



Board of Supervisors Memorandum

June 20, 2017

Countywide Sales Tax Dedicated to Property Tax Relief and Local Pavement Preservation and Repair

I. Introduction

During the Tentative Budget Hearing on May 23, 2017, the topic of enacting and levying a half-cent sales tax versus a property tax increase to fund pavement preservation and repair of local roads was discussed. A sales (excise) tax would generate a greater amount of revenue than the Tentative Adopted property road tax. In fact, the amount collected would be significantly more than the \$19,526,525 currently proposed such that the remainder over that amount could be used to reduce the overall primary property tax rate. Several Board members indicated they would be willing to consider replacing the property road tax with a sales tax as a viable option. Section II below discusses this option.

II. Option of levying a countywide sales tax dedicated to property tax relief and local pavement preservation and repair

Arizona Revised Statute (ARS) 42-6103 – County General Excise Tax; Authority to Levy; Rate; Distribution; Use of Proceeds allows a county of less than 1.5 million persons to levy and collect a general excise (sales) tax upon a unanimous vote of the Board of Supervisors (Attachment 1). Every eligible county other than Pima County levies and collects this tax. This tax would be collected from each person engaging or continuing in the county in a business as described in the applicable associated statutes. The rate discussed in Section 1 of the statute equates to one-half percent for most transactions.

A full year of collections starting in FY 2018/19 would yield \$69.8 million. This estimate is conservative and presume no increases or decreases in year-to-year sales in Pima County.

The County's sales tax would be a fraction of the total sales taxes levied by the State of Arizona, the Regional Transportation Authority (RTA) and cities and towns. Current sales tax rates within the unincorporated area total 6.1 percent. Sales taxes in cities and towns range from an additional 2 percent in Sahuarita, to an additional 2.5 percent in Tucson, Marana and Oro Valley, to an additional 4.5 percent in South Tucson. In total, sales taxes on retail items within cities and towns in Pima County range from 8.6 percent in the City of Tucson to 10.6 percent in South Tucson. An additional half-cent sales tax by the County would be a fraction of these combined sales taxes.

A portion of sales tax revenues are paid by nonresidents and businesses not located in Pima County but that benefit from County services. Sales tax payments by nonresidents increase the net amount of funds available to provide these services. Nonresidents and businesses

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located outside Pima County will pay up to 17 percent of the annual revenue associated with a half-cent sales tax. The percentage includes tourism and Mexican visitor spending. Persons residing outside of Pima County will contribute as much as \$11.9 million of the estimated \$69.8 million of sales tax collections in FY 2018/19.

Sales taxes collected would be used to fund the following:

- The first \$19,526,525 of collections would be utilized to fund the local road pavement preservation program I previously presented to the Board. This additional funding would negate the need for the tentatively adopted \$0.2500 per \$100 of net taxable value for the property road tax. These funds would still be allocated and used as outlined in my May 23, 2017 *Amended Tentative Budget Recommendation Regarding Pavement Preservation, Roadway Surfacing and Repair* memorandum to the Board, as well as additional recommendations included in this memorandum.
- After applying the portion of funds for local roads, any remainder will be utilized to reduce the County's primary property tax rate for the year it is collected. In FY 2018/19, the first full fiscal year of collection, the primary rate can be reduced by an additional \$0.6437 from \$4.2096 to \$3.5659. Total primary property tax rate reductions over this period would total \$0.8937. A summary of this information is contained in Attachment 2.
- Adding the \$0.2500 reduction from the road property tax to the property tax sales tax reduction of \$0.6437 results in a total property tax reduction of \$0.8937, or a potential 21.2 percent reduction in the primary property tax rate of \$4.2096 in FY 2017/18 if the sales tax were enacted for FY 2018/19.

Sales taxes are known for being potentially regressive; meaning the impact of the tax on lower income individuals and families is greater than the impact on higher income individuals and families. Sales taxes are levied at a flat rate, and because spending as a share of income falls as income rises, sales taxes take a larger share of income from lower income individuals and families in comparison to higher earners. Property taxes are also regressive, but less so than sales taxes. This is due to the value of homes as a percent of income tends to decline at higher incomes. Renters also pay property taxes, as property owners pass this cost on as part of the rent for the unit. Similarly, property taxes via rental charges represent a larger share of income for poor individuals and families than for higher earners.

The information contained in Attachment 2 summarizes the County's attempt to mitigate the regressive component of the sales tax. The attachment shows the impact of a half-cent excise tax for low-income, median-income, average-income and high-income households. The table also shows the corresponding decrease in property taxes for a low value home, a

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median value home, an average value home and a high value home. For example, an average income household will see sales tax payments increase by \$90.90 for the 12 months of collections in FY 2018/19. Correspondingly, the primary property tax payments for an average value home of \$164,444 will decrease by an offsetting \$105.85. This means that this household would pay \$14.95 less in sales taxes with the new half-cent rate than if property tax relief did not occur. Additionally, the County's FY 2017/18 primary and secondary property tax rates were reduced by a total of \$0.1100 from the FY 2016/17 tax rates before the impact of the sales tax and associated property tax reductions were calculated and carry over into FY 2018/19. The reductions result in an additional net reduction in property taxes for an average value home of \$18.09. These savings, coupled with the reduction in the primary property tax rate due to property tax relief, more than offset the additional cost of a half-cent sales tax to an average household in FY 2018/19.

III. The idea of a sales tax for road repair and property tax relief is not new

The idea of using a sales tax for road repair and property tax reduction is not new. In fact, it has been extensively discussed in the past, as have a number of other options available to raise sufficient revenues to provide road repair and, in some cases, property tax reduction. Transportation funding was discussed at the November 18, 2014 Board of Supervisors Meeting under Items 7, 18 and 26. A plan to fund road repair was specifically addressed in Addendum Item 3.

For many years, our Legislative Agenda has recommended a 10-cent per gallon increase in the State gas tax. For purposes of simplicity, attached is my August 1, 2014 memorandum to the Board that extensively discussed funding street and highway repairs in Pima County (Attachment 3). Sales tax and property tax reductions were specifically addressed under Section 10; beginning on Page 10 and continuing through Page 14. At that time, I recommended adoption of a half-cent sales tax and using one-half of the proceeds for road repair and the other half for property tax reduction. The adopting resolution that would have been enacted is included for information only as Attachment 4.

Also attached is the last resolution adopted by the Yavapai County Supervisors, which enacted a general excise tax for road repair and/or transportation, as well as property tax relief (Attachment 5).

