formerly § 28-1598(E)).

Section 11-371, A.R.S., gives counties authority to issue HURF revenue bonds [2] as follows:

A county, in addition to other powers conferred upon it by law, may borrow money and issue bonds for the purpose of improvement, construction, reconstruction, acquisition of rights-of-way or maintenance of county streets and highways.

Title 11, article 12, dealing with "Street and Highway Improvement Bonds," does not define "county streets and highways." Incorporated cities and towns have identical authority to issue HURF revenue bonds for municipal streets and highways. A.R.S. § 48-681.

Prior to this litigation, the Pima County Attorney issued an opinion stating that § 11-371 limits the use of County HURF revenue bonds to those streets and highways constructed and maintained by the County and located outside incorporated areas of the County. The City argued below, and the trial court ruled, that § 11-371 does not geographically limit HURF revenue bond projects, as long as the streets and highways are within the County.

We review de novo the interpretation of a statute. *Turf Paradise, Inc. v. Maricopa County*, 179 Ariz. 337, 878 P.2d 1375 (App. 1994). In construing a statute, we attempt to determine and give effect to the legislature's intent, *Lewis v. Arizona Department of Econmic Security*, 186 Ariz. 610, 925 P.2d 751 (App. 1996), and consider "the statute's context; its language, subject matter, and historical background; its effects and consequences; and its spirit and purpose." *Hayes v. Continental Ins. Co.*, 178 Ariz. 264, 268, 872 P.2d 668, 672 (1994).

The City argues that, notwithstanding any other language in the statute, the phrase "in addition to other powers conferred upon it by law" expands the potential use of County HURF bond funds to streets and highways within incorporated areas. We disagree. We note that § 48-681, which regulates the City's authority to issue HURF revenue bonds, contains identical language. The phrase in both statutes simply means §§ 11-371 and 48-681 do not prohibit the County and City from issuing other bonds unrelated to HURF monies or taking other legally authorized action in addition to using bonds to improve streets.

In its brief, the City further argues that "county streets and highways" means any street or highway within the County, whether within an incorporated city or not. At oral argument, without abandoning its original position, the City suggested a more limited approach: in determining when County HURF revenue bonds may be used for projects within incorporated areas, § 11-371 should be read in conjunction with other statutes relating to the establishment of county highways.

In examining the language of the statute, we presume the legislature included the word "county" in § 11-371 for some purpose and not as mere surplusage. *Adams v. Bolin*, 74 Ariz. 269, 247 P.2d 617 (1952). If the legislature did not intend to limit the use of County HURF revenue bonds in any way, it would not have needed to insert "county" before "streets and highways." Clearly, a county cannot exercise its powers beyond its borders. *See, e.g.*, A.R.S. § 11-201; *Associated Dairy Products v. Page*, 68 Ariz. 393, 209 P.2d 1041 (1949). The legislature, therefore, must have intended "county" in § 11-371 to act as a limitation on the types of streets and highways within the County that are covered by the statute.

We construe together statutes on the same subject matter. *State ex rel. Larson v. Farley*, 106 Ariz. 119, 471 P.2d 731 (1970). Section 11-371 authorizes counties to issue HURF revenue bonds for projects on county streets and highways, and § 48-681 authorizes cities to issue HURF revenue bonds for projects on municipal streets and highways. In view of the legislature's comprehensive distribution of HURF funds, the legislature, by differentiating between projects for which the County or City can use HURF revenue bonds, has indicated an intention that the two entities use their HURF revenue bonds on different types of projects.

The County relies on the definition of "county highway" in A.R.S. § 28-101(12) (formerly § 28-101(14)) as a "public road constructed and maintained by a county." Adopting this definition would be consistent with the general distribution of authority between counties and cities. *See, e.g.*, *Lake Havasu City v. Mohave County*, 138 Ariz. 552, 675 P.2d 1371 (App. 1983) (county board of health's jurisdiction limited to area within county but outside city's corporate limits); A.R.S. § 40-283 (use of highways by public utilities not within any incorporated city or town is regulated by county board of supervisors). The definitions in § 28-101, however, apply "[i]n this title [28]." Since § 11-371 is part of Title 11, the definition in § 28-101(12) is not determinative of the issue.

The City argues that § 11-371 incorporates Article IX, § 14 of the Arizona Constitution, which does not restrict the use of HURF funds to county highways, but rather, limits the use of HURF funds by counties and incorporated cities and towns to:

highway and street purposes including costs of rights of way acquisitions and expenses related thereto, construction, reconstruction, maintenance, repair, roadside development, of county, city and town roads, streets, and bridges and payment of principal and interest on highway and street bonds.

Similarly, § 28-1598(A) provides in part that "[t]he revenues in the Arizona highway user revenue fund shall only be expended for the purposes prescribed in article IX, § 14, Constitution of Arizona." According to the City, it would be inconsistent to allow the use of general county HURF funds on city streets,[3] but restrict the use of County HURF revenue bonds to highways constructed and maintained by a county. That the legislature specifically used limiting words with reference to HURF revenue bonds in § 11-371 and not as to general HURF funds, however, bolsters the argument that it intended to limit the use of revenue bonds. Further, Article IX, §14 does not require that HURF funds be expended for all listed projects; it limits the overall expenditure of HURF funds to the listed projects. Section 11-371, therefore, does not conflict with the constitutional provision.

The legislature has demonstrated its intended allocation of HURF funds between the counties and cities by enacting a complex, comprehensive distribution scheme and revising it frequently. Taken to its extreme, the City's original interpretation would allow County HURF revenue bond funds to be used for projects on state roads and interstate highways within the county. It is unlikely the legislature intended such a result. Imposing some limitation on the use of County HURF revenue bonds, therefore, preserves the legislature's calculated and considered allocation.

The City also argues that two other statutes include streets in incorporated areas in the county system and, therefore, within the § 11-371 definition of "county streets and highways." First, the City cites A.R.S. § 28-6707(A) (formerly § 18-208), which states:

The part of a highway located in an incorporated city or town may be constructed, improved or maintained through cooperation under this article in the same manner as if it were located outside an incorporated city or town.

Section 28-6707 must be read, however, in conjunction with other provisions in that article. *Sandblom v. Corbin*, 125 Ariz. 178, 608 P.2d 317 (App. 1980). Section 28-6701(A), A.R.S., provides that "[t]he board of supervisors may establish . . . a highway in the county and other legal subdivisions . . . ." It then provides for a petition process, which must be followed to establish the highway. A.R.S. §§ 28-6701(B) through 28-6704. Counties also may "lay out" county highways pursuant to § 11-251(4) for eminent domain purposes. *Maricopa County v. Anderson*, 81 Ariz. 339, 344, 306 P.2d 268, 371 (1957) (§ 28-6707 is not "the exclusive method by which boards of supervisors may establish county highways and condemn property therefor"). These statutes specifically allow part of a county highway to be in other legal subdivisions, such as incorporated cities within the county. Highways established pursuant to these statutes, therefore, are county highways under § 11-371, whether within or without an incorporated area, and County HURF revenue bonds may be used for such projects.

The City next asserts that the County may designate a city street as a county highway pursuant to § 28-7049, which provides:

A. If the streets of an incorporated city or town form necessary or convenient links for the connection of sections of state highways or state routes, or for carrying the state highways or state routes through the city or town, the director and the governing body of the city or town, in the case of state highways, or the board of supervisors and the governing body of the city or town, in the case of state routes, may agree that the streets are deemed state highways or county highways, respectively.

B. The agreement shall provide for maintenance of the streets classified pursuant to this section.

If streets of an incorporated city or town are properly designated as county highways pursuant to § 28-7049 and the other provisions of that article, they fit within the language of § 11-371. The County claims that § 28-7049(B) limits the statute to maintenance agreements on these streets. We disagree. Although subsection B requires that a maintenance agreement be part of any such designation, it does not limit the designation in subsection A solely to maintenance.

We hold, therefore, that, with regard to the use of County HURF revenue bonds for projects within incorporated areas, Pima County is authorized, but not required, to use County HURF revenue bonds: (1) for those parts of county highways, created pursuant to §§ 28-6701 through 6704 or 11-251(4), that lie within the boundaries of an incorporated city or town, in accordance with §

28-6707 and (2) on city streets lawfully designated as county highways pursuant to A.R.S. § 28-7049. Pima County is not permitted, however, to use HURF revenue bonds for other projects within the boundaries of an incorporated city or town.

Both parties have advanced cogent policy arguments to support their positions. The County argues that allowing County HURF revenue bonds to be used within incorporated areas encumbers its future stream of HURF revenue, over which it has no control. The legislature or the economy could reduce that revenue stream and leave the County without unencumbered HURF funds for future projects. This is different, the County argues, than general obligation bonds, which the County can pay by raising taxes. The City argues that the legislature has expressed a preference for regional planning and that citizens of incorporated areas are citizens of the County and are entitled to receive the full benefit of the County's HURF funds. While each argument is persuasive, we decide this case based on the language of § 11-371, read in conjunction with the other relevant statutes discussed above. Any changes in that language or imposition of express restrictions on use of County HURF revenue bonds must be left to the legislature.

The judgment of the trial court is vacated.

____

JOSEPH W. HOWARD, Judge

CONCURRING:

____

JOHN PELANDER, Presiding Judge

____

PHILIP G. ESPINOSA, Judge

1. Effective October 1, 1997, A.R.S. Titles 2 (Aeronautics), 18 (Highways and Bridges), and 28 (Transportation) were repealed, and a new Title 28 was added. 1995 Ariz. Sess. Laws, ch. 132, amended by 1996 Ariz. Sess. Laws, ch. 76. Our citations are to the new statutes with a reference to the repealed statutes when applicable. The language of the new statutes does not change our legal conclusion.

2. Principal and interest on bonds issued pursuant to § 11-371 must be paid with HURF monies. A.R.S. §§ 11-373(A)(4), 11-377(D).

3. We have not been asked to, and do not, decide the propriety of the County's use of general HURF funds on streets in incorporated areas.

ATTACHMENT B

F. ANN RODRIGUEZ, RECORDER
RECORDED BY: GIM
DEPUTY RECORDER
2721 ROOB
P0230
PIMA CO CLERK OF THE BOARD

TUCSON AZ 85701

THE SEAL OF PIMA COUNTY ARIZONA

DOCKET: 10658
PAGE: 1071
NO. OF PAGES: 50
SEQUENCE: 97174807
10/24/97
ORDIN 14:48:00

PICKUP
AMOUNT PAID $ 25.50

10

ORDINANCE NO. 1997 - 80

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA ADOPTING THE TRANSPORTATION BOND IMPROVEMENT PLAN FOR THE NOVEMBER 4, 1997 SPECIAL BOND ELECTION

29.

154-97

Tables

Transportation Bond Improvement Plan
November 4, 1997 Special Election

ORDINANCE NO. **1997 - 80**

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA ADOPTING THE TRANSPORTATION BOND IMPROVEMENT PLAN FOR THE NOVEMBER 4, 1997 SPECIAL BOND ELECTION

Be it ordained by the Board of Supervisors of Pima County, Arizona, as follows:

I. Purpose

The purpose of this ordinance is to comply with Chapter 3.06 of the Pima County Code regarding bonding disclosure, accountability and implementation. On August 5, 1997, the Board of Supervisors adopted Resolution No. 1997 - 152 ordering and calling a special election on November 4, 1997, asking voter authorization to issue $350 million in transportation revenue bonds secured by the County's annual Highway User Revenue Fund (HURF) revenues. This Transportation Bond Improvement Plan sets forth the particulars regarding each project proposed to be constructed, setting forth the amount of bond funds to be allocated to each project, along with an estimated time frame for implementing the particular project.

This Transportation Bond Improvement Plan shall become effective only if a majority of voters casting ballots in the November 4, 1997 special election authorize the issuance of bonds. In the event the electorate votes to not authorize issuance of the proposed transportation revenue bonds, Ordinance No. 1997 - 80 shall no longer be in force.

II. Schedule of Bond Sales, Debt Retirement Schedule, and Tax Impact of Issuing $350 Million in New HURF Transportation Revenue Bonds

A. Schedule of Bond Sales

The total value of HURF revenue bonds being submitted to the voters for approval is $350 million. If approved by the voters, six sales of revenue bonds in aggregates of $60 million to $50 million will be scheduled, beginning in early 1998. All projects should be completed within twelve years from the date of voter authorization. Shown below is a schedule of $60 million sales.

Table 1

Proposed Schedule of Transportation Revenue Bond Sales

Date of Sale	Amount of Sale	Cumulative Total
January 1998	$60,000,000	$ 60,000,000
January 2000	60,000,000	120,000,000
January 2002	60,000,000	180,000,000
January 2004	60,000,000	240,000,000
January 2006	60,000,000	300,000,000
January 2008	50,000,000	350,000,000

32

B. Debt Retirement Schedule

The firm of Rauscher Pierce Refsnes, Inc. prepared the following analysis of a debt retirement schedule for a $350 million revenue bond program. In preparing its analysis, the firm relied upon the following assumptions: 1) five sales in aggregates of $60,000,000 occurring every two years, with the last sale being for $50,000,000; 2) ten year maturity on all bonds sold; 3) an interest rate of 6.5 percent; 4) an aggressive retirement of principal in the early years to keep interest payments to a minimum; and 5) bond debt period will be limited to ten years to minimize the amount of interest paid for debt service. Limiting the term of bond debt to 10 years rather than the more customary 15 years will reduce total interest payments by 37 percent.

Table 2

Bond Payment Requirements

Fiscal Year	Total Debt Service
1998/99	$ 13,250,000
1999/2000	18,421,000
2000/01	19,222,000
2001/02	19,935,500
2002/03	20,717,500
2003/04	21,544,400
2004/05	22,409,400
2005/06	23,335,400
2006/07	24,269,400
2007/08	25,275,800
2008/09	26,325,700
2009/10	27,430,100
2010/11	28,594,600
2011/12	29,813,700
2012/13	31,091,600
2013/14	32,436,600
2014/15	33,850,800
2015/16	35,330,400
2016/17	35,331,000
2017/18	9,010,000
Total	**$497,594,900**

C. Tax Impacts of a $350 Million HURF Revenue Bond Program

Approving County Highway User Revenue Funds in the amount of $350 million at the November 4, 1997 special bond election will not result in any increase to any transportation tax that comprises the Highway User Revenue Fund. Bonds will be financed by an increased distribution to Pima County from the fund, discussed below.

Arizona Revised Statutes §11 - 371 *et. seq.* enables counties to incur debt and issue bonds for transportation purposes which are secured by revenues distributed to counties from the Highway User Revenue Fund (HURF). State gasoline taxes and other transportation related taxes are collected and deposited into the HURF. The revenues in HURF are then distributed to individual counties, to the State Highway Fund, and to individual cities and towns in accordance with formulas in state statutes. Historically, county HURF revenues were distributed on the basis of the origin of

33

fuel sales; in other words, Pima County's share from the county HURF category was determined by the percentage of statewide gasoline sales which occurred in Pima County. For years, Pima County argued the origin of fuel sales formula was inequitable because it did not provide an accurate measurement of transportation needs in Pima County. In 1996, the Governor and Legislature enacted changes in the structure of HURF. In particular, the new legislation changes how county HURF revenues are allocated by phasing in proportional unincorporated population as a distribution factor.

Table 3

New County HURF Distribution Formulas

Fiscal Year	Distribution Formula
1995/96	100% origin of fuel sales
1996/97	85% origin of fuel sales and 15% unincorporated population
1997/98	80% origin of fuel sales and 20% unincorporated population
1998/99	76% origin of fuel sales and 24% unincorporated population
1999/2000 and beyond	72% origin of fuel sales and 28% unincorporated population

This new "HURF equity" legislation results in a significant increase in HURF revenues received by Pima County as compared to what would be received under the old formula. Additional funding to Pima County has been achieved by redistributing existing transportation tax revenues, not by increasing existing taxes or creating new taxes. HURF equity means Pima County will experience a better return of transportation taxes already paid. In 1996, Arizona legislative staff prepared the following projection of the impact to Pima County of HURF equity.

Table 4

Projected Pima County HURF Revenues Through Fiscal Year 2015/16

Fiscal Year	New Distributions	Total Distributions
1996/97	$ 3,335,188	$ 28,697,675
1997/98	6,097,624	32,169,722
1998/99	9,030,298	35,964,558
1999/00	14,210,964	42,433,664
2000/01	14,973,307	44,221,010
2001/02	15,721,972	45,989,850
2002/03	16,508,071	47,829,444
2003/04	17,333,475	49,742,622
2004/05	18,200,148	51,732,327
2005/06	19,110,156	53,801,620
2006/07	20,065,663	55,953,685
2007/08	21,068,947	58,191,832
2008/09	22,122,394	60,519,506
2009/10	23,228,514	62,940,286
2010/11	24,389,939	65,457,897
2011/12	25,609,436	68,076,213

Fiscal Year	New Distributions	Total Distributions
2012/13	26,889,908	70,799,262
2013/14	28,234,404	73,631,232
2014/15	29,646,124	76,576,482
2015/16	31,128,430	79,639,541
Total	**$386,904,962**	**$1,104,368,428**

The middle column, "new distributions," charts the additional revenues that will be received by Pima County as a result of HURF equity. By fiscal year 2015/16, Pima County is projected to receive an additional $387 million in revenues above what would have been received under the old formula. In fiscal year 1999/2000 and thereafter, HURF equity is projected to increase annual HURF revenues by approximately one-third.

Pima County proposes to allocate the "HURF equity" revenues to secure the proposed $350 million transportation bond package. Therefore, issuance of $350 million in transportation revenue bonds in accordance with the schedule proposed in Section II (A) will not require or otherwise result in increased taxes. Debt service will be managed through revenues on transportation related taxes which are already being paid and collected.

D. Impacts of Incorporations and Annexations on Pima County HURF Revenue Bonding Capacity

Presently approximately 30 percent of the statewide unincorporated population resides in Pima County and constitutes approximately 38 percent of the total Pima County population. Under the new "HURF equity" statutes, 28 percent of county HURF revenues will be distributed based upon proportional shares of unincorporated population. The projections discussed in the section above assumed no change in Pima County's proportional share of unincorporated population. Local incorporations and annexations, however, will have an effect of reducing Pima County's HURF revenue stream and therefore its revenue bonding capacity.[1] In fiscal year 1999/2000, the first full year of "HURF equity," the impact of incorporation and/or annexation will be to reduce the County distribution by approximately $43 per capita. If 125,000 Pima County residents were to vote for incorporation at the November 4, 1997 election, projected revenues for fiscal year 1999/2000 would decline by $5,625,000, and by at least that amount in each succeeding year, which is the equivalent of approximately $50,000,000 in bonding capacity.

The November 4, 1997 transportation bond question only asks for voter authorization to issue revenue bonds for up to a maximum of $350 million. Decisions regarding the actual sale of revenue bonds will be made every two years. These decisions will be based upon a number of factors, the most important of which will be more precise estimates of the County's HURF revenue stream and

1 Cities and towns also receive HURF revenues based upon distribution formulas which take proportional incorporated population and origin of fuel sales into account. Newly incorporated cities or towns, therefore, will receive new HURF revenues and annexations would increase the HURF revenue flow to existing cities and towns. This ordinance, however, is concerned only with HURF revenues and the bonding capacity of Pima County.

resultant bonding capacity.[2] If HURF revenues fall precipitously, if interest rates increase substantially above an estimated 6.5 percent, if ten year maturities are not achievable, or the bond markets resist the front loading of principal repayment, the Board of Supervisors may restructure the proposed schedule of bond sales and, as a result, may amend the transportation bond implementation plan enacted in Ordinance No. 1997 - 80, pursuant to Pima County Code Chapter 3.06.

E. Intergovernmental Agreements Required to Offset County HURF Losses Due to New Incorporations

Projects within newly incorporated jurisdictions beyond Implementation Period 1 will not be implemented without a specific financing plan for funding the particular project given a decrease in County bonding capacity due to revenue losses because of new incorporation. Revenues from the newly incorporated jurisdiction or other revenues may be used to supplement lost County revenues.

III. General Schedule of Bond Project Development

Actual implementation and development of the projects will depend on a number of variables. These variables include not only the amount of HURF bond debt that can be issued, but also specific project implementation details such as acquisition of rights-of-way or land for any specific project, permits from any state, federal or local jurisdiction, as well as required or necessary matching funds. Finally, federal bond arbitrage rules will also have an impact on project implementation. These rules require that once tax-free municipal bonds have been issued, all of the proceeds from the sale must be expended within two years and, if unexpended, financial penalties are assessed against the issuer. Therefore, it is imperative that any project scheduled to be constructed by a specific sale be initiated and constructed within the arbitrage limit for that particular sale. If a project is delayed because of design, right-of-way acquisition, federal, state or local permitting, or local matching fund requirements, a project that is scheduled for later implementation must be moved forward, rather than risk violating federal bond arbitrage rules.

Because of federal arbitrage rules and the ten years that may be necessary to issue HURF bonds, the implementation period will cover approximately twelve years. For planning purposes, implementation time frames will be divided into two year time blocks. Therefore, each project will be assigned an implementation period from between 1 and 6. For example, for a project assigned an implementation period of 1, the project should be started and completed during fiscal years 1998/99 and 1999/2000.

Therefore, each project or program listed in this Bond Improvement Plan will be assigned an implementation period ranging from one to six as indicated in the table below over the twelve year expected life of the HURF bond authorization.

---

2 Arizona Revised Statutes §11 - 378 restricts county transportation revenue bonding capacity to an aggregate amount whose annual principal and interest payments do not exceed fifty percent of the total HURF receipts from the year prior to issuance of the bonds. Pima County's proposed program is premised upon allocation of less than one-half of its annual HURF revenues, providing an extra layer of financial security.

Table 5

Planned Bond Project/Program Implementation Period

Fiscal Year	Implementation Period	Cumulative Bond Sale
1998/99	1	$ 60,000,000
1999/2000	1	60,000,000
2000/01	2	120,000,000
2001/02	2	120,000,000
2002/03	3	180,000,000
2003/04	3	180,000,000
2004/05	4	240,000,000
2005/06	4	240,000,000
2006/07	5	300,000,000
2007/08	5	300,000,000
2008/09	6	350,000,000
2009/10	6	350,000,000

All of the HURF bonds scheduled for sale will be fully available for project implementation at the beginning of Implementation Period 6. As noted previously, the implementation periods assigned to each project will be adhered to, however, specific annual expenditures for each project will be detailed in an annual capital improvement program that will be adopted by the Board of Supervisors with the annual budget.

