



Flagstaff City Council

Rio de Flag Project Consideration for November 2018 Election

January 23, 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
- 100% Design
- Federal funding timeline
- Election opportunity every 2 years



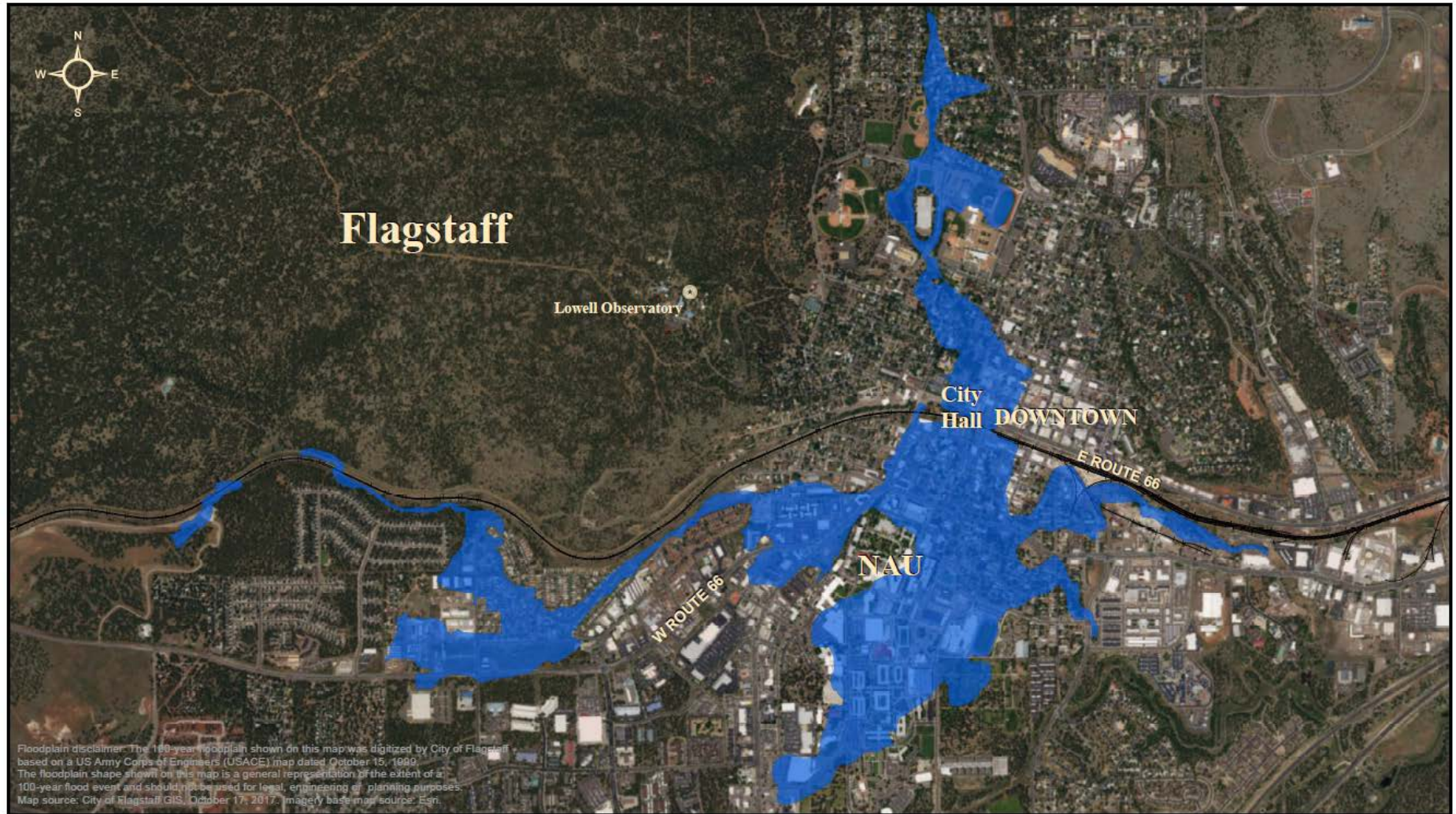
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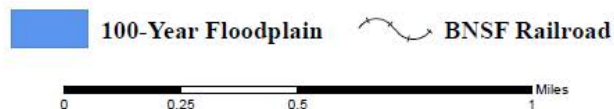