If the Board of Supervisors wants to affect real improvement in the condition of our County transportation system – specifically road repair and pavement preservation – a local tax for such must be enacted through the now proposed road property tax or through a sales tax that could provide both road repair relief and property tax relief.

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IV. Public consensus process to arrive at a recommendation

Although the idea of a sales tax was raised at Tentative Budget Adoption, adopting the sales tax at this point is possible, but it would be done without extensive public input and vetting. I suggest the Board use this coming fiscal year to properly vet and receive extensive public input from all sectors in all geographic locations throughout the County regarding a proposal to utilize the sales tax for both road repair and property tax reduction. This process should begin now and include 12 or more public meetings throughout the community to receive input. These public meetings would be conducted by County staff only when in the unincorporated area and with jurisdictional staff for meetings inside cities and towns, since a portion of the road repair receipts are proposed to be shared with the cities and towns. If the Board concurs with this approach, I propose a Citizen's Advisory Committee (CAC) be appointed to consider this recommendation, conduct the public input sessions, and ultimately make a recommendation to the Board before the Fiscal Year (FY) 2018/19 budget is finalized. This would be March 2018.

The 15-member CAC should be composed of seven members of the Transportation Advisory Committee I previously recommended to oversee the road property tax road repair and pavement preservation projects. The remaining eight members should be appointed by the Board of Supervisors to represent the community at-large, including the business community. Appointments would be made from recommendations received from various interested groups, including the Tucson Association of Realtors; area chambers of commerce; the Southern Arizona Home Builders Association; various trade associations; small business commissions; etc.

V. Action Options in March 2018

After receiving a recommendation from the CAC, the Board will then be in a position to take specific action regarding a sales tax for both road repair and property tax reduction. If the action were to enact a sales tax for this purpose, the \$0.2500 property road tax would be sunsetted in favor of the sales tax option. If the sales tax option were not adopted, the property tax repair option would be retained for the balance of the recommended five years recommended, with at least a \$0.1400 reduction in the primary property tax rate for FY 2018/19 to achieve, to the extent possible, tax neutrality. This means there would be no significant property tax relief for all other classes of property taxpayers, including residential property owners.

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VI. Recommendation

I recommend the Board of Supervisors provide direction regarding this matter. It is not interconnected with Final Budget Adoption for Fiscal Year 2017/18, but it is related to how the Board would like staff to proceed regarding considering a sales tax for property tax relief and road repair for Fiscal Year 2018/19.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – June 12, 2017

Attachments

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management

ATTACHMENT 1

42-6103. County general excise tax; authority to levy; rate; distribution; use of proceeds

A. A county having a population of less than one million five hundred thousand persons, according to the most recent United States decennial census, on a unanimous vote of the board of supervisors, may levy and, if levied, the department shall collect a county general excise tax on each person engaging or continuing in the county in a business taxed under chapter 5, article 1 of this title and section 42-5352, subsection A.

B. The excise tax levied pursuant to subsection A of this section shall be at a rate applied as a percentage of the rates prescribed by section 42-5010, subsection A on each class of business subject to the tax imposed by chapter 5, article 1 of this title and section 42-5352, subsection A, not to exceed ten per cent.

C. At the end of each month the state treasurer shall transmit the net revenues collected pursuant to this section to the treasurer of the county levying the tax. The county shall use these revenues to support and enhance countywide services.

ATTACHMENT 2

COUNTY "HALF-CENT" GENERAL EXCISE TAX REVENUE AND IMPACTS

County "Half-Cent" General Excise Tax Effective July 1, 2018

	\$19.5M Roads \$50.27M Tax Reduction FY 2018/19 (12 Months Revenue)	50% Roads 50% Tax Reduction FY 2018/19 (12 Months Revenue)
County "Half-Cent" General Excise Tax Revenue		
Projected Tax Revenue	\$69,800,000	\$69,800,000
Funds Earmarked For Transportation Roadways	\$19,526,525	\$34,900,000
Funds Earmarked For Primary Property Tax Reduction	\$50,273,475	\$34,900,000
Reduction In Primary Property Tax Rate	\$0.6437	\$0.4468
Non-Resident/Business Share of Tax Revenue (17%)	\$11,866,000	\$11,866,000
Reduction In Homeowner Primary Property Tax		
Low Value Home (\$88,803 - 25th percentile for 2017)	\$57.16	\$39.68
Median Value Home (\$131,899 - 50th percentile for 2017)	\$84.90	\$58.93
Average Value Home (\$164,444 in 2017)	\$105.85	\$73.47
High Value Home (\$199,241 - 75th percentile for 2017)	\$128.25	\$89.02
Excise Tax Impact On Households		
Low Income Household (\$34,701 income 2015)	\$61.42	\$61.42
Median Income Household (\$47,099 median 2015)	\$77.89	\$77.89
Average Income Household (\$64,613 average 2015)	\$90.90	\$90.90
High Income Household (\$88,881 income 2015)	\$106.80	\$106.80
Change in Overall Property Tax Rate from FY 2017/18 Tentative Adopted		
Tentative Adopted Overall Property Tax Rate	\$5.9784	\$5.9784
Reverse Proposed Transportation Property Road Tax	-\$0.2500	-\$0.2500
Reduction in Primary Property Tax Rate Offset by Sales Tax (FY 2018/19)	-\$0.6437	-\$0.4468
Net Proposed Final Adopted Overall Property Tax Rate	\$5.0847	\$5.2816
Percentage Reduction in Overall Tax Rate from FY 2017/18 Tentative Adopted	-14.9%	-11.7%
Change in Overall Property Tax Rate from FY 2016/17 Adopted Budget		
FY 2016/17 Adopted Overall Property Tax Rate	\$5.8384	\$5.8384
Transportation Property Road Tax Rate	\$0.2500	\$0.2500
Reduction in Primary Property Tax Rate	-\$0.0800	-\$0.0800
Reduction in Regional Flood Control District Property Tax Rate	-\$0.0200	-\$0.0200
Reduction in County Library District Property Tax Rate	-\$0.0100	-\$0.0100
Reversal of Transportation Property Road Tax Rate	-\$0.2500	-\$0.2500
Reduction in Primary Property Tax Rate Offset by Sales Tax (FY 2018/19)	-\$0.6437	-\$0.4468
Net Proposed Final Adopted Overall Property Tax Rate	\$5.0847	\$5.2816
Percentage Reduction in Overall Property Tax Rate from FY 2016/17 Adopted	-12.9%	-9.5%

Notes:

1. Projected tax revenue based on 12 month Regional Transportation Authority revenue through April 2017, adjusted to conform to taxable categories for County "Half-Cent" General Excise Tax and the statutory provision that pre-existing contracts are not taxed.
2. Home values based on Limited Value from 2017 Assessment Roll conveyed from the Pima County Assessor.
3. Excise Tax Impact on Households based on U.S. Bureau of Labor Statistics, 2014 Consumer Expenditure Survey, with adjustment to April 2017 dollars using April 2017 national CPI-U city average-All Items index relative to Calendar Year 2014 CPI-U city average-All Items index.

