

## WORK SESSION AGENDA

CITY COUNCIL SPECIAL WORK SESSION  
TUESDAY  
JANUARY 23, 2018

COUNCIL CHAMBERS  
211 WEST ASPEN AVENUE  
4:30 P.M.

1. **Call to Order**

**NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION**

*Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).*

2. **Pledge of Allegiance and Mission Statement**

**MISSION STATEMENT**

*The mission of the City of Flagstaff is to protect and enhance the quality of life for all.*

3. **Roll Call**

*NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.*

MAYOR EVANS  
VICE MAYOR WHELAN  
COUNCILMEMBER BAROTZ  
COUNCILMEMBER MCCARTHY

COUNCILMEMBER ODEGAARD  
COUNCILMEMBER OVERTON  
COUNCILMEMBER PUTZOVA

4. **Discussion**: Ballot Measure for Rio de Flag Project on the November 2018 Election

5. **Informational Items To/From Mayor, Council, and City Manager; future agenda item requests.**

6. **Adjournment**

**CERTIFICATE OF POSTING OF NOTICE**

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on \_\_\_\_\_, at \_\_\_\_\_ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Elizabeth A. Burke, MMC, City Clerk

## CITY OF FLAGSTAFF

### STAFF SUMMARY REPORT

**To:** The Honorable Mayor and Council  
**From:** Rick Tadder, Management Services Director  
**Co-Submitter:** James Duval, Senior Project Manager, Chris Kirkendall  
**Date:** 01/18/2018  
**Meeting Date:** 01/23/2018



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#### TITLE

**Discussion:** Ballot Measure for Rio de Flag Project on the November 2018 Election

#### STAFF RECOMMENDED ACTION:

Receive direction from City Council for potential ballot measure on the November 2018 election related to increasing revenues to fund the City's contribution for the Rio de Flag flood mitigation project.

#### EXECUTIVE SUMMARY:

The United States Army Corps of Engineers (USACE) received federal funding to complete 100% design for the Rio de Flag flood mitigation project. Staff recognizes that there will be a financial obligation of the City during the construction of the project which is currently estimated at \$36 million for the City's portion of the \$103 million project cost. Furthermore, per City Charter certain options for raising certain revenues and issuing certain bonds require voter approval at a general election. General elections are only held in November of even-numbered years. Therefore, we are recommending adding a ballot measure to address the critical stormwater needs in our community.

#### INFORMATION:

Staff will provide a presentation that outlines the need for the Rio de Flag project, a brief history, funding options and staff's recommendation for a sales tax rate increase dedicated to stormwater needs. We are seeking direction on a potential election ballot measure. Should Council provide direction to pursue a ballot question, staff will begin preparing for the election including public outreach, development of the ballot language, and completion of the publicity pamphlet.

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**Attachments:** [PowerPoint](#)  
[Chart w/Percentages](#)  
[Rio Parcels Valuation](#)



# Flagstaff City Council

## Rio de Flag Project Consideration for November 2018 Election

January 16, 2018



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# Overview

What's the purpose of tonight's discussion?

- Seek Council consideration and direction to provide revenue for the Rio de Flag construction.
- Current City match estimated at \$36M



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# Overview

## Tonight's agenda

- The need for Rio de Flag construction
- Brief historical overview
- Sales tax consideration



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# Why is this urgent?

- At risk of catastrophic flood
- \$916M in Flood Damage
- 1,500 structures impacted
- Life/Health/Safety
- Elimination of floodplain & mandatory flood insurance<sup>1</sup>
- 100% Design
- Federal funding timeline
- Election opportunity every 2 years



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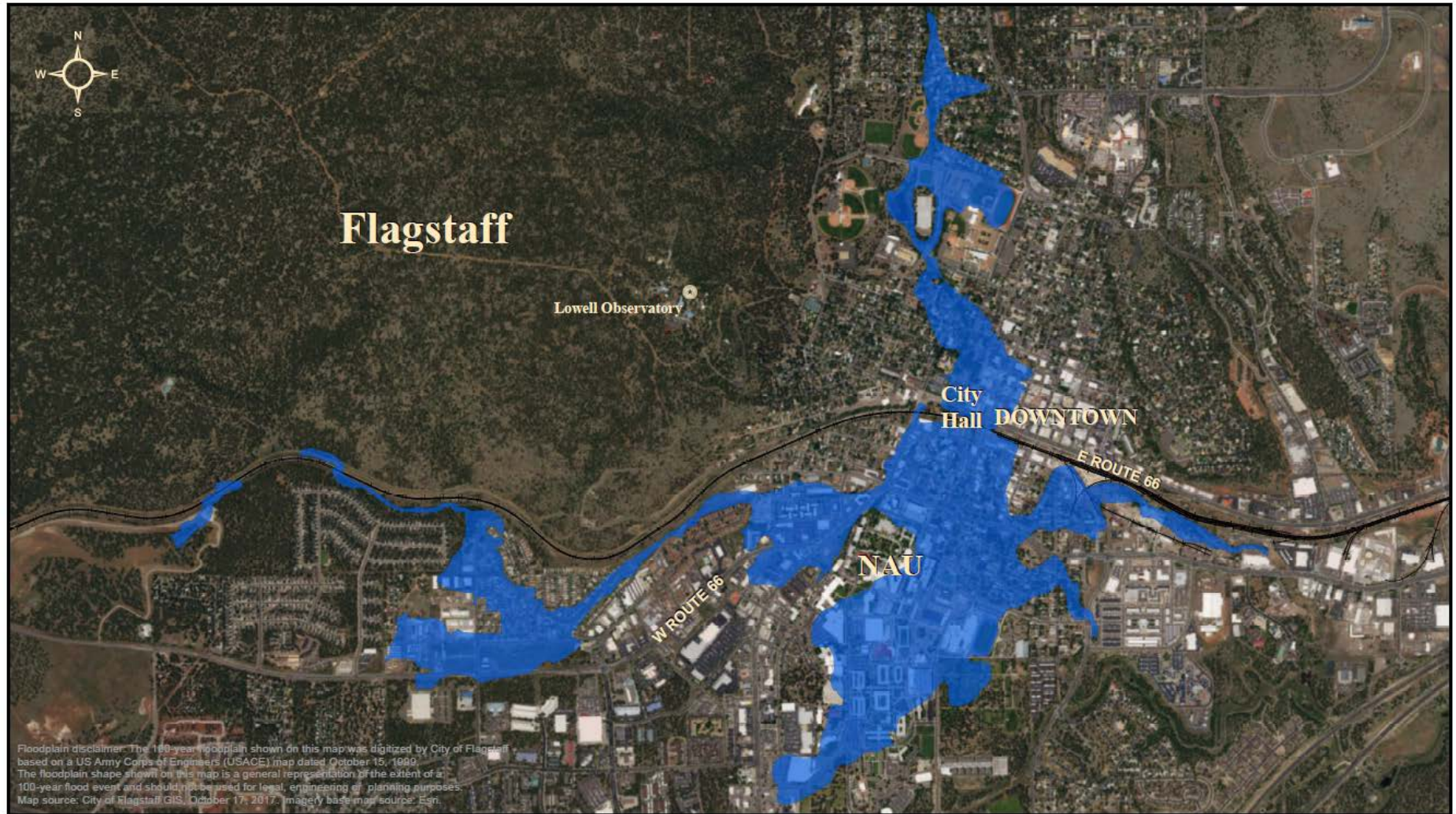
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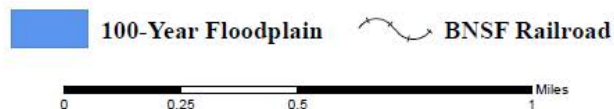