100 Year Flood Impact



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



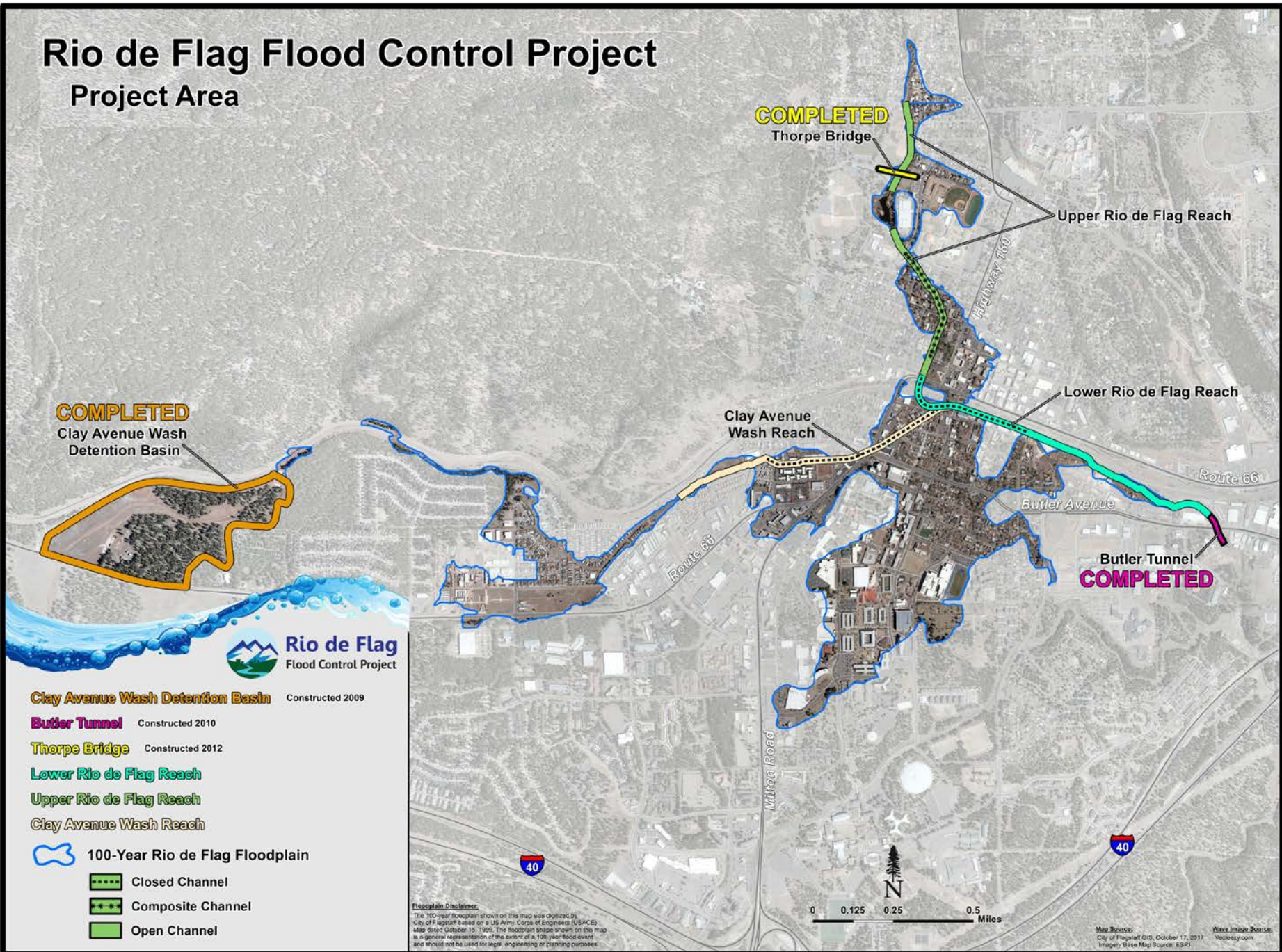
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Rio de Flag Flood Control Project

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

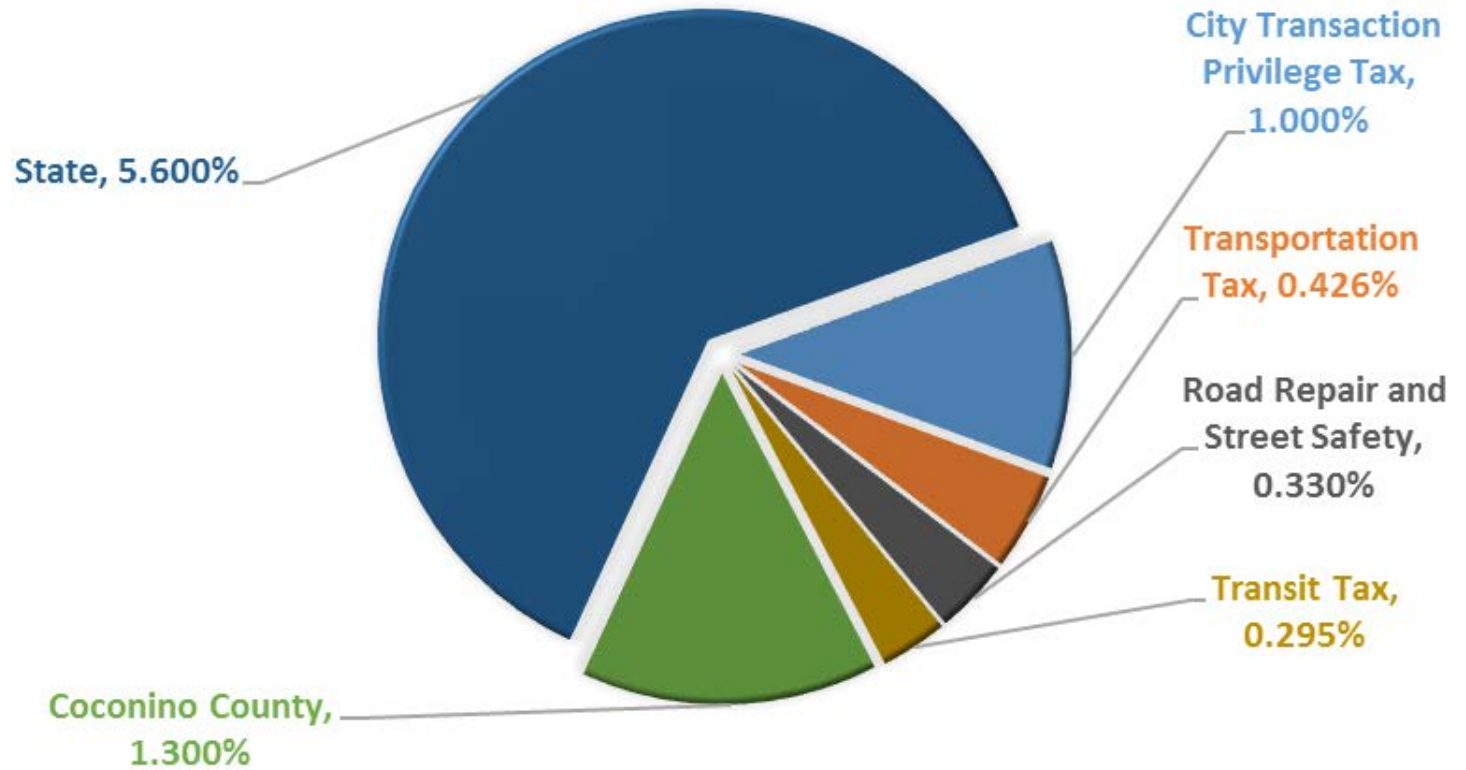
	Current Rates	Proposed Rate
Transaction Privilege Tax	1.000%	1.000%
Transportation Tax	0.426%	0.426%
Road Repair and Street Safety	0.330%	0.330%
Transit Tax	0.295%	0.295%
Proposed Stormwater Tax		0.250%
Total City Sales Tax	2.051%	2.301%
Coconino County	1.300%	1.300%
State	5.600%	5.600%
	6.900%	6.900%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