A cash flow analysis has been performed using the implementation period assigned for each project in Section IV of the Ordinance. This analysis assumes all funds assigned for the project are fully expended in the implementation period. For projects that cover one or more implementation periods, funding is divided equally between each period listed. The cash flow analysis indicates that the total funding required versus available for each period is less than ten percent at variance.

IV. Specific Project Description, Scope of Work, and Location by Major Category and Project

In this section each bond project or program approved by the Board of Supervisors is listed and described as required by Section 3.06.020, Bond Improvement Plan of the Pima County Code. The projects are listed by number, with a map reference that will be attached to this ordinance. The project description is also identified. Of the $350 million bond issue, $331 million has been identified to specific projects throughout the community and $19 million remains unallocated and will be dedicated for traffic safety improvements in accordance with criteria that will be identified and discussed as Project 57 at the end of this section. These projects provide a range of community benefits from reduced congestion, decreased travel time, reduced air pollution, as well as enhanced community development.

Because existing conditions and traffic volumes are known today, and future conditions can be predicted with a relatively high degree of accuracy based on past experience, it is possible to perform benefit/cost analyses on most of the projects. This benefit/cost analysis is a measure of overall economic benefits associated with implementation of a particular project, and has been used historically to measure the cost effectiveness of public investment. Benefits are based on reductions in traffic congestion, reductions in traffic accidents, and for some new highway link projects, reductions in travel distance. The following assumptions are pertinent to the cost/benefit calculations contained in this section: A) benefits are discounted at 7 percent per year and assume a 20 year project life, B) congestion benefits were calculated only during peak demand hours, and C) traffic growth rates were averaged at 3 percent per year. The resulting estimate of benefits is deemed to be conservative using standard highway improvement and engineering procedures. For those projects where benefit/cost analysis is appropriate, the estimated total project benefits over the 20 year design period is estimated to be $2.1 billion. Obviously the cost of the improvements, some of which do not contribute benefits to the analysis, will be $350 million in principal, and $148 million in interest. Therefore, the overall cost of the $350 million program, including interest, is $498 million as compared to a conservative 20 year estimate of benefits of $2.1 billion.

A number of the projects based on current transportation system development do not readily lend themselves to benefit/cost analyses. These projects fall under the category of spot improvements for safety or drainage purposes, short roadway segment improvements for purposes of route and lane continuity, and projects where community redevelopment is a prime focus.

Below is a list of 57 projects to be completed with $350 million in County HURF Revenue Bonds. At the end of this ordinance, Figure 1 is a map indicating the location of each project.

1) **Project** **DOT-1 - River Road, First Avenue to Campbell Avenue**

Location: Tucson, Unincorporated County

Bond Funding: $15,500,000

Scope: This project consists of widening and realignment of existing River Road between First Avenue and Campbell Avenue. The proposed project will be a four-lane divided roadway with landscape median, multi-use lanes, outside curbs, storm drains, pedestrian facilities and additional landscaping. The right-of-way will support future expansion to six lanes, if warranted. This cross section will match the segment of River Road from Oracle Road to First Avenue improved previously. The intersection of First Avenue and River Road will have only minor revisions to accommodate the cross section. The project will extend to just east of Campbell Avenue. Traffic signals at Via Entrada and Campbell Avenue will be reconstructed with this project. New culverts will be installed and existing culverts under River Road will be extended to carry drainage from the Foothills towards the Rillito River.

Benefit: The project will reduce congestion and enhance safety along River Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $83.93 million. The benefit/cost ratio is 5.4:1.

Other Funding: None proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $18,000

2) **Project** **DOT-2 - Sunrise Drive, Swan to Craycroft**

Location: Unincorporated County

Bond Funding: $5,000,000

Scope: The project will widen Sunrise Drive along its existing alignment from east of Swan Road to east of Craycroft Road. Proposed improvements will include two travel lanes in each direction, multi-use lanes, outside curbs and storm drains, landscaping and provision of pedestrian facilities and noise barriers where warranted. The median treatment will be either a raised landscape median or a median two-way left-turn lane, pending further evaluation of local area access and circulation requirements.

Benefit: The project will reduce congestion and enhance safety along Sunrise Drive. The estimated economic value of the improvements to traffic flow and reductions in accidents are $71.73 million. The benefit/cost ratio is 14.3:1.

Other Funding: None proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $15,000

3) **Project** **DOT-3 - River Road, La Cholla Boulevard to La Cañada Drive**

Location: Unincorporated County

Bond Funding: $3,500,000

Scope: The existing two-lane road will be replaced with a four-lane divided roadway similar to the recently completed improvements on River Road between La Cañada and 15th Avenue. Improvements will consist of a raised landscape median, two travel lanes in each direction, multi-use lanes, outside curbs, storm drains and landscaping. The right-of-way and alignment will support future expansion to six lanes, if warranted. Project will include pedestrian facilities. The existing box culverts will be lengthened to accommodate the widened cross section and at least one additional drainage structure will be built east of La Cholla Boulevard to accommodate the Citrus Wash drainage.

Benefit: The project will reduce congestion and enhance safety along River Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $26.28 million. The benefit/cost ratio is 2.7:1.

Other Funding: $6,200,000 (5,300,000 Urban Area HURF)
(900,000 Developer Funded)

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $24,000

4) Project **DOT-4 - River Road, Campbell Avenue to Alvernon Way**

Location: Unincorporated County, Tucson

Bond Funding: $13,500,000

Scope: The proposed project will consist of widening and realignment of River Road from east of Campbell Avenue to the extension of Alvernon Way, east of Dodge Boulevard (see DOT -5). The road cross section will consist of two through lanes in each direction with a raised landscape median, multi-use lanes, outside curbs, storm drains and landscaping. The project will include improvements for transverse drainage for the Camino Real and Finger Rock Washes, as well as other smaller drainages that currently cross River Road. Improvements to Camino Real Wash will include increasing the channel capacity of the east braid of the wash north of River road, construction of a box culvert under River Road, and construction of a new outfall channel to the Rillito River. Improvements for Finger Rock Wash are presently undefined but will, at a minimum, provide for drainage to flow under River Road.

The proposed project includes acquisition of an open space and mitigation area between the improved River Road and the Rillito River, through the River Bend area. The mitigation area will be incorporated with the Rillito River Linear Park.

Benefit: The project will reduce congestion and enhance safety along River Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $192.00 million. The benefit/cost ratio is 11.6:1.

Other Funding: $3,000,000 Urban Area HURF

Implementation Period: 2/3

Future Annual Operating & Maintenance Costs: $37,500

5) Project **DOT-5 - Alvernon Way, Ft. Lowell Road to River Road**

Location: Unincorporated County, Tucson

Bond Funding: $6,000,000

Scope: The proposed project is extension of Alvernon Way from its existing intersection of Ft. Lowell Road north and west across the Rillito River to connect to River Road in the vicinity of Dodge Boulevard. The proposed roadway will be a four-lane cross section with a median from River Road to south of the Rillito River. North of Ft. Lowell the cross section will change to a median two-way left-turn lane similar to Alvernon Way south of Ft. Lowell Road. The new road will include multi-use lanes, outside curbs, storm drains, landscaping and pedestrian facilities. The project includes a new bridge across the Rillito River. Right-of-way for the proposed project was acquired with proceeds from the 1986 Transportation Bond issue.

Benefit: The new Alvernon connection to River Road will provide a wider bridge structure across the Rillito River to replace the functionally obsolete and structurally deficient Dodge Boulevard bridge. Existing traffic volumes on Dodge Boulevard will be significantly reduced. Further evaluation will be made of the existing Dodge Boulevard to determine if the existing bridge will remain in use as a vehicular bridge, with additional weight limits, or will be restricted to pedestrian and bicycle access only to connect the south side of the Rillito River with the Linear Park on the north side. The project will reduce congestion and enhance safety along Dodge Boulevard. The estimated economic value of the improvements to traffic flow and reductions in accidents is $8.69 million. The benefit/cost ratio is 1.4:1.

Other Funding: None proposed

Implementation Period: 2/3

Future Annual Operating & Maintenance Costs: $18,000

6) **Project** **DOT-6 - Magee Road, La Cañada Drive to Oracle Road**

Location: Unincorporated County

Bond Funding: $3,750,000

Scope: The project consists of widening Magee Road between La Cañada Drive and Oracle Road to a four-lane cross section with a raised landscaped median, multi-use lanes, outside curbs, storm drains, landscaping and pedestrian facilities. A box culvert will be constructed to carry Pegler Wash under Magee Road and provision will be made for other transverse drainage.

Benefit: The project will reduce congestion and enhance safety along Magee Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $26.06 million. The benefit/cost ratio is 4.3:1.

Other Funding: $2,250,000 (Impact Fee Funds)

Implementation Period: 3/4

Future Annual Operating & Maintenance Costs: $18,000

7) **Project** **DOT-7 - Orange Grove Road at Geronimo Wash**

Location: Unincorporated County

Bond Funding: $800,000

Scope: The proposed project consists of reconstruction of the drainage crossing carrying Geronimo Wash under Orange Grove Road in the vicinity of Calle de Estevan and raising Orange Grove Road on fill over the new structure to improve sight distance for local residential streets and for vehicles approaching the Orange Grove Road - First Avenue intersection. The reinforced concrete box culvert will be sized to accommodate a 100 year peak discharge in Geronimo Wash.

Benefit: This segment of Orange Grove Road has had a history of serious traffic accidents. Restrictions on turning movements at local streets have helped to reduce accident rates in recent years, pending a permanent solution.

Other Funding: None Proposed

42

Implementation Period: 5

Future Annual Operating & Maintenance Costs: No Increase

8) **<u>Project</u>** **<u>DOT-8 - Skyline Drive, Chula Vista to Orange Grove Road</u>**

Location: Unincorporated County

Bond Funding: $1,800,000

Scope: The proposed project is the reconstruction of Skyline Drive to a more contemporary four-lane divided roadway cross section with landscape median, multi-use lanes, outside curbs and storm drains, edge landscaping, pedestrian facilities and roadway noise mitigation where warranted. The improvements will enhance the safety, level of service and visual quality of Skyline Drive.

Benefit: Primary benefits for this project will be in urban design, neighborhood mitigation, improved drainage and alternate mode facilities. Safety benefits from the improvements to the alignment and sight distance are also expected. The capacity of the roadway will be relatively unaffected by this improvement.

Other Funding: None proposed

Implementation Period: 3

Future Annual Operating & Maintenance Costs: No Increase

9) **<u>Project</u>** **<u>DOT-9 - Skyline Drive, Orange Grove Road to Campbell Avenue</u>**

Location: Unincorporated County

Bond Funding: $1,800,000

Scope: The proposed project is the reconstruction of Skyline Drive to a more contemporary four-lane divided roadway cross section with landscape median, multi-use lanes, outside curbs and storm drains, edge landscaping, pedestrian facilities and roadway noise mitigation where warranted. The improvements will enhance the safety, level of service and visual quality of Skyline Drive. The intersection at Orange Grove Road will be modified to provide multi-use and turning lanes. Minor widening at Campbell Avenue will align with the cross section east of Campbell Avenue.

Benefit:	Primary benefits for this project will be in urban design, neighborhood mitigation, improved drainage and alternate mode facilities. Safety benefits from the improvements to the alignment and sight distance are also expected. The capacity of the roadway will be relatively unaffected by this improvement.
Other Funding:	None Proposed
Implementation Period:	3
Future Annual Operating & Maintenance Costs:	No Increase

10) **<u>Project</u>** **<u>DOT-10 - La Cañada Drive, Ina Road to Lambert Lane</u>**

Location:	Oro Valley, Unincorporated Pima County
Bond Funding:	$8,500,000
Scope:	The proposed project consists of reconstruction and widening of La Cañada Drive between Ina Road and Lambert Lane. Proposed cross section will include a raised landscape median, two travel lanes in each direction, multi-use lanes for transit and bicycle use, outside curbs and storm drains. Right-of-way will be improved with outside landscaping and noise mitigation where warranted.
Benefit:	The project will reduce congestion and enhance safety along La Cañada Drive Avenue. The estimated economic value of the improvements to traffic flow and reductions in accidents are $103.53 million. The benefit/cost ratio is 4.8:1.
Other Funding:	$13,000,000 (3,000,000 Town of Oro Valley Impact Fees) (3,000,000 Pima County Impact Fees) (7,000,000 Urban Area HURF)
Implementation Period:	2/3
Future Annual Operating & Maintenance Costs:	$60,000

11) **<u>Project</u>** **<u>DOT-11 - Drexel Road, Tucson Boulevard to Alvernon Way</u>**

Location:	Unincorporated County, Tucson
Bond Funding:	$6,500,000

44

Scope: The proposed project consists of reconstruction and widening of Drexel Road. Proposed improvements will include two traffic lanes in each direction, multi-use lanes, outside curbs, storm drains, landscaping and neighborhood noise mitigation. The roadway median will be either a raised landscape median or a two-way left-turn lane to be determined by further study of local access and circulation needs. Significant improvements will be made in the drainage along the roadway and in the roadway profile where it intersects the north-south street system.

Benefit: This section of Drexel Road has five major intersections within one and one-half miles. The north-south roadways are the primary arterial routes into Tucson International Airport. The regional Mobility Management Plan has identified these as priority corridors to maintain high levels of service. Providing additional capacity on Drexel Road will allow for traffic signals to provide extended green times on the airport access routes without unduly delaying traffic on Drexel Road. The project will reduce congestion and enhance safety along Drexel Road.

Other Funding: None Proposed

Implementation Period: 4/5

Future Annual Operating & Maintenance Costs: $22,500

12) **<u>Project</u>** **<u>DOT-12 - Country Club Road, 36th Street to Irvington Road</u>**

Location: Unincorporated County, Tucson

Bond Funding: $7,000,000

Scope: The proposed improvements consist of reconstruction and widening of Country Club road to a four-lane roadway with multi-use lanes, outside curbs, storm drains and landscaping. The median treatment will be either a raised landscape median or a two-way median left-turn lane to be determined by further study of local access and circulation needs. Country Club road provides access to Kino Hospital, Sam Lena Park, Kino Sports Park and the Tucson Electric Park currently under construction. The intersection of Country Club Road and Irvington Road was improved in 1996 as part of a joint City of Tucson - Pima County project to widen and reconstruct Irvington Road, Benson Highway to I-10.

Benefit: The project will reduce congestion and enhance safety along Country Club Road and provide significant access improvements to the Kino public service center.

45

Other Funding: None Proposed

Implementation Period: 3/4

Future Annual Operating & Maintenance Costs: $30,000

13) Project **DOT-13 - Ajo Way, Country Club Road to Alvernon Way**

Location: Unincorporated County

Bond Funding: $6,000,000

Scope: Proposed improvements include reconstruction and widening of existing Ajo Way to a six-lane divided roadway from Country Club Road to Alvernon Way. The roadway cross section will be similar to the recently completed improvements on Ajo Way west of Country Club. The project will provide additional roadway capacity, multi-use lanes for alternate modes, storm drains, roadside landscaping and pedestrian facilities which are currently not included with the existing roadway. Medians will be landscaped.

Benefit: The proposed project will improve drainage and access control along Ajo Way as well as increase capacity and improve safety. The project will reduce congestion and enhance safety along Ajo Way and increase access to the Kino public service center. The estimated economic value of the improvements to traffic flow and reductions in accidents are $7.33 million. The benefit/cost ratio is 1.2:1.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $15,000

14) Project **DOT-14 - Wetmore Road and Ruthrauff Roads, La Cholla Boulevard to Fairview Avenue**

Location: Unincorporated County, Tucson

Bond Funding: $7,800,000

46

Scope: This project includes construction of four through traffic lanes, multi-use lanes, outside curbs, storm drains, landscaping and noise mitigation where warranted. The median will be a two-way left-turn lane. The proposed cross section is similar to Ruthrauff Road, west of La Cholla Boulevard. This project will also include area drainage improvements and construction of one or more conveyance channels from Wetmore Road, north to the Rillito River.

Benefit: The proposed improvement will provide congestion relief, accident reduction and drainage benefits over a wide area. The project will reduce congestion and enhance safety along Wetmore Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $107.70 million. The benefit/cost ratio is 5.7:1.

Other Funding: $11,200,000 (3,000,000 Urban Area HURF)
(1,400,000 County HURF)
(7,400,000 FED STP)
(400,000 Impact Fee Funds)

Implementation Period: 1/2

Future Annual Operating & Maintenance Costs: $34,500

15) Project **DOT-15 - River Road, Thornydale Road to Shannon Road**

Location: Marana, Tucson

Bond Funding: $4,000,000

Scope: This is part of the extension of River Road from La Cholla Boulevard, west to Thornydale Road. Project is planned to be a four-lane divided roadway with landscape medians, multi-use lanes, outside curbs, storm drains and landscaping and neighborhood noise mitigation. The right-of-way will support future expansion to six lanes, when warranted. The project will include box culverts or bridge structures to carry the Pegler Wash under River Road and into the Rillito River.

Benefit: This project provides regional transportation benefits by completing connections in the regional street system which provide alternate routes to Orange Grove Road and Ina Road for east west travel north of the Rillito River. The project will reduce congestion and enhance safety along Orange Grove and Ina Roads. The estimated economic value of the improvements to traffic flow and reductions in accidents are $25.70 million. The benefit/cost ratio is 3.1:1.

47

Other Funding: $4,400,000 (4,052,000 FED STP)
(337,000 County HURF)

Implementation Period: 1/2

Future Annual Operating & Maintenance Costs: $30,000

16) Project **DOT-16 - River Road, Shannon Road to La Cholla Boulevard**

Location: Unincorporated County

Bond Funding: $2,000,000

Scope: This project is an extension of River Road from its current terminus at La Cholla Boulevard to approximately Shannon Road, where it will link up with the River Road, Thornydale to Shannon Road extension. The proposed project is a four-lane divided roadway with landscape median, multi-use lane, outside curbs, storm drains, landscaping and neighborhood noise mitigation. The right-of-way will support widening to six lanes in the future, when warranted. The project will include box culverts to carry the Nanini Wash drainage under River Road into the Rillito River.

Benefit: This project provides regional transportation benefits when connected to the project to the west, completing connections in the regional road system which provide alternate routes to Orange Grove Road and Ina Road for east-west travel north of the Rillito River. The project will reduce congestion and enhance safety along Orange Grove and Ina Roads. The estimated economic value of the improvements to traffic flow and reductions in accidents are $35.98 million. The benefit/cost ratio is 5.7:1.

Other Funding: $4,300,000 (4,009,000 FED STP)
(315,000 County HURF)

Implementation Period: 1/2

Future Annual Operating & Maintenance Costs: $42,000

10

17) **Project** **DOT-17 - Valencia Road, Mark Road to Camino de la Tierra**

Location: Unincorporated County

Bond Funding: $5,800,000

Scope: This project will widen Valencia Road to increase capacity and enhance safety. The roadway will have four travel lanes, multi-use lanes and raised landscape median, outside curbs, storm drains, edge landscaping and provision for pedestrians.

Benefit: This project will reduce traffic congestion and enhance safety along Valencia Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $32.65 million. The project benefit/cost ratio is 4.8:1.

Other Funding: $1,000,000 (1,000,000 Impact Fee Funds)

Implementation Period: 4

Future Annual Operating & Maintenance Costs: $30,000

18) **Project** **DOT-18 - Cortaro Farms Road, Southern Pacific Railroad Crossing to Thornydale Road**

Location: Unincorporated County, Marana

Bond Funding: $8,200,000

Scope: The proposed project consists of widening Cortaro Farms Road, adjusting the horizontal alignment at the railroad approach and correcting the grade over the railroad and the adjacent Cortaro-Marana Irrigation District canal. The project will have four traffic lanes, multi-use lanes, outside curbs, storm drains and landscaping. The median treatment will be either a raised landscape median or a median two-way left-turn lane, depending on further evaluation of local area access and circulation needs.

Benefit: This project will reduce traffic congestion and enhance safety along Cortaro Farms Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $8.05 million. The benefit/cost ratio is 0.8:1.

Other Funding: $2,000,000 (2,000,000 Impact Fee Funds)

Implementation Period: 3

Future Annual Operating & Maintenance Costs: $36,000

49

19) **Project** **DOT-19 - Hartmann Lane North of Cortaro Farms Road**

Location: Marana

Bond Funding: $600,000

Scope: The proposed project will construct Hartman Lane from Cortaro Farms Road to north of the Hardy Wash, connecting to the existing road that was built with the Countryside subdivisions. The roadway will be a four-lane divided road with median, which is consistent with the planned projects that were built for Countryside. The project will include outside curbs, storm drains, multi-use lanes and landscaping. A major portion of the project is the construction of a box culvert to carry Hardy Wash under Hartman Lane.

Benefit: The proposed project will improve circulation for the northwest area by providing additional connections between the east west arterial roadways and provide alternate routes to the I-10 frontage roads and Camino de Oeste for area traffic. The estimated economic value of the improvements to traffic flow and reductions in accidents are $0.72 million. The benefit/cost ratio is 1.2:1.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $15,000

20) **Project** **DOT-20 - La Cholla Boulevard, Interstate-10 to Ruthrauff Road**

Location: Unincorporated County, Tucson

Bond Funding: $15,000,000

Scope: Proposed project is part of an improvement for the entire La Cholla corridor to provide an additional transportation facility of regional significance to serve the northwest area. The proposed project includes a new interchange at I-10 to serve La Cholla Boulevard, just north of existing Prince Road, a new roadway from I-10 to Gardner Lane and widening of La Cholla Boulevard from Gardner Lane north to Ruthrauff Road. The proposed project will have six through traffic lanes with raised landscape median, multi-use lanes, outside curbs, storm drains and landscaping. Neighborhood noise mitigation will be incorporated in the vicinity of residential areas and the Flowing Wells Schools complex.

Benefit: This project will provide additional regional access into the heavily developed northwest area. Additional freeway connection will allow for broader distribution of regional travel. The project will reduce congestion and enhance safety over a wide area. Since many existing facilities are affected, including I-10, quantitative estimates of benefits are unavailable at this time.

