Flagstaff City Council

Rio de Flag Project
Consideration for November 2018 Election

January 23, 2018
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
Overview

Tonight’s agenda

• The need for Rio de Flag construction
• Brief historical overview
• Sales tax consideration
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
100 Year Flood Impact

100-Year Floodplain
Flagstaff Downtown Area

10-Year Floodplain  BNSF Railroad
History

- 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
Rio de Flag Flood Control Project

Project Area

Clay Avenue Wash Detention Basin

Butler Tunnel

Thorpe Bridge

Lower Rio de Flag Reach

Upper Rio de Flag Reach

Clay Avenue Wash Reach

100-Year Rio de Flag Floodplain

- Closed Channel
- Composite Channel
- Open Channel

Map Source: City of Flagstaff, October 20, 2015

NOTICE: The information on this map is for general reference and may not be used for construction or engineering purposes.
Current City Cost Share

Projected costs for the Rio de Flag project are:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-federal (City)</td>
<td>$36M</td>
<td>(35%)</td>
</tr>
<tr>
<td>Federal</td>
<td>$67M</td>
<td>(65%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$103M</strong></td>
<td></td>
</tr>
</tbody>
</table>
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
## Impact to Resident

<table>
<thead>
<tr>
<th>Sales Tax Increase</th>
<th>Increase</th>
<th>Years</th>
<th>Annual Impact</th>
<th>Total impact</th>
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<tr>
<td>Based on household income between $60K and $70K, family of 4, $15K taxable goods.</td>
<td>0.25% tax rate</td>
<td>7 years</td>
<td>$38</td>
<td>$266</td>
</tr>
</tbody>
</table>
## Sales Tax Comparison

### Current Sales Tax Rates

<table>
<thead>
<tr>
<th>Current Rates</th>
<th>Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Privilege Tax</td>
<td>1.000%</td>
</tr>
<tr>
<td>Transportation Tax</td>
<td>0.426%</td>
</tr>
<tr>
<td>Road Repair and Street Safety</td>
<td>0.330%</td>
</tr>
<tr>
<td>Transit Tax</td>
<td>0.295%</td>
</tr>
<tr>
<td>Proposed Stormwater Tax</td>
<td></td>
</tr>
<tr>
<td><strong>Total City Sales Tax</strong></td>
<td>2.051%</td>
</tr>
</tbody>
</table>

| Coconino County                   | 1.300%        | 1.300%        |
| State                             | 5.600%        | 5.600%        |
| **Total Tax Rate**                | 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

State, 5.600%
City Transaction Privilege Tax, 1.000%
Transportation Tax, 0.426%
Road Repair and Street Safety, 0.330%
Transit Tax, 0.295%
Coconino County, 1.300%
Sales Tax Comparison

TOTAL TAX BY TYPE BASE RATE INCLUDING PROPOSED STORMWATER TAX

- State, 5.600%
- City Transaction Privilege Tax, 1.000%
- Transportation Tax, 0.426%
- Road Repair and Street Safety, 0.330%
- Transit Tax, 0.295%
- Proposed Stormwater Tax, 0.250%
- Coconino County, 1.300%
Sales Tax Comparison

Current Sales Tax Rates for Selected Cities

Retail Total Tax  Hotel Total Tax
Sales Tax Comparison

Current Sales Tax Rates for Selected Cities with New Tax

- Flagstaff

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

Current Sales Tax Rates for Cities in Northern Arizona

- Tusayan: Retail Total Tax 10%, Hotel Total Tax 9%
- Flagstaff: Retail Total Tax 11%, Hotel Total Tax 10%
- Winslow: Retail Total Tax 10%, Hotel Total Tax 9%
- Prescott: Retail Total Tax 10%, Hotel Total Tax 9%
- Prescott Valley: Retail Total Tax 10%, Hotel Total Tax 9%
- Flagstaff (New): Retail Total Tax 11%, Hotel Total Tax 10%
- Clarkdale: Retail Total Tax 10%, Hotel Total Tax 9%
- Cottonwood: Retail Total Tax 10%, Hotel Total Tax 9%
- Sedona: Retail Total Tax 10%, Hotel Total Tax 9%
- Page: Retail Total Tax 10%, Hotel Total Tax 9%
- Camp Verde: Retail Total Tax 10%, Hotel Total Tax 9%
- Williams: Retail Total Tax 10%, Hotel Total Tax 9%
- Fredonia: Retail Total Tax 10%, Hotel Total Tax 9%
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
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
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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<td></td>
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<td>Stormwater Fee</td>
<td>$5 per ERU</td>
<td>7 years</td>
<td>$180</td>
<td>$1,260</td>
</tr>
<tr>
<td>Based on residential 3 Equivalent Runoff Unit (ERU) property.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax/GO Bonding</td>
<td>0.3826 tax rate</td>
<td>20 years</td>
<td>$76</td>
<td>$1,520</td>
</tr>
<tr>
<td>Based on average $200,000 residential property.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>
Sales Tax Comparison

FY 2017 GENERAL SALES TAX BY CATEGORY

- Restaurants/Bars, $2,582,647
- Construction Contracting, $1,810,429
- Hotels/Motels, $1,311,554
- Utilities, $1,041,123
- Commercial Property Rental, $969,876
- Personal Property Rentals, $677,622
- Use Tax, $572,359
- Telecommunications, $319,544
- Other, $228,966
- Retail, $9,510,018

Total: $19,024,138
Sales Tax Comparison

FY 2017 GENERAL SALES TAX BY CATEGORY

- Retail: 50.0%
- Restaurants/Bars: 13.6%
- Construction Contracting: 9.5%
- Hotels/Motels: 6.9%
- Utilities: 5.5%
- Commercial Property Rental: 5.1%
- Personal Property Rentals: 3.6%
- Use Tax: 3.0%
- Telecommunications: 1.7%
- Other: 1.2%

Total: $19,024,138
Council Direction
Sales Tax Comparison

FY 2018 ESTIMATED REVENUES BY TAX TYPE

- City Transaction Privilege Tax, $20,000,000
- Transportation Tax, $8,160,000
- Transit Tax, $5,650,000
- Road Repair and Street Safety, $6,320,000