ATTACHMENT 3



MEMORANDUM

Date: August 1, 2014

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "C.H. Huckelberry", is written over the printed name of the County Administrator.

Re: **A Plan for Funding Street and Highway Repairs in Pima County**

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I. BACKGROUND

I previously advised the Board of Supervisors that a report regarding funding for street and highway repairs in Pima County would be provided. This memorandum discusses the financial challenges faced by Pima County – as well as those of the other Arizona counties, other states and our national transportation system – and makes funding recommendations to address our pavement preservation and maintenance problems within the next 10 years.

The dismal state of repair of the streets and highways in the unincorporated area is no secret. Their conditions are worse now than they have ever been, and conditions will not improve without a new and self-reliant approach to funding street and highway repairs. We attempted a global approach for street and highway repairs by supporting legislative action that would enact or refer to the voters a 10 cent per gallon gasoline tax increase or

an increase in user fees. This request, as well as a request to end diversions of Highway User Revenue Funds (HURF) for other State purposes, has not resulted in significant progress. There has been no action on any effort to enact a local authority gasoline tax, a local authority sales tax on gasoline, a study commission on increasing transportation revenues, or referral of any of these proposals to the voters in the last legislative session.

Only minimal progress was made at reducing or eliminating HURF diversions. While the Arizona Legislature did reduce a portion of HURF diversions for other State purposes by \$30 million, the net impact in Pima County was to increase our revenues by only \$1.75 million for Fiscal Year (FY) 2014/15. Total State diversions of HURF monies for other than street and highway repairs have exceeded \$900 million over the last decade alone. Given the complete lack of progress in solving this problem on a statewide level, it is appropriate to explore local options that may be available to the Board of Supervisors.

II. THE PROBLEM

The acute problem of failing streets and highways in Pima County became readily apparent over the last 5 to 10 years. The problem was exacerbated when HURF diversions by the State left the County with no money to continue trying to repair a failing highway system.

A March 18, 2014 study indicated that bringing all of Pima County's paved streets and highways in the unincorporated area up to a reasonable standard would cost \$264 million. Because of the magnitude of this problem, the Board has supplemented transportation revenues with allocations of County General Funds in amounts greater than ever made in the past. Recently, \$10 million of the County General Fund Balance was allocated to street and highway maintenance, and an additional \$5 million of property tax levy from the General Fund was provided this year. Another allocation for FY 2014/15 will be made, but future allocations are very unlikely.

Given the rate of deterioration of the transportation system, it is likely these incremental \$5 million investments are allowing the County to simply tread water. The overall system is likely not worsening, but it is also not improving. Allocating \$5 million in General Fund property tax allocations to the problem is not a solution. An allocation of approximately \$30 million per year will generally bring all streets and highways in the County up to good or fair standards within 10 years. Such is an appropriate level of investment given the magnitude of the problem.

It is also important to understand that the lifecycle of pavement preservation from fully repaired to deteriorated requiring additional investment is no more than 10 years. Hence, any solution that addresses the current problem over more than a 10-year cycle is not a solution; it simply prolongs the problem.

III. REASON FOR THE PROBLEM

The State has been disinvesting in transportation infrastructure for 23 years, and the federal government has been doing the same since 1993. The traditional and most tax equitable transportation funding source is user fees, which have not been sufficiently increased to cover the cost of transportation system expansion, repair, or rehabilitation. The per gallon gas tax in Arizona is 18 cents, and the last time it was increased was 1991. The federal gas tax stands at 18.4 cents per gallon and has not been increased in 21 years.

Inflation and growth have both decreased the purchasing power of our transportation revenues in Arizona. The inflation adjusted HURF per capita revenue to Arizona cities, towns and counties has decreased from \$184.39 in FY 1990/91 to \$84.41 in FY 2012/13; a 54-percent reduction. Diversions to balance the State budget in Arizona also put a significant hole in transportation revenues. Between FY 2002/03 and FY 2012/13, roughly \$830 million was diverted for other State purposes, and Pima County lost \$37.9 million. The problem is obvious; there are insufficient transportation revenues available to meet repair and maintenance obligations, let alone system-wide capacity improvements for economic competitiveness.

The lack of sufficient resources is compounded by the fact that purchasing power of these resources continues to shrink. The Construction Cost Index, which reflects transportation related costs, has increased 96 percent since 1991; hence, the same dollar of HURF in 1991 purchases only 51 cents worth of highway improvements today. Transportation revenues have also been adversely affected by a 40 percent increase in fuel efficiency and fewer miles being driven, as well as a 21-year inflation value loss.

IV. THE PROBLEM IS NATIONAL AND STATEWIDE

Pima County is not alone in the poor condition of streets and highways. City of Tucson roadways are likely in worse shape. Newer local communities – Marana, Oro Valley and Sahuarita – have streets that are in relatively good condition simply because they were built by developers recently. In another 10 to 15 years, the streets in these communities will be in the same condition as the County's and the City's.

Every county in Arizona is having similar problems regarding insufficient revenue for maintenance of their highway systems. A 2013 report prepared by the American Society of Civil Engineers indicates 52 percent of Arizona roads are in poor to mediocre condition; and Smart Growth America's March 2014 report shows that Arizona spent the third least of all states on road repairs – only 17 percent of total revenues.

More than half the states report 50 percent or more of their roads are in poor condition. The Federal Highway Trust Fund is nearing insolvency this summer. There is a national looming transportation funding crisis. Arizona's user fee or gasoline tax is among the lowest in the nation; only eight states have a lower gas tax. Alaska has the lowest combined federal, state and local gas tax at 31 cents per gallon. Arizona's combined tax per gallon is 37 cents. Some states have significant local gas taxes. For example, Florida has a combined total gas tax of 54 cents per gallon, which includes a 32-cent local tax. Pennsylvania has a 42-cent per gallon local gas tax and a total combined gas tax of 60 cents per gallon.