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



Sales Tax Comparison

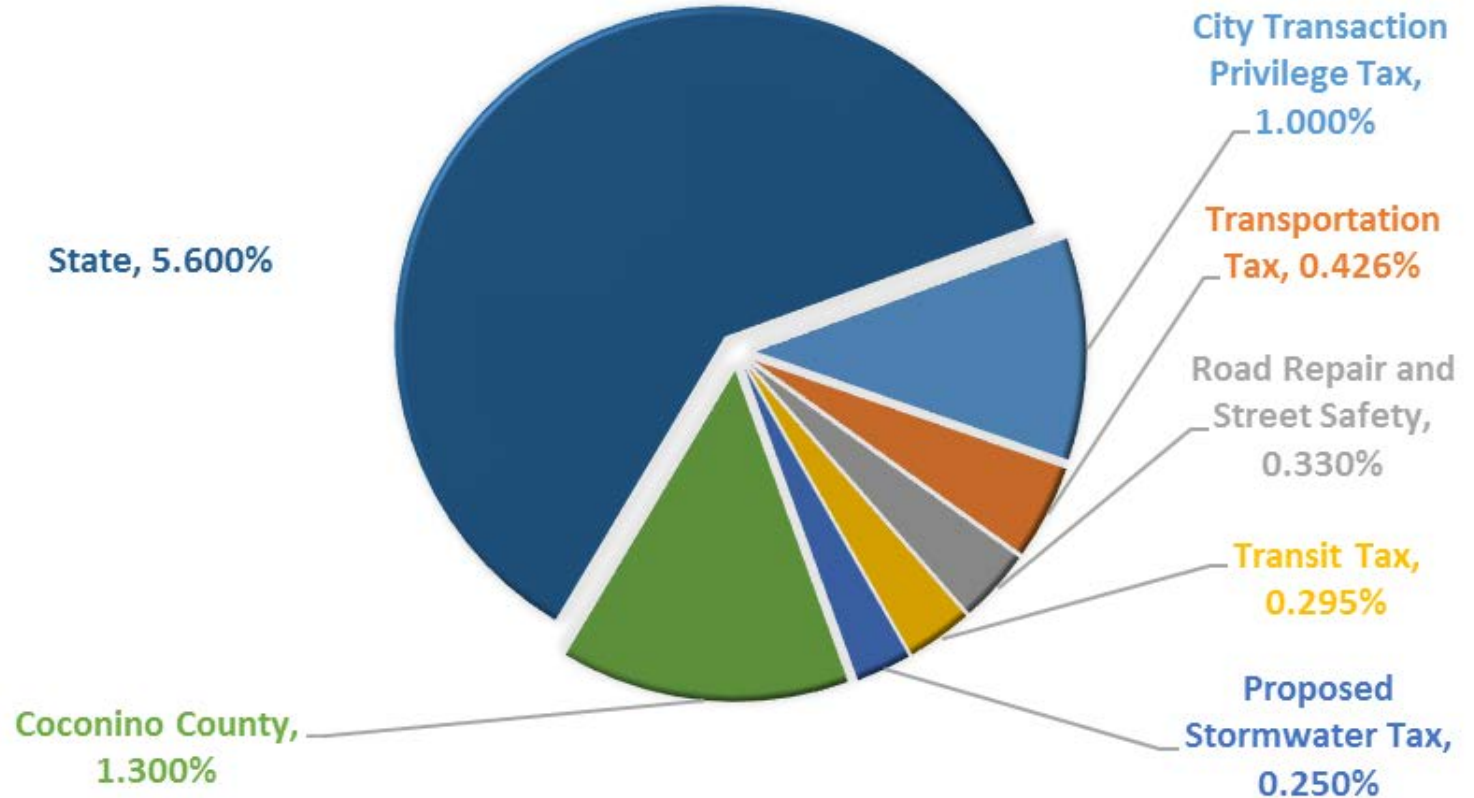
TOTAL TAX BY TYPE BASE RATE





Sales Tax Comparison

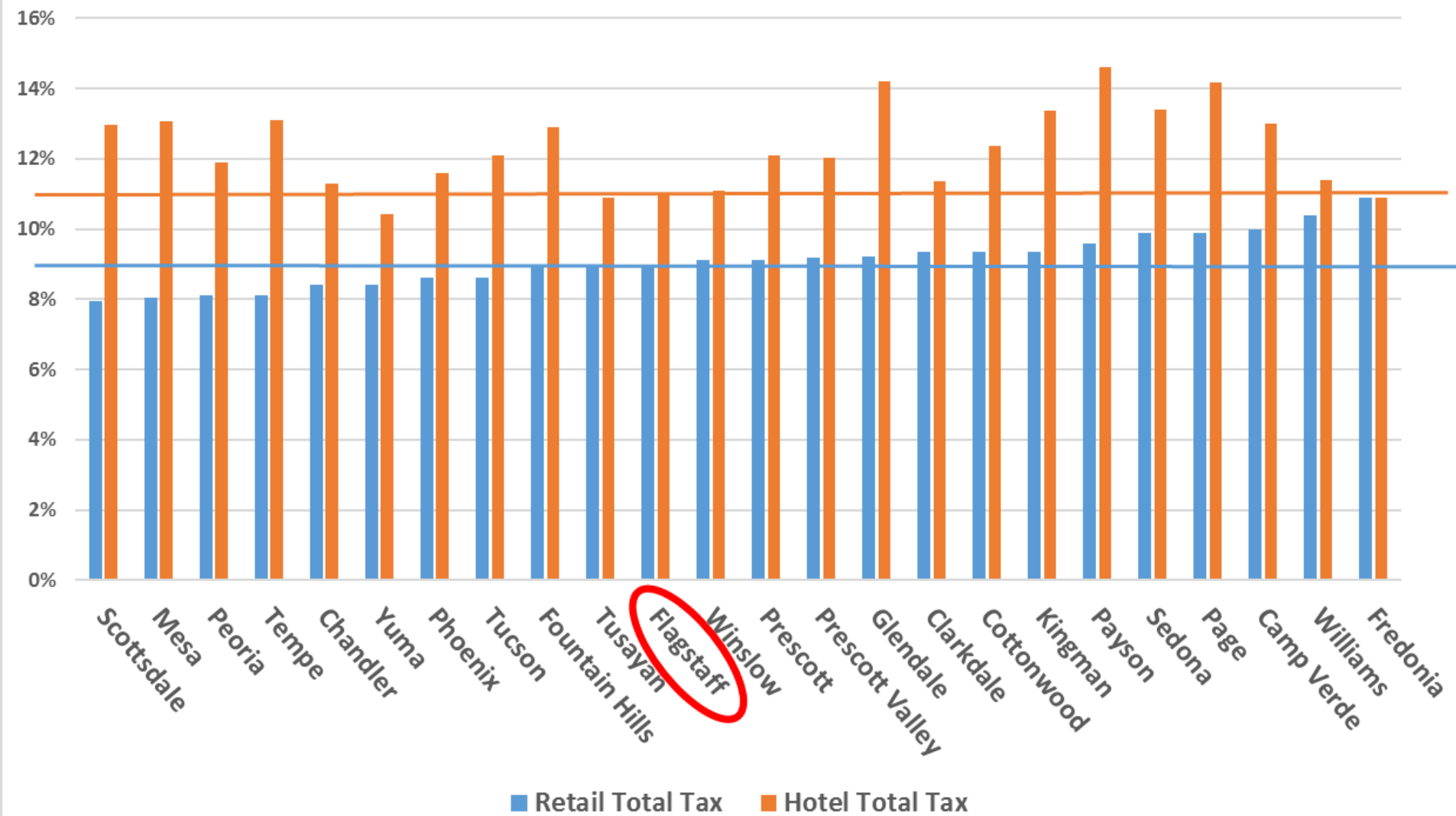
TOTAL TAX BY TYPE BASE RATE INCLUDING
PROPOSED STORMWATER TAX





Sales Tax Comparison