# 100 Year Flood Impact



**100-Year Floodplain**  
**Flagstaff Downtown Area**



**RIO de FLAG**  
**Flood Control Project**



# History

- Feasibility Report Completed & Project Authorized by Water Resources Development Act (WRDA) – 2000
- City and United States Army Corps of Engineers (USACE) Sign Project Cooperation Agreement - 2004
- Design of Main Stem Begins - 2005
- Clay Wash Detention Basin, Thorpe Bridge & Butler Tunnel Constructed 2009-2012
- Main Stem Design 90% Complete - 2015



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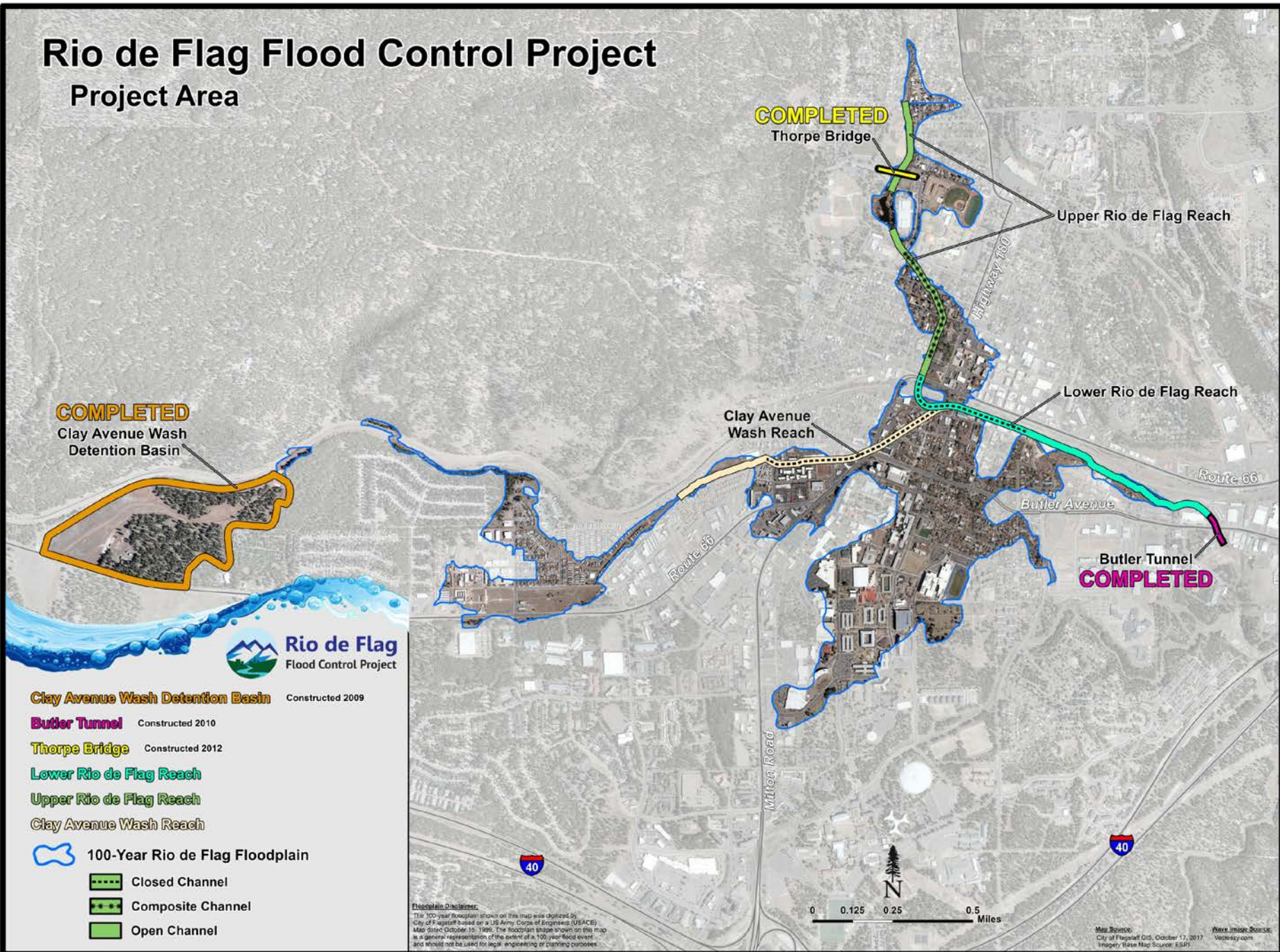
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# Rio de Flag Flood Control Project

## Project Area







# Current City Cost Share

Projected costs for the Rio de Flag project are:

Non-federal (City)	\$ 36M (35%)
Federal	\$ 67M (65%)
<hr/>	
Total	\$103M



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# Funding Recommendation: New Sales Tax

- 0.25% tax rate
- \$0.25 per every \$100 taxable goods
- Allows for pay as you go funding
- Tax sunset in 7 years
- Avoids interest expense-No bonds
- City and County residents and visitors pay for the project



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# Impact to Resident

	Increase	Years	Annual Impact	Total impact
Sales Tax Increase				
Based on household income between \$60K and \$70K, family of 4, \$15K taxable goods.	0.25% tax rate	7 years	\$ 38	\$ 266