Local, state, and federal user fees or the lack of an adequate level of user fee support is the root cause of the present poor and mediocre conditions of our local, state and national highways.

V. COST COMPARISON OF TRANSPORTATION OR FUEL TAXES TO MONTHLY UTILITIES AND COMMUNICATIONS COSTS

To demonstrate the gross inadequacy of transportation revenues available for local, state and national highways, it is appropriate to compare the cost of user fee taxation at both the state and national levels to other service fees typically paid without comment, concern or reservation.

Recently, the American Road and Transportation Builders Association compared the average household's monthly payments for federal and state gas taxes to utility and communications costs. Table 1 below shows these monthly costs that are deemed to be, in most cases, normal and essential.

**Table 1: Average Household
Monthly Services Expenses.**

Service Description	Monthly Cost
Electricity and Gas	\$160
Cell Phone	161
Cable and Internet Access	124
Federal and State Gas Taxes	\$46

Comparing these costs with the average cost for combined federal, state and local gasoline taxes or fuel taxes paid illustrates the disparity in funding. In essence, the mobility enjoyed by our interconnected surface transportation system is viewed as almost a free commodity, which may explain the substantial resistance to user fee increases. When we freely pay more than triple for mobile telephones, transportation is clearly and significantly underfunded.

The 10-cent per gallon fee or gasoline tax increase the Board endorsed and asked the Arizona Legislature to act upon, either through enactment or referral, would have cost the average driver less than \$1.00 per week in increased taxes – not even enough to buy a cup of coffee. It is a gross distortion and an incorrect application of economic principles to assert that a user fee on gas tax is regressive.

VI. EXISTING COUNTY TRANSPORTATION FUNDING SOURCES

I previously reported to the Board in great detail the funding sources available to the County for street and highway development, operation and maintenance. The most common funding source has been the State distributed HURF and Vehicle License Tax (VLT). Table 2 below shows these revenues for the last six fiscal years. These revenues are decreasing – not increasing – causing our transportation problems to worsen.

Table 2: State-distributed HURF and VLT Revenue History.

FY	HURF Revenue	VLT Revenue	Total
FY 2008/09	\$41,209,550	\$12,696,627	\$53,906,177
FY 2009/10	\$38,739,414	\$11,795,778	\$50,535,192
FY 2010/11	\$38,973,544	\$11,486,419	\$50,459,963
FY 2011/12	\$33,664,646	\$11,225,110	\$44,889,756
FY 2012/13	\$36,859,950	\$10,588,826	\$47,448,776
FY 2013/14 (estimated)	\$38,127,680	\$11,765,600	\$49,893,280
FY 2014/15 (budget)	\$37,568,408	\$11,580,941	\$49,149,349

The largest single expense associated with our highway system is repaying revenue bond indebtedness. Table 3 below shows the last five years’ payments to repay bonds issued for capital improvements, which is essentially widening the existing streets and highways within Pima County.

**Table 3:
 Transportation Revenue Bond
 Debt Service Five-year History.**

FY	Budgeted Debt Service
2014/15	\$18,883,769
2013/14	\$17,578,019
2012/13	\$18,441,703
2011/12	\$16,579,804
2010/11	\$16,417,530

Today, approximately 38 percent of total transportation revenues are used to pay revenue bond debt service for primarily highway capacity improvements, the majority of which were constructed in District 1 (62.44 percent). Clearly, aggregate revenues are declining; the largest single expense is increasing, and fewer and fewer dollars are available for street and highway repair and maintenance.

The County also collects impact fees from new development; however, the use of these funds for street and highway maintenance is restricted by State law. These funds can only be used to improve street and highway capacity for those major streets and highways in the general area where the impact fee was collected.

Recently, the County has used General Funds to supplement transportation funding; but in the past, these have been limited to paying the County's operating transit obligations for the Regional Transportation Authority's (RTA) Maintenance of Effort (MOE) requirements. Our annual payment to the RTA for the transit MOE is shown in Table 4 below.

**Table 4: Transportation Fund
Expenditures for RTA Transit MOE.**

FY 2014/15 Budget	\$6,067,394
FY 2013/14 Budget	\$5,871,772
FY 2012/13 Actual	\$5,763,833
FY 2011/12 Actual	\$5,753,043

Based on this, over 12 percent of the total transportation budget is paid to the RTA for transit. Over half of all transportation revenues are used for repaying issued 1997 HURF bonds and payments to the RTA for MOE for transit operations. Remaining revenues are used primarily for operating and maintenance expenses. Little, if any, money remains to make any major or significant street and highway repairs.

VII. PRESENT PUBLIC VIEW ON TRANSPORTATION

Between January and April 2014, the Pima Association of Governments (PAG) gathered public input through an online survey and public workshops to formulate a new regional transportation plan. Over 1,100 residents participated in the survey. A summary of the results indicated that "across all age groups, ethnicities and income levels, the condition and maintenance of the region's roadways is far and away the biggest concern of survey respondents..."

In the survey, 79 percent of respondents rated the quality of road conditions as poor to very poor. When given a choice of what improvements we need to make for a transportation system, whether it is the bike network, public transportation or level of congestion, 73 percent of respondents rated improving road conditions as their top choice.

When asked to rate the biggest transportation issues facing our region over the next 30 years, 89 percent of respondents identified improving and maintaining transportation infrastructure as a top issue for the future. When asked their top three priorities for the future of the region's transportation system, improving the condition of the region's roadways was the biggest priority, followed by improving the ability to travel across the region and improving transit service in high-use corridors.

The survey also asked questions about how transportation investments should be funded. Eighty-nine percent of respondents said they were willing to explore other ways to pay for improvements to the transportation system. The funding option receiving the highest support was to extend a sales tax beyond 2026, with over 50 percent of the respondents supporting this option. In addition, over 50 percent of the respondents supported increasing the State gas tax. The option with the least support was to increase local property taxes. Less than 20 percent of the respondents support such an increase.

The PAG survey shows a dramatic shift in priorities from mobility to maintenance. The 1997 bond issue was a countywide vote on essentially increasing capacity on the major highway systems throughout Pima County. In essence, it was voting for mobility. During the public discussion and debate over the bond issues, the condition of roads or maintenance of roads never arose. Similarly, in preparing for the 2006 RTA election, the discussion was again focused on mobility. During all of the public meetings, discussions, and input sessions, street and highway maintenance or conditions never arose in the debate over whether to enact a half-cent sales tax to increase mobility through increased highway and transit capacity.