Other Funding: $1,500,000 (Urban Area HURF)

Implementation Period: 5

Future Annual Operating & Maintenance Costs: $39,000

21) Project **DOT-21 - Thornydale Road, Orange Grove Road to Ina Road**

Location: Unincorporated County, Marana

Bond Funding: $1,000,000

Scope: This project is the reconstruction and widening of this roadway to a six-lane divided road with raised median, multi-use lanes, outside curbs, landscaping and pedestrian facilities. This project will connect with the recently completed six-lane bridge over the Cañada del Oro Wash and will provide for widening of the existing box culvert carrying the Carmack Wash under Thornydale Road. Project includes noise and screening walls adjacent to the residential areas east of the road.

Benefit: The project will reduce traffic congestion and enhance safety along Thornydale Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $80.20 million. The benefit/cost ratio is 10.0:1.

Other Funding: $7,000,000 (Urban Area HURF)

Implementation Period: 2

Future Annual Operating & Maintenance Costs: $30,000

22) Project **DOT-22 - Thornydale Road, Ina Road to Cortaro Farms Road**

Location: Unincorporated County, Marana

Bond Funding: $1,000,000

Scope: The proposed project is the reconstruction and widening of Thornydale Road to a four-lane divided roadway with landscape median, multi-use lanes, outside curbs and storm drains. The roadway grading, storm drains, screen walls and pedestrian facilities will be located to allow for the expansion of this roadway to six-lanes when warranted in the future. This project includes the construction of a major trunk sewer. The project will include culvert structures to carry drainage under Thornydale Road.

Benefit: The project will reduce congestion and enhance safety along Thornydale Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $94.05 million. The benefit/cost ratio is 8.5:1.

Other Funding: $10,000,000 (6,000,000 Urban Area HURF)
(4,000,000 County HURF)

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $22,500

23) Project **DOT-23 - Thornydale Road, Cortaro Farms Road to Linda Vista Boulevard**

Location: Unincorporated County

Bond Funding: $1,000,000

Scope: This project will widen existing Thornydale Road to a four-lane divided cross section with raised landscape median, outside curbs, multi-use lanes, storm drains, landscaping and noise mitigation and screening adjacent to residential areas where warranted. The project will improve access and safety in the vicinity of Arthur Pack Regional Park and Mountain View High School. The project will include a drainage structure to carry Hardy Wash and other transverse drainages under Thornydale Road.

Benefit: The project will reduce traffic congestion and enhance safety along Thornydale Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $51.44 million. The benefit/cost ratio is 6.9:1.

Other Funding: $6,500,000 (800,000 Urban Area HURF)
(5,700,000 County HURF)

Implementation Period: 5

Future Annual Operating & Maintenance Costs: $22,500

24) **Project** **DOT-24 - Mainsail Boulevard and Twin Lakes Drive, Twenty-Seven Wash Vicinity**

Location: Unincorporated County (Catalina)

Bond Funding: $2,700,000

Scope: The proposed improvements include construction of Mainsail Boulevard as a two-lane road across Twenty-seven Wash between Oracle Highway and Twin Lakes Drive/Forecastle Avenue. The extension of Twin Lakes north of Mainsail to Tortolita Street will also be considered as part of this project. The improvements will consist of a two-lane roadway and box culvert structure to carry the wash under the road. Proposed improvements will provide improved all-weather access to Catalina and will provide alternatives to residential streets for access from existing neighborhoods out to Oracle Highway.

Benefit: The project benefits include revision of connections in the collector street system in Catalina per the Lago del Oro Plan and provision of all-weather access for major portions of the community. The new connections will allow traffic to divert from local neighborhood streets to the collector roadway system. The project will also improve response for emergency vehicles.

Other Funding: None Proposed

Implementation Period: 3/4

Future Annual Operating & Maintenance Costs: $21,000

25) **Project** **DOT-25 - Interstate 19 Southbound Frontage Road at Continental Road**

Location: Unincorporated County (Green Valley)

Bond Funding: $1,000,000

Scope: The project will realign the southbound Frontage Road to connect with the recently improved intersection of Continental Road at Continental Plaza. The project will separate the southbound on and off ramps at I-19 from the Frontage Road intersection to improve safety and allow for future signalization of the ramp intersections. The project will consist of construction of a new two-lane road south of Continental Road on new alignment to connect with the existing Frontage Road. Provision for the connection was included in the design and construction of the traffic signal at Continental Plaza.

Benefit: This project will reduce congestion and improve safety by providing the signalized access between the Frontage Road and Continental Road. The increased separation will provide for better operation of the interchange intersections with Continental Road and will reduce the number of traffic signals that would have to be installed along Continental Road in the future as traffic volumes in this area of Green Valley increase.

Other Funding: $500,000 (ADOT)

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $4,500

26) Project **DOT-26 - Abrego Drive at Interstate-19 Northbound Frontage Road**

Location: Sahuarita

Bond Funding: $200,000

Scope: This project is connected with a developer-delegated project to extend Abrego Drive south from Nogales Highway (B-19) to Duval Road. This project is to provide additional funding for the revision of the existing Frontage Road intersection with Abrego Drive to allow for a greater operational flexibility of the I-19 Duval Mine Road interchange.

Benefit: This project will reduce the number of intersections along Nogales Highway between the I-19 ramps and Abrego Drive and will allow for Frontage Road access to Abrego Drive until such time as Abrego Drive is completely constructed.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: No Increase

54

27) **Project** **DOT-27 - River Road at Ventana Wash**

Location: Unincorporated County

Bond Funding: $1,900,000

Scope: The proposed project is the replacement of the existing bridge carrying River Road over Ventana Wash. The existing bridge is structurally deficient and functionally obsolete and meets federal requirements for replacement. The new bridge will provide for two traffic lanes, shoulders and a pedestrian facility. The bridge will be located to allow for widening of River Road in the future when warranted.

Benefit: The existing inadequate bridge will be replaced by a new structure with greater load carrying capacity, width clearance and safety. Provision for bicycles and pedestrians will be included with the new bridge structure.

Other Funding: $600,000 (Federal Bridge Funds)

Implementation Period: 2/3

Future Annual Operating & Maintenance Costs: No Increase

28) **Project** **DOT-28 - Speedway Boulevard, Camino Seco to Houghton Road**

Location: Tucson

Bond Funding: $8,000,000

Scope: This project will reconstruct and widen Speedway Boulevard to a four-four-lane divided roadway with raised landscape median, multi-use lanes, outside curbs, storm drains and landscaping.

Benefit: This project will reduce traffic congestion and enhance safety along Speedway Boulevard. The estimated economic value of the improvements to traffic flow and reductions in accidents are $32.85 million. The benefit/cost ratio is 4.1:1.

Other Funding: None Proposed

Implementation Period: 4 & 5

Future Annual Operating & Maintenance Costs: $30,000

29) Project **DOT-29 - Houghton Road, Speedway Boulevard to Tanque Verde Road**

Location: Unincorporated County, Tucson

Bond Funding: $20,000,000

Scope: This project is the widening of Houghton Road to a four-lane cross section with multi-use lanes, curbs, storm drains and outside landscaping. Additional parallel bridge structures will be built over Agua Caliente Wash and Tanque Verde Creek.

Benefit: The project will reduce congestion and enhance safety along Houghton Road.

Other Funding: None Proposed

Implementation Period: 5 through 7

Future Annual Operating & Maintenance Costs: $60,000

30) Project **DOT-30 - Catalina Highway, Tanque Verde Road to Houghton Road**

Location: Unincorporated County, Tucson

Bond Funding: $6,200,000

Scope: This project is the widening of Catalina Highway to a four-lane roadway with multi-use lanes and improved roadside drainage. The median treatment will be either a raised landscape median or a two-way median left-turn lane, depending on further evaluation of local area access and circulation requirements. Residential neighborhood screening and noise mitigation will be incorporated as required.

Benefit: The project will reduce congestion and enhance safety along Catalina Highway. The estimated economic value of the improvements to traffic flow and reductions in accidents are $9.35 million. The benefit/cost ratio is 1.2:1.

Other Funding: $1,500,000 (Impact Fee Funds)

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $25,500

31) **Project** **DOT-31 - Tanque Verde Road, Catalina Highway to Houghton Road**

Location: Unincorporated County, Tucson

Bond Funding: $7,100,000

Scope: The project is the widening of Tanque Verde Road to four lanes with multi-use lanes, improved roadside drainage, landscaping and neighborhood screening and noise mitigation where required. The median treatment will be either a raised landscape median or a median two-way left-turn lane pending further evaluation of local area access and circulation needs. Project will include a drainage structure to carry Castle Rock Wash under Tanque Verde Road.

Benefit: This project will reduce congestion and enhance safety along Tanque Verde Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $7.21 million. The benefit/cost ratio is 1.0:1.

Other Funding: None Proposed

Implementation Period: 2

Future Annual Operating & Maintenance Costs: $25,500

32) **Project** **DOT-32 - Kolb Road, Sabino Canyon Road to Sunrise Drive**

Location: Unincorporated County

Bond Funding: $10,000,000

Scope: The proposed project is a reconstruction and widening of Kolb Road to a four-lane roadway with multi-use lanes, curbs, storm drains, outside landscaping and neighborhood screening and noise mitigation. The median treatment will consist of a raised landscape median or a median two-way left-turn lane pending further evaluation of local area access and circulation needs.

Benefit: The project will reduce congestion and enhance safety along Kolb Road.

Other Funding: $500,000 (Urban Area HURF)

Implementation Period: 4

Future Annual Operating & Maintenance Costs: $31,500

33) Project **DOT-33 - Kolb Road at Sabino Canyon Road**

Location: Unincorporated County

Bond Funding: $3,400,000

Scope: Proposed project is the widening and realignment of the Sabino Canyon Road/Kolb Road intersection. The project includes widening Sabino Canyon Road from north of Old Sabino Canyon road, the current end of the four-lane roadway, through the Kolb Road intersection. The culvert carrying Ventana Wash under Kolb Road north of Sabino Canyon Road will be reconstructed and lengthened as part of this project. In addition, improvements will be made to the Ventana Wash channel to reduce breakout and retain the 100 year flow. The intersection will be signalized with the improvement.

Benefit: The project will reduce congestion and enhance safety along Kolb Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $20.49 million. The benefit/cost ratio is 6.0:1.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $6,000

34) Project **DOT-34 - Camino del Sol, Continental Road to Ocotillo Wash**

Location: Unincorporated County (Green Valley)

Bond Funding: $2,500,000

Scope: This project is the construction of a new Camino del Sol/West Parkway, west of the Canoa Land Grant, from existing Camino del Sol in the vicinity of Ocotillo Wash, north to Continental Road. In addition, improvements to Continental Road from the new Camino del Sol intersection east to existing Camino del Sol will be constructed. The project will be constructed initially as a two-lane roadway with capability for future expansion when warranted. The project corridor will be substantially wider than that typically required for the roadway to allow for increased buffering from residential areas east of the roadway and to provide for pedestrian and bicycle facilities off the road. The project will allow for future development of a parkway from Ocotillo Wash north to Duval Mine Road.

Benefit: Proposed project will obviate the need to widen existing Camino del Sol south of Continental Road. This section of Camino del Sol has a constrained right-of-way and is developed with residential structures having direct access to the roadway. The project will reduce congestion and enhance safety along Camino del Sol.

Other Funding: None Proposed

Implementation Period: 1/2

Future Annual Operating & Maintenance Costs: $25,500

35) Project **DOT-35 - Abrego Drive at Drainageway No. 1/Box Culvert**

Location: Town of Sahuarita

Bond Funding: $600,000

Scope: This project is the construction of a box culvert to carry Abrego Drive over Drainageway No. 1 north of existing Duval Road. The box culvert will allow the connection of Abrego Drive all the way north to Nogales Highway (B-19). The connections of Abrego Drive north and south of the Drainage way will allow for the existing northbound I-19 Frontage Road north of Duval Road to be relocated or abandoned as this new connection will provide access to all existing development south of Duval Road that currently has access via the Frontage Road.

Benefit: Proposed project will enhance area circulation by allowing Abrego Drive to extend north to Nogales Highway, reduce the number of intersections along Nogales Highway between I-19 and Abrego Drive, to allow for access to the highway at intersections appropriately spaced for traffic signals and to improve the geometry of the intersections and approaches to Nogales Highway from the south.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: Minimal Cost Increase

36) **Project** **DOT-36 - Camino del Sol/West Parkway, Continental Road to Duval Mine Road**

Location: Unincorporated County (Green Valley)

Bond Funding: $450,000

Scope: Proposed project is the acquisition of right-of-way only for the future construction of a Camino del Sol extension/West Parkway on existing state lands west of developed Green Valley. The right-of-way acquisition will be sufficiently wide to accommodate the planned future road, separate pedestrian and bicycle facilities, linear park features and separation from existing and planned neighborhoods. Exact width will be determined through future study.

Benefit: The benefit of the right-of-way acquisition at this time is to assure that there is a complete right-of-way for future construction of the road, to assist area developers to appropriately plan and site their projects to account for this future roadway and to provide an opportunity for construction of the road and parkway elements with future funding.

Other Funding: None Proposed

Implementation Period: 3/4

Future Annual Operating & Maintenance Costs: None

37) **Project** **DOT-37 - Interstate-19 Northbound Frontage Road, Canoa TI to Continental TI**

Location: Unincorporated County (Green Valley)

Bond Funding: $900,000

Scope: The proposed project is the construction of 1.2 miles of frontage road that were not built with the original I-19 construction. This segment of Frontage Road crosses two major drainages; the Demitri and Esperanza Washes. These wash crossings will require bridge structures. The project will be a two-lane road with improved shoulders.

Benefit: The project will complete the linkages in the frontage road system from Continental Road south to Arivaca Junction and Arivaca Road. The Frontage Road will provide additional access and circulation opportunities for the southerly portion of the Green Valley community and will provide greater operational flexibility for I-19. The Frontage Road connection will also allow for a better balance of traffic demand between the southbound and northbound frontage roads south of Continental Road.

Other Funding: $1,000,000 (ADOT)
$1,600,000 (Developer Funded)

Implementation Period: 2

Future Annual Operating & Maintenance Costs: $18,000

38) **Project** **DOT-38 - Pistol Hill Road, Colossal Cave Road to Old Spanish Trail**

Location: Unincorporated County

Bond Funding: $1,000,000

Scope: Project is the construction of Pistol Hill Road as a two-lane road with improved shoulders. The right-of-way for the proposed road was recently acquired from the state land department. The new roadway will provide for additional connections in the east end of the Rincon Valley, will allow traffic to detour around the Colossal Cave Park area and will provide an alternate to the most seriously geometrically constrained sections of Colossal Cave Road and Old Spanish Trail. These roadway segments have respective accident rates 3.5 and 2.8 times greater than the system average.

Benefit: The project will improve roadway safety by providing an alternative to sections of roadway with severe horizontal alignment and dips. The new road will also be located outside of the Colossal Cave Park and will reduce through traffic within the park area.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $22,500

39) **Project** **DOT-39 - Valencia Road, Interstate-19 to South 12th Avenue**

Location: Tucson

Bond Funding: $900,000

61

Scope: Project includes the widening of Valencia Road to six lanes from I-19 to South 12th Avenue, provision of multi-use lanes, drainage improvements, sidewalks, arterial street lighting and safety improvements for intersecting streets. The project will match the reconstruction of the Valencia Road interchange to be completed by Arizona Department of Transportation.

Benefit: The project will reduce traffic congestion and enhance roadway safety for vehicles, pedestrians and bicyclists. Transit operations will also be improved in this presently constrained corridor. The estimated economic value of the improvements to traffic flow and reductions in accidents are $10.94 million. The benefit/cost ratio is 12.2:1.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $6,000

40) **<u>Project</u>** **<u>DOT-40 - Grant Road, Oracle Road to Park Avenue</u>**

Location: Tucson

Bond Funding: $10,000,000

Scope: The proposed project is the reconstruction and widening of Grant Road to six lanes. The project will have landscaped median, storm drains, pedestrian facilities, multi-use lanes, arterial street lighting and other urban street amenities.

Benefit: The project will reduce congestion and enhance safety along Grant Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $95.03 million. The benefit/cost ratio is 9.5:1.

Other Funding: None Proposed based on bond funding only. At present <u>No</u> total cost estimate available.

Implementation Period: 2/3

Future Annual Operating & Maintenance Costs: $21,000

41) Project **DOT-41 - 22nd Street, Interstate-10 to Park Avenue**

Location: Tucson

Bond Funding: $10,000,000

Scope: The project will reconstruct and widen 22nd Street from I-10 to Park Avenue to a six-lane divided roadway with landscape median, multi-use lanes, curbs, storm drains, sidewalks, arterial street lighting and other urban roadway amenities. A significant portion of the project will be devoted to improving roadway and area drainage which presently makes 22nd Street impassible or more dangerous for travel in rainy weather.

Benefit: The project will reduce congestion and enhance safety along 22nd Street. The estimated economic value of the improvements to traffic flow and reductions in accidents are $76.28 million. The benefit/cost ratio is 4.5:1.

Other Funding: $7,000,000 (City of Tucson)

Implementation Period: 2/3

Future Annual Operating & Maintenance Costs: $21,000

42) Project **DOT-42 - South Tucson, 6th Avenue and Various Locations**

Location: South Tucson

Bond Funding: $5,300,000

Scope: The proposed project is primarily to reconstruct existing roadways, improve area drainage and improve connections to the 6th Avenue corridor to enhance circulation and access in the South 6th Avenue community. The project will include improvements to the street frontage to enhance alternate modes use as well as improve the urban design features of this main roadway through South Tucson.

Benefit: The project will improve circulation and access within South Tucson particularly during wet weather, as well as enhance the appearance of the community and the routing for bicycles and buses. The project will also reduce maintenance costs on many of the streets in the community by reducing on-street drainage and replacing deteriorated pavements.

Other Funding: None Proposed

Implementation Period: 1 through 5

Future Annual Operating & Maintenance Costs: No Increase

43) Project **DOT-43 - 12th Avenue, Veterans Boulevard to Los Reales Road**

Location: Tucson

Bond Funding: $9,000,000

Scope: The proposed improvements will improve the function of South 12th Avenue for alternate modes and provide for improved area and roadway drainage and provide streetscape improvements for the adjacent community. The geometry of the intersecting streets will be improved for efficiency, safety and drainage.

Benefit: The project will improve local area circulation and access through improved drainage and will reduce maintenance costs with enhanced roadway pavements. The improvements will increase the value of adjacent properties by enhancing the streetscape elements in this corridor.

Other Funding: None Proposed

Implementation Period: 1 through 3

Future Annual Operating & Maintenance Costs: $60,000

44) Project **DOT-44 - Orange Grove Road, Thornydale Road to Oracle Road**

Location: Unincorporated County, Marana

Bond Funding: $20,000,000

Scope: The project consists of constructing a four and six-lane roadway from Thornydale Road to Oracle Road. The Advance Planning Report for Orange Grove Road, approved by the Board of Supervisors in 1992 called for six lanes from La Cholla Boulevard to Oracle Road and four lanes from Thornydale Road to La Cholla. The cross section requirements will be reviewed during the project initiation stages to determine if the full six lanes from Thornydale to La Cholla should be

64

built with the initial project. The project will include a raised landscape median, multi-use lanes, outside curbs and storm drains, provision for pedestrians and screening and noise mitigation for adjacent residential areas where required. Reinforced box culverts or short span bridges will be constructed where the Pegler Wash, Casas Adobes Wash and the Roller Coaster Wash cross Orange Grove Road, along with other transverse drainage as needed.

Benefit: The project will reduce congestion and enhance safety along Orange Grove Road and at the intersecting street intersections. The estimated economic value of the improvements to traffic flow and reductions in accidents are $295.48 million. The benefit/cost ratio is 12.7:1.

Other Funding: $3,180,000 (Urban Area HURF)

Implementation Period: 3 through 5

Future Annual Operating & Maintenance Costs: $126,000

45) Project **DOT-45 - La Cholla Boulevard, Ruthrauff Road to Ina Road**

Location: Unincorporated County

Bond Funding: $24,000,000

Scope: The project consists of construction of a six-lane La Cholla Boulevard from Ruthrauff Road to Ina Road. Project will include a raised landscape median, multi-use lanes, outside curbs, storm drains and pedestrian facilities and neighborhood screening and noise mitigation where required. This project also includes a new Rillito River bridge and reinforced concrete box culverts or short span bridges at the Nanini Wash and Pegler Wash crossings. Additional provisions will be made for transverse drainage as required.

Benefit: The project will reduce congestion and enhance safety along existing La Cholla Boulevard. This project when linked with the project to the south (I-10 to Ruthrauff Road) will provide enhanced facility of regional significance for access into the northwest area. The estimated economic value of the improvements to traffic flow and reductions in accidents are $249.85 million. The benefit/cost ratio is 7.3:1.

Other Funding: $10,000,000 (Urban Area HURF)

Implementation Period: 4 through 6

Future Annual Operating & Maintenance Costs: $90,000

46) **Project** **DOT-46 - Craycroft Road, River Road to Sunrise Drive**

Location: Unincorporated County

Bond Funding: $12,000,000

Scope: The project will reconstruct and widen existing Craycroft Road to a four-lane divided roadway with raised landscape median, multi-use lanes, outside curbs, storm drains, landscaping and neighborhood screening and noise mitigation as required. The project will include new culverts for the Craycroft Wash and other transverse drainage as necessary.

Benefit: The project will reduce congestion and enhance safety along Craycroft Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $82.37 million. The benefit/cost ratio is 6.6:1.

Other Funding: $550,000 (Impact Fee Funds)

Implementation Period: 2/3

Future Annual Operating & Maintenance Costs: $36,000

47) **Project** **DOT-47 - Sunrise Drive, Craycroft Road to Kolb Road**

Location: Unincorporated County

Bond Funding: $12,000,000

Scope: The project will widen Sunrise Drive to four lanes with multi-use lanes, drainage improvements, landscaping and neighborhood screening and noise mitigation as required. The median treatment will be a raised landscape median or a median two-way left-turn lane pending further evaluation of local area access and circulation requirements. The proposed project is intended to retain the existing outer limits of the cut and fill slopes along Sunrise Drive, therefore will incorporate structural retaining walls as necessary. Needed revisions or improvements to transverse drainage will be included with the project.

Benefit: The project will reduce congestion and enhance safety along Sunrise Drive. The estimated economic value of the improvements to traffic flow and reductions in accidents are $41.84 million. The benefit/cost ratio is 3.2:1.