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# Sales Tax Comparison

## Current Sales Tax Rates

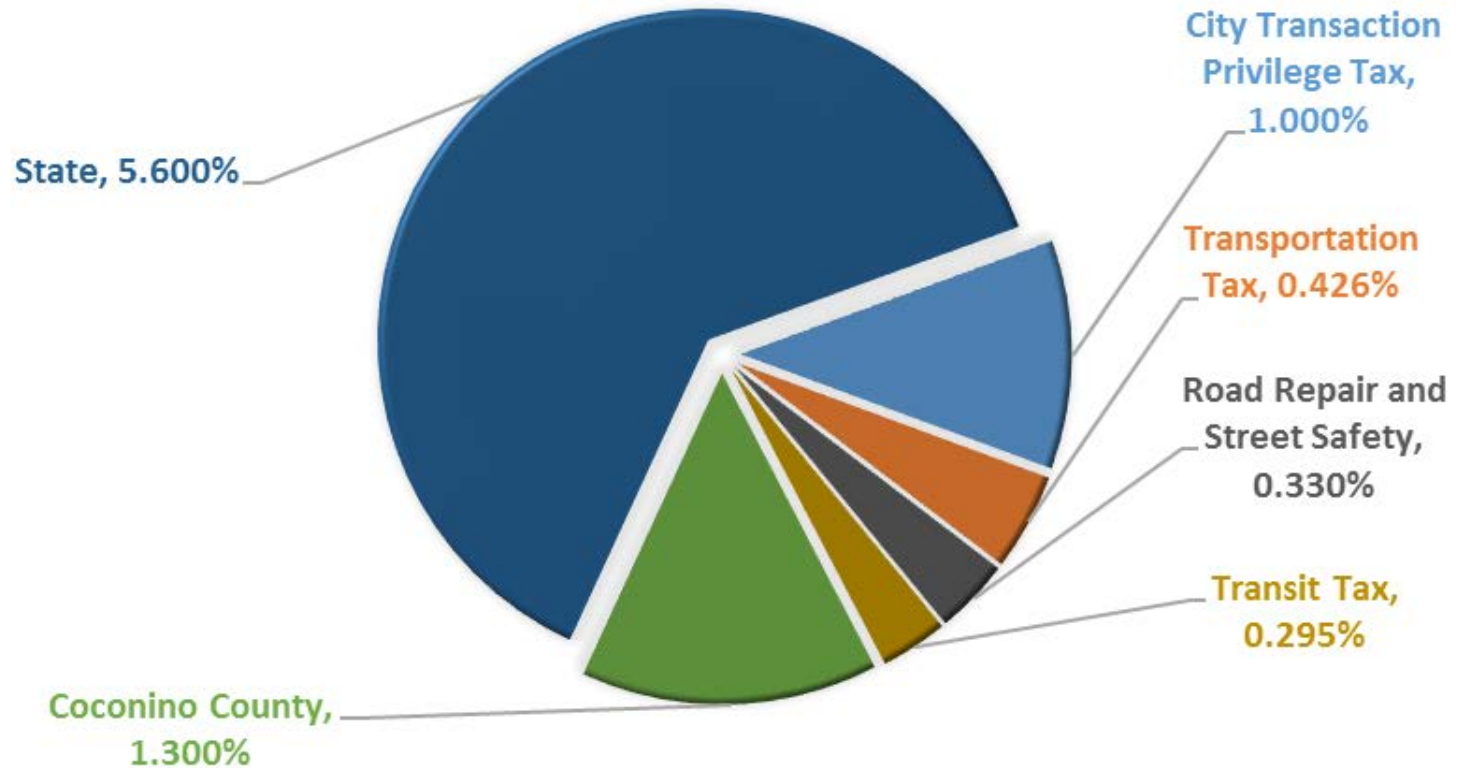
	Current Rates	Proposed Rate
Transaction Privilege Tax	1.000%	1.000%
Transportation Tax	0.426%	0.426%
Road Repair and Street Safety	0.330%	0.330%
Transit Tax	0.295%	0.295%
Proposed Stormwater Tax		0.250%
Total City Sales Tax	2.051%	2.301%
Coconino County	1.300%	1.300%
State	5.600%	5.600%
	6.900%	6.900%
Total Tax Rate	8.951%	9.201%

