Pima County Defense and Aerospace Business Owners and CEOs

November 20, 2013

Honorable Ramon Valdez, Chairman Sharon Bronson, Supervisor Ray Carroll, Supervisor Richard Elias, Supervisor Ally Miller, Supervisor Pima County Board of Supervisors 130 W. Congress Street, 11th Floor Tucson, AZ 85701

RE: Raytheon Property Tax Lawsuit

Dear Chairman and Supervisors:

As Business Owners and CEO's of local Defense and Aerospace companies we wanted to take this opportunity to express our thoughts and concerns regarding the Pima County Tax Assessors' lawsuit against Raytheon.

As each of you know, Raytheon is the largest employer in Pima County. They attract the best and brightest of and to Pima County at wages that are typically greater than the average for our area. Higher wages means an increase to such basics as retail sales tax, property taxes on higher end homes and more.

Additionally, Raytheon brings opportunities to many small businesses in the Aerospace and Defense industry right here in Pima County, helping to grow jobs and the local economy. Raytheon also provides our area with a great deal of prestige for having and maintaining this world class company right here in our community.

Our questions and concerns regarding the lawsuit against Raytheon are numerous. Our number one question is why is the Board of Supervisors allowing the Pima County Assessors' Office to use County (tax payer) funds to sue our largest employer? We understand the Supervisors approved the use of the funds in the Assessors' budget and did not authorize any additional funds for this purpose. We strongly believe the right move would have been to vote against the use of any County (tax payer) funds for this lawsuit.

It is our view as business owners and CEO's that the Assessors' Office is not seeing all the revenue that Raytheon generates in our community. But most importantly it appears that the Assessors' Office is not in alignment with the desires of the Board; on one hand working with Raytheon on a buffer zone and realigning Hughes Access Road; areas that we learned from the Huntsville situation are of critical importance. On the other hand, we are slapping Raytheon in the face with a lawsuit for a rather insignificant sum of money in comparison to the costs for the road alignment and buffer zone.

It is our understanding that this is not the first time the County Assessors' Office has sued Raytheon. It appears that in both cases the Arizona State Board of Equalization reviewed the valuation and rendered an opinion. If this is the case, why is the Board of Supervisors not insisting that the decision of the State Board of Equalization be honored, if for no other reason than to avoid the use of county tax payer funds for an initiative that is considered very rare? As business owners and CEO's we wonder too if due diligence has been conducted by the Board of Supervisors to insure that Raytheon is not being targeted unfairly. In other words, has any one of the Supervisors or their staff taken the time to research how often a case that has gone before the Arizona State Board of Equalization proceeds to a lawsuit? Is it a standard practice of the Pima County Tax Assessor' Office or is Raytheon the only company to be sued in the last four years?

It is clear that the message the Board of Supervisors is sending with the acceptance of this lawsuit is that our community is unwilling to work with our largest employer and therefore may also be unwilling to work with any other companies either current or future. The lessor and perhaps just as critical message being sent is that our community is not business friendly. By suing our largest contractor we are truly showing a complete lack of respect to Raytheon and their contributions to our community.

One of the final points we will make is the message this sends to other businesses that may be in the very preliminary stages of selecting a city to relocate their company to or an existing company looking to expand in Pima County. If during the initial vetting/search an organization learns that Pima County is suing its largest employer over property taxes Pima County would more than likely be dismissed as contenders, all before anyone even knew Pima County was under consideration.

As business owners we could certainly understand this type of decision. We are aware there are little or no tax incentives available in Arizona as in other states. However, at first glance it appears Pima County is more concerned with getting every dollar possible from companies instead of looking to find ways to counter those tax incentives that Huntsville provided Raytheon resulting in Pima County losing out on approximately 300 jobs, as well as the distinction of being known as having "the most advanced missile integration facility in the world."

We hope you will give serious consideration to our questions and concerns. We would also welcome the opportunity to discuss this situation further with the Board of Supervisors. Our contact is Brad Smith and he can be reached at Airtronics Inc. 520.881.3982.

The goal of this letter is to insure that the Board of Supervisors and we as business leaders and owners do all that is possible to insure Raytheon remains an integral part of our community.

Sincerely,

The following Business Owners and CEOs of Defense and Aerospace companies in Pima County electronically concurred.

Brad Smith, President Airtronics Inc. 1822 S. Research Loop 85710



Katina E. Kravick, CEO Northwire, Inc. 7225 North Village Avenue 85704



Lee Payne, CEO Dataforth Corporation 3331 E Hemisphere Loop 85706



Doug Rasmussen, Vice President/General Manager B/E Aerospace, Inc. 1851 South Pantano Road 85710



Craig Mast, CEO Masteck-Innerstep 3280 East Hemisphere Loop #140 85706



Taber MacCallum, CEO and Chief Technology Officer Paragon Space Development Corporation 3481 E. Michigan Street 85714



Paul DeHerrera, CEO Universal Avionics Systems Corporation 3260 E. Universal Way 85756



James E. Millerd, Ph.D., President 4D Technology Corporation 3280 E Hemisphere Loop, Suite 146 85706



Howard N. Stewart, President/CEO AGM Container Controls 3526 East Fort Lowell Road 85716



Manny Teran, President Aztera 2102 N. Forbes Blvd, Suite 105 85745



Alex Rodriguez, Director Southern Arizona Arizona Technology Council 9040 South Rita Road, Suite 1150 85740



David Crowe, President & Co-Founder Tucson Embedded Systems 5620 N Kolb Rd Suite 160 85750



Raytheon Facts, Figures and Data

Basic Facts about Raytheon

- Raytheon is the **largest** private employer in Pima County
- Raytheon is the largest A & D employer in the State of Arizona
 - How much of the \$3 billion impact on the state is actually realized here in our community simply by virtue of the fact that Raytheon is in Pima County? How much of that can we afford to lose?
- Employs approximately 10,000 of our neighbors, friends and family
- Major driver of our economy
- > 2012 Raytheon's Tucson division was the sixth largest of the corporation's with
 - o \$5.7 billion in sales
 - o 25% of all of Raytheon's revenue

Some Industry Figures

- Tucson is ranked 4th in the Nation for total percent of the manufacturing workforce dedicated to high tech
- Raytheon is the dominant A & D contractor in the State receiving more than 48% of all Arizona DoD contracts
 - The Tucson area received the largest total value of contracts from the DoD with more than \$5.2 billion in 2010.

Data from the Careerbuilder and EMSI Occupational Projections: 2013 – 2017

http://www.careerbuildercommunications.com/pdf/CB-OccupationsProjections-2013.pdf

- The U.S. workforce is projected to grow 4.4 percent from 2013 to 2017
- ➤ 23 of the 52 largest metro areas outpace the projected national rate of job growth including Phoenix (not Tucson)
- Tucson does rank in the top 15% for projected job growth (for low wage jobs)
- Phoenix is one of the 3 projected to see high wage growth (Tucson is not)
- ➤ Meanwhile, Tucson one of the top metros in overall job growth is expected to see the second-**lowest** share of high-wage growth behind Detroit, at 26%
- Seattle: 9% projected growth in Aircraft structure, Surfaces, Rigging and Systems Assemblers (an occupation not even on the list for Tucson)

Final Thoughts:

What would be the impact on Pima County's economy if Raytheon were to continue to focus growth on other facilities in other parts of the Country?

What would the impact be to all the areas of importance to the citizens of Pima County if Raytheon invested **more** in their operations here?