Other Funding: $1,000,000 (Urban Area HURF)

Implementation Period: 3/4

Future Annual Operating & Maintenance Costs: $31,500

48) **Project** **DOT-48 - Duval Mine Road, La Cañada Drive to Abrego Drive**

Location: Sahuarita

Bond Funding: $2,000,000

Scope: The project will widen and improve Duval Mine Road in the vicinity of the I-19 interchange. Project includes widening existing roadway and the overpass structure at I-19, modifying the ramp geometry and improving the intersection connections at La Cañada Drive and Abrego Drive. The project will include provisions for improved drainage, landscaping, pedestrian and bicycle movements across the freeway and related elements. The median treatment is yet to be determined pending evaluation of local area access and circulation needs and a structural evaluation of the existing overpass.

Benefit: The project will reduce congestion and enhance safety along Duval Mine Road in the vicinity of this interchange.

Other Funding: $10,000,000 (3,000,000 ADOT)
(1,500,000 Impact Fee Funds)
(5,500,000 Urban Area HURF)

Implementation Period: 2 through 4

Future Annual Operating & Maintenance Costs: $22,500

49) **Project** **DOT-49 - Valencia Road, Mission Road to Interstate-19**

Location: Unincorporated County, Tucson

Bond Funding: $4,000,000

Scope: The project will widen Valencia Road from four to six lanes between Mission Road and the freeway interchange. The interchange will be widened under a separate project by Arizona Department of Transportation. The existing Santa Cruz River bridge was built to accommodate a six-lane roadway and will be retained with this project. Project will include multi-use lanes, curbs, storm drains, landscaping and provisions for pedestrians.

Benefit: The project will reduce congestion and enhance safety along Valencia Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $49.22 million. The benefit/cost ratio is 12.3:1.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $27,000

50) **Project** **DOT-50 - Kinney Road, Ajo Way to Bopp Road**

Location: Unincorporated County

Bond Funding: $3,800,000

Scope: The project will widen Kinney Road to four lanes with improved shoulders, roadside drainage and landscaping. The median treatment will be either a raised landscape median or a two-way median left-turn lane pending further evaluation of local area access and circulation requirements.

Benefit: The project will reduce congestion and enhance safety along Kinney Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $4.81 million. The benefit/cost ratio is 1.2:1.

Other Funding: $200,000 (Impact Fee Funds)

Implementation Period: 3/4

Future Annual Operating & Maintenance Costs: $9,000

51) **Project** **DOT-51 - La Cañada/Las Quintas Highway Drainage Improvements**

Location: Sahuarita

Bond Funding: $1,500,000

Scope: Proposed project consists of transverse and parallel drainage improvements along La Cañada Drive and Las Quintas to provide improved roadway drainage, to alleviate ponding and drainage diversions within existing neighborhoods and to increase roadway safety.

Benefit: The project will maintain traversable roadways during wet weather and alleviate roadway-induced drainage problems in the adjacent neighborhoods.

Other Funding: None Proposed

Implementation Period: 2

Future Annual Operating & Maintenance Costs: No Increase

52) Project **DOT-52 - Palo Verde Road, Interstate-10 to Veterans Memorial Interchange at Southern Pacific Railroad**

Location: Unincorporated County

Bond Funding: $4,400,000

Scope: The project will widen Palo Verde Road to six lanes, multi-use lanes, curbs, storm drains, pedestrian facilities and other urban roadway amenities. The median treatment will be either a raised landscape median or a two-way median left-turn lane pending further evaluation of local area access and circulation needs. The improvements will increase capacity and safety of the roadway and will define and better control access to the abutting commercial properties.

Benefit: The project will largely benefit smooth traffic flow for vehicles entering and exiting Palo Verde Boulevard and provision of alternate modes including bicycles and public transit. The additional roadway capacity is essentially to serve traffic entering and exiting the roadway within the project limits. The project will provide some congestion reduction and will reduce traffic accidents. The estimated economic value of the improvements to traffic flow and reductions in accidents are $6.02 million. The benefit/cost ratio is 1.4:1.

Other Funding: None Proposed

Implementation Period: 5

Future Annual Operating & Maintenance Costs: $27,000

69

53) Project **DOT-53 - Old Tucson-Nogales Highway-Summit Neighborhood**

Location: Unincorporated County

Bond Funding: $1,100,000

Scope: Proposed project is to reconstruct the intersection of Nogales Highway-Old Tucson/Nogales Highway to eliminate adverse intersection angles. The project will also improve the vertical alignment of the Old Tucson/Nogales Highway over the Southern Pacific Railroad crossing and provide upgraded traffic control at the intersection and railroad.

The local area is subject to significant drainage problems associated with the roads. The project will construct or improve roadside drainage ditches parallel to Summit Street, McKain Road and Old Tucson/Nogales Highway within the existing right-of-way to increase conveyance towards the existing culverts under the railroad. Small detention facilities will also be constructed east of the Summit-Old Tucson/Nogales neighborhood and McKain Road/Terry Lane intersection to control the magnitude of roadside drainage and to eliminate ponding within these intersections.

Benefit: Project benefits will accrue to local neighborhoods with a safer access, particularly during wet weather conditions. The roadway construction will reduce the expense of operation and maintenance as the intersections collect substantial sediments and debris during wet weather conditions. The improved intersection alignment will allow for safer access onto Nogales Highway (B-19).

Other Funding: None Proposed

Implementation Period: 2

Future Annual Operating & Maintenance Costs: No Increase

54) Project **DOT-54 - Mt. Lemmon Shuttle**

Location: Unincorporated Pima County, Tucson

Bond Funding: $1,500,000

Scope: The Mt. Lemmon Shuttle is conceived to provide public transit access from the vicinity of the Bear Canyon Library to Mt. Lemmon and Summerhaven and to Sabino Canyon Recreation Area. The Shuttle will link with Sun Tran Route 9 at Bear Canyon. This service will operate four trips, six days a week from Bear Canyon to Summerhaven and from Bear Canyon to Sabino Canyon Recreation Area. The Bond funding will provide for turnouts and other facilities adjacent to the roadways to allow the transit to operate safely along these two-lane roads. Additional funding in the form of operating subsidies, equipment and vehicle acquisition grants and similar non-highway related expenses will be sought from other sources.

Benefit: Project benefits include providing general public transportation access to public recreation areas and reducing the number of vehicles on Mt. Lemmon Highway, which will reduce demand for restricted parking areas.

Other Funding: Federal and state transit funding

Implementation Period: 1

Future Annual Operating & Maintenance Costs: To be determined

55) **Project** **DOT-55 - Golf Links Road, Bonanza Avenue to Houghton Road**

Location: Tucson

Bond Funding: $2,500,000

Scope: The proposed project consists of widening 0.5 miles of Golf Links Road to four lanes with a raised landscape median, multi-use lanes, curbs, storm drains, outside landscaping and other urban street features. This project will link with another project to be built entirely by the City of Tucson. The improvements will increase capacity and safety of the roadway and will define and better control access to abutting properties.

Benefits: The project will reduce congestion and enhance safety along Golf Links Road. The estimated economic value of the improvements to traffic flow and reductions in accidents are $2.23 million. The benefit/cost ratio is 0.9:1.

Other Funding: None Proposed

Implementation Period: 1

Future Annual Operating & Maintenance Costs: $15,000

91

56) **Project** **DOT-56 - Broadway Boulevard, Euclid Avenue to Campbell**

Location: Tucson

Bond Funding: $15,000,000

Scope: The proposed project will widen Broadway Boulevard to eight lanes from Euclid Avenue to Campbell, approximately one mile. Proposed improvements are consistent with earlier Broadway Corridor studies and the recently completed portion of Broadway Boulevard, between Euclid Avenue and Toole Avenue, east and west of the Southern Pacific Railroad overpasses. The project will have a landscape median, multi-use lanes, storm drains and other urban arterial features. The proposed project will replace the current five-lane section, which operates with a reversible median lane during peak hours, with a contemporary urban arterial.

Benefit: The project will reduce congestion and enhance safety along Broadway Boulevard, as well as provide significant opportunities to revise the urban streetscape and development pattern along Tucson's "Main Street." The estimated economic value of the improvements to traffic flow and reductions in accidents are $172.85 million. The benefit/cost ratio is 4.9:1.

Other Funding: $9,000,000 (City of Tucson)

Implementation Period: 6

Future Annual Operating & Maintenance Costs: $60,000

57) **Project** **DOT-57 - Safety Improvements**

Location: Various

Bond Funding: $19,000,000

Scope: The HURF Revenue Bond includes $19 million for presently undesignated safety improvements that would be implemented over the course of the bond program. Projects to be funded under this category are traffic safety improvements that are not included in roadways proposed for major improvements. The Department of Transportation publishes annual reports on the traffic accident and safety condition of the unincorporated roadway system. Improvements to be funded with bonds could include traffic signal installations, corrections of offset intersection, installation of left turn lanes, minor improvements to horizontal and vertical alignments to improve sight distance and maintain vehicle control, and similar types of specifically targeted safety projects. Safety projects will be proposed to the Board of Supervisors bi-annually to be funded from the sale of bonds. Specific projects will be selected by the Board for incorporation into the annual Capital Improvement Program.

Benefits:	Previous Pima County General Obligation Bonds have included specific amounts targeted to safety improvements. These previous allocations have demonstrated substantial safety benefits. Fifty locations were improved with traffic safety bond funds authorized in the 1979 and 1980 bond elections. The overall accident reduction from both highway segment and intersection improvements was 26.3 percent (source "Evaluation of the Traffic Accident Experience of Completed Traffic Safety Projects Financed with 1979 and 1980 Bond Issue Funds" Traffic Engineering Division, Pima County Department of Transportation, February 1990).
Other Funding:	None proposed
Implementation Period:	1 through 6
Future Annual Operating & Maintenance Costs:	To be determined

V. Reliance on Other Funding for Project Implementation

As identified in Section IV previously, implementation of all projects proposed for improvement that may be authorized at the November 4, 1997, County Highway User Revenue Bond special election will cost more than $350 million of County Highway User Revenue Bonds to complete. Total project completion will take an additional $120 million. Many of the funds necessary are available to the County through federal aid revenue sharing, imposed development impact fees relating to transportation, or use of urban area HURF funds, which have historically been referred to as 15 Percent Funds. In addition, some County Highway User Revenue Funds have been programmed for use on some of these projects.

Below is a discussion of federal funds, urban area HURF funds, and Pima County impact fees, with an estimate of revenues that can reasonably be expected to be available to Pima County for expenditure over the ten years of the Transportation Bond Improvement Plan and the current estimates of allocation of said funds to specific projects. The additional funding identified is an essential element of program completion.

Federal Funds ($38 million) - A number of federal aid highway program categories can be utilized to supplement bond funding for the projects listed. The projection of $38 million assumes that 40 percent of the ten year federal funds will be available to Pima County for expenditure. The approved Transportation Bond Improvement Plan allocates $15 million to specific projects. These funds will vary depending upon future federal legislation. At present a highway funding bill commonly called the Intermodal Surface Transportation Efficiency Act (ISTEA) is scheduled to expire this year. The bill may be continued for another year pending major legislative revisions to federal highway funding legislation. Revisions now under consideration would increase the appropriations to surface transportation. Therefore, it is probable that future federal aid appropriations to Pima County and jurisdictions will increase.

Urban Area HURF ($90 million) - The urban area HURF was redefined in the same legislation that granted Pima County HURF equity. Previous to this legislation these funds were commonly referred to as 15 Percent HURF Funds allocated to the two urban regions of the State. As of June 1997, urban area HURF or 15 Percent Funds have been spent in the following amounts within the following jurisdictions.

City of Tucson	$121,700,000
Oro Valley	3,400,000
Marana	0
South Tucson	0
Sahuarita	0
Unincorporated Area of Pima County	8,200,000

As can be seen, most of the urban area funds have been spent within the City of Tucson. Allocation of a portion of this funding source to complete bond projects assumes that 60 percent of urban area HURF will be available for expenditure by Pima County. The approved Transportation Bond Improvement Plan allocates $53 million of these funds for specific projects.

Transportation Related Impact Fees ($40 million) - In order to save the taxpayers money, and to ensure that new development pays its fair share, Pima County now collects transportation impact fees from the unincorporated area of Pima County. These impact fees are collected from various benefit areas. These benefit areas all have roadway improvement projects identified in Section IV. Therefore, it is reasonable to allocate impact fees to these specific project areas. It is estimated that impact fees collected over the next ten years will be approximately $40 million. The approved Transportation Bond Improvement Plan allocates $13 million of these funds to specific projects; the remaining impact fees can be utilized to repay bond expenditures or be allocated to other projects. Impact fee revenue estimates by Benefit Area are shown in Table 6. If new cities and towns are created, the flow of impact fees to Pima County from the particular area will stop. Each city and town will have to consider whether or not to adopt and enforce impact fees. Where impact fees are allocated to a specific project and the project lies within an area that is newly incorporated, an intergovernmental agreement will be necessary to complete the project. The intergovernmental agreement shall identify the supplemental funding if development impact fees will not be collected. Development impact fees may not be allocated to each project in this plan, in part because of the difficulty of anticipating the specific location and intensity of use of future development within each benefit area. Whenever specific development occurs adjacent to improvements included within this plan, development impact fees collected will be allocated to the effected project.

Table 6

Projected Roadway Development Impact Fee Revenues

Benefit Area	10-Year Revenue Estimate
Canada del Oro	$ 6,300,000
Catalina Foothills	7,800,000
Silverbell-Tortolita	11,900,000
Rincon Valley	3,000,000
Tucson Mountains	2,600,000
San Xavier	3,500,000
Santa Cruz Valley	4,700,000
Total	**$39,800,000**

The approved Transportation Bond Improvement Plan allocates an additional $46 million in non-bond revenues to specific projects.

74

VI. Legal Issues Related to Projects Financed with HURF Revenue Bonds Inside Incorporated Jurisdictions

The "Transportation Bond Implementation Plan for the November 4, 1997 Election" includes 29 projects, with a combined value of $129,320,000 (46 percent of the projects and 37 percent by bond revenue) which are intended to improve segments of streets and highways which cross between incorporated and unincorporated jurisdictional lines or are located entirely within the jurisdictional boundaries of Marana, Oro Valley, Sahuarita, South Tucson or Tucson.

A. Background on the Proposed $350 Million Transportation Revenue Bond Package

On December 4, 1996, the Citizens Bond Advisory Committee forwarded to the Board of Supervisors recommendations for a $250 million transportation revenue bond program designed to meet identified needs on the unincorporated County maintained street and highway system. At approximately the same time, the City of Tucson forwarded to the Board of Supervisors a separate list of projects it wished to see included in a County bond election, including a list of transportation projects. In the interests of treating all incorporated jurisdictions equally, Marana, Oro Valley, Sahuarita and South Tucson were afforded the opportunity to submit bond projects requests as well. In June and July 1997, the five incorporated jurisdictions submitted updated requests for municipal transportation projects for inclusion in the November 4, 1997 bond election.

Arizona Revised Statutes §11 - 371 enables counties to incur debt and issue bonds secured by Highway user Revenue Fund revenues for transportation projects. This authority has been in state statute since 1981 but has never been utilized by an Arizona county since its enactment. Arizona counties (including Pima County) never issued transportation revenue bonds because HURF receipts were never large enough to support any meaningful bonding capacity. In Maricopa County, HURF revenues were historically large enough to make "pay-as-you-go" financing a reasonable option. Therefore, if approved by the voters, Pima County will be the first county to avail itself of the transportation revenue bonding option pursuant to Arizona Revised Statutes §11-371 *et seq.*

B. Legal Challenge to Authority to Expend County HURF Transportation Revenue Bonds on Municipal Streets and Highways

Because no county has ever used revenue bonds for transportation purposes, the Pima County Administrator submitted a request to the County Attorney for a formal legal opinion on whether counties had the authority to expend transportation revenue bonds issued pursuant to ARS §11 - 371 for transportation improvements on municipal streets and highways. ARS §11 - 371 states:

> "A county, in addition to other powers conferred upon it by law, may borrow money and issue bonds for the purpose of improvement, construction, reconstruction, acquisition of rights-of-way or maintenance of <u>county streets and highways</u>." (Emphasis added)

On July 13, 1997, the County Attorney's Office issued an opinion which stated, in pertinent part, that the language at ARS§ 11 - 371 appeared to restrict expenditure of transportation revenue bonds on streets and highways which are owned and maintained by the County and these funds could not be expended on municipal streets and highways.

The City of Tucson went to Superior Court to request a declaratory judgement that such expenditures were permissible. On July 30, 1997, the Superior Court issued an opinion sustaining the City of Tucson position and declaring expenditure of county HURF revenue bond proceeds on municipal streets and highways was permissible. On August 5, 1997, the Board of Supervisors

75

voted to appeal this lower court decision. The decision to appeal was primarily because a decision of the Superior Court is not binding in future litigation over spending county HURF revenue bonds on municipal streets and highways. Therefore, in the absence of a higher court decision, bond counsel would not be able to issue an unqualified legal opinion that the proposed sale of transportation revenue bonds would survive a legal challenge. Without this certainty, the bond markets could predictably refuse to purchase the proposed bonds or drive up the interest rates to compensate for the uncertainty of their legal status.

A hearing before the Court of Appeals is presently scheduled for October 15, 1997. The proposed transportation bond improvement plan has been constructed on the assumption that the final decision of the Court of Appeals or State Supreme Court will uphold the permissibility of expending county transportation revenue bonds on municipal streets and highways. If the final decision rules such expenditures are not permissible, the Board of Supervisors must determine what future actions may be necessary. This action will be structured in large part on the reasoning of the Court decision. If the Board desires to continue to implement transportation projects inside cities and towns, legislative as well as intergovernmental agreement options could be explored.

VII. Continuing Regional Cooperation

In an effort to enhance and stimulate regional cooperation, Pima County has allocated $129 million of County HURF revenue bonds to be spent inside incorporated cities and towns. The amount to be spent inside each city or town is listed in Table 7.

Table 7

Revenue Bond Allocations to Cities and Towns

Jurisdiction	Amount
City of Tucson	$111,900,000
Oro Valley	$ 3,500,000
Marana	$ 4,920,000
South Tucson	$ 5,300,000
Sahuarita	$ 3,700,000

There is no legal requirement to spend any county HURF revenue bond monies inside cities or towns. This allocation has been made to foster regional cooperation in solving community-wide problems. Pima County considers improving air quality, increasing traffic safety, full utilization of this region's Central Arizona Project water allocation, and complete effluent reuse to be regional goals that, if attained, will lead to a stronger, healthier community. In order to effectively implement this regional transportation bond program and to plan for and achieve other critical regional goals, a continuing dialogue among local governments to exchange information and coordinate efforts is needed.

VIII. Implementation of Transportation Projects in Other Jurisdictions

Pursuant to Pima County Code Section 3.06.080, bond projects authorized by the Board of Supervisors in the Bond Improvement Plan for the November 4, 1997 Special Election will be implemented by the County only pursuant to an intergovernmental agreement executed between Pima County and the implementing subdivision. The County will manage all phases of project implementation, including design, right-of-way acquisition, contracting and contract administration.

76

01

The major provisions of the intergovernmental agreements shall provide:

1. That the political subdivision shall operate and maintain the improvements constructed with County bond funds in perpetuity in accordance with applicable standards of engineering practices.

2. That the political subdivision shall not allow utility pavement cuts in the improved roadway for a period of five years after project completion.

3. That the political subdivision agrees to ensure and hold harmless the County from claims or lawsuits arising from use of the improvements constructed by the County.

4. That the political jurisdiction agrees to develop and enforce an access control plan where the capacity and safety of the transportation facilities being constructed with County bond funds is not diminished or compromised.

5. That the political subdivision will develop and implement an effective citizen participation process during the planning and design process for each project to be developed by the County.

The intergovernmental agreement shall also:

1. Establish the amount of County bond funds to be allocated to a specific project, establish the stated amount as a maximum of County bond monies to be allocated to the project, and commit the implementing political subdivision to pay for any and all costs in excess of County bond funds;

2. Require that the implementing subdivision agree to comply with all provisions of Chapter 3.06, Disclosure, Accountability, and Implementation of the Pima County Code.

PASSED AND ADOPTED by the Board of Supervisors of Pima County, Arizona, this 21st day of October, 1997.