BBB Tax is an additional 2% on Bed, Board and Beverages



# Sales Tax Comparison

TOTAL TAX BY TYPE BASE RATE

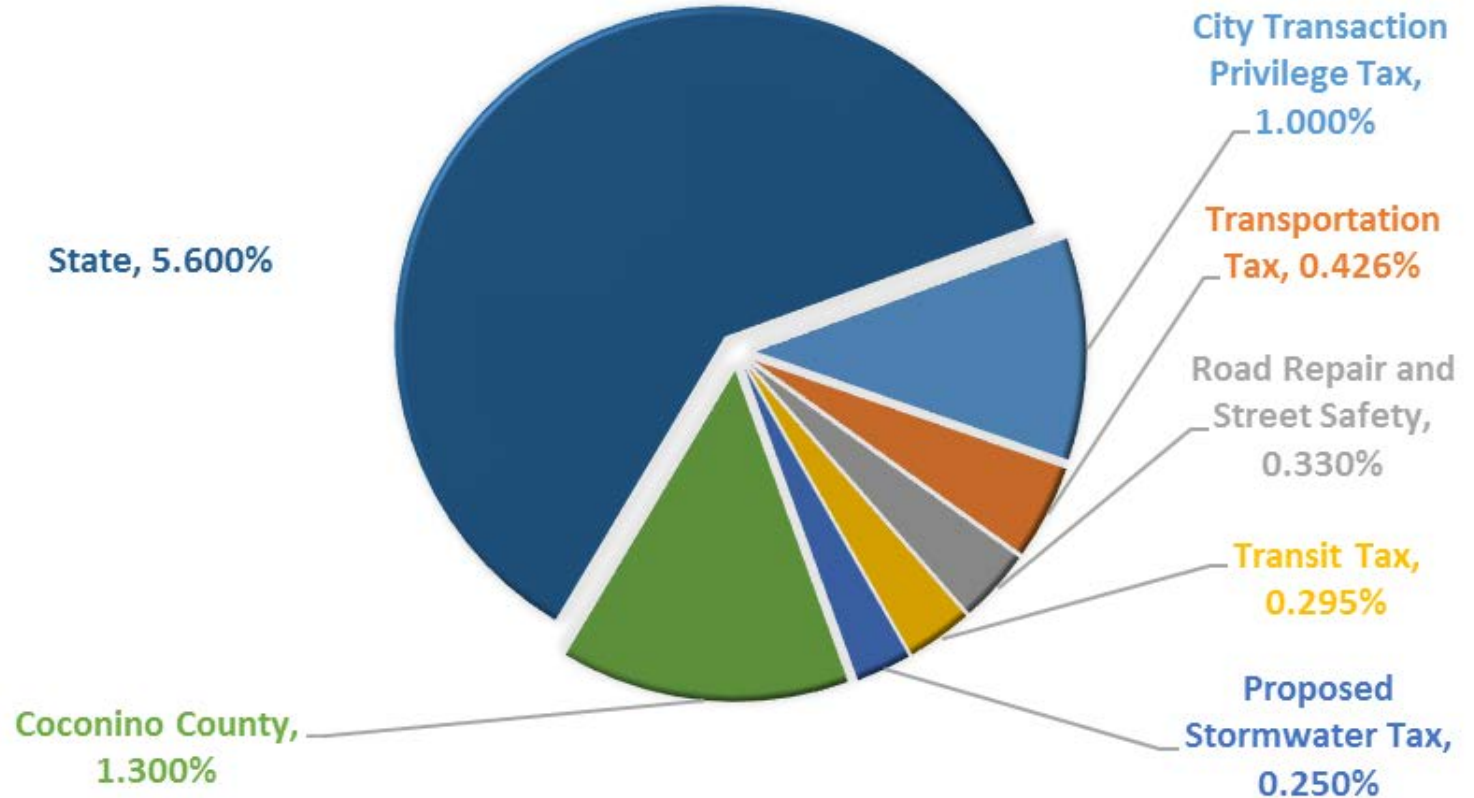






# Sales Tax Comparison

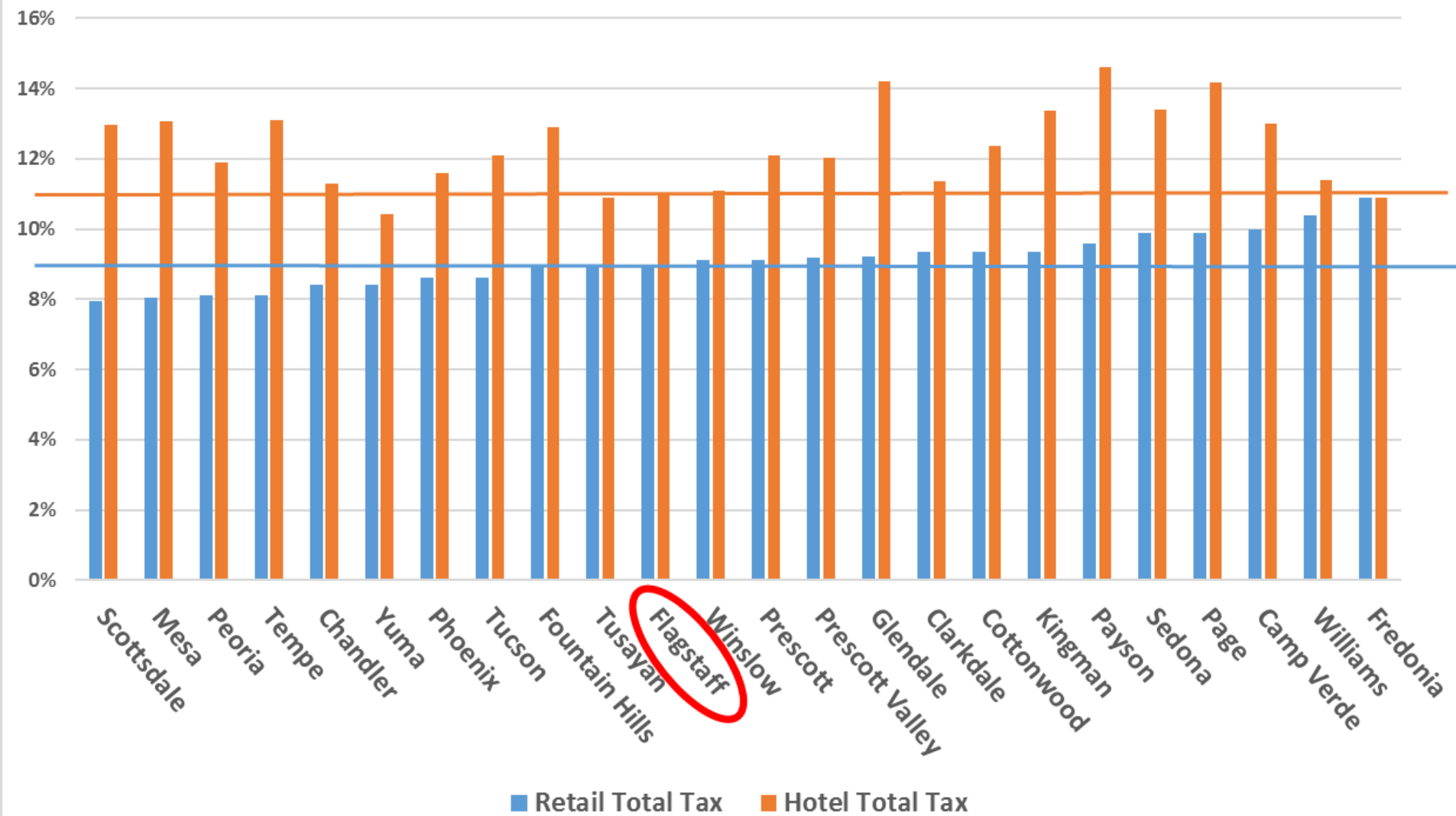
TOTAL TAX BY TYPE BASE RATE INCLUDING  
PROPOSED STORMWATER TAX





# Sales Tax Comparison

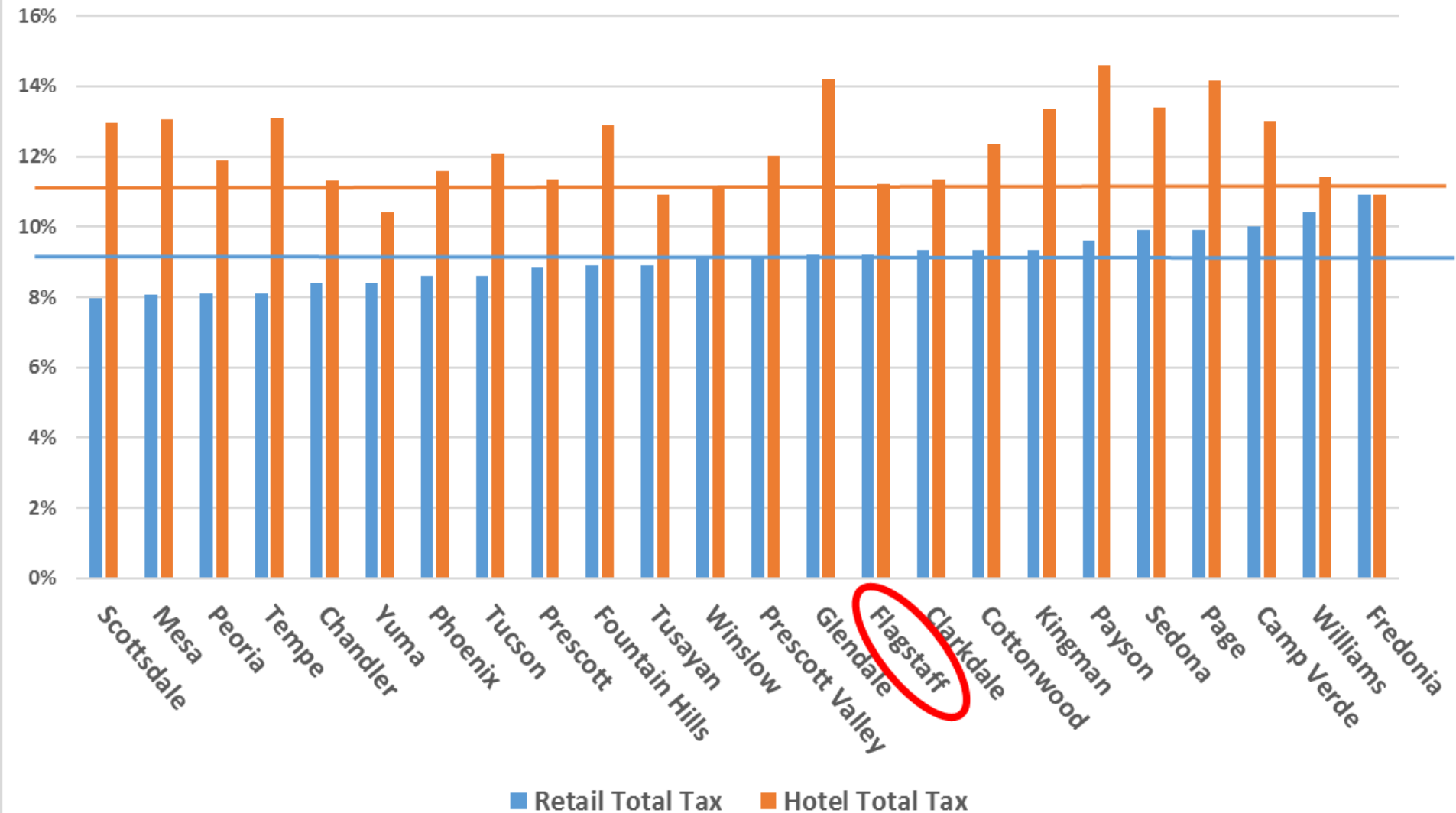
Current Sales Tax Rates for Selected Cities





# Sales Tax Comparison

Current Sales Tax Rates for Selected Cities with New Tax







# Current Sales Tax Rates for Selected Cities

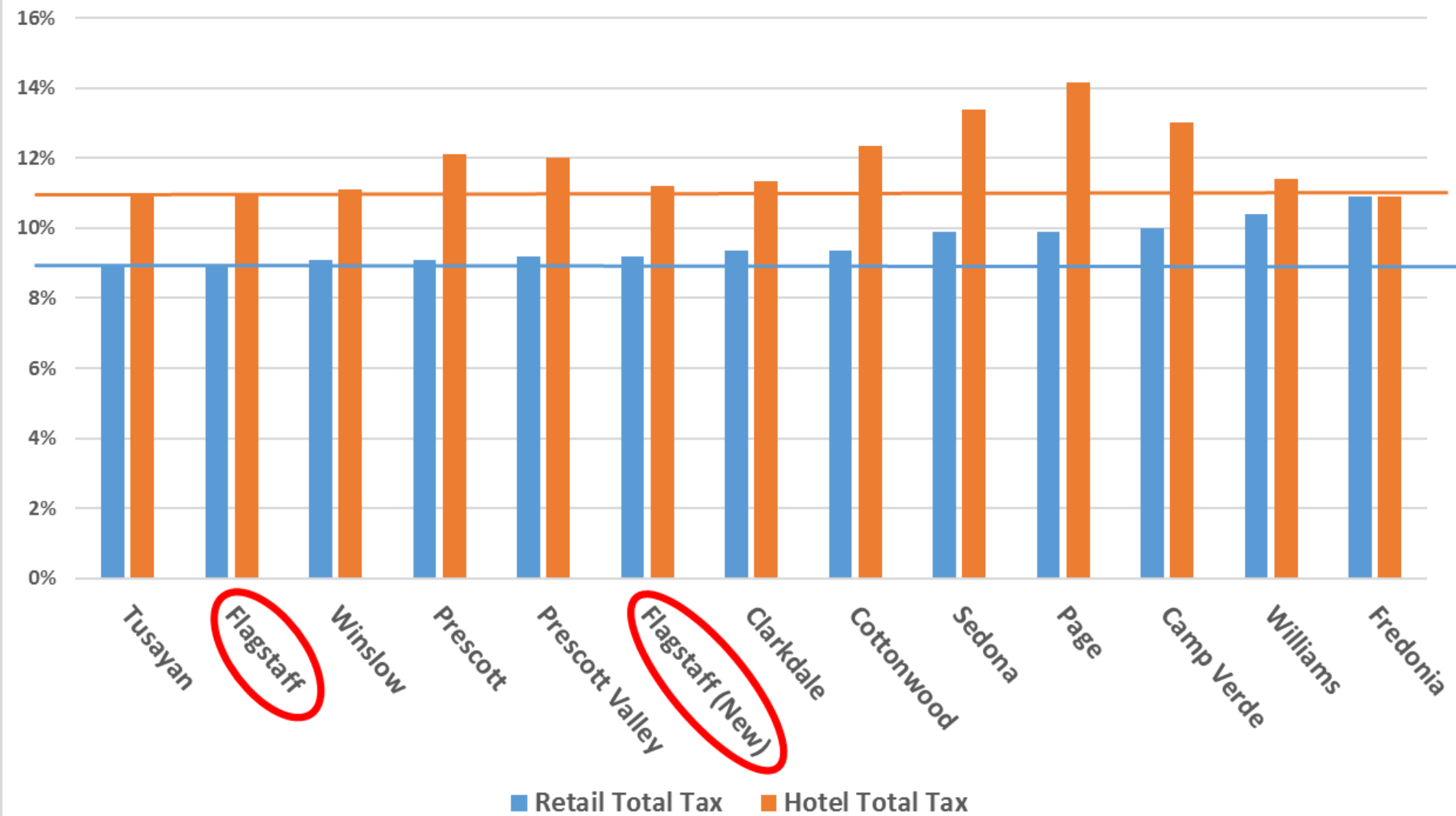
Cities	Retail Total Tax	Cities	Hotel Total Tax
Scottsdale	7.950%	Yuma	10.412%
Mesa	8.050%	Fredonia	10.900%
Peoria	8.100%	Tusayan	10.900%
Tempe	8.100%	Flagstaff	10.951%
Chandler	8.400%	Winslow	11.100%
Yuma	8.412%	Flagstaff (Proposed)	11.201%
Phoenix	8.600%	Chandler	11.300%
Tucson	8.600%	Clarkdale	11.350%
Fountain Hills	8.900%	Williams	11.400%
Tusayan	8.900%	Phoenix	11.600%
Flagstaff	8.951%	Peoria	11.900%
Prescott	9.100%	Prescott Valley	12.010%
Winslow	9.100%	Prescott	12.100%
Prescott Valley	9.180%	Tucson	12.100%
Glendale	9.200%	Cottonwood	12.350%
Flagstaff (Proposed)	9.201%	Fountain Hills	12.900%
Clarkdale	9.350%	Scottsdale	12.950%
Cottonwood	9.350%	Camp Verde	13.000%
Kingman	9.350%	Mesa	13.050%
Payson	9.600%	Tempe	13.100%
Page	9.900%	Kingman	13.350%
Sedona	9.900%	Sedona	13.400%
Camp Verde	10.000%	Page	14.163%
Williams	10.400%	Glendale	14.200%
Fredonia	10.900%	Payson	14.600%

