

**CITIZEN BOND ELECTION COMMITTEE**  
**RECOMMENDATION REPORT**

**SUBMITTED TO THE**  
**HONORABLE MAYOR AND COUNCIL MEMBERS**  
**OF THE**  
**CITY OF SURPRISE**

**MAY 28, 2009**

## **SUMMARY OF COMMITTEE ACTIONS AND RECOMMENDATIONS**

### **Committee Education**

The seventeen appointed members of the Citizen Bond Election Committee, broadly representing all sections of Surprise, were sworn in and held their first meeting December 9, 2008. Three educational meetings followed to inform members on Surprise planning and finances, current and expected funding sources, Capital Improvement Projects (CIP) and the structure and use of General Obligation bonds (GO Bonds).

### **Public Input**

The next four Committee meetings were conducted as public hearings and held in scattered locations throughout the city. Each hearing provided attendees a financial overview of the city as well as revenue projections. A list of potential Capital Improvement Projects was available and staff presented information on GO bonds and their use. Residents were encouraged to provide input on projects, either orally or in written form. Thirty-four residents spoke at the four hearings while sixteen submitted written comments. In addition, residents were encouraged to submit comments via the website or in whatever manner they felt comfortable.

When inviting public input, the primary goal was finding which Capital Improvement Projects were of importance to residents. At each hearing, residents were asked to “Think projects and not people”, as GO bond funds would be used for projects and not operating expenses.

### **Summary of Public Input**

Approximately 131 comments were received, with fifty coming at the hearings, sixty-one coming from the website and the remainder made in oral or written form at regular Committee meetings or through regular mail. Because of the nature of input, especially oral, it can be difficult to determine and quantify specific categories. However, the following approximates the results of the input process:

- Fifty-three commented about Capital Improvement Projects, with Transportation accounting for about sixty percent of the total. Public Safety made up approximately twenty percent while Economic Development and Recreation accounted for the remaining twenty percent. Seventy-seven respondents did not mention specific CIP items but spoke in general terms about the issuance of GO bonds. The majority of the seventy-seven were against any issuance, at least at this time.

The Committee believes resident input is valuable, but understands it lacks statistical accuracy in reflecting the thoughts of Surprise residents. Only a GO bond election or a legitimate statistical survey will reveal the accurate feelings of Surprise voters. To reduce the size of this report, Committee and hearing minutes, as well as copies of resident comments have not been included. However, copies are available through city staff.

### **Committee Considerations**

The remaining Committee meetings centered on consideration of information received from staff and public comments and how these could influence their recommendation to the Mayor and Council. The following were major concerns of the Committee:

1. Reduction in Impact Fees Revenue - Impact fees from residential and commercial construction have provided the major source of funds for Capital Improvement Projects during the rapid growth of Surprise. In 2005, for example, 7700 permits were issued for home construction with approximately \$20,000 coming to Surprise from each home. In 2008, the permits issues dropped to nearly 400 homes, resulting in a decrease in impact revenue exceeding 90%. Revenue from home permits is projected to increase only slightly over the next five years. Commercial impact revenue has also dropped precipitously and is expected to remain flat.
2. Surprise GO Bond Status – Although GO bonds are the traditional method used for capital projects funding, Surprise has used the method minimally. The only outstanding Surprise GO bond will be retired in 2009, leaving the city free of any bonded indebtedness.
3. Insufficient Current Income Sources – The city relies on other sources of income, such as sales tax, for everyday operating expenses. These sources are now becoming insufficient for meeting those needs, much less being used for Capital Improvement Projects.
4. Misconception About Real Estate Tax Revenue – There is the misconception a large portion of real estate tax revenue is given to the city. The city receives about 8% of each real estate tax dollar which funds approximately 4% of the annual city budget.
5. Inability to Complete Capital Improvement Projects – Without an additional source of funds, the completion of most Capital Improvement Projects will not be possible.
6. Availability of Matching Outside Funding – Without a pool of available CIP funds, the city risks the inability to receive funds requiring city matching.
7. Probability of Increased Costs – Although not certain, inflation could result in substantial increases in the cost of delayed Capital Improvement Projects.