Paul M. Grijalva

Chairman, Board of Supervisors

Attest:

Lori Godoshian

Clerk, Board of Supervisors

Reviewed ~~by~~:

C. Huckelberry

County Administrator

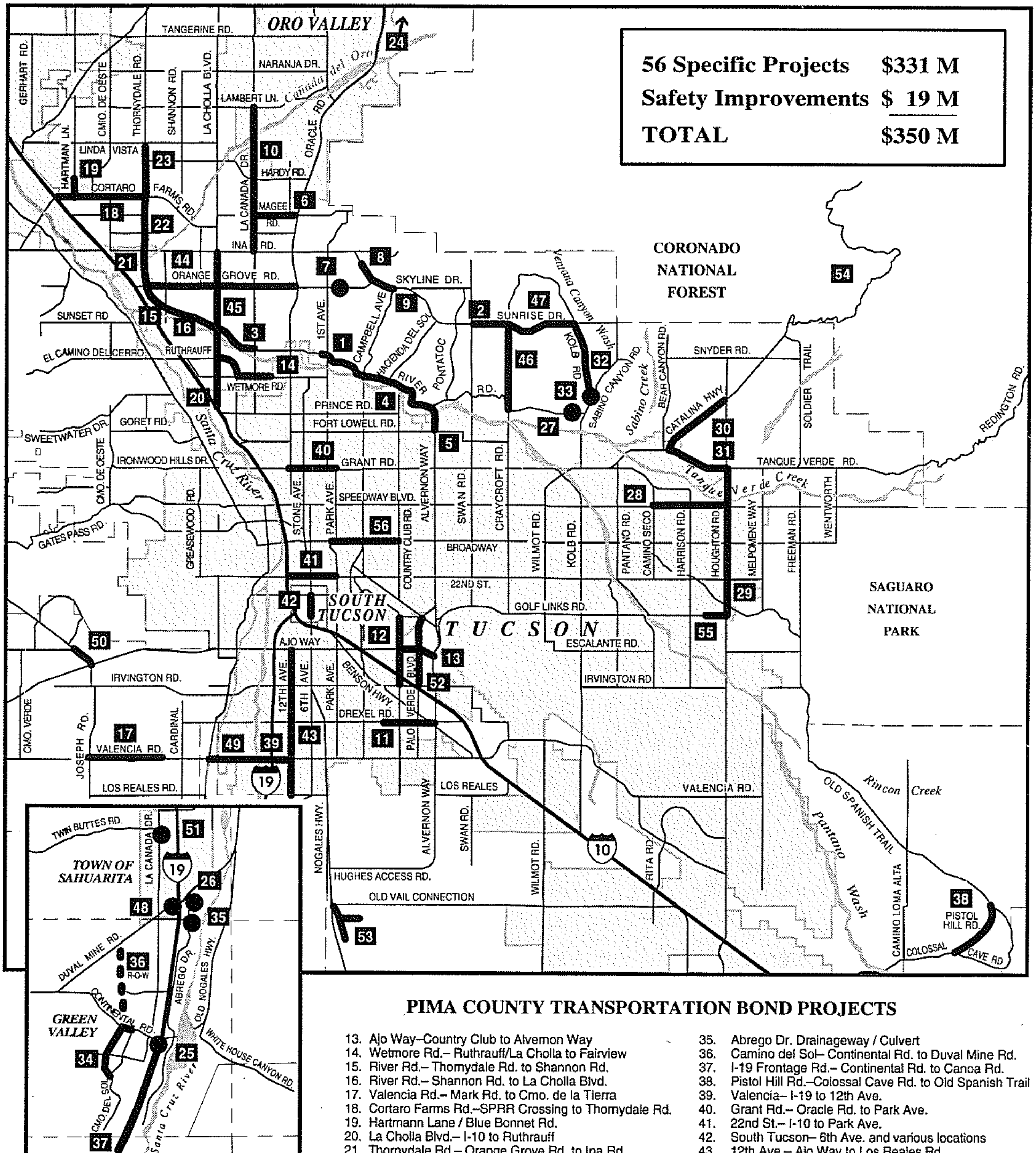
Approved as to Form:

Peter E. Reen

Civil Deputy County Attorney

Figure 1

1997 County Transportation Bond Issue – November 4, 1997



PIMA COUNTY TRANSPORTATION BOND PROJECTS

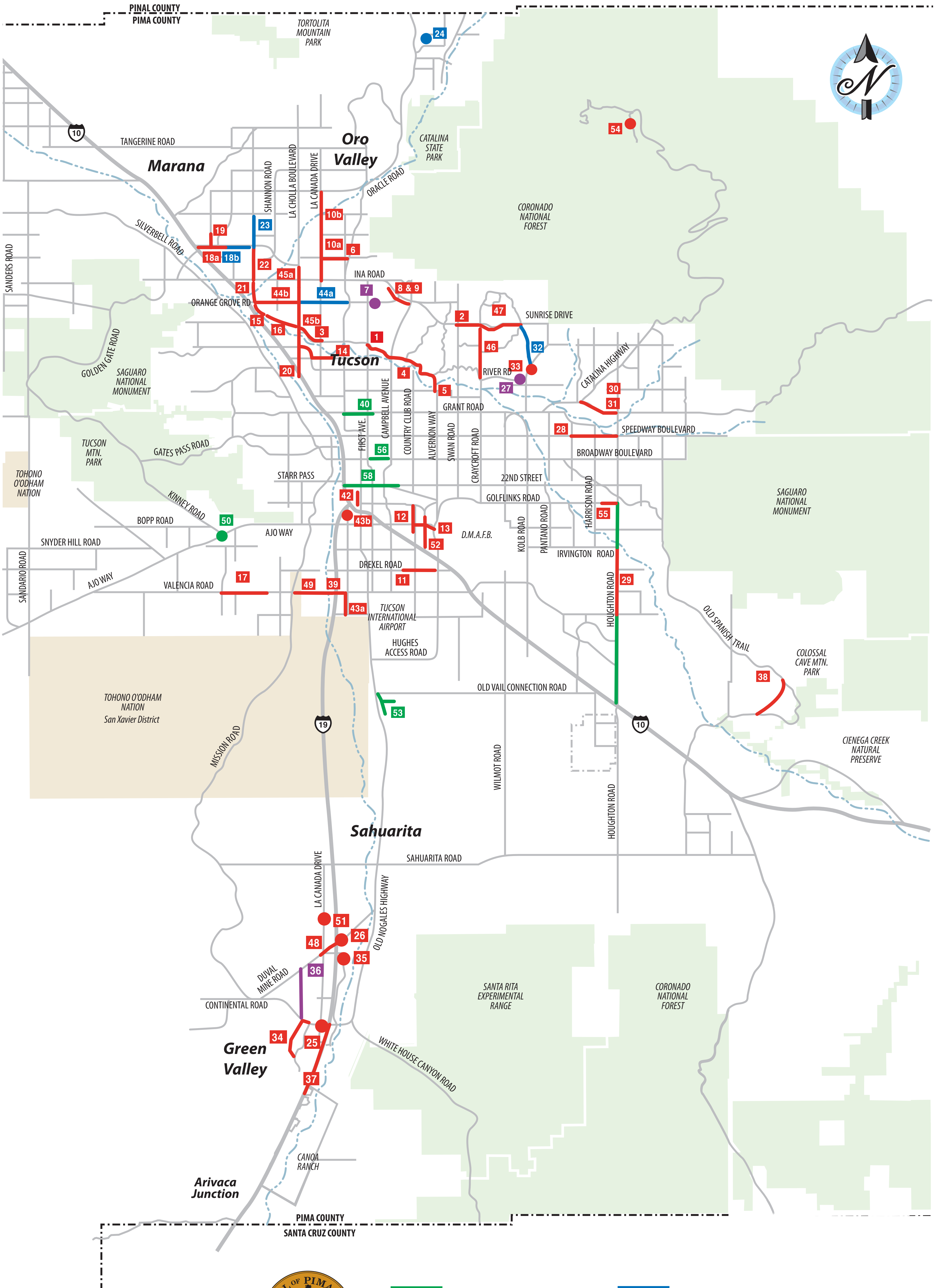
1. River Rd.– First Ave. to Campbell.
2. Sunrise Dr.– Swan Rd. to Craycroft Rd.
3. River Rd.– La Cholla Blvd. to La Cañada Dr.
4. River Rd.– Campbell Ave. to Alvernon Way
5. Alvernon Way– Ft. Lowell to River Rd.
6. Magee Rd.– La Cañada to Oracle Rd.
7. Orange Grove Rd. at Geronimo Wash
8. Skyline Rd.– Chula Vista to Orange Grove Rd.
9. Skyline Rd.– Orange Grove Rd. to Campbell Ave.
10. La Cañada Dr.–Ina Rd. to Lambert Ln.
11. Drexel Rd.– Tucson Blvd. to Alvernon Way
12. Country Club Rd.–36th to Irvington Rd.
13. Ajo Way–Country Club to Alvernon Way
14. Wetmore Rd.– Ruthrauff/La Cholla to Fairview
15. River Rd.– Thornydale Rd. to Shannon Rd.
16. River Rd.– Shannon Rd. to La Cholla Blvd.
17. Valencia Rd.– Mark Rd. to Cmo. de la Tierra
18. Cortaro Farms Rd.–SPRR Crossing to Thornydale Rd.
19. Hartmann Lane / Blue Bonnet Rd.
20. La Cholla Blvd.– I-10 to Ruthrauff
21. Thornydale Rd.– Orange Grove Rd. to Ina Rd.
22. Thornydale Rd.– Ina Road to Cortaro Farms Rd.
23. Thornydale Rd.– Cortaro Farms Rd. to Linda Vista Rd.
24. Mainsail and Twin Lakes– 27 Wash area
25. I-19 SB Frontage Rd. at Continental Rd.
26. Abrego Drive at I-19 Frontage Rd.
27. River Rd. at Ventana Wash
28. Speedway Blvd.– Camino Seco to Houghton
29. Houghton Rd.– Tanque Verde Rd. to Golf Links Rd.
30. Catalina Hwy.– Tanque Verde Rd. to Houghton Rd.
31. Tanque Verde Rd.– Catalina Hwy. to Houghton Rd.
32. Kolb Rd.– Sabino Canyon Rd. to Sunrise Dr.
33. Kolb Rd. at Sabino Canyon Rd.
34. Camino del Sol– Continental Rd. to Ocotillo Wash
35. Abrego Dr. Drainageway / Culvert
36. Camino del Sol– Continental Rd. to Duval Mine Rd.
37. I-19 Frontage Rd.– Continental Rd. to Canoa Rd.
38. Pistol Hill Rd.–Colossal Cave Rd. to Old Spanish Trail
39. Valencia– I-19 to 12th Ave.
40. Grant Rd.– Oracle Rd. to Park Ave.
41. 22nd St.– I-10 to Park Ave.
42. South Tucson– 6th Ave. and various locations
43. 12th Ave.– Ajo Way to Los Reales Rd.
44. Orange Grove Rd.– Thornydale Rd. to Oracle Rd.
45. La Cholla Blvd.– Ruthrauff Rd. to Ina Rd.
46. Craycroft Rd.– River Rd. to Sunrise Dr.
47. Sunrise Dr.– Craycroft Rd. to Kolb Rd.
48. Duval Mine Rd. and I-19
49. Valencia Rd.– Mission Rd. to I-19
50. Kinney Rd.– Ajo Way to Bopp Rd.
51. La Cañada Dr. / Las Quintas Hwy. Drainage
52. Palo Verde Blvd.– I-10 to Veterans Overpass
53. Old Tucson-Nogales Hwy. Summit Neighborhood
54. Mt. Lemmon Shuttle
55. Golf Links Rd. / Bonanza Dr.
56. Broadway– Euclid Ave. to Country Club Rd.

78

10658 1120

ATTACHMENT C

1997 Bond Program HURF Transportation Bond Issue
March 2013 Status Report



Under Development Projects

Completed or Under Construction

Future Projects

Discontinued Projects

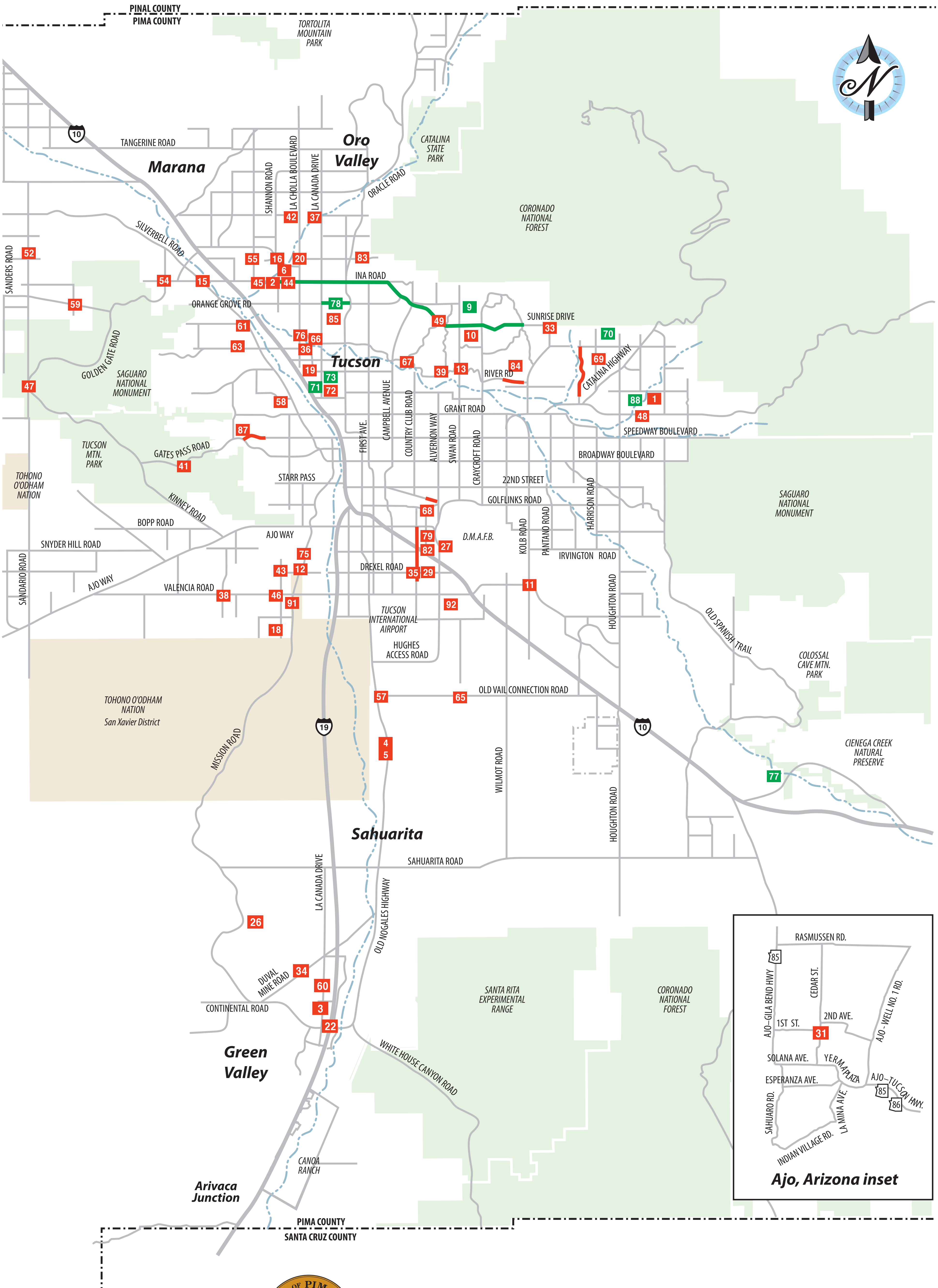
1997 bond map improved chh 03182013

1997 Bond Program HURF Transportation Bond Issue
March 2013 Status Report

Project #	Project Name	Bond Funding	Other Funding	Status
DOT-01	River Road, First Avenue to Campbell Avenue	15,500,000	6,468,506	COMPLETED
DOT-02	Sunrise Drive, Swan Road to Craycroft Road	5,000,000	10,305,330	COMPLETED
DOT-03	River Road, La Cholla Boulevard to La Cañada Drive	3,500,000	1,129,488	COMPLETED
DOT-04	River Road, Campbell Avenue to Alvernon Way	15,613,000	9,113,173	COMPLETED
DOT-05	Alvernon Way, Ft Lowell Road to River Road	3,887,000	5,738,493	COMPLETED
DOT-06	Magee Road, La Cañada Drive to Oracle Road (Note 1 below) (County RTA)	3,750,000	16,196,000	UNDER CONSTRUCTION (Summer 2013)
DOT-07	Orange Grove Road at Geronimo Wash	104,668	11,522	DISCONTINUED
DOT-08	Skyline Drive, Chula Vista to Orange Grove Road	388,000	-	COMPLETED
DOT-09	Skyline Drive, Chula Vista to Campbell Avenue	8,816,000	13,587,211	COMPLETED
DOT-10	La Cañada Drive, Ina Road to Lambert Lane (County RTA)	12,000,000	23,114,673	UNDER CONSTRUCTION
DOT-11	Drexel Road, Tucson Boulevard to Alvernon Way (Note 1 below)	2,500,000	-	COMPLETED
DOT-12	Country Club Road, 36th Street to Milber	11,840,000	618,523	COMPLETED
DOT-13	Ajo Way, Country Club to Alvernon Way	3,342,000	3,417,005	COMPLETED
DOT-14	Wetmore and Ruthrauff Road, La Cholla Boulevard to Fairview Avenue	7,800,000	17,199,496	COMPLETED
DOT-15	River Road, Thornydale Road to Shannon Road	4,000,000	5,253,621	COMPLETED
DOT-16	River Road, Shannon Road to La Cholla Boulevard	863,000	4,085,246	COMPLETED
DOT-17	Valencia Road, Mark Road to Camino de la Tierra (County RTA)	5,800,000	13,622,081	COMPLETED
DOT-18a	Cortaro Farms Road, UPRR to Camino de Oeste (Note 1 below)	10,165,998	1,416,478	COMPLETED
DOT-18b	Cortaro Farms Road, Camino de Oeste to Thornydale (Note 2 below)	235,322	16,000,000	FUTURE
DOT-19	Hartman Lane North of Cortaro Farms Road	127,000	372	COMPLETED
DOT-20	La Cholla Boulevard, Ruthrauff Road to River Road (County RTA)	1,656,000	17,369,910	COMPLETED
DOT-21	Thornydale Road, Orange Grove Road to Ina Road	1,000,000	2,052,353	COMPLETED
DOT-22	Thornydale Road, Ina Road to Cortaro Farms Road	1,000,000	15,772,737	COMPLETED
DOT-23	Thornydale Road, Cortaro Farms Road to Linda Vista Boulevard	1,000,000	19,663,167	FUTURE
DOT-24	Mainsail Boulevard and Twin Lakes Drive, Twenty-Seven Wash Vicinity	2,700,000	4,700,000	FUTURE
DOT-25	Interstate 19 Southbound Frontage Road at Continental Road (County RTA)	1,000,000	2,195,062	COMPLETED
DOT-26	Abrego Drive at Interstate 19 Northbound Frontage Road	4,468	-	COMPLETED
DOT-27	River Road at Ventana Wash	744,195	16,159	DISCONTINUED
DOT-28	Speedway Boulevard, Camino Seco to Houghton Road (City RTA)	581,700	16,856,000	UNDER CONSTRUCTION
DOT-29	Houghton Road, Golf Links Road to Interstate 10 (City RTA)	20,000,000	70,921,000	UNDER DEVELOPMENT & CONSTRUCTION
DOT-30	Catalina Highway, Tanque Verde Road to Houghton Road	6,200,000	2,875,130	COMPLETED
DOT-31	Tanque Verde Road, Catalina Highway to Houghton Road (County RTA)	1,322,169	12,678,831	COMPLETED
DOT-32	Kolb Road, Sabino Canyon Road to Sunrise Drive	10,000,000	3,843,002	FUTURE
DOT-33	Kolb Road at Sabino Canyon Road	3,400,000	3,003,245	COMPLETED
DOT-34	Camino del Sol, Continental Road to Ocotillo Wash	196,194	5,530	COMPLETED
DOT-35	Abrego Drive at Drainage way No. 1/Box Culvert	150,000	-	COMPLETED
DOT-36	Camino del Sol/West Parkway: Continental to Duval Mine	0	-	DISCONTINUED
DOT-37	I-19 Northbound Frontage Road, Canoa Road to Continental (County RTA)	3,653,806	19,817,505	COMPLETED
DOT-38	Pistol Hill Road, Colossal Cave Road to Old Spanish Trail	1,000,000	712,613	COMPLETED
DOT-39	Valencia Road, Interstate 19 to South 12th Avenue	662,000	600,223	COMPLETED
DOT-40	Grant Road, Oracle Road to Park Avenue (City RTA)	348,300	54,652,000	UNDER DEVELOPMENT & CONSTRUCTION
DOT-41	Neighborhood Transportation Improvements (Note 1 below)	7,400,000	-	ONGOING
DOT-42	South Tucson, 6th Avenue and Various Locations	5,111,918	79,053	COMPLETED
DOT-43	12th Avenue, 38th Street to Los Reales Road	9,548,000	1,128,564	COMPLETED
DOT-44a	Orange Grove Road, La Cholla Blvd. to Oracle Road (Note 3 below)	-	-	UNDER CONSTRUCTION & FUTURE
DOT-44b	Orange Grove Road, Thornydale Road to La Cholla Blvd.	15,000,000	385,000	UNDER CONSTRUCTION
DOT-45	La Cholla Boulevard, River Road to Magee Road	18,000,000	8,241,783	COMPLETED
DOT-46	Craycroft Road, River Road to Sunrise Drive	13,307,022	18,505,289	COMPLETED
DOT-47	Sunrise Drive, Craycroft Road to Kolb Road (Note 1 below)	18,862,966	265,971	COMPLETED
DOT-48	Duval Mine Road: La Cañada to Abrego (Note 4 below)	0	-	COMPLETED
DOT-49	Valencia Road, Mission Road to Interstate 19	6,760,000	5,447,272	COMPLETED
DOT-50	Kinney Road, Ajo Way to Bopp Road (Note 1 below)	3,800,000	2,400,000	UNDER DEVELOPMENT
DOT-51	La Cañada/Las Quintas Highway Drainage Improvements	1,500,000	26,915	COMPLETED
DOT-52	Palo Verde Road, Gas Road to 44th Street	1,300,000	159,297	COMPLETED
DOT-53	Old Tucson-Nogales Highway - Summit Neighborhood	1,100,000	1,317,939	UNDER DEVELOPMENT
DOT-54	Mt. Lemmon Shuttle	1,779,561	510,484	COMPLETED
DOT-55	Golf Links Road, Bonanza Avenue to Houghton Road	1,801,000	900,389	COMPLETED
DOT-56	Broadway Boulevard, Euclid Avenue to Campbell (City RTA)	25,000,000	23,000,000	UNDER DEVELOPMENT
DOT-57	Safety Improvements (Note 1 below)	32,683,414	5,920,684	ONGOING DESIGN PROJECTS
DOT-58	22nd Street: Interstate-10 to Tucson Blvd. (City RTA)	10,000,000	98,084,000	UNDER DEVELOPMENT
Totals		344,804,701	561,384,102	

Note 1: Upon approval of April / May 2013 bond ordinance amendment.
Note 2: Design complete only. Remaining funds required to complete project will be non-bond.
Note 3: Construction to start Summer 2013 funded by DOT-57 Safety Improvement.
Note 4: Completed by ADOT.