(Northern Arizona Cities in Blue)



# Sales Tax Comparison

Current Sales Tax Rates for Cities in Northern Arizona





# New Sales Tax

- 0.90% Sales Tax Rate
  - \$18M revenues per year
  - 2 years to fund
- 0.36% Sales Tax Rate
  - \$7.2M revenue per year
  - 5 years to fund
- 0.25% Sales Tax Rate (Recommended)
  - \$5M revenue per year
  - 7 years to fund

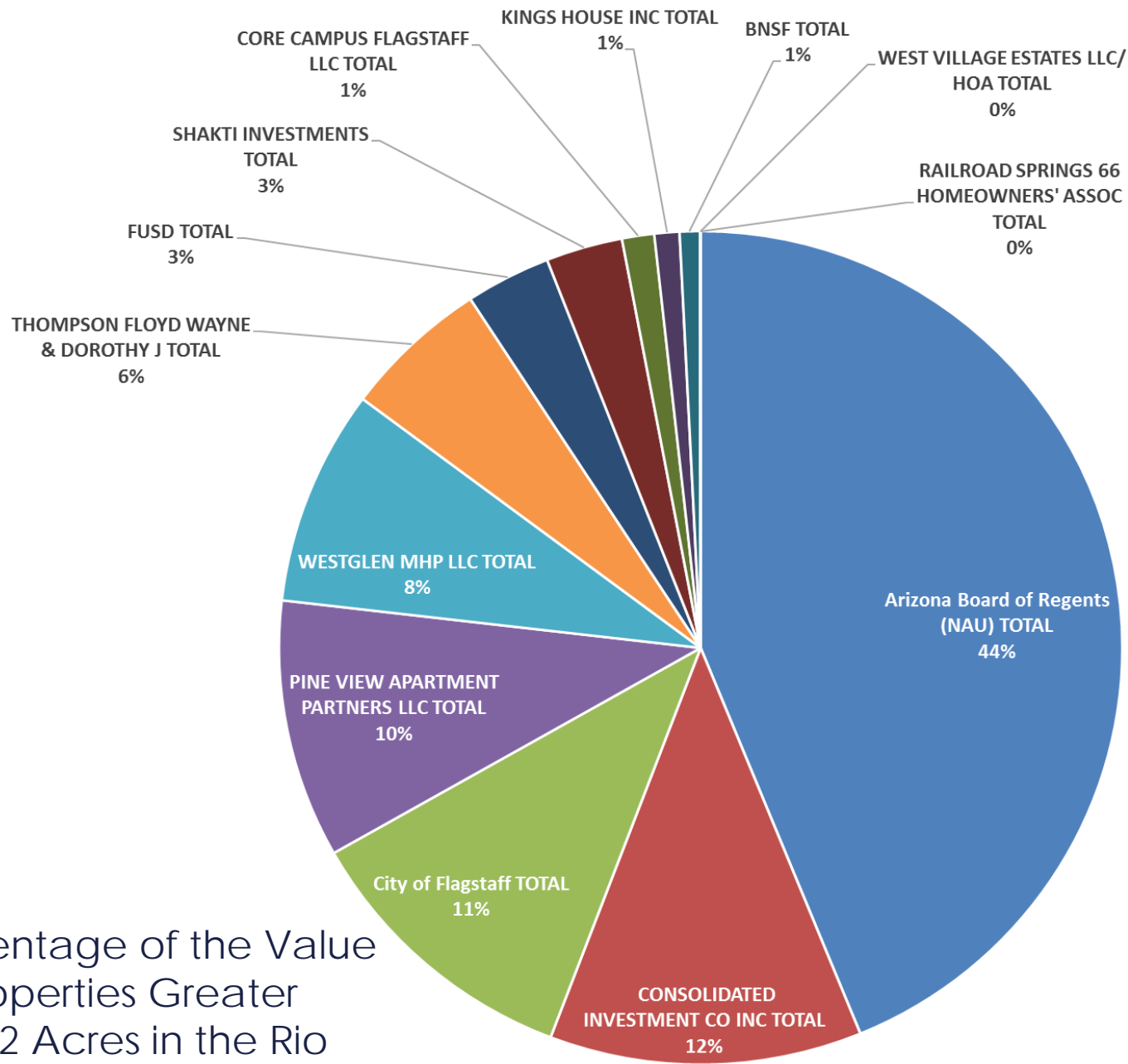


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Percentage of the Value of Properties Greater than 2 Acres in the Rio de Flag Flood Plain



# Secondary Property Tax – G.O. Bonds?

(Not Recommended)



Secondary Property Tax \$36M Debt

- \$49M capacity remaining over next 20 years.
- Current policy is to maintain a maximum 0.8366 rate
- Adds interest expense > \$20M
- Per State Statute 9-461.17, issuing bond adds up to 2% cost for utility relocations of telecommunication.
- Property owners responsible for debt



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# Stormwater Fee

(Not Recommended)

Current Rate (Adopted Dec 2017)