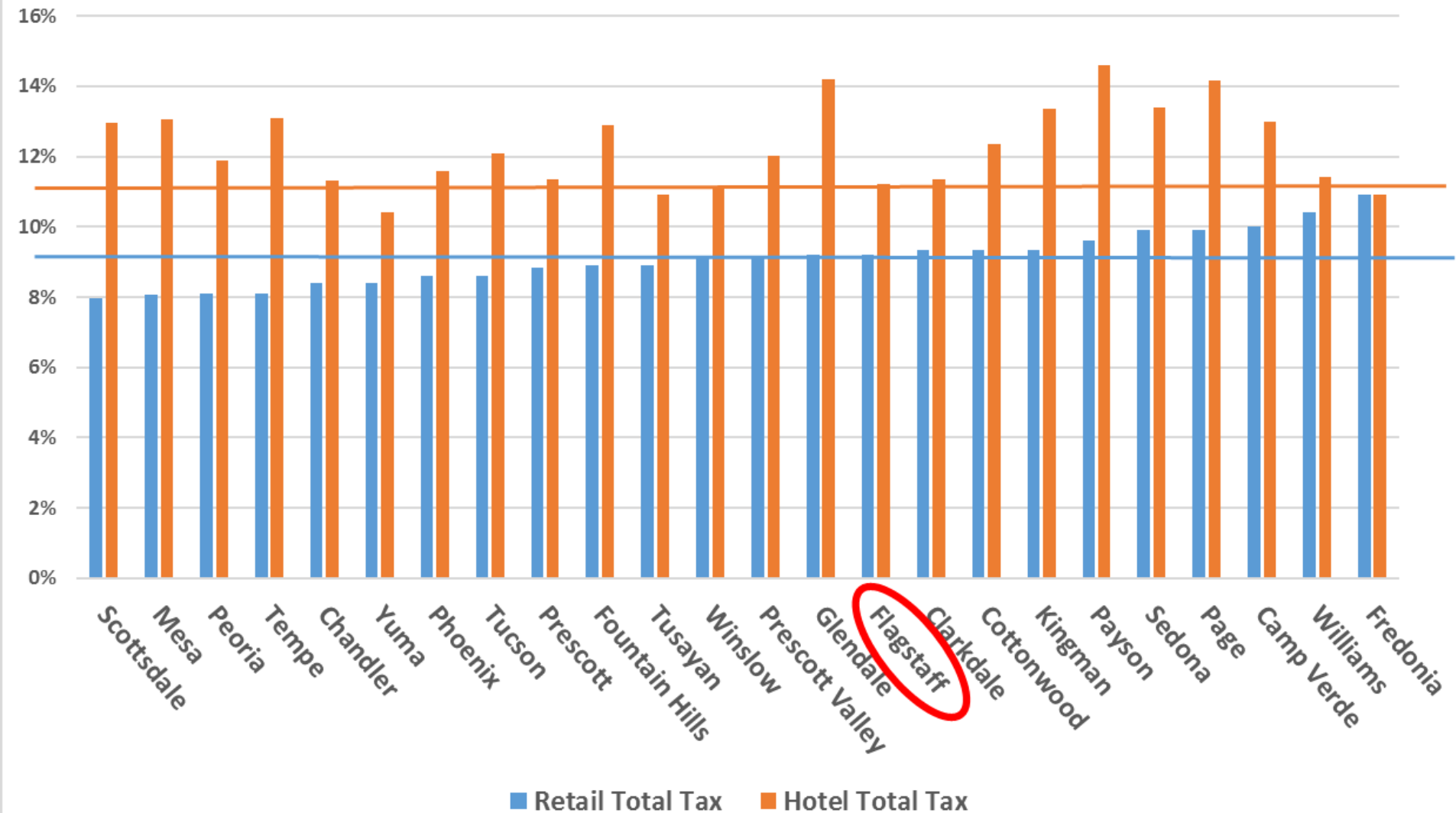
Current Sales Tax Rates for Selected Cities





Sales Tax Comparison

Current Sales Tax Rates for Selected Cities with New Tax





Current Sales Tax Rates for Selected Cities

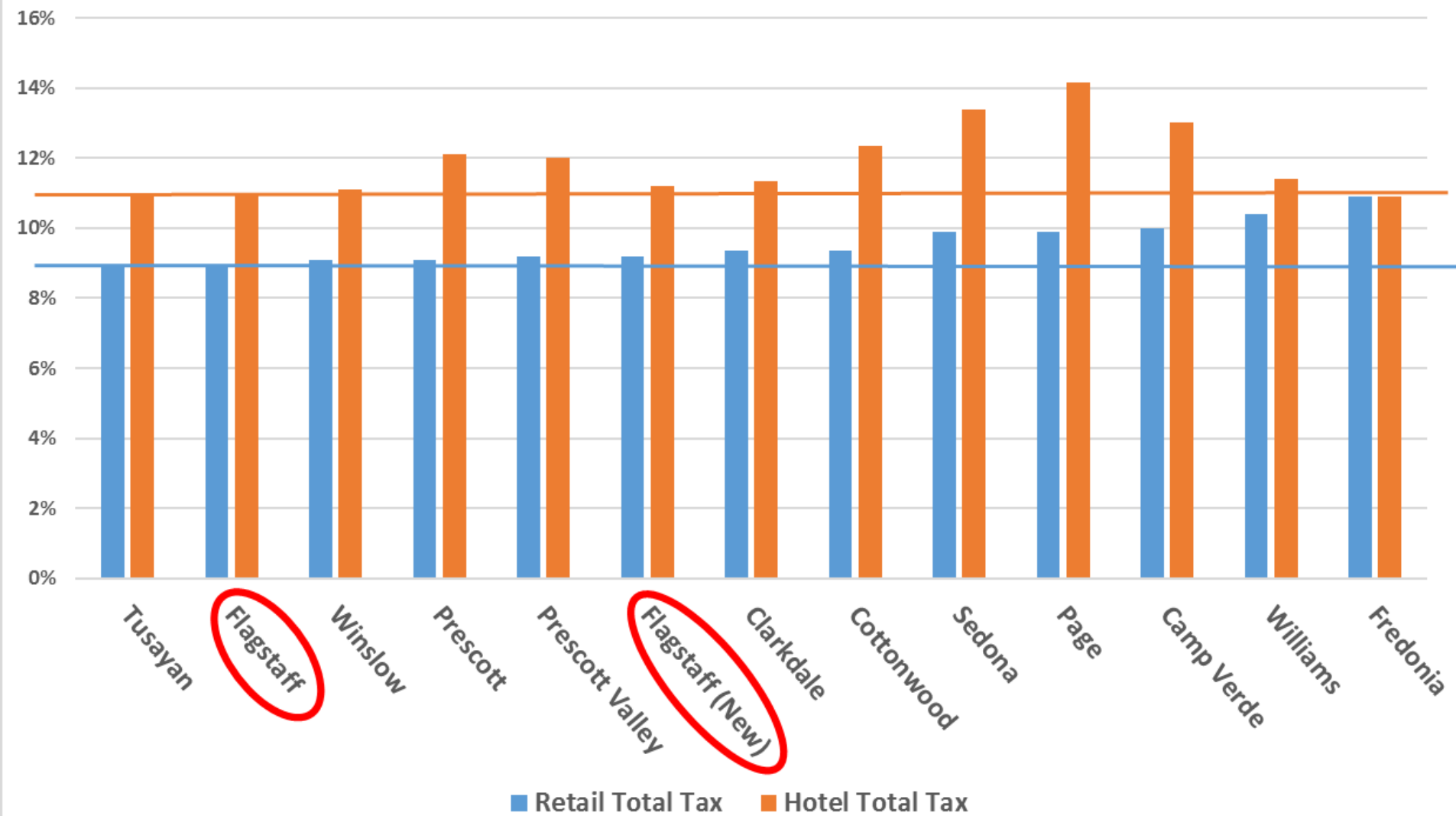
Cities	Retail Total Tax	Cities	Hotel Total Tax
Scottsdale	7.950%	Yuma	10.412%
Mesa	8.050%	Fredonia	10.900%
Peoria	8.100%	Tusayan	10.900%
Tempe	8.100%	Flagstaff	10.951%
Chandler	8.400%	Winslow	11.100%
Yuma	8.412%	Flagstaff (Proposed)	11.201%
Phoenix	8.600%	Chandler	11.300%
Tucson	8.600%	Clarkdale	11.350%
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