1997 Bond Program DOT 57 Safety Improvements Bond Issue
March 2013 Status Report



Under Development Projects

Completed or Under Construction

Future Projects

Discontinued Projects

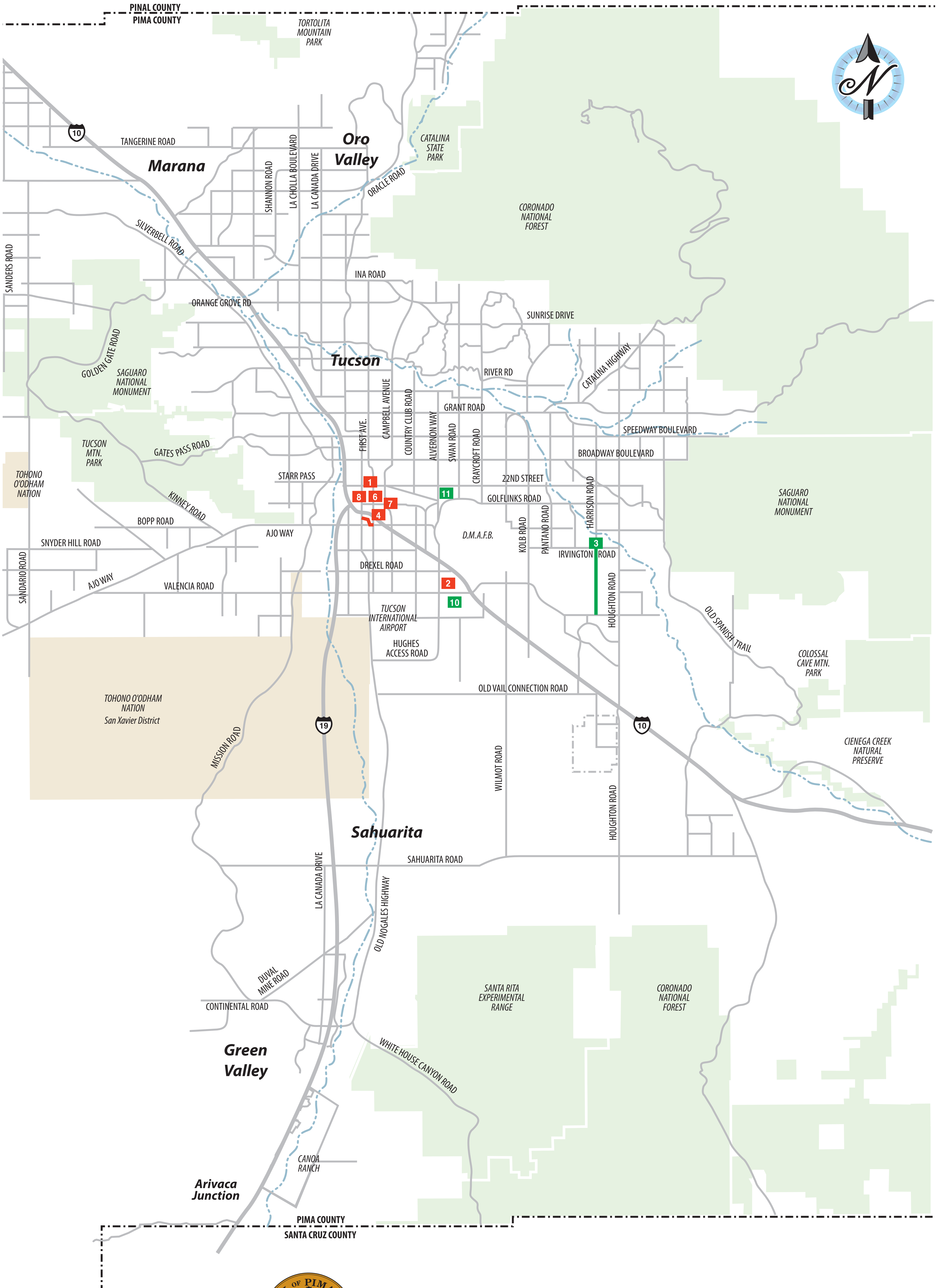
1997 bond map improved chh 03182013

1997 Bond Program DOT 57 Safety Improvements Bond Issue
March 2013 Status Report

Project #	Project Name	Bond Funding	Other Funding	Status
1	Conestoga/Tanque Verde EB LT Lane	121,511	9,489	COMPLETED
2	Ina Road/Shannon Road Geometry & Traffic Signal Modifications	17,260	4,349	COMPLETED
3	La Cañada/Trader Lane Pedestrian Crossing Flashing Beacons & Signs	32,936	2,572	COMPLETED
4&5	Lumber Street/UPRR Roadway Improvements Gates Flashes & Bells	35,527	2,774	COMPLETED
6	Magee/Mona Lisa WB LT Lane	159,759	12,474	COMPLETED
9	Intelligent Transportation Systems (Signals Coordination & Cabinet Upgrade)	1,320,941	44,817	IN PROGRESS
10	Video Detection @ Traffic Signals	280,922	18,621	COMPLETED
11	Kolb Road to Valencia Road Geometry & Traffic Signal Modifications	560,079	43,734	COMPLETED
12	Drexel Road & Mission Road Upgrade Traffic Signal Installation	118,565	9,260	COMPLETED
13	River Road to Swan Road Geometry & Traffic Signal Modifications	251,292	19,624	COMPLETED
15	Ina Road - Silverbell Road (Town of Marana) Geometry & Traffic Signal Installation	60,468	4,720	COMPLETED
16	Jensen Road - Magee Turn Lanes	308,971	24,127	COMPLETED
18	Cmo de Oeste,Tetakusim to Los Reales/ Pasqua Yaqui to Cmo de Oeste Realignment & Turn Lane	503,300	39,297	COMPLETED
19	Curtis Road & La Cholla Blvd Traffic Signals	259,303	20,249	COMPLETED
20	La Cholla/Sonoran Terrace Apts Turn Lanes	102,217	7,981	COMPLETED
22	Abrego Drive - Continental Road Geometry & Traffic Signal Installation	1,183,004	92,375	COMPLETED
26	Railroad Crossing: Twin Buttes Road	3,362	262	COMPLETED
27	Railroad Crossing: Contractors Way and Illinois Street	5,718	1,382	COMPLETED
29	Palo Verde Lighting Project (Phase I, II, & III)	276,408	21,583	COMPLETED
30	Safety Management Systems and Program Development (not shown on map)	785,246	38,139	COMPLETED
31	Ajo Intersection Lighting (SR85)	13,849	1,081	COMPLETED
32	Pima County Transportation Illumination Project (not shown on map)	37,330	2,915	COMPLETED
33	Sunrise - Sabino Canyon Traffic Signal	139,109	10,863	COMPLETED
34	Duval Mine Road/Rio Altar Left Turn Lane	176,460	13,778	COMPLETED
35	Drexel Road - Palo Verde Road Intersection Traffic Signals	177,421	13,853	COMPLETED
36	La Cholla Blvd and Rudasill Road Traffic Signal	108,822	8,497	COMPLETED
37	La Cholla Blvd & Overton Road Signal Traffic Signal (Planning)	198,895	15,531	COMPLETED
38	Mark Road & Valencia Road Traffic Signal	92,431	7,217	COMPLETED
39	River Road @ Pontatoc Road Signal and Realignment	852,902	66,599	COMPLETED
41	Gates Pass Rock Removal	624,891	48,795	COMPLETED
42	Shannon Road & Overton Road Traffic Signal	690,162	53,890	COMPLETED
43	Cardinal-Drexel Intersection Improvements	696,456	54,382	COMPLETED
44	Ina Road and Mona Lisa Road - Additional Traffic Control Appurtenances	1,459	114	COMPLETED
45	Ina Road and Camino de la Tierra - Additional Traffic Control Appurtenances	1,459	114	COMPLETED
46	Camino de la Tierra at Valencia Traffic Signal	77,539	6,055	COMPLETED
47	Kinney Road and Sandario Road Drainage and Straightening	408,633	31,909	COMPLETED
48	Tanque Verde Road/Tanque Verde Loop Left Turn Lane	535,354	41,804	COMPLETED
49	Skyline Drive Widening Improvement	1,381,817	118,185	COMPLETED
52	Sandario Road at Emigh Road: Safety Improvements	47,220	3,686	COMPLETED
53	Square Tube Breakaway Sign Posts (not shown on map)	1,087,246	8,421	IN PROGRESS
54	Ina Road & Wade Intersection Improvement (Planning)	50,726	3,962	COMPLETED
55	Magee & Thornydale Traffic Signal	275,468	21,510	COMPLETED
57	Nogales Hwy and Hughes Access Road Traffic Signal	231,914	18,754	COMPLETED
58	Silverbell Road and Sweetwater Intersection Signal	229,191	17,897	COMPLETED
59	Picture Rocks Road at Sandario Road Traffic Analysis	2,010	157	COMPLETED
60	Camino Casa Verde & La Cañada Traffic Signal	878,125	68,568	COMPLETED
61	Orange Grove/Silverbell Intersection Improvements	358,899	985,027	COMPLETED
63	Sunset/Sunray Intersection Improvements	1,337,266	7,337	COMPLETED
65	Alvernon/Hughes Access Road	162,954	12,724	COMPLETED
66	La Cholla/Hospital Drive Traffic Signal	120,747	9,429	COMPLETED
67	Campbell Avenue Lighting/Sidewalk Improvements	32,465	2,535	COMPLETED
68	Aviation Parkway - Richey to Technical Drive	173,876	-	COMPLETED
69	Bear Canyon Bike Lanes: Snyder to Indian Bend	37,126	829,149	COMPLETED
70	Bowes Road @ Sabino High School HAWK	16,160	149,000	Under DESIGN
71	Centennial Elementary School - SRTS	50,000	678,000	Under DESIGN
72	Fairview Ave & Roger Road Geometry & Traffic Signal Installation	1,610	125	COMPLETED
73	Homer Davis Elementary Bicycle & Pedestrian Enhancement Construction start Summer 2013	250,000	1,723,196	UNDER DESIGN
74	Intelligent Transportation Systems: Fiber Optic Cable (not shown on map)	8,545	667	COMPLETED
75	Irvington at Mission	136,019	-	COMPLETED
76	La Cholla Blvd-Omar Drive	1,119	87	COMPLETED
77	Mary Ann Cleveland Way @ Kush Canyon Ln HAWK	-	243,000	UNDER DESIGN
78	Orange GroveTWLTL & Bike Lanes:La Cañada Rd to Oracle Construction start Summer 2013	865,500	-	UNDER DESIGN
79	Palo Verde & Lincoln HAWK Signal & Crosswalk Phase 1	216,610	-	COMPLETED
80	Picture Rocks and Sandario Beacon	38,231	-	COMPLETED
81	Picture Rocks at Van Ark Intersection Analysis	7,820	610	COMPLETED
82	Railroad Crossing: Contractors Way and Michigan Street	4,715	368	COMPLETED
83	Rancho Catalina Subdivision Magee Road Connection	2,759	215	COMPLETED
84	River Road/Tanuri Drive to Flagstaff Place Roadway Realignment	133,309	10,408	COMPLETED
85	Rudasill Road at Genematas Drive Realignment & WB LT Lane	251,868	19,668	COMPLETED
87	Speedway/Painted Hills to Anklam Roadway Realignment	144,140	11,256	COMPLETED
88	Tanque Verde Road at Emily Gray JHS HAWK	14,000	157,000	UNDER DESIGN
89	Traffic Signal Improvements: County Wide- Misc. (various projects are under development)(not shown)	25,317	1,978	COMPLETED
90	Traffic Signal Preemption Program (not shown on map)	9,697	757	COMPLETED
91	Valencia & Mission Signal	1,549	121	COMPLETED
92	Valencia Rd at Desert View High School Median and Signal Improvements	8,501	663	COMPLETED
86	Safety Improvements Misc. (4SAFTY, Holding account for remaining funds.)(not shown on map) (See Note)	12,868,934	20,998	IN PROGRESS
	GRAND TOTAL	**32,683,414**	**5,920,684**	

Note: April / May 2013 Amendment to Ordinance recommends that DOT-57 be increased to $32,683,414.

1997 Bond Program DOT 41 Neighborhood Transportation Improvements Bond Issue March 2013 Status Report



THE SEAL OF PIMA COUNTY ARIZONA

- Under Development Projects
- Completed or Under Construction
- Future Projects
- Discontinued Projects

1997 bond map improved chh 03182013

1997 Bond Program DOT 41Neighborhood Transportation Improvements Bond Issue March 2013 Status Report

Project #	Project Name	Bond Funding	Other Funding	Status
1	Cherry Avenue Curbs and Sidewalks	170,000	-	COMPLETED
2	Valencia Road at Desert View HS Median, Signal and Parking Improvements	514,543	-	COMPLETED
3	Harrison Greenway at DMAFB State Land acquisition in progress.	850,000	-	UNDER DEVELOPMENT
4	Julian Wash Greenway Park Ave to 6th Ave	1,000,000	-	UNDER CONSTRUCTION
6	Park Villa Casitas	67,181	-	COMPLETED
7	Pueblo Gardens Neighborhood Association Project	83,908	-	COMPLETED
8	South Tucson Pavement Chip Seal	1,061,564	-	COMPLETED
9	Project Planning Previous to FY2003/04 (not on map)	42,795	-	COMPLETED
10	Valencia Road: Alvernon to Wilmot (Sunnyside Schools Bus Road)	500,000	-	UNDER DEVELOPMENT
11	Alvernon Heights	200,625	-	UNDER DEVELOPMENT
5	Neighborhood Transportation Improvements (not on map) Holding account for remaining funds (see Note)	2,909,384	-	IN PROGRESS
	GRAND TOTAL	**7,400,000**	**0**	

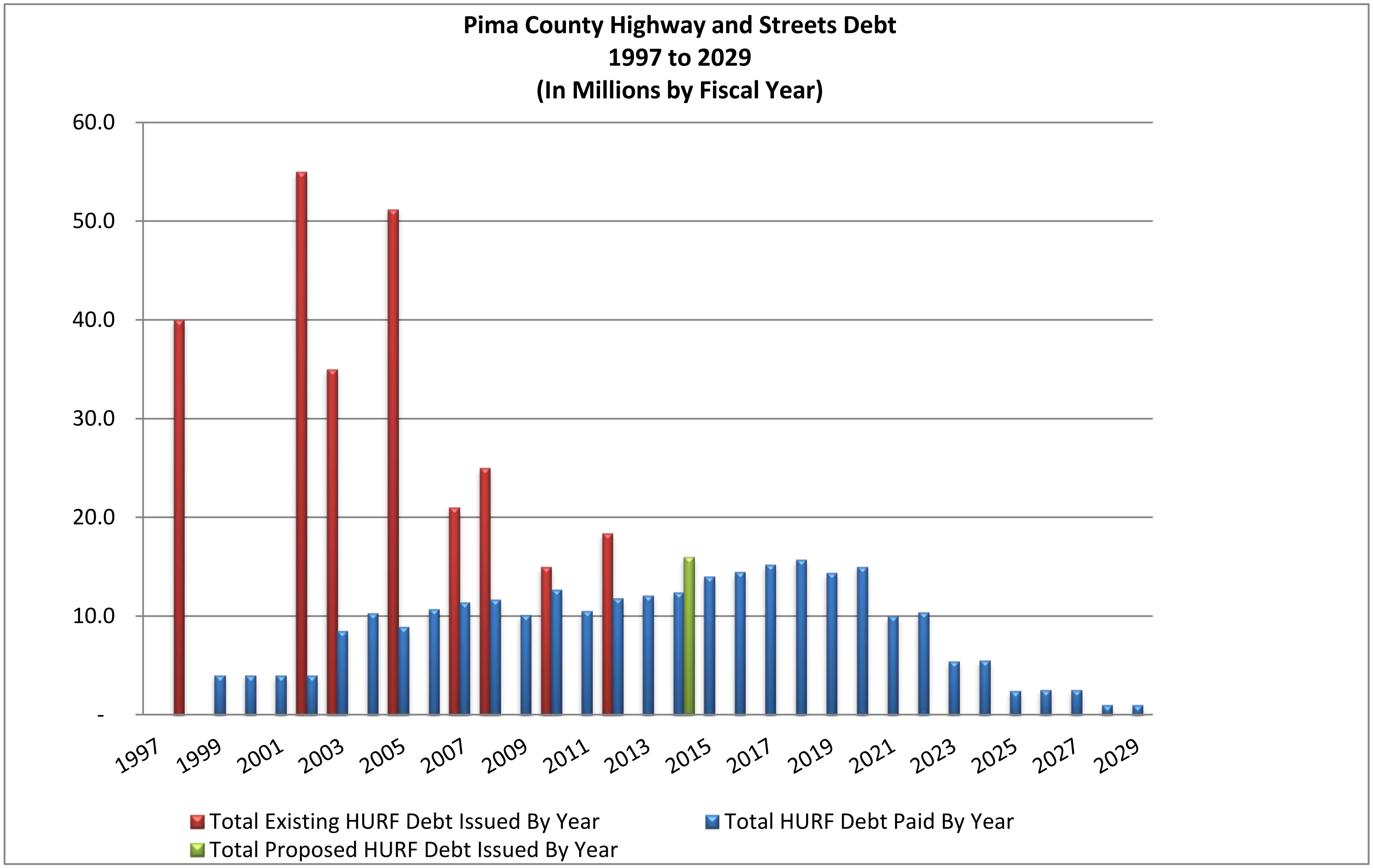
Note: April / May 2013 Amendment to Ordinance recommends that DOT-41 be reduced to $7,400,000

Pima County Board of Supervisors
Ally Miller, District 1
Ramón Valadez, Chairman, District 2
Sharon Bronson, District 3
Ray Carroll, District 4
Richard Elías, District 5

County Administrator: C.H. Huckelberry

bond update backside TRANS 03-18-13 (safety, neighborhood and trans)

ATTACHMENT D



Pima County Highway and Streets Debt
1997 to 2029
(In Millions by Fiscal Year)
60.0
50.0
40.0
30.0
20.0
10.0
-
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021
2023
2025
2027
2029
Total Existing HURF Debt Issued By Year
Total HURF Debt Paid By Year
Total Proposed HURF Debt Issued By Year

ATTACHMENT E

Board of Supervisors Memorandum

April 10, 2012

Need for Increased Investment in Transportation and Highway Maintenance

TABLE OF CONTENTS

I. Introduction

The County builds, operates and maintains the transportation system in the unincorporated area of Pima County except for those roads that pass through the County that are state highways, interstate highways or private roads. All other public roadways are operated and maintained by Pima County.

The Department of Transportation (DOT) is charged with maintaining these streets and highways. In total, there are 1,803 paved miles of highways within the County. These paved roadways are divided into arterial and collector highways that carry most of the traffic and local streets and roads. There are 689 miles of arterial and collector highways maintained by the County and 1,114 miles of local roads.

The condition of our paved highways is mixed to poor. While we have a significant number of arterial and collector roadways that are in good condition due to new construction, we also have a significant number of arterial and collector roadways that are in need of major maintenance and repair. In addition, most local paved streets have not had adequate maintenance in the last 10 years. Significant investments are necessary to keep our paved highway transportation system from deteriorating further. These investments will require realignment of County spending priorities and reallocation of funds, including those normally reserved for the County General Fund.

Transportation funds come from a variety of federal, state, local and private sources. There has been significant discussion for years about the shortage of transportation funding and its deleterious impact on our decaying infrastructure. Despite the obvious decay and its impact on safety and the economy, there has been little effort at the federal and state levels to enhance or even preserve current funding levels. Accordingly, this report provides the Board with a number of local options regarding increasing highway maintenance investment.

II. Highway User Revenue Fund History and Distribution

The Highway User Revenue Fund (HURF) was created by State statute and is essentially a collection of transportation-related taxes and fees; most of which come from taxes levied on the sale of gasoline on a per gallon basis. The use of HURF is restricted to roadway purposes by Article 9, Section 14, of the Arizona Constitution. The gas tax in Arizona has not been increased in over 20 years and is currently $0.18 per gallon. The price of fuel during this period has varied widely from as low as $0.99 per gallon in 1991 to as high as $4.05 in 2008 as shown in Figure 1. While everyone today is concerned about the high price of gasoline, Figure 2 shows that, adjusted for inflation, we are paying about the same price for gasoline today that we paid in 1918.