8. Awareness of Operation Costs – The Committee was aware of the operational costs resulting from some Capital Improvement Projects and restricted the recommended projects to those requiring no, or minimal, ongoing expenses.
9. Bonds Not Sold in One Large Block – It is expected bonds would be sold in increments and not at one time. This would counter the idea taxes would increase immediately to the full extent of the potential bond indebtedness. The authority to sell bonds gives the city an available “line of credit” as projects develop.

### **Committee Recommendations**

After studying this issue for more than five months, the members of the Bond Committee have reached an understanding that unless a new funding source is voter approved, very few Capital Improvement Projects will be able to be completed. Existing funding sources are not currently generating adequate funds and projections indicate no substantial increases. Therefore, the committee requests the Mayor and Council consider the following recommendations:

1. The voters of Surprise be allowed to decide whether GO bonds be issued to finance Capital Improvement Projects.
2. The Committee has no recommendation on timing of an election.
3. There is a Committee consensus voters need to develop a much clearer understanding of the financial structure of the city of Surprise, especially the funding sources for Capital Improvement Projects before any election be attempted.
4. The four project categories should be packaged into a single proposal for voter consideration.
5. It is suggested there be some degree of flexibility built into the bond proposal to allow for unforeseen needs within the CIP program.
6. The Tax Rate not exceed \$.99 per \$1000 of Full Cash Value. At current valuation, this would allow maximum bonding of \$184,961,600.
7. The proceeds of bonds be used in the following four categories:

a. Transportation	\$156,621,600	85%
b. Public Safety	8,110,000	4%
c. Economic Development	11,000,000	6%
d. Parks & Recreation	9,160,000	5%
	\$184,891,600	100%
8. A listing of the project categories and the projects within is as follows:

City of Surprise  
Citizen Bond Election Committee  
Bond Funding Totals

Area	Amount	% of Total
Transportation	\$ 156,621,600	85%
Public Safety	8,110,000	4%
Economic Development	11,000,000	6%
Parks And Recreation	9,160,000	5%
Grand Total	\$ 184,891,600	100%

Estimated Tax Rate           \$           0.99

Amount for \$1.00 Rate       \$       185,900,000

Full Cash Value	Cost per Year
\$           150,000	\$           149.19
\$           175,000	\$           174.05
\$           200,000	\$           198.92
\$           225,000	\$           223.78
\$           250,000	\$           248.64
\$           275,000	\$           273.51
\$           300,000	\$           298.37
\$           325,000	\$           323.24
\$           350,000	\$           348.10
\$           375,000	\$           372.97
\$           400,000	\$           397.83