Clearly, there has been a shift in attitudes among the public regarding the condition and adequacy of our roads. There is also a surprising level of support for sales taxes dedicated for street and highway maintenance, as well as a majority support for increasing user fees or gas taxes. The least publicly accepted method for raising revenues for street and highway maintenance is a local property tax.

VIII. FUNDING SOURCES FOR RESOLVING THE PROBLEM IN 10 YEARS OR LESS

There are generally three funding sources that could be available for significant additional investments in street and highway repairs. Two of these funding sources are under the direct control of the Board of Supervisors, while the other would require State legislation. These funding sources are as follows:

- A. Countywide property tax,
- B. Countywide half-cent sales tax,
- C. Local gas or sales tax on the sale of gasoline.

Each of these alternatives is discussed below, as well as the magnitude of the tax increase necessary to resolve the County street and highway repair problem within 10 years.

A. Property Tax.

The Board of Supervisors can levy a countywide property tax and use the proceeds of such a levy for street and highway repairs. This has been done in an extremely modest amount in the last several years. A \$5 million annual property tax investment for street and highway repair is equivalent to solving approximately 1.9 percent of the problem per year. The biggest drawback to this solution is that it results in serious tax inequities in that city and town residents will be paying the tax but receiving no benefit. In order to make a property tax equitable, any proceeds raised from the tax should be distributed by the Board and used by the Board to repair streets and highways in cities and towns within the County, as well as the unincorporated area. Such should be proportionate to each community's assessed value for maximum tax equity. The 2014 residential property secondary net assessed value of each community and the unincorporated area is shown in Table 5 below.

Table 5: Population Distribution and Net Assessed Value of Residential Property.

Jurisdiction	July 1, 2013, Population (Arizona Dept. of Administration)	Population Percentage of Total	Secondary Net Assessed Valuation (January 31, 2014, Assessment Roll)	Secondary Net Assessed Valuation Percentage
Marana	38,610	3.88	\$ 260,707,981	5.46
Oro Valley	41,668	4.18	420,841,164	8.81
Sahuarita	26,768	2.69	151,515,533	3.17
South Tucson	5,674	0.57	5,964,909	0.12
Tucson	525,154	52.72	1,669,542,615	34.97
Unincorporated County	358,172	35.96	2,266,122,986	47.46
Total Pima County	996,046	100.00	\$4,774,695,188	100.00

Since companies, corporations and others who have businesses or stores within a particular jurisdiction pay taxes but may not be residents of the jurisdiction, the most equitable way to distribute property tax proceeds in proportion to local resident contribution would be based on residential assessed value. At least \$30 million needs to be raised per year for the unincorporated area; therefore, the total increase in the annual property tax levy, assuming equity of all jurisdictions, would need to be \$63.1 million per year.

With this annual levy, based on the current assessed value, the property tax would have to be increased by 84 cents per \$100 of primary assessed value, which would be an increase

of 19.6 percent. More importantly, it is likely such a significant increase in the property tax would exceed the maximum levy limit's primary property tax rate of \$4.9720 per \$100 of primary assessed value by nearly 15 cents. The maximum primary levy is \$373.8 million, and the proposed 84-cent increase would exceed this amount by about \$11.3 million. Hence, while a property tax is certainly possible, it would appear difficult to implement given constitutional property tax levy and rate limits.

B. Half-cent Sales Tax.

The County has had half-cent sales tax authority since 1990. Every county in Arizona except Pima levies a sales tax for one purpose or another. In fact, some counties have multiple sales taxes for health districts, jail districts, general purposes, and roads. These sales taxes are primarily what lower property tax rates and levies in other counties. For example, the Maricopa County jail tax raised \$121.5 million in FY 2012/13 to support and upgrade the Maricopa County Adult Detention Center (jail) whereas the Pima County Adult Detention Center is supported entirely with property taxes from the General Fund (the primary property tax rate and levy). This year, over \$62.6 million will be used for the jail in Pima County. This amount equals 84 cents of our primary property tax rate.

The levy of a half-cent sales tax requires a unanimous vote of the Board. If enacted, a half-cent sales tax would raise approximately \$76 million in the first full year of collections – an amount sufficiently significant to repair the County's streets and highways within 10 years at \$30 million per year. This sales tax could provide significant additional funds to repair other streets and highways within cities and towns throughout the County as directed by the Board.

C. Local Gas Tax or a Sales Tax on Gasoline

A 10-cent per gallon gas tax, as proposed by the County, would increase the County's share of the HURF over the base distribution of \$39.3 million. If the 10-cent per gallon increase applied only to the gasoline tax, the HURF distribution would increase by \$8.3 million each year; while an increase in both the gasoline tax and the use fuel tax would increase the distribution by \$10.7 million per year. Raising the County HURF distribution by \$30 million per year would require a gas tax increase of approximately 36 cents per gallon, assuming the tax applies to gasoline only, or 28 cents per gallon if the increase applies to both gasoline and use fuel. One of the benefits of a state gas tax increase would be that other cities and towns throughout Arizona would also receive additional transportation revenues for the repair and maintenance of the streets and highways under their jurisdiction.

Each year, 375 to 380 million gallons of gasoline are sold in Pima County. This represents more than \$1.2 billion of road-related activity when gas prices average \$3.30 per gallon

during the year. If a five-percent local option sales tax were enacted on gasoline sales, \$59 to \$61 million of sales tax revenue would be available for road maintenance and repair.

IX. BEST OPTIONS FOR ADDRESSING THE PROBLEM FROM A COUNTY PROSPECTIVE

The best and most tax equitable option is either an increase in fuel taxes or a sales tax on the sale of gasoline. However, both of these options require legislation; and given the past inaction of the Arizona Legislature, neither of these options is reasonably viable.

The only options that are within the power of the Board of Supervisors to act upon are the property tax or a sales tax. Pima County has already been criticized because of our high property tax rated compared to other counties, even though all other counties have an adopted sales tax, which lowers their property tax rate. Hence, increasing the property tax for street repairs is likely the least desirable option.

The remaining and best option available to the County is adoption of a general half-cent sales tax.

X. SALES TAX FACTS AND PROPERTY TAX REDUCTION

Pima County is authorized by Arizona Revised Statutes (A.R.S. § 42-6103) to impose a county general excise tax (or sales tax) to support and enhance countywide services. Adoption of a county sales tax requires unanimous approval by the Board of Supervisors. If adopted, the sales tax would generally be levied on taxpayers at the rate of 0.50 percent and is often referred to as a "half-cent sales tax." Taxpayers in both the incorporated and unincorporated areas of Pima County would be subject to this tax.

