




MEMORANDUM

Date: February 5, 2015

To: Chairman and Members
Pima County Bond Advisory Committee

From: C.H. Huckelberry
County Administrator 

Re: **Analysis of Joint Recommendations from Pima County Bond Advisory Committee
Chairs and County Administrator**

In formulating the list of projects and amounts for possible inclusion in a bond issue, the inevitable question arises as to whether the project selection and total amount is fair and are the benefits and costs to repay the bond equitable. Fairness and equity can be measured in a number of ways and there is no exact equation to determine fairness and equity. The analysis that follows this memorandum provides a number of views of fairness and equity, based on the initial joint recommendation as a point beginning to determine the projects and amounts to be included in a bond issue that would be recommended by the Committee to the Board of Supervisors for submission to the voters. The best and simplest view of measure is shown in Figure 1 which is based on the data of Table 9 (final page).

CHH/dr

Attachment

c: The Honorable Chair and Members, Pima County Board of Supervisors
Nicole Fyffe, Executive Assistant to the County Administrator
Diana Durazo, Special Staff Assistant to the County Administrator

Analysis of Joint Recommendations from Pima County Bond Advisory Committee Chairs and County Administrator

This analysis follows the methods used by the State of Arizona’s Auditor General’s (AG’s)office for the 2013 audit of Pima County 1997, 2004 and 2006 general obligation bond programs, which is available on the County’s bond web site at www.pima.gov/bonds. The 2013 audit analyzed completed projects whereas this analysis is focused on the projects jointly recommended for a future bond program by the Pima County Bond Advisory Committee Chairs and County Administrator.

The Joint Recommendations include 96 projects totaling \$640.7 million. The AG’s office classified each completed bond project according to the jurisdiction in which it was located. Some projects had subprojects that were located in multiple jurisdictions (i.e. Public Safety Communications System) and were therefore identified as “multiple”.

For the Joint Recommendations, Table 1 shows the number of projects that would be located within each incorporated city and town, and unincorporated Pima County, as well as the bond funding allocated to those projects. The Pascua Yaqui and Tohono O’odham projects are located in Unincorporated Pima County. Some of the program type projects, like Affordable Housing or River Park Acquisitions, would include subprojects located in multiple jurisdictions.

**Table 1
No. of Projects and Recommended Bond Funding by Jurisdictional Location**

Jurisdictional Location	No. of Projects	Recommended Bond Funding
Marana	4	\$ 27,200,000
Oro Valley	4	\$ 30,000,000
Sahuarita	3	\$ 21,800,000
South Tucson	1	\$ 3,000,000
Tucson	46	\$ 263,380,000
Unincorporated Pima County	26	\$ 75,356,363
Multiple	12	\$ 219,950,000
Total	96	\$ 640,686,363

The AG’s office also classified each completed bond project according to whether the project mainly benefited a specific geographical area or jurisdiction (local benefit), or whether the benefits were more county-wide.

Similarly, for the Jointly Recommended bond package, County staff classified each of the 96 projects as County-wide benefit projects or local benefit projects. Table 2 shows that just under half of the 96 projects have County-wide benefits, but total approximately three quarters of the total recommended bond funding. This makes sense as the County-wide benefit projects tend to have higher individual bond funding amounts compared to the smaller local benefit projects.

Table 2
County-Wide Benefit Projects compared to Local Benefit Projects

	No. of projects	Recommended Bond Funding
County-wide Benefits	44	\$ 475,900,000
Local Benefits	52	\$ 164,786,363
Total	96	\$ 640,686,363

The debt from selling general obligation bonds is repaid by Pima County levying a secondary property tax. Each year the Board approves tax rates that are then applied to the net assessed value of property County-wide. Because the 2013 Audit was looking backwards at completed bond projects, the AG's office estimated the percent of property taxes collected for bond debt payment attributable to each jurisdiction, based on each jurisdiction's share of the total secondary property tax levy for a particular fiscal year's worth of debt payment.

This analysis of the Joint Recommendations takes a similar approach, but uses percent of the net assessed value for Tax Year 2015 attributable to each jurisdiction and then applies that to a debt of \$640.7 million. This is shown in tables 3 and 4. Unincorporated Pima County has a higher net assessed value than any of the incorporated cities and towns, and therefore would contribute a greater amount of property tax revenue to repay the debt on future bonds.

Table 3
Each Jurisdiction's Assessed Property Value as a Proportion of the Total Assessed Property Value for Tax Year 2015

Jurisdiction	NAV as a Proportion of Total NAV Tax Year 2015	NAV as % of Total NAV Tax Year 2015
Marana	\$ 445,006,943	5.84%
Oro Valley	\$ 572,696,599	7.51%
Sahuarita	\$ 203,179,337	2.67%
South Tucson	\$ 20,327,664	0.27%
Tucson	\$ 3,123,679,235	40.99%
Unincorporated Pima County	\$ 3,255,471,857	42.72%
Total	\$ 7,620,361,635	100.00%

Table 4
Each Jurisdiction's Proportion of Total Assessed Property Value to Support Debt Payments on \$640.7 million of New Bonds

Jurisdiction	NAV as % of Total NAV Tax Year 2015	Proportion of \$640.7M debt payments based on % NAV
Marana	5.84%	\$ 37,416,084
Oro Valley	7.51%	\$ 48,115,546
Sahuarita	2.67%	\$ 17,106,326
South Tucson	0.27%	\$ 1,729,853
Tucson	40.99%	\$ 262,617,340
Unincorporated Pima County	42.72%	\$ 273,701,214
Total	100.00%	\$ 640,686,363

The AG's office used each jurisdictions share of the County-wide population to allocate bond funding for County-wide benefit projects across the jurisdictions. Table 5 shows the number and percent of total County-wide population for each jurisdiction as of July 1, 2014, according the Arizona Department of Administration. The City of Tucson has the highest population of all the jurisdictions.