Figure 1

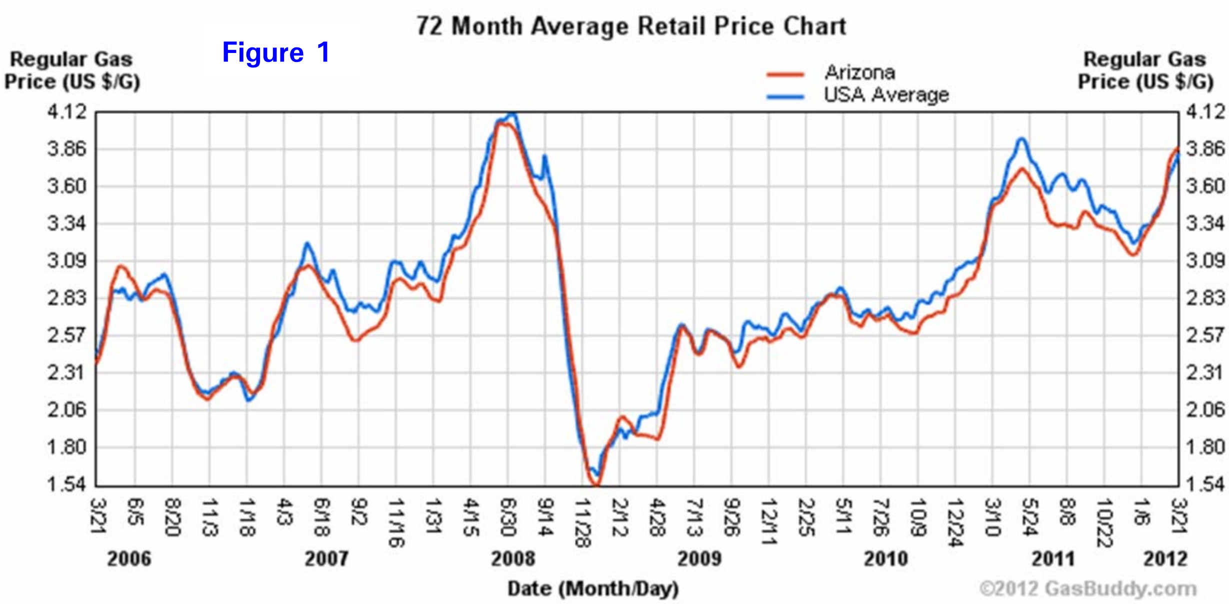
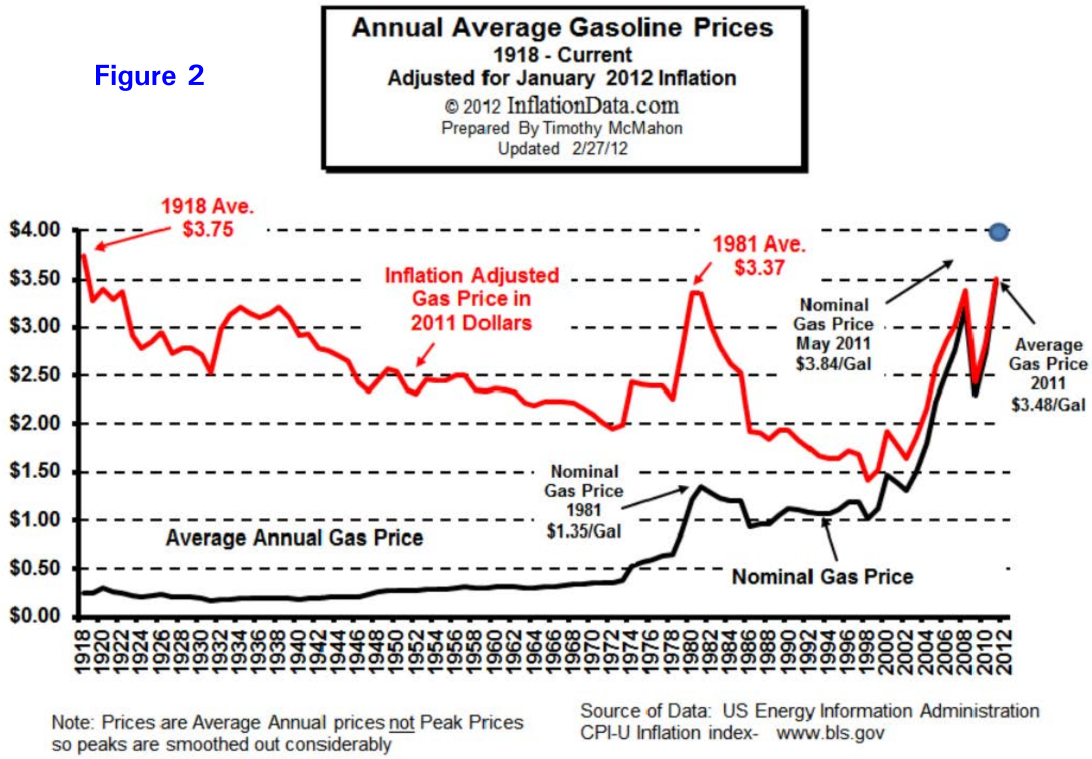


Figure 2



Funding from the HURF, including its portion of vehicle license taxes, is distributed by a convoluted formula to the state, cities, towns and counties. Most of the revenues are distributed to the state, followed by cities and towns. Counties are receiving just 19 percent of the overall fund. The funds are divided among the various local jurisdictions responsible for transportation so that each jurisdiction has a funding source for the roads under its jurisdictional responsibility. For Pima County, this is only those roads and highways in the unincorporated area that are public but not state or interstate highways.

Prior to the statutory establishment of the most current HURF, statutes existed in what was formerly Title 18, which allowed counties to levy a property tax for highway purposes. This statute, which was consolidated into Title 28, read as follows:

"§ 18-216. Tax levy for county highway improvement; additional tax for highway purposes.

A. The board of supervisors may levy a real and personal property tax, not exceeding twenty-five cents per one hundred dollars of property in the county as valued for tax purposes, for road purposes, to be levied and collected at the same time and manner as other primary property taxes are levied and collected.

> *B. The money when collected shall be paid into the county treasury for the benefit of highways within the county and, together with other money received for those purposes, expended by the board for improvements of roads of the county."*

There has not been a direct property tax levy for transportation in Pima County since Fiscal Year (FY) 1981/82 when the County property tax levy for transportation was $2,536,406.

III. HURF Distribution Equity and Bonding

Pima County has the largest unincorporated population of any county in the state, now estimated to be 354,957 (July 1, 2011). Pima County has for decades had the largest unincorporated population of any County in the state as contrasted to Maricopa County, whose unincorporated population is 284,980 (July 1, 2011). Because of this, Pima County has the largest obligation of any county for highway transportation operation and maintenance. Unfortunately, the gasoline tax prior to 1996 was distributed on the sole basis of the sale of fuel in a particular county as it related to total sale of fuel in the state. This resulted in HURF distributions to Maricopa County substantially higher than those to Pima County even though Maricopa County is mostly incorporated into cities and towns. This inequity existed from the date the fund was initiated in 1973 to HURF equity legislation enacted by the State Legislature in 1996 that introduced unincorporated population as a component of fund distribution. From 1996 to today, HURF has continued to be distributed 72 percent on the basis of total fuel sales and 28 percent on the basis of unincorporated population. This HURF equity legislation resulted in Pima County receiving substantial additional HURF monies.

Because Pima County did not receive its fair share of HURF for decades, a significant backlog of needed highway capacity improvements accumulated within the unincorporated area. To help alleviate this capacity improvement backlog, the County chose to bond its additional HURF equity revenues. In November 1997, a $350 million HURF bond authorization was approved by the voters.

Unfortunately, statutes related to transportation HURF bonding were archaic in the sense that previously only cities and towns had held elections for HURF bonds, and their elections were confined to only the residents within the jurisdiction. Since Pima County has been the only county to pursue HURF revenue bonding, our election required that everyone in the County vote in a County HURF revenue bond election – unincorporated residents as well as those in cities and towns. During the period leading up to the election, the Tucson Mayor and others threatened to campaign against the County's revenue bond election unless funds that were intended originally to be used only in the unincorporated area were also spent in the City of Tucson. The County relented and allocated up to $129.3 million of County HURF bonds to improve city streets and highways – an unprecedented action anywhere in the state and required the County and City to address the courts to allow such a process to be undertaken.

To date, 37 projects funded by HURF bonds have been completed, providing 185 lane miles of new road capacity at an estimated cost of $313,025,169 (includes other transportation funds: federal, RTA, and other regional funds) both in the unincorporated area of the County as well as within our cities and towns.

HURF bonding is an important issue when considering operating and maintenance of the transportation system in the unincorporated area of Pima County because the repayment obligations of these bonds directly reduce the total amount of revenue available to the County for street maintenance and repair. Today, the estimated total revenue from the HURF and vehicle license tax for transportation of $45.8 million is reduced by about $16.4 million, which is the annual debt service payment for outstanding HURF bonded indebtedness. Table 1 below shows the 10-year history of annual bond payment requirements and net revenues for highway operations and maintenance. Part of the payment is for city and town streets for which the County has no legal responsibility.

Table 1. 10-year Revenue and Bond Payment History.

FY	Total Revenue	Bond Payments	Net Revenue
2002/03	$ 48,071,873	$14,609,000	33,462,873
2003/04	51,334,009	12,870,000	38,464,009
2004/05	53,878,131	16,768,000	37,110,131
2005/06	56,936,526	16,692,000	40,244,526
2006/07	58,637,774	17,404,000	41,233,774
2007/08	57,847,338	18,512,000	39,335,338
2008/09	53,906,177	21,348,000	32,558,177
2009/10	50,535,192	16,239,000	34,296,192
2010/11	50,459,963	16,259,000	34,200,963
2011/12	45,767,907	16,410,000	29,357,907
Totals	**$527,374,890**	**$167,111,000**	**$360,263,890**

While the 1997 HURF bond issue has been successful at making numerous capacity improvements for roadways in the unincorporated area, it has also contributed significantly to roadway improvements inside the City of Tucson and other cities and towns. Because of the unique circumstances associated with the election, in hindsight, the 1997 HURF bond program was a mistake, primarily because of political pressure exerted by the Tucson Mayor. For this reason and others, the 1997 HURF bond issue will be the last County HURF bond issue. After the bonds have been paid off, any further capital investments in our transportation system in the unincorporated area of Pima County will be made on a pay-as-you-go basis.

IV. Ten-year Funding History Associated with County Transportation and Reasons for Decline

Table 2 below shows the funding history of the HURF and vehicle license combined into total funding revenue for the DOT over a 10-year period. The table also indicates the decrease in revenue since 2007. The DOT is operating today with less revenue by almost 10 percent than it had in 2002. In addition, the Department is paying more annual debt service for retiring County HURF bonded indebtedness than in the past. In the past 10 years, as shown in the previous table, this annual payment has been as low as $12.9 million; today it is $16.4 million.

Table 2. DOT HURF and Vehicle License Tax Revenue: FYs 2002/03 through 2011/12.

FY	HURF Revenue Received	Vehicle License Tax Revenue Received	Total Received	Cumulative Loss
2002/03	$48,071,873	Included with HURF Revenue	$48,071,873	
2003/04	51,334,009	Included with HURF Revenue	51,334,009	
2004/05	53,878,131	Included with HURF Revenue	53,878,131	
2005/06	56,936,526	Included with HURF Revenue	56,936,526	
2006/07	44,606,855	$14,030,919	58,637,774	
2007/08	44,060,141	13,787,197	57,847,338	($790,436)
2008/09	41,209,550	12,696,627	53,906,177	(4,731,597)
2009/10	38,739,414	11,795,778	50,535,192	(8,102,582)
2010/11	38,973,544	11,486,419	50,459,963	(8,177,811)
2011/12	34,648,805	11,119,102	45,767,907	(12,869,867)
Total Loss Since 2007				**($34,672,293)**

The most significant factor in the decline in revenues available to the DOT to build, operate and maintain the County transportation system is the diversion of County HURF monies by the State Legislature. In 2002, the State Legislature began to divert funding that had previously been used exclusively to build, operate and maintain streets and highways throughout the State and within its cities, towns and counties for the purpose of operating a State agency – the Department of Public Safety – the State's law enforcement arm. Each city, town and county today funds their law enforcement agencies out of their general fund and does not use any HURF monies to support their individual jurisdictional law enforcement responsibilities.

The diversions of HURF funds accelerated with the State budget crisis, beginning in 2008, when additional monies were taken to support the Department of Public Safety and a new diversion was started to fund the Motor Vehicle Division of the Arizona Department of Transportation. These fund diversions cumulatively have resulted, over a 10-year period, in the loss of $26 million the County could have used to maintain our streets and highways in the unincorporated area. This diversion has also reduced by $54 million the amount of city and town HURF monies within Pima County to maintain their streets. The State legislative diversion of HURF funds to balance the State budget is causing a significant and continuing detrimental impact on the ability of counties, cities and towns to maintain their local streets and highways.

Another factor associated with the declining revenues available through statewide HURF relates to vehicle fuel efficiency. In the last decade, there have been increased efforts to improve fuel efficiency, and the overall light vehicle fleet has increased in fuel efficiency by nearly 20 percent. This means there is the same or more wear and tear on the highway system by vehicle miles of travel, but there is less revenue because 20 percent less gasoline is being purchased.

It is also apparent our maintenance dollars are not going as far as in the past; they have been significantly impacted by inflation. While the United States Consumer Price Index has increased by 25 percent since 2002, the United States Producer Price Index for Asphalt Paving Materials has increased by 121 percent. More importantly, the Producer Price Index for Refined Petroleum Products, most of which are used in pavement repair and rehabilitation, increased 237 percent over the last decade.

Table 3 below shows the average miles per gallon (mpg) for new light vehicles over the period, the Producer Price Index for Asphalt Paving Materials over the period, the United States Consumer Price Index over the period, and the Producer Price Index for Refined Petroleum Products over the same period.

Table 3. Contributing Factors to Declining Transportation Revenues.

FY	Average mpg for New Light Vehicles	U.S. Producer Price Index for Asphalt Paving Materials	Producer Price Index for Refined Petroleum Products	U.S. Consumer Price Index
2002/03	19.84	141.42	0.93	1.82
2003/04	19.66	144.02	1.03	1.86

Table 3. Contributing Factors to Declining Transportation Revenues.

FY	Average mpg for New Light Vehicles	U.S. Producer Price Index for Asphalt Paving Materials	Producer Price Index for Refined Petroleum Products	U.S. Consumer Price Index
2004/05	19.77	150.58	1.37	1.91
2005/06	20.16	175.85	1.89	1.98
2006/07	20.46	218.34	1.93	2.04
2007/08	21.01	228.56	2.58	2.11
2008/09	21.80	289.90	2.03	2.14
2009/10	22.44	276.90	2.10	2.16
2010/11	22.82	289.09	2.63	2.21
2011/12	23.64	*312.85	3.13	2.27
Percentage increases since FY 2002/03	19.1	121.2	237.1	25.1

*estimate with eight months of data.

In summary, revenues to maintain our streets and highways have declined significantly for reasons of State diversion, increasing vehicle fleet efficiency, and the cost to maintain our paved streets and highways has increased dramatically over the last 10 years. We have significantly less revenues to maintain our streets and highways, and the revenues we do use do not go nearly far as they did previously.

V. The State and National Perspective on Transportation Funding

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy For Users (SAFETEA-LU) is the federal legislation that authorizes transportation funding. It is set to expire on March 31, 2012. Congress is currently debating a two-year extension while the President is calling for major funding in his 2013 budget. The White House budget for FY 2013 includes a $476 billion surface transportation reauthorization bill to invest in highway, bridge and mass transit projects through 2018. For 2013 alone, the budget proposes $74 billion for the US Department of Transportation, or about a two percent increase from this year. President Obama also calls for $50 billion in immediate funding for 2012 to invest in critical areas of transportation to provide an economic boost. The House has proposed a five-year transportation budget of $260 billion. The Senate's proposal is for $109 billion over two years.

Compromise does not seem to be imminent. President Obama's budget was not well received by Republicans, according to the Huffington Post, and the budget debate is expected to be a major topic in the presidential campaign. Interestingly, federal law requires metropolitan transportation plans and improvement programs to be fiscally constrained, which is problematic when the major funding sources are extremely tenuous.

The federal gas tax is 18.4 cents per gallon. The Omnibus Budget Reconciliation Act of 1993, signed by President Bill Clinton on August 10, 1993, increased the prior gas tax by 4.3 cents, bringing the total tax to 18.4 cents per gallon. The increase was entirely for deficit reduction, with none credited to the Highway Trust Fund. However, the Taxpayer Relief Act of 1997, which President Clinton signed on August 5, 1997, redirected the 4.3-cents general fund gas tax increase to the Highway Trust Fund.

It is also important to note that Arizona is a donor state when it comes to federal gas tax distribution. This means we pay more in federal gas taxes than we receive. In a recent report, the US General Accounting Office identifies Arizona as a donor state, having received only 91.3 percent relative rate of return between FYs 2005 and 2009. Raising federal gas taxes would not be helpful. There is really no federal help on the horizon to help with transportation funding.

At the state level, taxes and fees of any kind can be increased only with a supermajority vote. Article 9 Section 22 of the Arizona State Constitution requires that two-thirds of both houses of the general assembly vote affirmatively for any tax increase. This includes all taxes, as well as any imposition of new taxes, and any statutorily administered state fee or new state fee. About half of the Legislature has signed a no-tax pledge, making any increase mathematically unattainable without broad relinquishing of the pledge. The other option for any increase is a referral by the Legislature or a citizen initiative. If placed before the voters, a simple majority would be needed to create an increase.

The Arizona Legislature does have the option of authorizing local option taxes and fees to expand the transportation revenue source. Examples used in localities outside Arizona include a sales tax on gas, local per-gallon tax on fuel, licensing and registration fees, and local toll roads. In this manner, the decision to expand taxes and fees occurs at the local level and would likely bypass any requirement for a legislative supermajority. Given the current budget crisis and the anti-tax temperament of the Legislature, authorizations of local options are considered unlikely.

The basic concept of a per-gallon gas tax is also being questioned by the federal government and some states. There is a growing interest in a vehicle miles traveled (VMT) charge, in which motorists pay for how much they drive, and in some cases also by time of day. Trips in rush hour on congested roads would cost more than off-peak travel. The Arizona Legislature has considered bills in the last two sessions that would charge electric vehicles, which pay no gas tax, a token fee per mile traveled. This session, House Bill 2257 would tax electric car drivers one cent per mile. It appears to have been successfully defeated again this session. Similar legislation is pending in other states.

The best help we can receive from the State in solving our transportation problem is for them to simply leave us alone. They have already helped too much by diverting our HURF funds; State legislative HURF diversions are approaching $200 million per year. If the State were to raise the gas tax, we would be in the same position as the State with federal tax. As we are a donor county, for every gas tax dollar raised in Pima County, all counties are supposed to receive 19 cents; however, because of State diversion before distribution, counties received only 16 cents. Most importantly, Pima County receives only 2.8 cents for every dollar of State HURF revenues.

VI. General Fund Support for Transportation

The County General Fund has been making an annual appropriation to the DOT since FY 2007/08. This annual appropriation has varied over time from $3.2 million to $2.78 million and currently holds steady at approximately $2.8 million per year. It was originally allocated for the purpose of offsetting transit expenditures based on old legislation that indicated transit could not be funded through the vehicle license tax but required General Fund support. The law was changed in 2008, which made it clear the County did not need to fund transit expenditures through the General Fund and could use vehicle license tax revenues for this purpose. The County, however, continued to retain the General Fund appropriation because of the dire condition of the DOT operating budget, which has since been exacerbated by the State Legislature diverting HURF funds for operating expenses for State agencies.

The County General Fund now subsidizes three funds that historically have been identified as special revenue funds, or enterprise funds, that, by definition, are not required to receive a General Fund subsidy. Since FY 2009/10, Development Services, due to economic conditions and declines in the overall economy, has received a General Fund subsidy each budget year averaging $1.5 million. The Solid Waste Division of the Department of Environmental Quality, from FY 2007/08, has received a General Fund subsidy averaging $1 million. The Stadium District has also received a General Fund subsidy averaging $1.5 million since FY 2010/11.

Given that we have previously simply transferred these funds to the Department of Transportation and not specifically budgeted this transfer as a subsidy, these cost transfers have essentially been hidden. It would now be appropriate, through our budgeting process, to identify this subsidy to the Transportation Fund, which improves our disclosure and transparency in developing the budget.

VII. Highway Maintenance Obligations by Supervisorial District

Since the County only provides highway maintenance in the unincorporated area, the maintenance obligations by Supervisorial district vary widely. Table 4 below indicates these varying obligations by Supervisorial District.

Table 4. County Roadway Maintenance Obligations by Supervisorial District.

Supervisorial District	Paved Roadways (miles)	Dirt Roads (miles)	Total Roadway Miles	Percentage of Total
1	561	40	601	29
2	105	56	161	8
3	538	17	555	27
4	476	70	546	26
5	123	93	216	10
Totals	1,803	276	2,079	100

VIII. Private Streets and Highways are not County Obligations

There are a number of private streets and highways within the County, which means they are roadways over which individual homeowners associations or others have chosen to build, maintain and retain control. Maintenance and repair of streets within these areas is the obligation of the homeowners association or entity responsible for control and maintenance of the private streets. They are not the obligation of Pima County. This is an important distinction when considering the number of road or highway miles for which the County is responsible.

IX. Immediate Actions Being Taken to Reinvest in Highway Pavement Preservation and Maintenance

Most County roads are asphalt, which requires frequent resealing and crack filling to avoid significant deterioration. The remainder are unpaved rural roads that require periodic grading. Due to fiscal constraints, too much of this routine maintenance has been deferred. I have directed that the DOT Director develop a plan for the expenditure of up to $15 million for the balance of Calendar Year 2012, in $2.5 million increments, to make major pavement preservation and repairs to our most deteriorated roadways. In addition, I have directed the DOT Director to accelerate pothole repair and crack filling. The DOT Director has requested that at least eight to 10 hours of overtime be worked per week by all available crews for pothole repair until the backlog of pothole repairs is near zero. This will mean that current County-staffed crews will work overtime likely through April to eliminate pothole repair backlogs. I have also directed the Transportation Director to establish a second crack-filling crew to help arrest significant deterioration of the pavement structure of most of our major roadways and to perform the crack filling activities on local streets where they are currently salvageable. This additional crew will also be working overtime. Resources for these activities will be made available by shifting work priorities within the DOT, primarily away from unpaved road maintenance.

In addition, we will accelerate two pavement repair and rehabilitation actions this year by consolidating the pavement repair and rehabilitation project that remains in this year's budget of $2.5 million with an earmarked allocation of $2.5 million from next year's budget to fund a $5 million investment in major pavement repair, rehabilitation and reconstruction on the arterial highway system as indicated in Table 5 below.

Table 5. FY 2012 Pavement Preservation Program.

Route	From	To	Length (feet)	Supervisorial District	Estimate*
Campbell Avenue	River Road	Sunrise	8,500	1	$ 476,000
Las Lomitas	Ecsondido Lane	500' north of Northern Hills	2,820	1	112,800
Craycroft Road	Avenida De Las Palazas	90' east of Finisterra	5,530	1	275,271
Craycroft Road	90' east of Finisterra	Sunrise Drive	5,580	1	208,320
Kolb Road	Avenida De Las Palazas	Sunrise Drive	8,574	1	320,096
Los Reales Road	Alvernon Way	55' east of Los Reales (center line)	7,935	2	402,040
Craycroft Road	340' south of Dream Street	250 feet north of the Interstate 10 Frontage Road	1,020	2	41,253
Craycroft Road	Littletown Road	340' south of Dream Street	1,685	2	68,148
Valencia Road	Camino Verde	ADOT right of way at Ajo	19,115	3	254,866
Shamrock Manor Subdivision	All Streets	All Streets	7,500	3	350,000
Ina Road	Wade Road	Marana Town Boundaries	7,900	3	252,800

Table 5. FY 2012 Pavement Preservation Program.

Route	From	To	Length (feet)	Supervisorial District	Estimate*
Curtis Road	Davis Av	Kain Avenue	1,964	3	117,840
Abrego	Duval Road (center line)	Esperanza	11,430	4	924,560
Bel Air Ranch Estates Subdivision	All Streets	All Streets	28,600	4	915,200
Mission Road	1,377 south of center line Ajo Way	Via Ingresso	1,848	5	172,480
Mission Road	1,243 south Via Ingresso	250' north CL Irvington	2,360	5	220,266
Cardinal/Los Reales Subdivision	All Streets	All Streets	19,747	5	164,558
Totals					**$5,276,501**

*Cost varies by treatment. Treatments vary from mill/fill to overlay to chip seal.