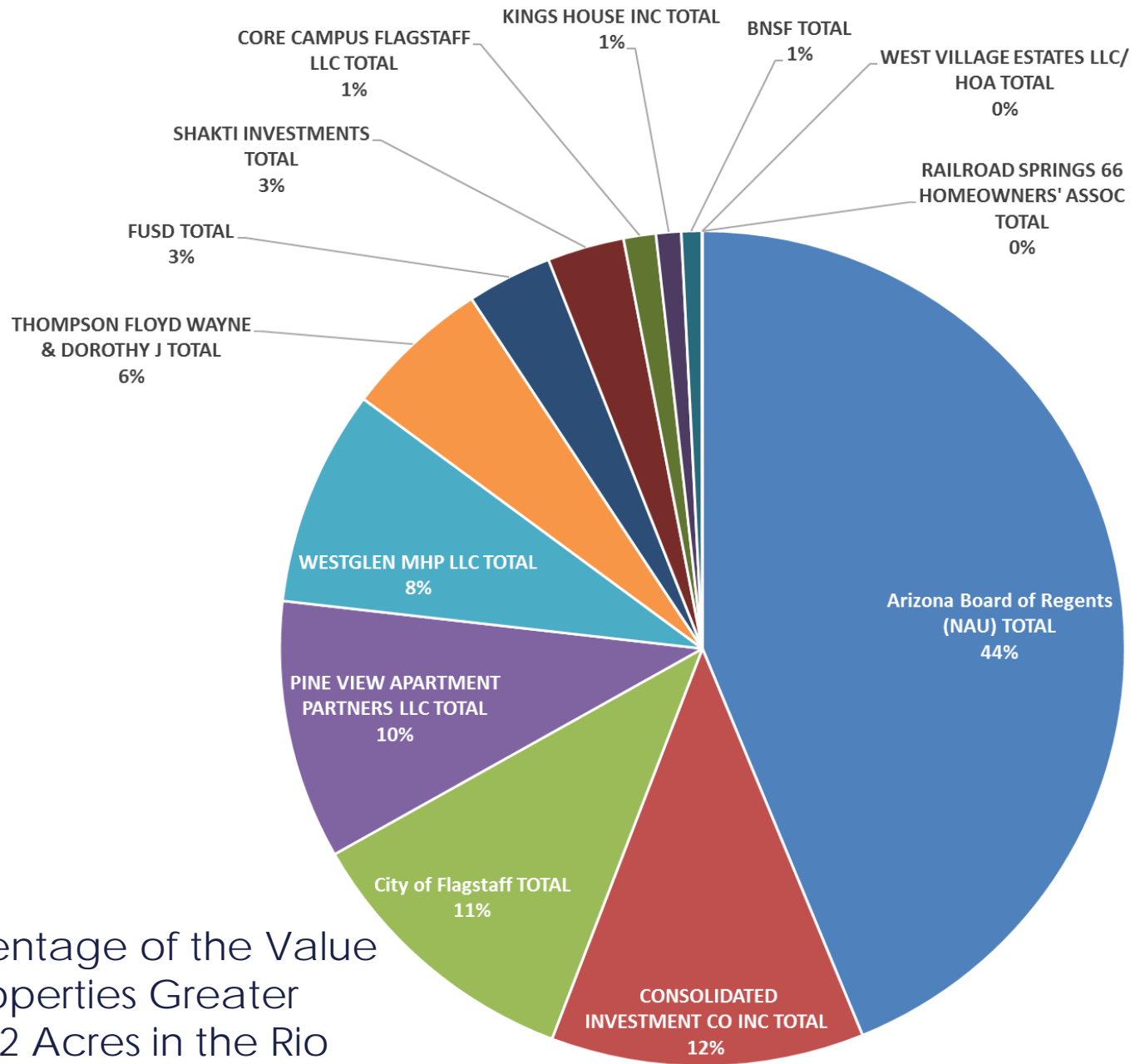
- 0.90% Sales Tax Rate
 - \$18M revenues per year
 - 2 years to fund
- 0.36% Sales Tax Rate
 - \$7.2M revenue per year
 - 5 years to fund
- 0.25% Sales Tax Rate (Recommended)
 - \$5M revenue per year
 - 7 years to fund



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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

