City of Benson
City Council Communication

Worksession **April 13, 2015**

To: Mayor and Council Agenda Item # 1

From: Dustin DeSpain, Finance Director

Subject:

Presentation and discussion on the proposed Transaction Privilege Tax (TPT) Rate increase

Discussion:

I will be presenting the Power Point Educational slides to Council concerning the 1% proposed sales tax increase.

Please refer to Power Point slides.

Staff Recommendation:

Information only

Proposed City Sales Tax Increase

Benson
Arizona
Founded in 1880
Gateway to the San Pedro Valley

1% =.01 cents per $1

Or

$1 on every $100

MISCONCEPTIONS

- New Increase will cause an over all 40% tax burden
  - National average tax burden is 22% (includes, Federal, State, Local Tax)
- Sales Tax in Tucson is 4% + Cheaper
  - Actually: Tucson has no food tax: Currently-Food only 2.5% cheaper after Increase 3.5%
    - All other Retail Sales in Tucson tax is currently .5% difference and 1.5% after change.
- Benson Only City Taxing Food
  - Actually all the following tax food:
    - Bisbee, Buckeye, Carefree, Casa Grande, Cave Creek, Chino Valley, Clarkdale, Clifton, Coolidge, CottonWood, Dewey-Humboldt, Duncan, Eagar, El Mirage, Florence, Fountain Hills, Fredonia, Gila Bend, Gilbert, Globe, Goodyear, Holbrook, Kearney, Maricopa, Miami, Page, Paradise Valley, Patagonia, Payson, Pima, Pinetop-Lakeside, Prescott Valley, Queen Creek, Safford, St. Johns, San Luis, Showlow, Sierra Vista, Snowflake, Somerton, South Tucson, Springerville, Star Valley, Taylor, Thatcher, Tolleson, Wellton, Wickenburg, Willcox, Winkelman, Winslow, YoungTown, Yuma
- City of Benson Taxes Auto Fuel
  - City Of Benson does not tax fuel
    - Federal and State Reserve that right
      - The state tax is 18¢ per gallon for gasoline, and either 18¢ or 26¢ per gallon for diesel, depending on whether a diesel vehicle is light class/exempt or use class. The tax rate is required to be posted on each pump using decals issued by the Arizona Department of Transportation. ADOT enforces fuel tax laws, and violations involving tax rate decals may be reported to ADOT

Current and History

- Current Rate 2.5%
  - .5% 2018 Sunset Clause
    - Wal-Mart Debt payment FY2018
    - Bond payment service FY2030
  - City has not Increased Sales Tax for 25 years
  - Food Stamps Exempt from Food Tax
    - Over 17% of the citizens in Cochise County on Food Stamps (USDA Economic Research Service)

Arizona State

- May 2010 approved a 1% three year increase to Sales tax.
    - **Approved By Voters**
  - Made Benson gross Sales tax 9.6% (no additional revenue for City of Benson)
  - Expired in 2013

Current Sales Tax Rates:

Arizona Sales tax rate **5.6%** County Sales Tax .5%

City of Benson Sales tax 2.5%

Arizona State

- Arizona Budget Cuts
  - Sweep Shared Sales Tax & Shared Revenue Funds from Cities and Municipalities
    - Lost revenue 8.2 million for the Cities
  - Sweep Funds from Community Colleges and Universities (State Reasoning: They have other sources of Revenue, i.e. Tuition)
  - Sweep Funds from Local School Systems
  - Arizona State Charging for Sales Tax Collection
    - $2 Million Charged for collections

City Of Benson Current Status

- Employee Furloughs
  - Loss of 15% of Employees
  - Unable to provide the service Expected by Citizens
  - Continued morale problems
- No Capital Improvements
  - Inability for Utilities to fund themselves
  - No Funds to Improve or Maintain Infrastructure
  - Roads Deteriorating
- Public Services Cut
  - Pool Hours Cut back
  - Parks and Recreation Cuts
  - Community Center Cut Backs
  - Closed on Friday's
  - Library Closed Thursday Evening and Saturdays
- Police Department Cuts
  - Low Morale
  - Loss of Police Officers
  - Loss of Dispatchers
  - Police Coverage is Limited
  - Aging Vehicle Fleet
  - Slow Response Time

