

HOUGHTON ROAD CORRIDOR

TUCSON, ARIZONA

PUBLIC FACILITIES: PRELIMINARY ASSESSMENT OF OPERATIONS AND LONG TERM MAINTENANCE AND MANAGEMENT ISSUES

Task I-A-5 Deliverable
UPP No. 47-111563

Prepared for: Arizona State Land Department
July 29, 2008

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INTRODUCTION

The purpose of this report is to provide a preliminary assessment of the operation, long term maintenance and management of public facilities in the Houghton Road Corridor ("HRC") Plan Area. The assessment addresses public facilities existing in the relevant jurisdictions and typically included in master planned communities. As such, it provides an overview of established policies, guidelines and ordinances of the applicable jurisdictions with respect to the operation and maintenance of public roadways and utilities, roadway landscaping and street lighting, public parks, recreation and open space areas, public facilities for police and fire, libraries and community centers. It also provides an overview of existing funding and financing mechanisms for the operation and maintenance of these kinds of public facilities and identifies alternatives suggested or which may be available to supplement funding for the operation, maintenance and management of these kinds of facilities in the HRC Plan Area.

Background

The HRC Plan Area encompasses approximately 12,000 acres of State Trust Land situated within the municipal boundaries of the City of Tucson ("City"), generally located at the "edge", or "fringe" of existing urban development. There are existing master-planned communities within the municipal limits of the City which are adjacent and contiguous to the HRC Plan Area. In some cases, those master-planned communities are encompassed by the HRC Plan Area and, in others, connected to the HRC Plan Area.

The eastern and southern boundaries of the HRC Plan Area presently coincide with the eastern and southern boundaries of the City. The planned communities and other developments to the east and south of the HRC Plan Area are located in Pima County; therefore public facilities and services in those areas are provided by Pima County. Caveats to the distinction between City and Pima County facilities and services exist with respect to: (i) the library system, which is administered by Pima County including within the jurisdictional limits of the City, (ii) the wastewater system, which is owned and administered by Pima County including within the jurisdictional limits of the City, and (iii) joint use agreements relating to certain public facilities and services (for example, a public safety facility that accommodates both City police and the Pima County Sheriff's Office).

The HRC Plan Area and environs has experienced rapid growth in the past fifteen years and comprises an area identified and supported by the City, as well as Pima County, as suitable for urban development and continued growth. The responsible public bodies, including the City and Arizona State Land Department ("ASLD"), as well as private developers attempting to plan and develop in this

region, are faced with the challenge of undertaking the advance planning necessary to identify and timely provide for this region's public facilities and service needs. By the same token, the ability and capacity to plan the HRC Plan Area as a whole provides a singular opportunity to address these needs on a regional level and, thereby, establish comprehensive and cost-effective strategies and plans for public facilities and services at the leading edge of development rather than as an ad hoc reaction to growth as it occurs. An integral part of this process will be identifying funding sources and financing alternatives that will facilitate the delivery of comprehensive public facilities and services.

To date, with the exception of certain landscape areas, the operation, maintenance and management of City roadways and utilities, roadway landscaping and street lighting, parks, recreation and open space areas, police and fire facilities, and community centers has been funded exclusively through the City Budget.

City parks, recreation and open space areas, police and fire facilities and community centers are addressed in that portion of the Budget comprising Neighborhood Services, which covers both capital and operating costs budgeted for these City facilities. For Fiscal Year 2008, out of a total budget of \$1,041,951,880 for all City expenditures, \$428,806,790, or 41% of the total City Budget, was allocated for capital and operating costs under the umbrella of Neighborhood Services. Of that, \$379,963,090, or 89%, of the total City Budget for Neighborhood Services was allocated just for operating costs for City parks, recreation and open space areas, police and fire facilities, and community centers.

Specifically, of the total City Budget allocated for the operating costs for City parks, recreation and open space areas, police and fire facilities, and community centers, \$48,587,340 was allocated for operating costs for City parks, recreation and open space areas; \$154,310,230 was allocated for operating costs for police and related facilities; and \$77,287,990 was allocated for operating costs for fire and related facilities.

City revenue sources which are available for costs associated with the operation, maintenance and management of City roadways and utilities, roadway landscaping and street lighting, parks, recreation and open space areas, police and fire facilities, and community centers come from one of five fund groups addressed in the City Budget.

The City's General Fund accounts for all revenues and expenditures used to finance traditional City services that are not accounted for in other funds. For example, Neighborhood Services expenditures are generally allocated from the General Fund. In the Fiscal Year 2008 Approved Budget, City expenditures for the operation, management and maintenance of City parks, recreation and open space areas, police and fire facilities, and community centers will be funded almost exclusively from the General Fund. Revenues included in the General Fund are local taxes and shared-state taxes, license and permit fees, fines and penalties, charges for services, certificates of participation and other miscellaneous funding sources.

Within the General Fund, revenue sources are further broken down between "General Purpose Funds" , which include no restriction on use or allocation, and "Restricted Funds", the use of which is limited to specific purposes.