These short-term activities should result in some immediate benefits that are measurable and noticeable. This action assumes budget expenditure capacity in the present fiscal year, since the proposal accelerates planned maintenance investment for next fiscal year. Given our sale of Posada del Sol Healthcare Center and not incurring the planned expenditures of this function for the balance of the current fiscal year, this expenditure authority capacity will be available.

X. Options to Further Increase Transportation Funding for Highway Maintenance

There are a number of options available under current statutes and options that could be requested of the Legislature for the Board to consider regarding increasing the funding allocation for highway maintenance. These include:

1. Allocate an additional $5 million of the DOT fund balance;
2. Increase the annual General Fund contribution of $2.8 million by directing reallocation of General Fund budget appropriations;
3. Use a one-time allocation of excess General Fund balance;

4. Use short-term borrowing related to the annual General Fund transfer;
5. Lobby to successfully eliminate the State HURF diversions that continue to occur and to restore the funds that have already been "swept";
6. Levy a countywide property tax equivalent to the State HURF diversions and provide said revenues for highway repair and maintenance;
7. Reprogram Regional Transportation Authority (RTA) revenues;
8. Add specific highway maintenance authority to the RTA legislation;
9. Levy a countywide property tax for transportation under ARS 28-6712;
10. Levy up to a half-cent countywide sales tax under ARS 42-6103;
11. Encourage County improvement districts;
12. Redistribute HURF statewide;
13. Designate construction sales tax revenue for street and highway maintenance and repairs;
14. Cease development incentives that give away revenues to developers and earmark these lost governmental revenues for transportation;
15. Ask the State Legislature to modify development impact fee legislation to include major highway repair and maintenance as an allowable use of development impact fees;
16. Loan a limited portion of the RTA's cash balance to local governments for street repairs;
17. Borrow from the development impact fee fund balance;
18. Include "donation to potholes in Pima County" as an option in the "Voluntary Gifts" section of the Arizona Resident Personal Income Tax Return.

Each of these options has positive and negative consequences. Below is an analysis of each option.

1. <u>Allocate an additional $5 million of the DOT fund balance</u>. The Comprehensive Annual Financial Report (CAFR) prepared and published by the County each year and approved by the State Auditor General indicates the Transportation Fund balance as of June 30, 2011 was $29.7 million. This fund balance is for the purpose of financing ongoing capital improvements and meeting variable cash flow demands associated with high-cost capital projects. While most of the fund balance will ultimately be expended in the coming years, it is possible to "borrow" this fund balance in the short term knowing it must be replenished to continue the 1997 transportation capital bond program. By allocating $5 million of the fund balance with an appropriate repayment schedule in the

future, it is possible to make an additional $5 million allocation to pavement repair and preservation targeted mostly at local streets. Action necessary by the Board to implement this option is to direct that $5 million from the Transportation Fund balance be utilized for this purpose and budgeted in the to-be-adopted budget for FY 2012/13.

If the Board chooses to allocate this additional $5 million, streets most in need of repair would be improved as shown in Table 6 below. It must be remembered this fund balance borrowing must be replaced in three to five years.

Table 6. FY 2013 Pavement Preservation Program.

Route	From	Length (feet)	Supervisorial District	Cost
Heatherwood Hills/Flecha Caida 5, 8 and 10	Subdivision	48,678	1	$ 292,068
Catalina Foothills Estates 7 and Northridge Estates	Subdivision	48,100	1	384,800
Shadow Rock	Subdivision	21,555	1	129,330
Flair	Subdivision	12,800	1	597,333
Los Ranchitos	Subdivision	39,000	2	364,000
Sunrise Manor	Subdivision	5,280	3	176,000
Melody Lane Estates 1, 3, 4	Subdivision	5,200	3	242,667
Plum Acres	Subdivision	1,568	3	41,813
Treasure Home Estates	Subdivision	2,400	3	64,000
Del Cerro Estates 4	Subdivision	6,042	3	45,315
Camino De Oeste	El Camino Del Cerro	3,157	3	105,233
Del Cerro Estates Lots 1-74	Subdivision	9,603	3	277,420
Rudasill	Sandario	10,556	3	281,493
Van Ark	Picture Rocks	4,590	3	122,400
Sunset Acres	Subdivision	16,100	3	120,750
Rocking K Ranch Estates	Subdivision	39,000	4	546,000
Thunderhead Ranch	Subdivision	7,050	4	42,300
New Tucson	Subdivision	3,075	4	114,800
New Tucson	Subdivision	11,085	4	129,325
New Tucson	Subdivision	19,270	4	179,853
Casas Colina Cabo 2 Lots 31-96	Subdivision	6,468	5	38,808
Mission Terrace 1, 2, 3	Subdivision	22,943	5	191,192
Mission West Lots 1-370, Mission View 1-134, Sierra Sagrada	Subdivision	27,250	5	204,375
San Xavier Estates Lots 1-122	Subdivision	13,500	5	101,250
Cardinal/Arrowhead/Bilby/Milton	Subdivision	21,500	5	161,250
Total				**$4,953,775**

2. Increasing the annual General Fund contribution. The $2.8 million contribution by the General Fund to the DOT budget each year could be increased without significant adverse impacts on other County programs or departments. Each year, there are a number of departments or agencies that under-expend their allocated budget and have done so for several years; the Juvenile Court, for example. It is estimated the Juvenile Court budget allocated from the County General Fund could be reduced by $500,000 this year with no adverse impact on the Court. In FY 2010/11, based on final financial reports, the Juvenile Court was over-budgeted by $1,015,329. In addition, we are proactively managing and have done so for some time indigent defense costs across all categories of required legal defense, ranging from the Public Defender in felony cases through juvenile dependencies and mental health proceedings. With the increased scrutiny that has been applied in the last year through our Office of Court Appointed Counsel and many of the other legal defense offices that have been created, it is likely another $500,000 in costs can be reduced from these functions and allocated to an additional highway maintenance General Fund contribution. There are a number of other areas where the County has been setting aside funds to subsidize actions of other County departments and agencies such as the average $1.5 million annual subsidy for Development Services, the average $1 million annual subsidy for the Solid Waste Division, and the $1.5 million average annual subsidy for the Stadium District. I would recommend each of these be reviewed in detail when developing the budget for FY 2012/13 with the goal of increasing the General Fund transportation allocation of the County from $2.8 million to $5 million.

3. Using a one-time allocation of excess General Fund balance. While the County has largely weathered the great recession without significant consequences of either increasing taxes or reducing services, such is largely possible because of very conservative and fiscally prudent budgeting practices, which includes building the reserved fund balance. The reserved fund balance for this fiscal year is $34,774,388. It is significant to remember that the County property tax base and revenue continues to shrink; therefore, it is important this level of fund balance be retained to stabilize the County budget and guard against future revenue losses or adverse State budget transfers. It is also very important to retain a significant fund balance as the economy recovers and the County faces price increase pressures while our property tax base is forecasted to continue to decline for another two fiscal years. In addition, this fund balance is vital in retaining and maintaining our current high quality bond rating, which significantly lowers our cost of borrowing and saves taxpayers millions of dollars in interest payments. While it is certainly possible to allocate some portion of the unreserved fund balance to this issue, I would be very careful in doing so, and it would be my last choice in attempting to increase funding for transportation highway maintenance. Recognizing the poor condition of our streets and highways, however, I would recommend up to $5 million of our General Fund balance be set aside for this purpose with no final decision on the amount of the allocation until our overall budget is considered by the Board.

4. Short-term borrowing related to the annual General Fund transfer. Interest rates remain at all-time record lows. It may be possible to short-term borrow against the pledged recurring General Fund revenue support to the DOT. With the life of the proposed improvements being in the range of five to 10 years, I would suggest any contemplated borrowing have a five-year time limit. Therefore, if the County was able to bond the recurring revenue to the DOT at $5 million as opposed to $2.8 million, and a short-term borrowing not to exceed five years was implemented at an interest rate of three percent, $22.9 million would be immediately available to invest in highway pavement rehabilitation and repair. This form of borrowing, commonly referred to as a Certificate of Participation issuance, will require a pledge of public assets or facilities during the term of borrowing. This is usually accomplished by pledging the facility being built or improved as collateral; however, short-term borrowing for a diverse system of streets and highways may be difficult.

5. Lobby to successfully eliminate the State HURF diversions that continue to occur. The annual legislative diversions of HURF from the County are estimated to be approximately $7 million. While there has been some discussion and the introduction of one bill in the Legislature to repeal the diversions, the bill introduced did not even receive a hearing before the Legislature. This is an embarrassment. There is apparently no attempt to return the diverted funds to the County, which is also unconscionable.

The Governor's budget for this year continues HURF diversions. These legislative diversions are bad public policy because they divert funds from an essential economic development component of the State – an efficient and effective transportation system.

Further, as has been demonstrated by data related to vehicle fuel efficiency increases and the significant inflationary cost of petroleum products used for roadway development and maintenance, the fund can little afford a legislative diversion. It is essential this diversion be stopped immediately. This option should be a top priority for all cities, towns and counties. It is imperative that local revenues intended for road maintenance not be stolen by the Legislature to balance the State budget.

If the $7 million annual diversion was bonded for a five-year term similar to Option 4 above, the amount available for a major investment in highway maintenance and repair would be $32.1 million.

6. Levy a property tax equivalent to the State HURF diversions and provide the revenues for highway repair and maintenance. If the Legislature will not return the diverted HURF funds to the County for highway maintenance purposes, I would suggest a temporary property tax be enacted equivalent to the legislative diversion. This would mean an approximate $0.0913 per $100 of assessed value would be added to the primary property tax levy to collect $7 million, which would be transferred to the DOT for highway

maintenance and repair. This property tax would automatically be repealed upon State legislative restoration of annual County HURF diversions.

7. Reprogram RTA revenues. In an *Inside Tucson Business* article dated March 19, 2012, Tucson City Councilmember Steve Kozachik recommended two actions that could affect the use of RTA revenue. The first relates to only spending what is actually necessary based on the most recent and accurate travel demand and traffic forecast. This relates to the scope and extent of improvements on Broadway Boulevard. I completely agree with Councilmember Kozachik on this issue. It makes little sense to force the original scope of transportation improvements where they are clearly outdated or unnecessary. Reducing the size and scope of transportation improvements not only saves money; it is more responsive to community needs and desires.

Councilmember Kozachik also suggests allowing the voters to decide whether some RTA revenue should be reprogrammed for street and highway repair and maintenance. While this would be a community choice, I believe it erodes the credibility of the original RTA proposal, which was to enhance mobility by providing increased highway capacity and increased transit services and may be contrary to the enabling legislation. Further, it potentially begins a process of rethinking every previous voter decision. In the past, we have treated most voter decisions as sacrosanct; and, once made, cannot be reversed. While it is not impossible to reprogram RTA funds for road maintenance with voter approval, it begins a path I would not recommend. However, the Board can certainly consider this as an option to substantially increase funding for highway repair and maintenance.

If the amount of reduction or reprogramming was as suggested by Councilmember Kozachik, $400 million of project authorizations would have to be shifted. Further, the $400 million shift should come proportionately from each program area of the RTA; i.e., streets and highways, transit, safety, etc. In addition, since 70 percent of the RTA proceeds are programmed for City of Tucson improvements, approximately $280 million of the reprogramming should come from City of Tucson projects or programs. This reprogramming would break the RTA pledge as identified in Resolution 2006-01, signed by every jurisdiction, which states:

> *"WHEREAS, This Board now expands its pledge to include:*
>
> *The promise that the minimum allocation for each project as voted by the public will be honored and will not be changed."*

If all of these issues are overcome, it will next be necessary to find some legal process to rescind the approval and issue some new program authorization. The RTA Board, however, has no legislative authority for referring such questions to the voters. This power rests solely with the State Legislature.

8. Add specific highway maintenance authority to the RTA legislation. The RTA legislation as originally passed is less than absolutely clear about whether proceeds from the half-cent sales tax could be used for maintenance and repair purposes. The general consensus was that the RTA authorization was for the construction of new improvements and new highway and transit capacity. The very specific Maintenance of Effort provisions for highway expenditures and transit expenditures tend to confirm this understanding. It is certainly possible to ask the Legislature to add authority to the RTA legislation allowing a sales tax election for the purpose of making roadway repairs and conducting maintenance activities. Specifically, it would be appropriate to ask for authority from the Legislature to enact up to a one quarter-cent sales tax for the purpose of providing highway maintenance and repair of existing streets. While there is no real consensus methodology for distributing such proceeds, they could be distributed on the basis of the population of each jurisdiction as it relates to the total population of Pima County, or the proceeds could be distributed based on the road miles maintenance responsibility of each jurisdiction. It would appear new legislative authority would be needed to allow the RTA to spend additional sales tax proceeds for highway repair and maintenance. It would be appropriate to consider asking the Legislature for such authority. A quarter-cent sales tax for road maintenance would generate approximately $32 million per year and a one-eighth cent approximately $16 million.

9. Levy a countywide property tax for transportation under ARS 28-6712. This requires a majority vote of the Board to implement. The tax rate cannot exceed 25 cents per $100 of assessed valuation. At the maximum rate, about $19 million would be collected per year countywide. This property tax levy would substantially increase available road maintenance funding. Since the levy would be countywide, the tax levy should be returned to the jurisdictions within Pima County in accordance with their contributions. Table 7 below shows the portion of jurisdictional assessed value in proportion to total assessed value of the County. The table also shows the amounts that would be received by each jurisdiction based on the maximum property tax levy.

Table 7. Proportionate Distribution of Transportation Property Tax Levy.

Jurisdiction	Percent of Assessed Value	Distribution of Maximum Property Tax Levy Based on Assessed Value
City of Tucson	41.29	$ 7,845,100
City of South Tucson	0.29	55,100
Town of Oro Valley	7.39	1,404,100
Town of Marana	5.38	1,022,200
Town of Sahuarita	2.44	463,600
Unincorporated Area	43.21	8,209,900
Total	100.00	$19,000,000

The Board could also impose very specific jurisdictional conditions for receiving these monies. For example, all proceeds must be spent on actual street maintenance and not on public art, administration, overhead or engineering.

10. Levy up to a half-cent countywide sales tax under ARS 42-6103. This requires a unanimous vote of the Board to implement. Although the statute allows up to a 1/2 cent, a rate of only 1/8 cent would generate up to $15 million per year and could be discontinued at any time the Board chooses. All counties in Arizona except Maricopa County are authorized to levy this tax. Pima County is the only authorized county that does not levy such a tax. Because of the requirement of a unanimous vote, as well as past imposition of sales tax increases only after voter approval, this option does not appear to be one that should be pursued.

11. Encourage County Improvement Districts. Current law allows for individuals within a county in specific geographic areas to petition for the formation of an improvement district. Of the many purposes available for improvement districts is the construction and improvement of highways, roadways and sewers. Tucson Country Club Estates is a recent paving and sewer improvement district formed in 1994 for the purpose of reconstructing the streets, highways and sewers within Tucson Country Club Estates. This group of property owners spent $4.27 million to improve their streets, highways and sewers. This model is available to anyone who wishes to form an improvement district and requires a majority of the property owners within the district or the owners of 51 percent of the real property within the district (A.R.S. 49-903) to agree to a self-imposed property tax to pay for such improvements. To incentivize the use of improvements districts for street and highway improvements, the County could offer to fund up to 25 percent of the cost of such infrastructure improvements.

12. Statewide Redistribution of HURF. There is nothing magical about the distribution of HURF monies among the three primary beneficiaries: the State, the cities and towns and the counties. Counties receive the least allocation of any of the three beneficiaries. In judging the adequacy of funding for each of these entities by the condition of roadways, it is apparent the streets and highways likely in the best condition are those of the State, followed by significant deterioration of local highways, particularly those managed by counties, cities and towns. Therefore, another option would be to reexamine the existing formula distribution of HURF revenues throughout the State. Such would require an act of the Legislature.

13. Designate construction sales tax for street and highway maintenance and repairs. Little known or recognized is that most municipalities within Pima County have a construction sales tax. This sales tax is equivalent to, in most cases, the standard retail tax and generates significant revenues to local municipal governments, which could be

used for highway and street maintenance. The construction sales tax by jurisdiction is shown in Table 8 below.

Table 8. Construction Sales Tax by Jurisdiction.

Jurisdiction	Construction Sales Tax Percentage
City of Tucson	2
City of South Tucson	0
Town of Marana	4
Town of Sahuarita	4
Town of Oro Valley	4
Pima County	0

Pima County does not have the authority to levy a construction sales tax; therefore, we are at a revenue disadvantage when it comes to such activities. Most construction sales tax revenue is generated from new development associated with growth; therefore, it would be appropriate to legislatively require that all new construction sales tax revenues be earmarked for transportation capacity improvements or street and highway maintenance. These construction sales tax revenues are significant; and sometimes, such as in the case of Marana, exceed the normal sales tax revenue. Since the tax is discretionary and part of their general fund, it can be used for any legitimate purpose by the municipalities. It would be appropriate to request that Pima County be given the legislative authority to levy a construction sales tax and earmark these revenues for highway and street construction and maintenance.

14. Stop development incentives that give away local government revenues to developers and earmark these lost governmental revenues for transportation. Development incentives given to developers through development agreements or pre-annexation development agreements rob taxpayers of fair compensation for development-related impacts. As has been reported in documents from the Goldwater Institute, competition between jurisdictions over development generally results in everyone losing. Such is the case in Pima County. Historically, a number of development agreements have been entered into by jurisdictions where normal development requirements, such as payment of impact fees – costs associated with offsetting the actual cost of development-related infrastructure – have been offset or forgiven. These agreements, while favorable for the developer, are not beneficial for the general public. More importantly, because many of these development agreements forgive contributions for fundamental infrastructure related to streets and highways, the agreements rob the street and highway system of needed capital investment. To improve the opportunity for investment in local streets and highways and to stop unreasonable financial concessions to developers associated with

development agreements, it should be required that cities and towns, as well as counties, not enter into development agreements that disadvantage the public and ensure that each development entity pays their fair share of infrastructure cost associated with their impacts.

15. Ask the State Legislature to modify development impact fee legislation to include major highway repair and maintenance as an allowable use of development impact fees. The account balance of collected transportation impact fees in unincorporated Pima County was $36,631,957 as of December 31, 2011. These funds are largely programmed for major capacity improvements to the transportation system with a nexus in the general geographic area where the fees were paid. These fees are restricted for capacity improvements associated with transportation system expansion. A case could be made for increased wear and tear on our transportation infrastructure, particularly on the arterial and collector system, from growth that may not rise to the level of requiring capacity improvements. Therefore, it is plausible to allocate a certain percentage of development impact fees to major highway maintenance and repairs due to increased wear and tear from increased vehicular travel and increased vehicle travel miles associated with new development. If just 25 percent of these funds were made available, another $9,157,989 would be available for major pavement restoration and repairs, primarily for the arterial and collector highway system.

16. Loan a limited portion of the RTA's cash balance to local governments for street repairs. The RTA presently has a cash balance of nearly $180,000,000, and a number of ongoing projects will draw down this cash balance within the next few years. However, if the RTA had appropriate security and an interest rate significantly greater than the amount paid on their bonded indebtedness, it could be legally possible for them to loan a portion of their cash balance to local governments desiring to perform accelerated highway repairs and maintenance. This option repays any loan from the RTA without affecting RTA's approved plan or project delivery schedule. There would be a large number of legal obstacles to overcome, but it may be feasible. This option is clearly distinct from Option 7, which attempts to redistribute RTA funds for maintenance, thereby modifying the voter-approved plan and delivery schedule.

17. Borrow from the development impact fee fund balance. As indicated in Option 15, the County's development impact fee fund balance as of December 31, 2011 was $36,631,957. While there a number of projects that could draw down this fund balance, it is unlikely it will be significantly reduced in the short term. Therefore, it may be possible to also borrow some of these funds for advancing County highway maintenance and repairs. Given the legislative threat to local government development fee legislation that was either enacted by the Legislature last year or discussed by industry associations, this

option is not desirable as it may offer the Legislature another excuse to interfere in local authority.

18. Include roadway maintenance and preservation as an option in the "Voluntary Gifts" section of the Arizona Resident Personal Income Tax Return. The Arizona Resident Personal Income Tax Return provides a variety of options for voluntary taxpayer donations such as Citizens Clean Elections and Special Olympics, among others. Adding "donation to potholes in Pima County" as a Voluntary Gift option was recently suggested to me by a Green Valley resident, and it does have practical appeal.

XI. Recommended Options to Increase Highway and Street Maintenance Investment

Of the 18 options discussed in this report to substantially increase County highway and street maintenance and repair investments in the short term, I would recommend only five. If all five options are implemented, one of which relies on action by the Arizona Legislature to stop HURF diversions, a total of $70 million could be invested in County street and highway maintenance and repairs in the short term. These five options are:

1. Allocate and appropriate to the DOT budget $2.5 million this fiscal year and $2.5 million next fiscal year, for a total of $5 million, to make major repairs to arterial and collector highways as itemized in Table 5 of this report.
2. Allocate $5 million of the DOT fund balance for street and highway repairs as indicated in Table 2 of this report.
3. Allocate, at the time of FY 2012/13 final budget adoption, up to $5 million of the General Fund reserve fund balance for street and highway investment, with specific projects to be delineated and approved by the Board at the time of budget adoption.
4. Increase the recurring General Fund transfer to the DOT budget from $2.8 million to $5 million for street and highway maintenance and repair and leverage this annual appropriation through five-year term bonds for pavement repair and replacement to occur in the unincorporated area street and highway system. If leveraged, an additional $23 million would be invested in street and highway repair.
5. Continue to request of the Arizona Legislature that it stop the annual raids on city, town, and county HURF distributions. For the County, this would result in an increase in annual revenues of approximately $7 million; and if leveraged through short-term (five-year) borrowing, would allow an additional $32 million to be invested in street and highway repairs in the unincorporated area.

I have also directed that the DOT undertake a comprehensive district-by-district condition assessment of all arterial, collector and local paved highways within the unincorporated area and that this assessment include a detailed evaluation and recommendations for further pavement repair and rehabilitation to be considered by the Board for Options 3, 4 and 5 above at the time of final budget adoption.

All other options identified in this report are either not feasible, require unrealistic increases in taxes or have legal complexities that cannot be resolved in the short term, and therefore, should be discarded from further consideration.

Respectfully submitted,

C.H. Huckelberry
County Administrator

CHH/mjk – March 28, 2012