Current Saving Cuts

- Open and Non-filled Positions
- Furloughs (savings)
  - Estimated $240,000
- Closure Fridays (savings)
  - Estimated $25,000
- Budget Cuts (Departments)
  - Estimated over $540,000 Personnel Costs
  - Estimated over $466,000 in Operating Costs
- Capital Expenditure Cuts
  - Estimated over $1.1m in capital

City Benson Future Without Increased Revenue

- Employees
  - Further Layoffs
  - Further loss of Qualified Employees
  - Further Morale Problems
- Capital Improvements
  - Further Freeze on capital Improvements
  - Possible Failure of Infrastructure
    - Water
    - Gas
    - Wastewater
- Public Services
  - Closure of Community Center
  - Discontinue Transit Services
  - Closure of Pool
  - Closure of Visitors Center
  - Charge Higher Fees for use of Park and Facilities
  - Further Closure of Town Hall Services
  - Closure of Golf Course
- Debt Service
  - Inability to Service Current Debt
  - If major infrastructure failure, inability to take on more debt
- Police Department
  - No Midnights to 6am Services
  - Failure of Aging Vehicle Fleet
  - Inability to Recruit qualified staff
  - Decrease in Public Safety
- Community Service Cuts
  - Catholic Community Services Meals Program
  - Adult Softball
  - Little League
  - AYSO Soccer
  - Park Ramada and Facility Rentals
  - Summer Camp Programs

City Benson Layoffs

- Cost of Layoffs Law
  - Increase to the City's Unemployment Rate
    - Higher Rate for all current employees
    - Higher Rate would last for several years
  - Position locked for 2 years
    - Must offer at same rate to former employee
    - Must offer at same rate to any other applicant

City of Benson Utilities Natural Gas (Privatizing)

City Of Benson Gas Residential

Basic Charge Monthly: $7.50 City limits
Outside City Limits: $10.00
Commodity Charge Per Therm: $0.66

