

CITY OF MESA
PROPOSED TRANSACTION PRIVILEGE (SALES) TAX INCREASE
Election Question 1: November 8, 2016
Effective Date: March 1, 2017

This report is intended to fulfill the requirements of ARS 9-499.15.

Election Question

The City Transaction Privilege (Sales) Tax election question is on the November 8, 2016 General Election ballot for City of Mesa residents. The ballot includes one question (Question 1) on whether to increase the City Transaction Privilege (Sales) Tax from 1.75% to 2.15% to pay for public safety needs and governmental/economic development projects, including higher education projects.

Estimated Funding

If the election question is approved, the City will direct the estimated \$38.4 million annually to public safety needs and higher education projects. Public Safety budget requests are approved individually by the City Council as part of the City's annual strategic budgeting process and all higher education projects are reviewed and approved by the Mesa City Council.

Annual Estimate of Additional Public Safety and Higher Education funding

Public Safety.....	\$23.2M
<u>Higher Education</u>	<u>\$15.2M</u>
Total.....	\$38.4M

Public Safety Needs

An estimated \$23.2 million would pay for additional police officers and fire/medical personnel as well as life cycle and equipment needs such as radios, communications consoles, records management system upgrades and driving track resurfacing for police; and breathing apparatus, cardiac lead monitors, computer aided dispatch equipment upgrades, communications equipment and infrastructure; and emergency fire station generators.

Higher Education Needs

The revenues would pay for a proposed Arizona State University Downtown Mesa campus including new buildings and a 10-12-acre Civic Center Plaza; a buildout of the Benedictine University campus, new parking structures to accommodate the expansions, and additional offsite improvements.

Current Level of Resources

If the election question is not approved, the City would maintain public safety levels to the extent possible with current resources and proposed higher education projects would not be built. It is anticipated that the current levels of public safety services would not keep up with new growth.

Transaction Privilege (Sales) Tax

The City does not have a primary property tax or a sales tax on food. There are not sufficient resources using established funding mechanisms at current levels to pay for public safety needs or higher education projects that provide services and opportunities now and into the future. The City's secondary property tax is limited to paying for debt service on capital projects. An increase in the City's local transaction privilege (sales) tax, one of the City's other key revenue generators, uses a proven funding source to strategically staff and equip public safety services as well as provide higher education options and economic development strength.

Tax Rates in Other Valley Cities

The City tax rate with a voter-approved increase (2.15%) would put the City in the middle of the 11 largest cities and towns at slightly above the average rate of 2.10%.