Pima County is the only county of the 15 counties in the State of Arizona that does not collect some type of a sales tax. Table 6 below shows a breakout of the various types of excise taxes levied by counties in Arizona.

Table 6: Arizona County Excise Taxes and Tax Rates.

County	General Excise Tax %	Jail Excise Tax %	Hospital/ Health Services Excise Tax %	Capital Projects Excise Tax %	Judgment Excise Tax %	County Road Excise Tax %	Total Excise Taxes %
Apache	0.50						0.50
Cochise	0.50						0.50
Coconino	0.50	0.50		0.125			1.125

Table 6: Arizona County Excise Taxes and Tax Rates.

County	General Excise Tax %	Jail Excise Tax %	Hospital/ Health Services Excise Tax %	Capital Projects Excise Tax %	Judgment Excise Tax %	County Road Excise Tax %	Total Excise Taxes %
Gila	0.50					0.50	1.00
Graham	0.50						0.50
Greenlee	0.50						0.50
La Paz	0.50	0.50			1.00		2.00
Maricopa		0.20					0.20
Mohave	0.25						0.25
Navajo	0.50						0.50
Pima							0.00
Pinal	0.50		0.10			0.50	1.10
Santa Cruz	0.50	0.50					1.00
Yavapai	0.50	0.25					0.75
Yuma	0.50	0.50	0.112				1.112

Excise tax rates from July 1, 2013 through July 1, 2014.

Sources: Arizona Department of Revenue and individual county websites.

Of the 15 counties in Arizona, only Pima County and Maricopa County do not levy a general sales tax. Maricopa County is precluded by statute from levying this tax due to its population. Maricopa County does, however, levy a Jail Excise Tax, which supports General Fund activities.

Pima County, by not levying a sales tax, is limiting the diversity of its revenue base. Without a sales tax, the County is forced to rely more on primary property taxes levied in the County to fund the various services and programs provided by its General Fund. In FY 2014/15, the primary property tax levy is funding 62 percent of our General Fund expenditures. The County's reliance on the primary property tax is the highest of any county in Arizona and is a direct result of not levying a sales tax. Table 7 below summarizes primary property tax levy and excise tax information for Arizona's 15 counties based on FY 2013/14 budgets and levies.

Table 7: FY 2013/14 County General Fund, Primary Property Tax and Excise Tax.

County	County General Fund	Primary Property Tax Levy	Primary Property Tax Levy as a % of General Fund Budget	Total Excise Tax Rate	Total County Excise Tax	Excise Tax as a % of General Fund Budget
Apache	\$18,343,856	\$2,414,647	13.2	0.50	\$1,200,000	6.5
Cochise	80,459,349	26,446,148	32.9	0.50	7,000,000	8.7
Coconino	70,808,913	8,303,326	11.7	1.125	28,601,114	40.4
Gila	46,031,855	18,378,381	39.9	1.00	5,690,000	12.4
Graham	20,935,438	4,558,218	21.8	0.50	2,000,000	9.6
Greenlee	12,569,018	2,478,151	19.7	0.50	1,200,000	9.5
La Paz	16,318,525	4,251,708	26.1	2.00	4,491,946	27.5
Maricopa	942,780,433	409,775,397	43.5	0.20	131,106,321	13.9
Mohave	76,154,008	32,231,883	42.3	0.25	5,819,100	7.6
Navajo	39,984,750	6,318,553	15.8	0.50	6,211,839	15.5
Pima	503,524,831	277,155,468	55.0	0.00	0	0.0
Pinal	193,676,201	75,575,541	39.0	1.10	28,833,353	14.9
Santa Cruz	27,504,449	11,576,873	42.1	1.00	4,600,000	16.7
Yavapai	89,679,704	43,108,560	48.1	0.75	21,368,423	23.8
Yuma	77,258,446	22,916,250	29.7	1.112	26,949,982	34.9

Sources: Arizona Tax Research Association, FY 2014 Final Budget Review, and Arizona Department of Revenue, Annual Report.

For Maricopa County, the 0.20 percent jail excise tax is budgeted to collect \$141,295,781 in FY 2014/15; 14 percent of its adopted General Fund expenditure budget.

Seven counties levy a sales tax in addition to their general county sales tax. These additional sales taxes pay for jails, hospitals, judgments, capital projects and roads. Without the additional sales taxes, the cost of these items would be paid by the counties' General Funds using property taxes.

Revenue Impact of a Pima County Half-cent Sales Tax

The levying of a half-cent sales tax would have a significant impact on Pima County's General Fund revenues. Table 8 below shows a five-year forecast of sales tax revenues, assuming an effective date of December 1, 2014.

Table 8: Estimated Pima County Half-cent Sales Tax Revenue.

Category of Taxpayer	FY2014/15*	FY2015/16	FY2016/17	FY2017/18	FY2018/19
Hotel/Motel	\$839,000	\$1,724,000	\$1,769,000	\$1,821,000	\$1,876,000
Communications	1,135,000	2,382,000	2,512,000	2,647,000	2,778,000
Contracting	4,547,000	11,124,000	12,586,000	13,443,000	14,226,000
Restaurants and Bars	4,080,000	8,444,000	8,824,000	9,286,000	9,776,000
Rental – Personal Property	955,500	2,040,000	2,173,000	2,310,000	2,436,000
Retail	20,593,500	42,803,000	44,405,000	46,141,000	47,933,000
Utilities	3,632,000	7,466,000	7,715,000	7,904,000	8,112,000
Total Excise Tax Revenues	\$35,782,000	\$75,983,000	\$79,984,000	\$83,552,000	\$87,137,000
Increase/(Decrease) from Prior Year	\$35,782,000	\$40,201,000	\$4,001,000	\$3,568,000	\$3,585,000

**Note: 50 percent of full-year revenue shown for FY 2014/15, as county excise tax effective from and after December 1, 2014.*

FY 2015/16 represents estimated sales tax collections for a full fiscal year and totals nearly \$76 million. This amount is approximately 15 percent of budgeted General Fund expenditures for FY 2014/15.

Sales Taxes Paid by Visitors and Businesses from Outside of Pima County

A significant difference between property taxes and sales taxes is that a portion of sales tax revenues is paid by individuals and businesses that do not reside in Pima County but who benefit from County services. Sales tax payments by nonresidents increase the net amount of funds available to provide these services.

Nonresidents and businesses located outside of Pima County will pay up to 17 percent of the revenue associated with a half-cent sales tax. This includes tourism and Mexican visitor spending. Persons outside of Pima County are estimated to pay as much as \$13 million of the taxes estimated for FY 2015/16.