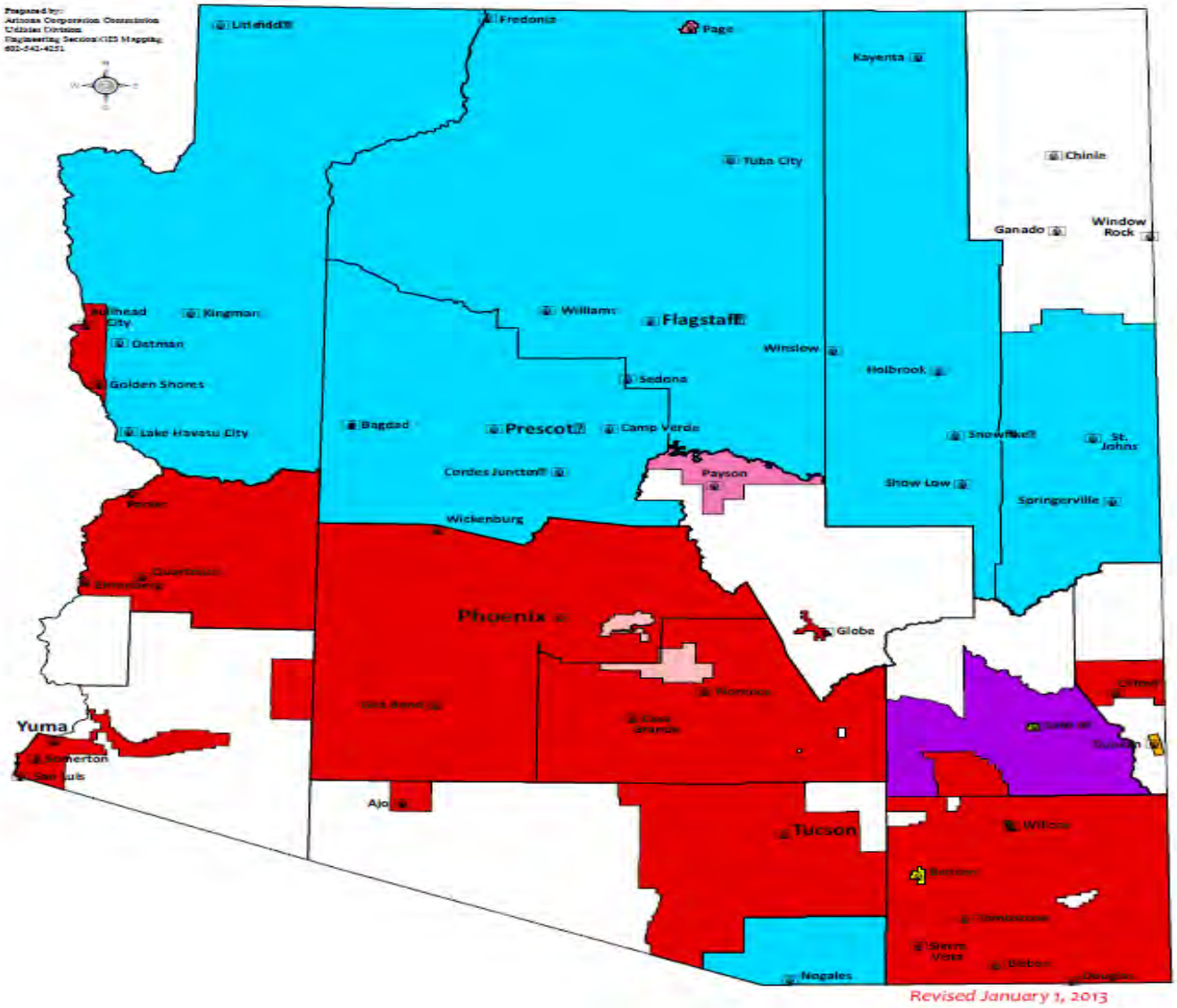
Southwest Gas Corp Residential

Basic Charge Monthly: $10.70
Commodity Charge Per Therm: $1.31864

Duncan Valley Gas

Basic Monthly: $20.00
Commodity charge per Therm: $0.73

Map of Natural Gas Companies Areas



STATE OF ARIZONA - GAS DISTRIBUTION

- Copper Market, Inc.
- Duncan Valley Electric Co-op
- Graham County Utilities, Inc.
- SemStream Arizona Propane
- Southwest Gas Corporation
- UNS Gas, Inc.
- City of Benson
- City of Mesa
- City of Safford
- City of Willcox

NATURAL GAS SAMPLE

City of Benson Resident

January 2015

Monthly Charge	$7.50
Therms 95@0.70	$66.50
Total Bill	**$74.00**

March 2015

Monthly Charge	$7.50
Therms 35@.66	$23.10
Total Bill =	**$30.60**

Southwest Gas Resident

January 2015

Monthly Charge	$10.70
Therms 95@1.31	$124.45
Total Bill =	**$135.15**

March 2015

Monthly Charge	$10.70
Therms 35@1.32	$46.20
Total Bill =	**$56.90**

City of Benson Utilities Water (Privatizing)

City of Benson Water

5/8" Residential (per 748gal)

Basic Monthly: $8.00

Tier 1 (0-3740gal): $1.00

Tier 2 (3741-7480): $1.50

Tier 3 (7481-14960): $2.50

Tier 4 (30000-above):$3.50

Safford Water

5/8" & ¾" Residential (per 1000gal)

Basic Monthly: $20.14

Tier 1 (0-7200gal): $1.44

Tier 2 (7201-20000gal): $1.80

Tier 3 (20,0001-40,000 gal): $2.52

WATER SAMPLE

City of Benson

Residential (High Consumer 15 units per 748gals)

Monthly charge	$8.00
Units 5@1.00	$5.00
Units 5@1.50	$7.50
Units 5@2.50	$12.50
Total	**$33.00**

Residential (Low Consumer 5 units per 748gals)

Monthly charge	$8.00
Units 5@1.00	$5.00
Total	**$13.00**

Safford Water

Residential (High Consumer 11 units per 1000 gals)

Monthly charge	$20.14
Units 7@1.44	$10.08
Units 4@1.80	$ 7.20
Total	**$37.42**

Residential (Low Consumer 4 units per 1000gals)

Monthly charge	$20.14
Units 4@1.44	$5.76
Total	**$25.90**

City of Benson Utilities
Solid Waste
(Privatizing)