Table 5
Each Jurisdiction's Proportion of Total County Population, July 1, 2014

Jurisdiction	Population as a Proportion of Total July 2014	Population as % of Total July 2014
Marana	40,342	4.00%
Oro Valley	42,190	4.19%
Sahuarita	27,476	2.73%
South Tucson	5,751	0.57%
Tucson	529,336	52.56%
Unincorporated Pima County	362,067	35.95%
Total	1,007,162	100.00%

Table 6 uses the percent population for each jurisdiction to allocate bond funding to each jurisdiction for County-wide benefit projects. Based on this method, Table 6 shows that out of the \$475.9 million in bond funding recommended for County-wide benefit projects, the City of Tucson benefits the most from County-wide benefit projects simply because they have the highest population.

Table 6
Each Jurisdiction's Proportional Benefit of County-wide Benefit Projects Based on Proportion of Total County Population

Jurisdiction	Population as % of Total July 2014	Bond Fund Allocation for County-wide Benefit Projects by % Population
Marana	4.00%	\$ 19,036,000
Oro Valley	4.19%	\$ 19,940,210
Sahuarita	2.73%	\$ 12,992,070
South Tucson	0.57%	\$ 2,712,630
Tucson	52.56%	\$ 250,133,040
Unincorporated Pima County	35.95%	\$ 171,086,050
Total	100.00%	\$ 475,900,000

Once the amount of each jurisdiction's share of County-wide benefit projects was determined, the AG's office then added it to bond funds spent on local benefit projects. The same is done in Table 7 for the Joint Recommendation projects.

Table 7
Each Jurisdiction's Proportional Benefit of the \$640.7M Bond Package Based on Bond Funding for Local Benefit Projects Plus Proportional Benefit of County-wide Projects

Jurisdiction	Bond Fund Allocation for County-wide Benefit Projects by % Pop	Bond Funds for Local Benefit Projects	Bond Fund Allocation for County-wide & Local Benefit Projects
Marana	\$ 19,036,000	\$ 27,200,000	\$ 46,236,000
Oro Valley	\$ 19,940,210	\$ 15,000,000	\$ 34,940,210
Sahuarita	\$ 12,992,070	\$ 21,800,000	\$ 34,792,070
South Tucson	\$ 2,712,630	\$ 3,000,000	\$ 5,712,630
Tucson	\$ 250,133,040	\$ 62,930,000	\$ 313,063,040
Unincorporated Pima County	\$ 171,086,050	\$ 34,856,363	\$ 205,942,413
Total	\$ 475,900,000	\$ 164,786,363	\$ 640,686,363

It should be noted that the City of Tucson's local allocation of bond funding includes a \$3 million Sheriff substation that would technically be located within the City, on the southeast side, but is intended to primarily benefit the unincorporated population adjacent to the City boundaries. Therefore, the City's local benefit is actually \$3 million less, and Unincorporated Pima County's is \$3 million more.

Once the AG's office had calculated the general dollar value of bond projects benefiting each jurisdiction, they were then able to compare the total amount of bond funding expended per jurisdiction to the amount of secondary property taxes paid by taxpayers within each jurisdiction.

Table 8 takes a similar approach for the Joint Recommendations, but as discussed above, uses each jurisdiction's proportion of assessed property value to support debt payments on \$640.7 million, instead of taxes paid. Table 8, 9 and Figure 1 show that general dollar value of bond projects benefiting Marana, Sahuarita, South Tucson and Tucson are somewhat more than what taxpayers in those jurisdictions would be expected to pay to repay the bond debt. Conversely, the general dollar value of bond projects benefiting Unincorporated Pima County and Oro Valley are somewhat lower than what taxpayer in those jurisdictions would be expected to pay to repay the bond debt.

Table 8
Each Jurisdiction's Proportional Benefit of the \$640.7M Bond Package Compared to Each Jurisdiction's Proportion of Total Assessed Property Value to Support Debt Payments on \$640.7 million of New Bonds

Jurisdiction	Bond Fund Allocation for County-wide & Local Benefit Projects	Proportion of \$640.7M debt payments based on %NAV
Marana	\$ 46,236,000	\$ 37,416,084
Oro Valley	\$ 34,940,210	\$ 48,115,546
Sahuarita	\$ 34,792,070	\$ 17,106,326
South Tucson	\$ 5,712,630	\$ 1,729,853
Tucson	\$ 313,063,040	\$ 262,617,340
Unincorporated Pima County	\$ 205,942,413	\$ 273,701,214
Total	\$ 640,686,363	\$ 640,686,363

Table 9

Each Jurisdiction’s Proportional Benefit of the \$640.7M Bond Package Compared to Each Jurisdiction’s Proportion of Total Assessed Property Value to Support Debt Payments on \$640.7 million of New Bonds, by Percent

Jurisdiction	Bond Fund Allocation for County-wide & Local Benefit Projects	Proportion of \$640.7M debt payments based on %NAV
Marana	7.2%	5.8%
Oro Valley	5.5%	7.5%
Sahuarita	5.4%	2.7%
South Tucson	0.9%	0.3%
Tucson	48.9%	41.0%
Unincorporated Pima County	32.1%	42.7%
Total	100.0%	100.0%

Figure 1: Each jurisdictions’ proportion of total assessed property value that would support the debt payments on \$640.7 million of new bonds, compared to the proportional benefit to be received by each jurisdiction from the joint recommended \$640.7 million bond package.