	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
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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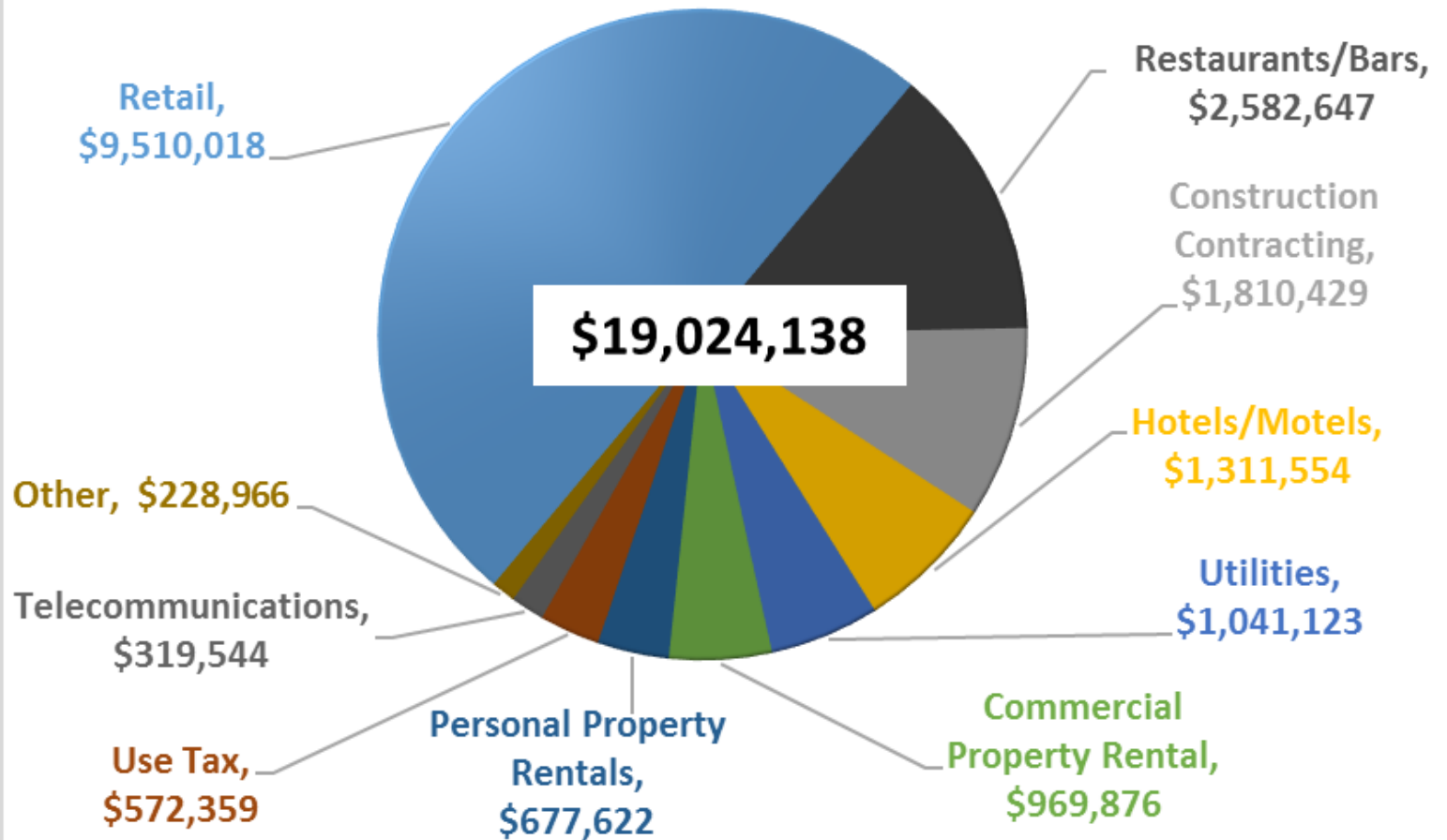
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Sales Tax Comparison