## Transportation

<b>Project Name</b>	<b>Estimated Total 2010 - 2019</b>
<b><u>Recommended Projects</u></b>	
Bell Road Pavement	2,066,600
Greenway Road (Litchfield Road to Bullard Avenue)	1,400,000
Low Water Crossing of Agua Fria River	5,500,000
Grand Avenue @ Bell Road Interchange	34,000,000
Litchfield Road (Waddell Road to Sweetwater Road)	1,315,000
Waddell Road (Litchfield Road to Bullard Avenue)	3,000,000
Litchfield Road (Sweetwater Road to Cactus Road)	2,189,000
Union Hills Drive Widening (111th Avenue to 115th Avenue)	635,000
Litchfield Road (Cactus Road to Desert Cove Road)	2,472,000
Bullard Avenue (Bell Road to Paradise Lane)	1,005,000
Cotton Lane (Bell Road to Greenway Road)	6,200,200
Cactus Road (Litchfield Road to Bullard Avenue)	1,920,000
Greenway Road (Cotton Lane to Verde Vista Drive)	2,125,000
Street Preservation and Maintenance Program	8,160,900
Waddell Road (Cotton Lane to 174th Drive)	2,765,000
Cotton Lane (Greenway Road to Waddell Road)	3,874,800
Cactus Road (Dysart Road to Litchfield Road)	3,500,000
163rd Avenue (Grand Avenue to Jomax Road)	11,275,000
Reems Road (Hearn Road to 380 feet North)	429,800
Greenway Road (Citrus Road to Perryville Road)	6,040,400
Sarival Avenue (Greenway Road to Waddell Road)	6,943,900
Greenway Road (Verde Vista Drive to Citrus Road)	4,335,300
Cotton Lane (Waddell Road to Cactus Road)	3,959,000
Sarival Avenue (Bell Road to Greenway Road)	815,000
Mountain View Boulevard (West of Grand Avenue)	1,300,000
Civic Center Parkway (Bell Road to Paradise Lane)	3,840,000
Bell Road Sidewalks (East of Grand Avenue)	1,200,000
Bell Road Sidewalks (West of Grand Avenue)	2,167,500
Reems Road (Channel, Median, and Sidewalks)	2,265,000
Sidewalk Along Grand Avenue	150,000
El Mirage Road (Northern Avenue to Bell Road)	1,200,000
Right Turn Lanes	6,100,000
Martin Acres Flood Control	2,285,500
DART Parking Facility	400,000
Traffic Signals	4,900,000
Bus Bays	2,725,600
Paving Settlement West of 219th Avenue	2,140,000
Saguaro View Rehabilitation Project	2,821,100
Sections 10 & 11 Drainage & Roadway Improvements	7,000,000
Sun Valley Parkway DCR (187th Avenue to 259th Avenue)	200,000
<b><u>Subtotal Recommended</u></b>	<b><u>156,621,600</u></b>

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## **Public Safety**

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<b>Project Name</b>	<b>Estimated Total 2010 - 2019</b>
<b><u>Recommended Projects</u></b>	
SCBA Equipment	1,000,000
Training Range Upgrades - Police	600,000
Police Department Parking Deck/Command Vehicle	1,900,000
Cardiac EMS Monitors	360,000
Radio Purchase - Fire	2,000,000
Fleet Expansion	2,250,000
<b>Subtotal</b>	<b>8,110,000</b>

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## **Economic Development**

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<b>Project Name</b>	<b>Estimated Total 2010 - 2019</b>
<b><u>Recommended Projects</u></b>	
Innovations Center	2,500,000
Surprise Rail Station	6,000,000
Land for Future Rail Station	2,500,000
<b>Total Economic Development</b>	<b>11,000,000</b>

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## **Parks and Recreation**

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<b>Project Name</b>	<b>Estimated Total 2010 - 2019</b>
<b><u>Recommended Projects</u></b>	
Surprise Tennis/Multi-Purpose Center	4,500,000
Park Maintenance Shop	2,261,000
Surprise Recreation Campus Park Improvements	1,500,000
Skate/Bike Park	899,000
<b>Subtotal</b>	<b>9,160,000</b>

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The undersigned Committee members thank the staff for their input and patience as we proceeded through this education and review process. It was enlightening for all as we became more understanding of the challenges facing the city administration, our elected officials and the residents of Surprise. Regardless of the actions taken by the Council, it seems imperative the residents be given the opportunity to fully understand the details of the city finances to the same extent we were allowed. We also thank the residents for their attendance and input into the process.

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Cliff Elkins, Chairman (At-Large)

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Lou Provenzano (At-Large)

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Nancy Collins (At-Large)

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Norm Davis (At-Large)

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Mike Woodard (At-Large)

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Patricia M. Alesh (District #1)

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Don Duncan (District #1)

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Ken Smythe (District #2)

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Harvey Noteboom (District #2)

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Tim Herdrich (District #3)

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Scott W. Vejrostek (District #3)

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Bill Pupo (District #4)

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Rachel Villanueva (District #4)

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Kevin Duzy (District #5)

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Mark Rogers (District #5)

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Ken Johanson (District #6)

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Dan Morris (District #6)