Property Tax Reduction

The absence of a sales tax to fund vital County services and programs inflates the primary property tax levy and primary property tax rate when compared to other Arizona counties that levy a sales tax.

The Board of Supervisors adopted a primary property tax rate of \$4.2779 per \$100 of primary net assessed value in FY 2014/15. This tax rate resulted in a primary property tax levy of \$322 million.

If the Board of Supervisors, hypothetically, had levied a half-cent sales tax for a full year in FY 2014/15 and applied 50 percent of the collections to property tax relief, the primary property tax rate would have been reduced by nearly 50 cents per \$100 of primary net assessed value to \$3.7820. The associated primary property tax levy would have fallen by \$37 million to \$285 million.

If these hypothetical adjustments to the primary property tax rate and levy had occurred, the average primary residence home valued at \$146,426 would have seen a reduction of \$73 in the primary property tax bill from the adopted amount.

In future fiscal years, if sales tax revenues continue to grow as anticipated and all other budget factors remain the same, the primary property tax rate and property tax levy would be further reduced by the amount of the year-to-year increase in overall sales tax collections.

Cost Impact of Sales Tax on a Family of Four

The estimated impact of this sales tax on households in Pima County earning the median income before taxes would be approximately \$70 per year; while a couple with two children earning the national average of \$101,600 of income before taxes would pay \$119. With an average savings of \$73 in property taxes, the net impact would range from a zero dollar increase to a \$46 increase.

XI. RECOMMENDATION

I recommend that any increase in revenues raised from a half-cent sales tax be used to reduce the primary tax rate and to improve Pima County roads. As detailed in the attached draft resolution, 50 percent of the revenues would be used to reduce the amount of primary property taxes levied, and 50 percent would be used for pavement preservation, reconstruction and repairs and maintenance of roads.

As discussed in previous memoranda, the current remediation cost to improve all arterial, collector and local roads in the unincorporated area of the County is \$264 million. An ongoing plan to improve all existing and new roads in the unincorporated area over an ongoing 10-year period would require at least \$30 million in revenue per year.

Dedicating one-half of the proposed sales tax would provide significant funding for this plan. It is anticipated the County would receive \$76 million in net sales tax proceeds in FY 2015/16, the first full year of collections. \$38 million of these proceeds would be dedicated to pavement preservation and reconstruction and repair and maintenance of roads.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **A Plan for Funding Street and Highway Repairs in Pima County**
August 1, 2014
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On average, for every one million dollars of funding available, seven miles of roads can be rehabilitated. Thus, \$38 million would address, at a minimum, the preservation of 266 miles of roads annually. The County currently maintains 1,855 miles of paved roadway; therefore, the initial rehabilitation of the County's roadways would actually be addressed in seven to eight years. After this initial rehabilitation cycle, I would recommend the full sales tax revenue be used for property tax reduction. However, to avoid deterioration of the roadway network to a similar unacceptable condition as exists today will require identification of a dedicated funding source for future pavement preservation efforts beyond the 10-year cycle envisioned by this proposal.

CHH/mjk

Attachment

c: John Bernal, Deputy County Administrator for Public Works
Priscilla Cornelio, Transportation Director
Tom Burke, Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management

ATTACHMENT 4

RESOLUTION 2014 - _____

PIMA COUNTY, ARIZONA RESOLUTION ORDERING THE LEVY OF A COUNTY GENERAL EXCISE TAX UPON EACH PERSON ENGAGING OR CONTINUING IN BUSINESS IN PIMA COUNTY AND ORDERING ALL PROCEEDS RECEIVED BE ALLOCATED IN THE FOLLOWING PROPORTIONS – FIFTY PERCENT (50%) TO REDUCE THE AMOUNT OF PRIMARY PROPERTY TAXES LEVIED UPON REAL AND PERSONAL PROPERTY LOCATED WITHIN THE COUNTY AND FIFTY PERCENT (50%) TO PAVEMENT PRESERVATION, RECONSTRUCTION, REPAIRS AND MAINTENANCE OF ROADS LOCATED IN PIMA COUNTY.

The Board of Supervisors of Pima County, Arizona finds:

1. Arizona Revised Statutes (A.R.S.) § 42-6103 allows the Board of Supervisors of any county having a population of less than one million five hundred thousand persons as of the most recent decennial census to levy a county general excise tax.
2. As of the most recent decennial census, the population of Pima County is less than one million five hundred thousand persons.
3. The Board of Supervisors of any county desiring to levy a general excise tax must unanimously approve the levy of such tax.
4. The Arizona Department of Revenue collects and the State Treasurer transmits net general excise tax collections to the County Treasurer.
5. The revenues raised from the levying of a county general excise tax are used to support and enhance countywide services.

NOW, THEREFORE, BE IT RESOLVED,

SECTION 1. LEVY OF TAX

The Board of Supervisors of Pima County, Arizona by unanimous adoption of this resolution orders the levy and collection of a County general excise tax in the amount of ten percent (10%) of the rates of taxation prescribed by A.R.S. § 42-5010, subsection A, and by A.R.S. § 42-5352, subsection A.

SECTION 2. AREA OF LEVY

The County general excise tax provided by this resolution is collected from each person engaging or continuing in the county in a business taxed under Chapter 5, article 1 of Title 42, Arizona Revised Statutes and A.R.S. § 42-5352 subsection A in both the incorporated and unincorporated areas of Pima County and shall be collected by the Arizona Department of Revenue in the manner provided in A.R.S. § 42-6103, subsection A.