General Purpose Funds revenue, in turn, comes from both City-generated revenue sources and state-shared revenue sources. In the Fiscal Year 2008 Approved Budget, approximately 70% of the General Purpose Funds came from City revenue sources and 30% from state-shared revenue sources. Of the City revenue sources, the largest contributor is business privilege tax receipts, accounting for 20% of total 2008 City revenue sources. "Miscellaneous City Revenues" account for 19% of total 2008 City revenue sources; this consists primarily of local City taxes and fees including public utility taxes, local use taxes and transient occupancy (hotel) taxes.

An additional City revenue source is the City property tax. As reported by the Pima County Board of Supervisors in Resolution 2007-216, the City assesses a property tax rate of 1.1321, which accounts for approximately 1% of the total 2008 City revenue sources. Property taxes are assessed and collected by the Pima County Assessor, through semi-annual property tax billings

Of the state-shared revenue sources, the largest contributors are income and sales taxes. Other state-shared revenue sources include the auto-in-lieu tax and lottery contributions.

Restricted Funds come from federal, state and local revenue sources. For Fiscal Year 2007, federal funding comprised 22% of the Restricted Funds budget and provided revenue for, among other things, City roadway operation and maintenance. Restricted Funds provided by the state are comprised of grants and state-shared Highway User Revenue Funds ("HURF") which, together, provided for approximately 22% of the Restricted Funds budget in Fiscal Year 2007. The remaining 56% came from local revenue sources.

In the Fiscal Year 2008 Approved Budget, City expenditures allocated for the operation, management and maintenance of City owned roadways will come primarily from the HURF and the Mass Transit Fund, both Restricted Funds. Restricted Fund revenues are fairly evenly divided between: (i) grants, shared revenues, and contributions from other state and local governments; (ii) self-supporting enterprise funds; and (iii) City revenues that are collected for a specific purpose, such as certificates of participation and debt financing.

It is noted that, prior to Fiscal Year 2006, expenses incurred to operate, maintain and manage City library facilities were allocated via a Special Revenue Fund. However, as of January 1, 2006, Pima County assumed full operational control over the library system and accordingly, the City has not budgeted any amounts for operation, maintenance or management of libraries for Fiscal Years 2007 and 2008.

This assessment, as indicated above, takes into account existing City and Pima County practices, policies and guidelines; and, where applicable, potential additional opportunities are identified so as to provide a framework for the future, more detailed planning effort of the Plan Area. As referenced herein, this report has been prepared based on these existing practices, policies and guidelines, as well as meetings and other communications with the jurisdictional agencies and Departments within the City and Pima County, namely the City Parks & Recreation Department, City Fire Department, City Police Department, City

Environmental Services Department, Pima County. Library, the City Manager's Office and Pima County Administrator. Each of the public agencies and departments referenced herein have also been involved in the prior planning efforts referred to as the Houghton Area Master Plan ("HAMP").

CONCLUSION AND RECOMMENDATIONS

Conclusion

The City is presently responsible for the operation, maintenance and management of City roadways and utilities, roadway landscaping and street lighting, parks, recreation and open space areas, police and fire facilities, and community centers, and funds the cost of such public services through the City's General Fund component of the City Budget, from General Purpose Funds and Restricted Funds.

At present, there are limited exceptions to this practice:

- New arterial, collector and residential roadways constructed by a private party and dedicated to the City, in which case City acceptance is subject to a one year warranty and funding for a "fogging" maintenance procedure three years following initial City acceptance.
- Landscaping adjacent to, and/or included within, new residential and collector streets constructed by a private party, in which case the responsibility and cost for operation, maintenance and management is typically borne by a HOA formed by the developer/homebuilder and granted assessment authority.

Other potential funding mechanisms to supplement City funding for certain of these public facilities, which will be assessed as part of the larger planning effort following the first auction, could include CFD O/M tax proceeds, service fees (attached to specific use of facilities) and other forms of private-public partnerships.

Additionally, the City's Parks & Recreation Department has suggested a real estate transfer fee in the amount of $\frac{1}{4}$ to $\frac{1}{2}$ of 1% of selling prices of residential units to supplement funding for the operation, maintenance and management of City parks. However, there is no precedent for such a fee nor has such a fee been implemented elsewhere in the City.

Pima County is presently responsible for the operation, maintenance and management of the Tucson-Pima County Public Library System.

Recommendations

In consideration of the information contained in this report, it is recommended:

1. As part of the larger planning effort which will occur following the first auction, the HRC planning team should initiate a process whereby the operational objectives of the City and other officials and departments, including the City Manager's Office, City of Tucson Transportation and Streets Departments, City of Tucson Parks & Recreation Department, City of Tucson Police Department, City of Tucson Fire Department, and the Tucson-Pima County Public Library System are addressed in order to determine the appropriate operational structure and ongoing management and maintenance of public roadways, street lighting, public parkway landscaping, public parks, recreation and open space, police department, fire department, libraries and community centers.
2. As part of the larger planning effort which will occur following the first auction, the HRC planning team should initiate a collaborative process with the City Finance Division, the City Manager's Office and other applicable jurisdictions and departments, as necessary to determine the projected costs of the targeted levels of service for all required public facilities and in connection with same, determine whether additional funding mechanisms will be implemented (including but not limited to the assessment of an operations and maintenance tax within a CFD, service fees and/or public-private partnerships).