- Would need an increase of \$5 per ERU for 7 years over existing
- Potential Legal Challenge for Rio Specific Project
- Additional increase to 3 ERU  
Homeowner \$15/Month or \$180/year
- No Election Required
- Property owners pay the fee



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# Impact to Resident

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Sales Tax Increase				
Based on household income between \$60K and \$70K, family of 4, \$15K taxable goods.	0.25% tax rate	7 years	\$ 38	\$ 266
Stormwater Fee				
Based on residential 3 Equivlent Runoff Unit (ERU) property.	\$5 per ERU	7 years	\$ 180	\$ 1,260
Property Tax/GO Bonding				
Based on average \$200,000 residential property.	0.3826 tax rate	20 years	\$ 76	\$ 1,520



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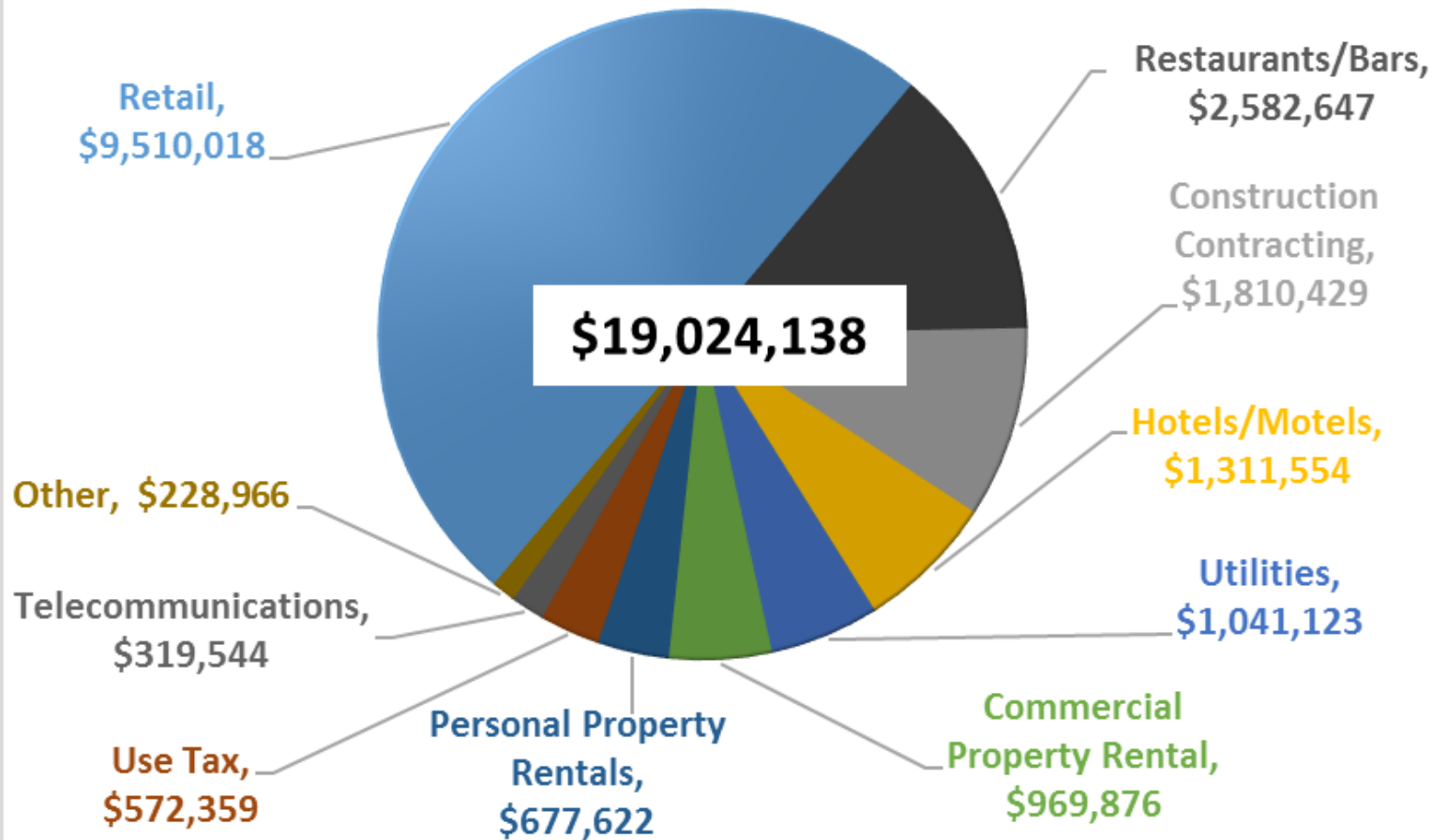
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# Sales Tax Comparison