SECTION 3. USES OF LEVY PROCEEDS

1. Deposit net county general excise tax proceeds collected between the effective date of the levy and June 30, 2015 into the County's General Fund.
2. Deposit net county general excise tax proceeds collected from and after July 1, 2015 into the County's General Fund to distribute and use as follows:
 - a. Fifty Percent (50%) of all net proceeds to reduce the amount of primary property taxes levied upon real and personal property located within Pima County.
 - b. Fifty Percent (50%) of all net proceeds dedicated to pavement preservation, reconstruction, repairs and maintenance of roads located in Pima County.
3. Beginning with the Fiscal Year 2015/16 budget, the Board of Supervisors shall determine the amounts that will be collected from the imposition of a County general excise tax and include these revenues in the final budget estimate of the County as required under A.R.S. § 42-17105. Upon determination of the anticipated annual collection amounts, the Board of Supervisors shall distribute the funds within the final budget as directed in items 2.a. and 2.b. of this Section 3.
4. Reduction of Primary Property Taxes: On or before the adoption of the final budget estimates of the County as required under A.R.S. § 42-17105, the Board of Supervisors shall reduce the total amount of primary property taxes which are levied upon the real and personal property located within Pima County by Fifty Percent (50%) of the difference between the forecasted collections for the upcoming budget year and the adopted budgeted collections for the previous fiscal year. Such determinations shall be made by the Board of Supervisors on an annual basis as part of the County's annual budget process.
5. Pavement Preservation: On or before the adoption of the final budget estimates of the County as required under A.R.S. § 42-17105, the Board of Supervisors shall allocate to pavement preservation, reconstruction, repairs and maintenance of roads located in Pima County an amount equal to Fifty Percent (50%) of the anticipated general excise tax collections budgeted for the upcoming budget year. Such determinations shall be made by the Board of Supervisors on an annual basis as part of the County's annual budget process.

The effective date of this County general excise tax is December 1, 2014.

Passed and adopted, this _____ day of _____, 2014.

Sharon Bronson, Chair, Pima County Board of Supervisors

ATTEST:

APPROVED AS TO FORM

Clerk of the Board

Deputy County Attorney

ATTACHMENT 5

RESOLUTION NO. 1594

**A RESOLUTION OF THE YAVAPAI COUNTY BOARD OF SUPERVISORS AUTHORIZING
ADDITIONAL USES OF THE COUNTY GENERAL EXCISE TAX LEVIED PURSUANT TO
BOARD OF SUPERVISORS RESOLUTION NO. 927**

WHEREAS, Arizona counties are authorized, pursuant to A.R.S. §42-6103 to levy a county general excise tax which may be used "...to support and enhance county-wide services"; and

WHEREAS, by Board Resolution No. 927, dated June 6, 1994, the Yavapai County Board of Supervisors approved the levy and collection of a general county excise tax and initially authorized the Board of Supervisors to apply proceeds of the subject tax to reduction of property taxes levied upon real and personal property within the County and to construction/reconstruction of roads throughout the County; and

WHEREAS, the Board of Supervisors, upon a review of evolving needs for county-wide services, wishes to authorize additional uses of the proceeds of the general county excise tax.

NOW, THEREFORE, IT IS RESOLVED by the Board of Supervisors of Yavapai County, Arizona as follows:

That, as of the effective date of this Resolution, the Board of Supervisors shall be authorized to apply the proceeds of the general excise tax levied pursuant to Board Resolution No. 927 to any and all uses allowable under the provisions of A.R.S. §42-6103 including, but not limited to, debt services for revenue bonds or other pledged revenue obligations of the County issued or incurred for such purposes, capital improvements, property tax reduction and the construction/reconstruction of roads.

APPROVED AND ADOPTED this 3rd day of October, 2005.

/s/ Carol Springer
Chairman, Board of Supervisors

ATTEST:

/s/ Bev Staddon
Clerk, Board of Supervisors

RESOLUTION NO. 927

A RESOLUTION OF THE BOARD OF SUPERVISORS OF YAVAPAI COUNTY, ARIZONA ORDERING THE LEVY OF A COUNTY GENERAL EXCISE TAX UPON EACH PERSON ENGAGING OR CONTINUING IN BUSINESS WITHIN YAVAPAI COUNTY AND AUTHORIZING THE BOARD OF SUPERVISORS TO APPLY ALL OR PORTIONS OF ALL PROCEEDS RECEIVED TO 1. REDUCE THE AMOUNT OF TAXES LEVIED UPON REAL AND PERSONAL PROPERTY LOCATED WITHIN THE COUNTY, OR 2. THE CONSTRUCTION/RECONSTRUCTION OF ROADS THROUGHOUT THE COUNTY.

WHEREAS, the Board of Supervisors of any county having less than one million, five hundred thousand persons at the most recent decennial census may levy a county general excise tax; and,

WHEREAS, in the most recent decennial census, Yavapai County was determined to have less than one million, five hundred thousand persons; and,

WHEREAS, the Board of Supervisors of any county desiring to levy such a tax must approve unanimously the imposition of such a tax; and,

WHEREAS, the revenues raised from the imposition of a county general excise tax shall be used to support and enhance countywide services,

THEREFORE, it is resolved by the Board of Supervisors of Yavapai County, Arizona, as follows:

SECTION 1. IMPOSITION OF TAX.

The Board of Supervisors by adoption of this resolution orders the levy of a county general excise tax in the amount of Ten Percent (10%) of the rates of taxation imposed by Chapter 8, Article 1, Title 42, Arizona Revised Statutes.

SECTION 2. AREA OF LEVY.

A. The county general excise tax provided for by this resolution shall be levied upon all persons engaging or continuing in businesses taxed under Chapter 8, Article 1, Title 42, Arizona Revised Statutes, in both the incorporated and unincorporated areas of Yavapai County and shall be collected by the Arizona Department of Revenue on behalf of the county in the manner provided for under Section 42-1497.A., Chapter 8.3, Article 5, Title 42, Arizona Revised Statutes.

SECTION 3. USES.

A. On or before the adoption of the final budget estimate of the County required by Chapter 2, Article 4, Title 42, Arizona Revised Statutes, the Board shall determine the amount which will be collected from the imposition of a County general excise tax. After such determination is made by the Board, the Board shall reduce the total amount which shall be levied against the real and personal property located in the County, by all or part of the amount which will be raised by the imposition of a County general excise tax. Such determination shall be made by the Board on an annual basis based upon its determination of the amounts needed to construct/reconstruct roads on a countywide basis. Those amounts determined to be used for countywide road construction/reconstruction shall be accounted for in a separate capital projects fund.

The effective date of this general excise tax is August 1, 1994.

PASSED AND ADOPTED BY A UNANIMOUS VOTE OF THE BOARD OF SUPERVISORS OF YAVAPAI COUNTY, ARIZONA THIS 6th DAY OF June, 1994, AS INDICATED:

AYES: 3 Bill Feldmeier, Chairman (District 2)
Carlton Camp, Vice-Chairman (District 3)
Gheral Brownlow, Member (District 1)

NAYS: 0

THE CLERK OF THE BOARD HAVING DETERMINED THAT THERE WERE NO NAYS, THE RESOLUTION IS DECLARED PASSED AND ADOPTED.

Bill Feldmeier, Chairman
Board of Supervisors

ATTEST:

Bev Staddon, Clerk
Board of Supervisors