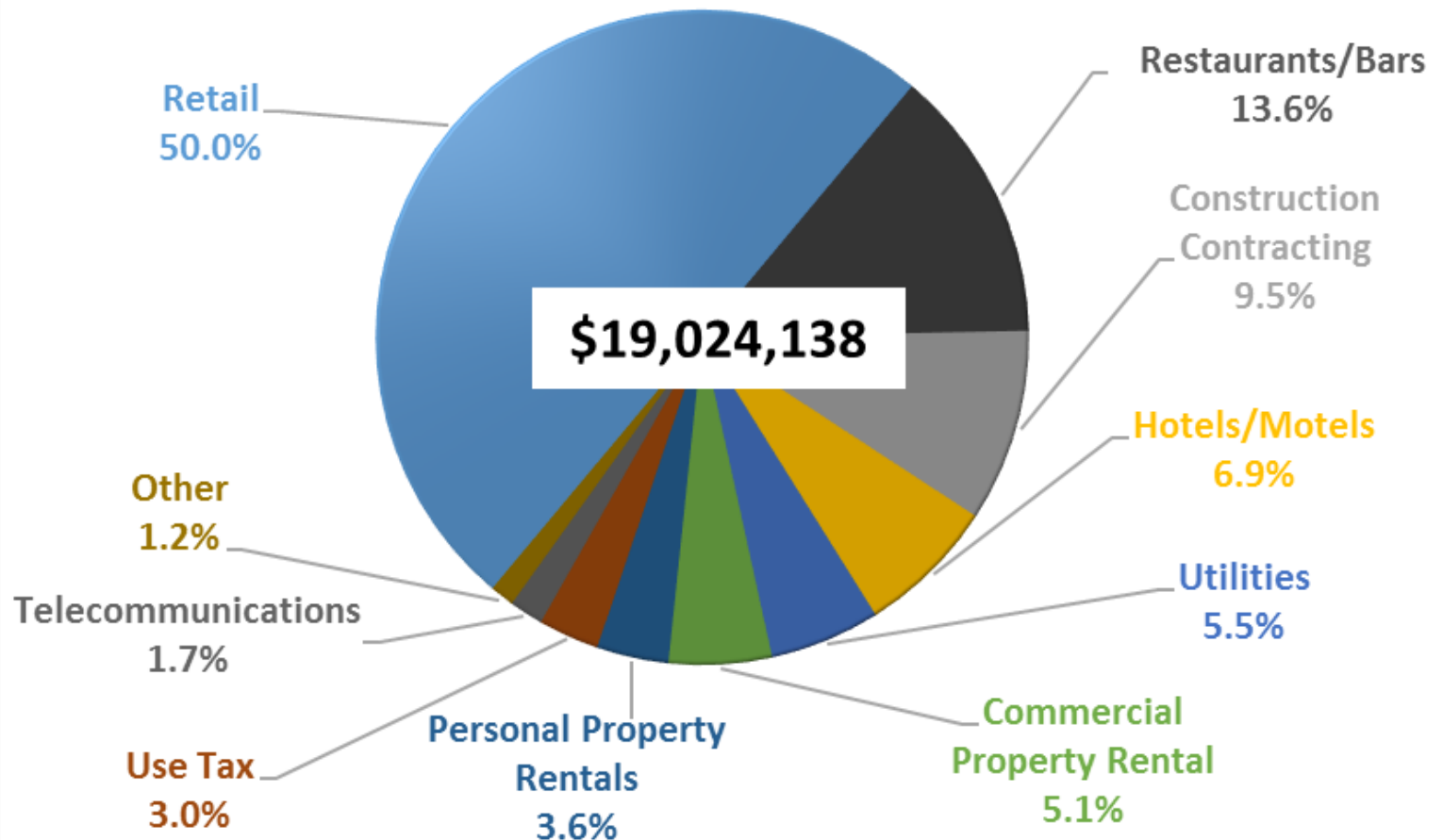
FY 2017 GENERAL SALES TAX BY CATEGORY





Sales Tax Comparison

FY 2017 GENERAL SALES TAX BY CATEGORY





Council Direction



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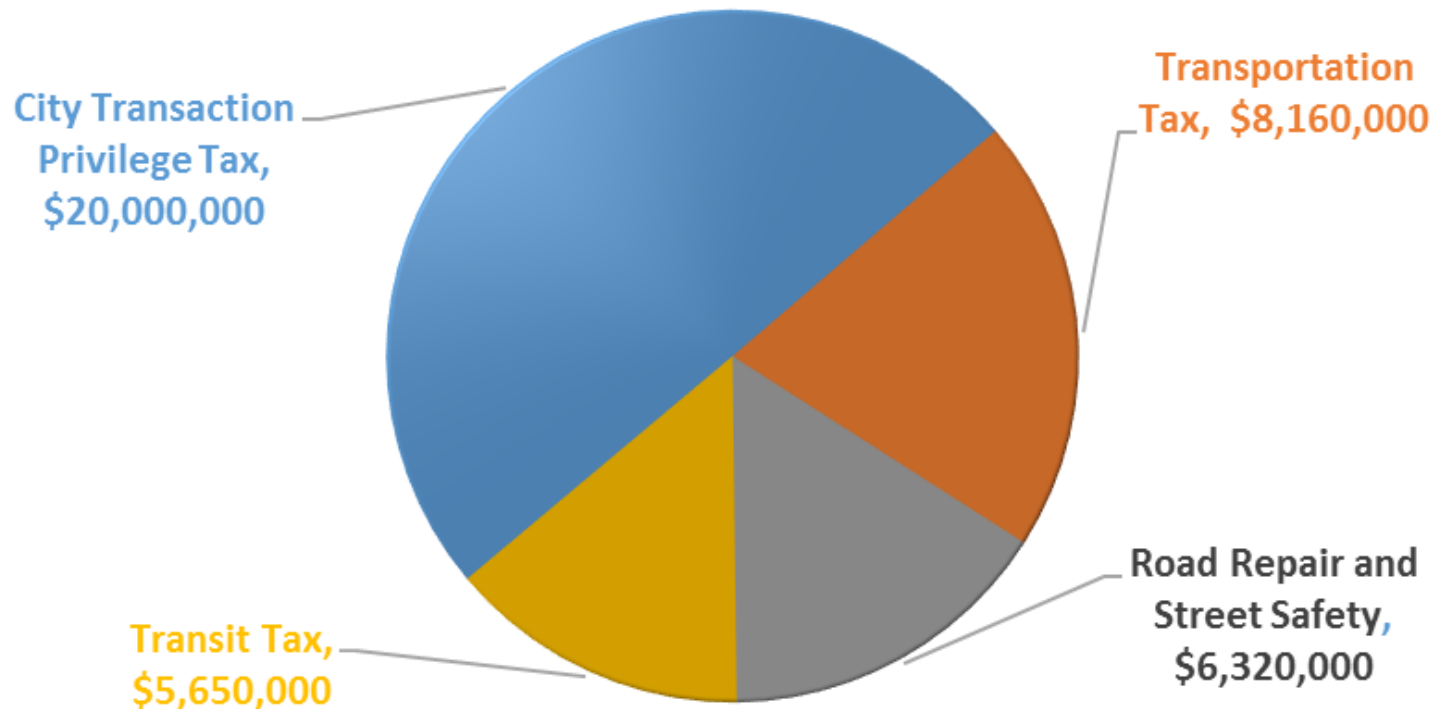
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Sales Tax Comparison

FY 2018 ESTIMATED REVENUES BY TAX TYPE





Sales Tax Comparison

Current Sales Tax Rates for Selected Cities