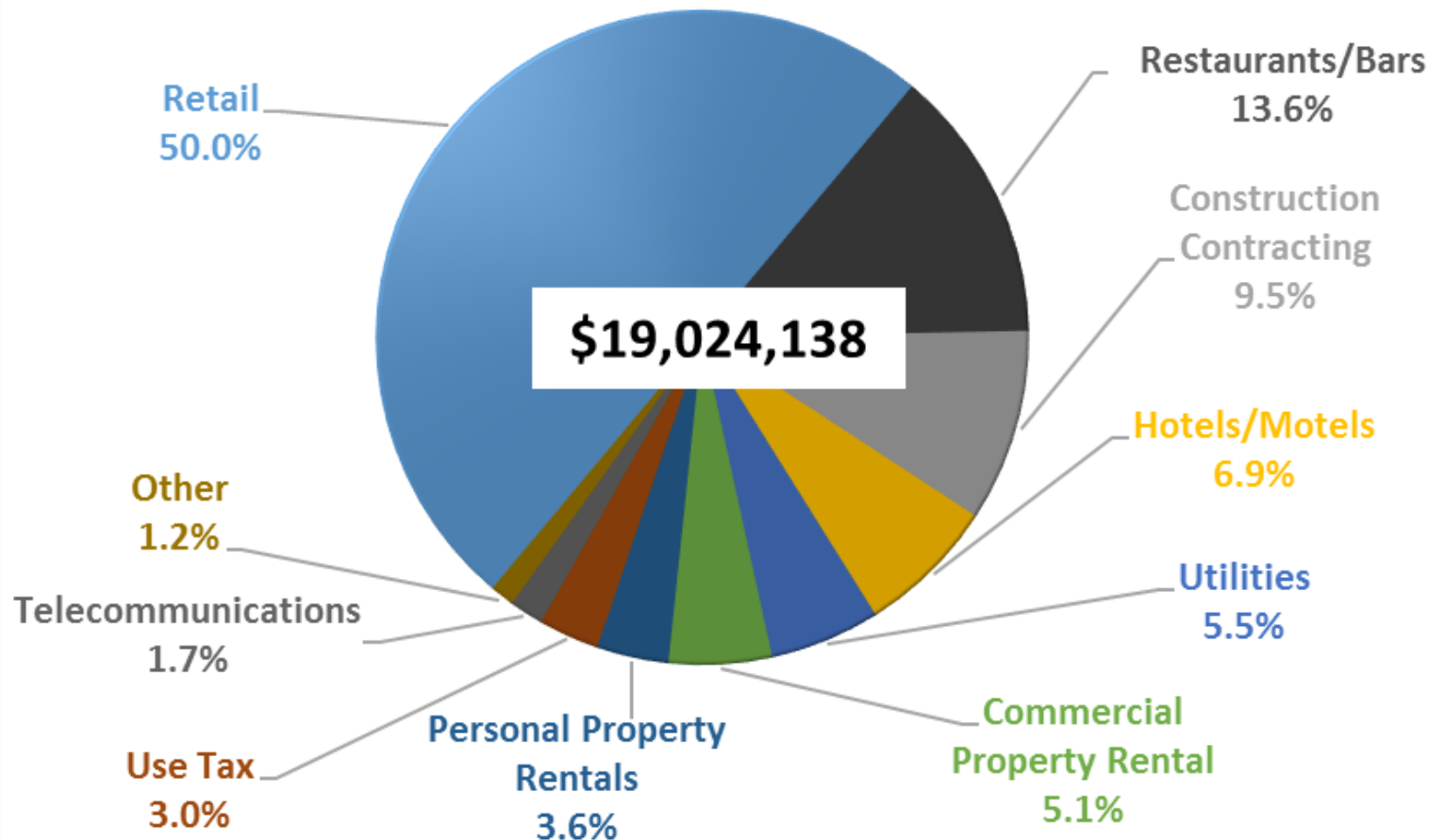
## FY 2017 GENERAL SALES TAX BY CATEGORY





# Sales Tax Comparison

## FY 2017 GENERAL SALES TAX BY CATEGORY







# Council Direction



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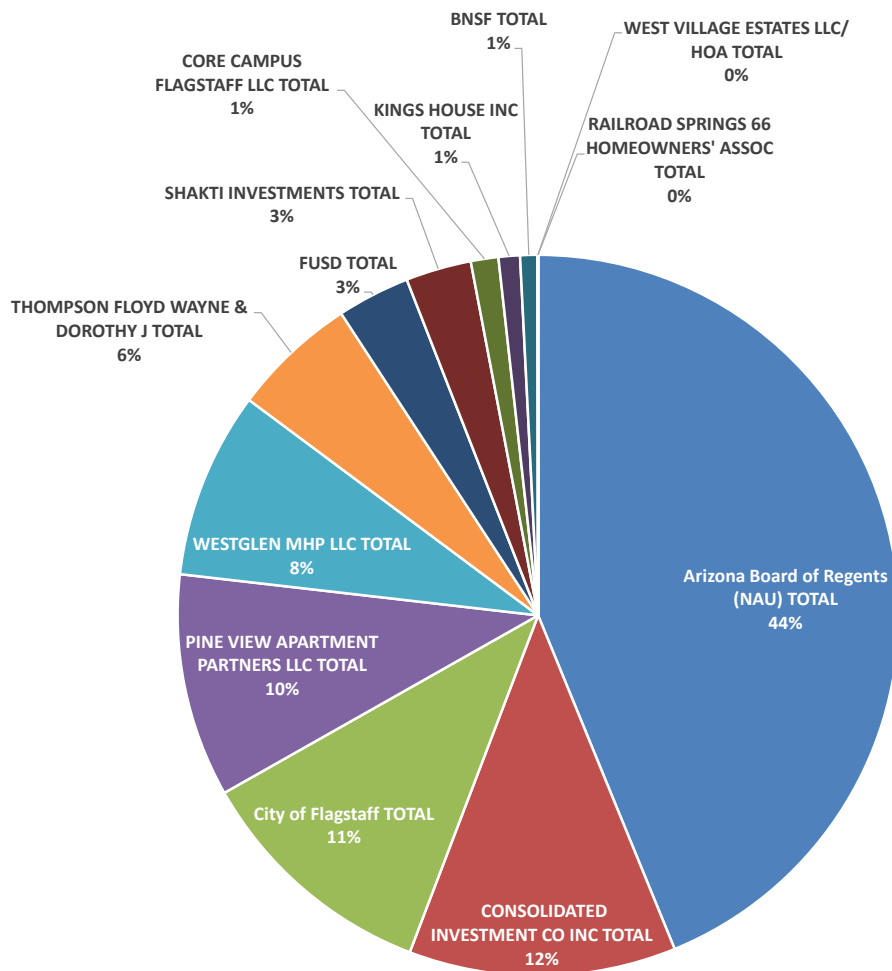
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Tusayan	8.900%	Peoria	11.900%
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Fredonia	10.900%	Payson	14.600%

(Nothern Ariziona Cities in Blue)

CITY OF FLAGSTAFF  
PROPERTIES AT 2 ACRES OR MORE IN THE  
RIO DE FLAG FLOOD PROJECT AREA

Owner	Cummulative Value of Proper	Percent of Total
Arizona Board of Regents (NAU) TOTAL	\$ 43,767,283	44%
CONSOLIDATED INVESTMENT CO INC TOTAL	\$ 11,963,340	12%
City of Flagstaff TOTAL	\$ 10,999,078	11%
PINE VIEW APARTMENT PARTNERS LLC TOTAL	\$ 10,006,704	10%
WESTGLEN MHP LLC TOTAL	\$ 8,358,769	8%
THOMPSON FLOYD WAYNE & DOROTHY J TOTAL	\$ 5,599,926	6%
FUSD TOTAL	\$ 3,261,702	3%
SHAKTI INVESTMENTS TOTAL	\$ 2,936,842	3%
CORE CAMPUS FLAGSTAFF LLC TOTAL	\$ 1,233,852	1.2%
KINGS HOUSE INC TOTAL	\$ 959,942	1.0%
BNSF TOTAL	\$ 773,384	0.8%
WEST VILLAGE ESTATES LLC/ HOA TOTAL	\$ 23,930	0.024%
RAILROAD SPRINGS 66 HOMEOWNERS' ASSOC TOT.	\$ 500	0.001%
TOTAL	\$ 99,885,252	100%



***There are 886 properties in the Rio de Flag Flood Project Area  
This chart represents 35 properties that are 2 acres or more within that same area.***