City Of Benson

Residential

Monthly **(twice per week):** $16.61

San Pedro Sanitation

(St David, Pomerene)

Monthly (**once per week**): $20.00

Southwest Disposal

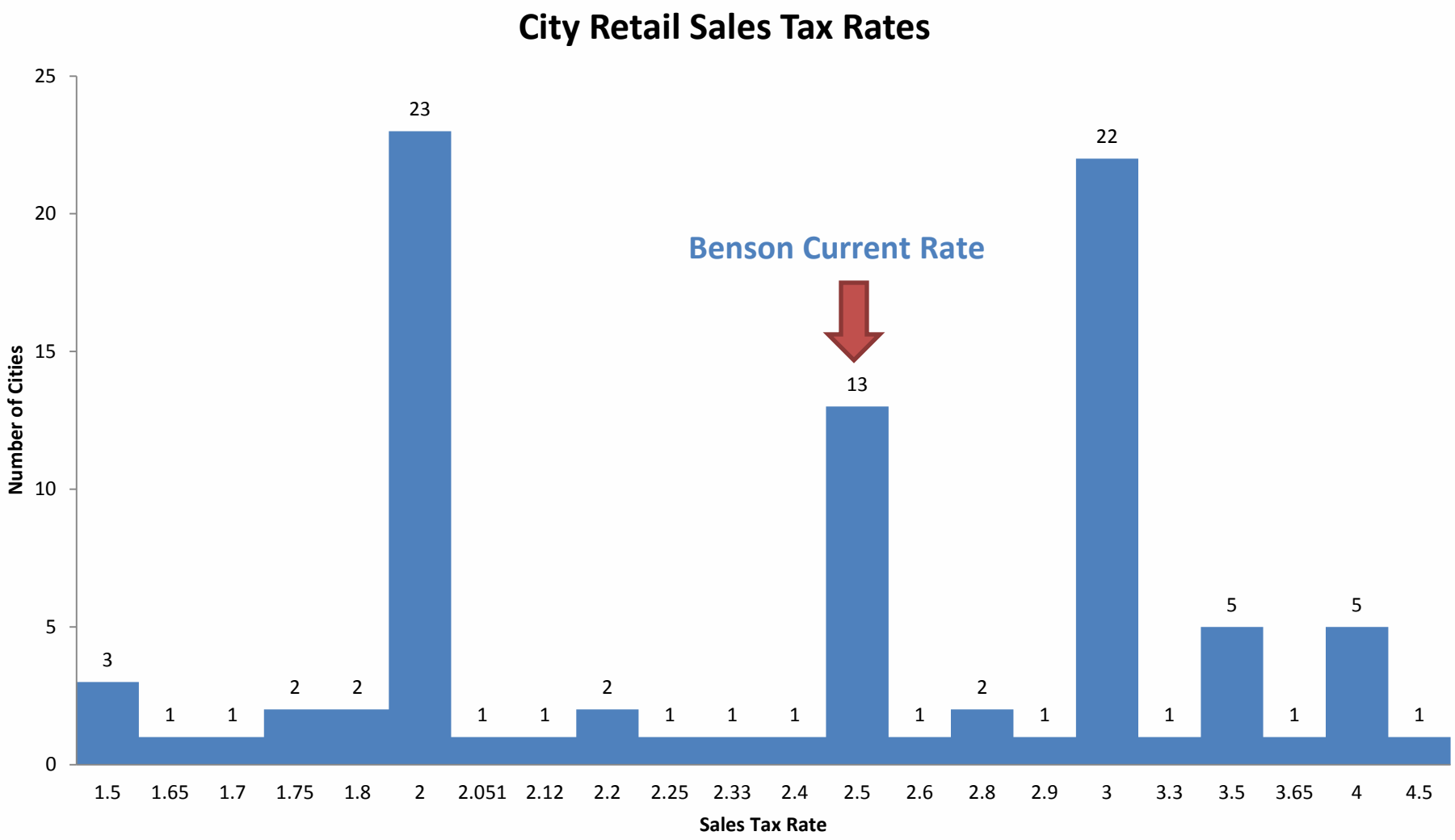
(Pomerene)

Monthly **(once per week)**: $18.00

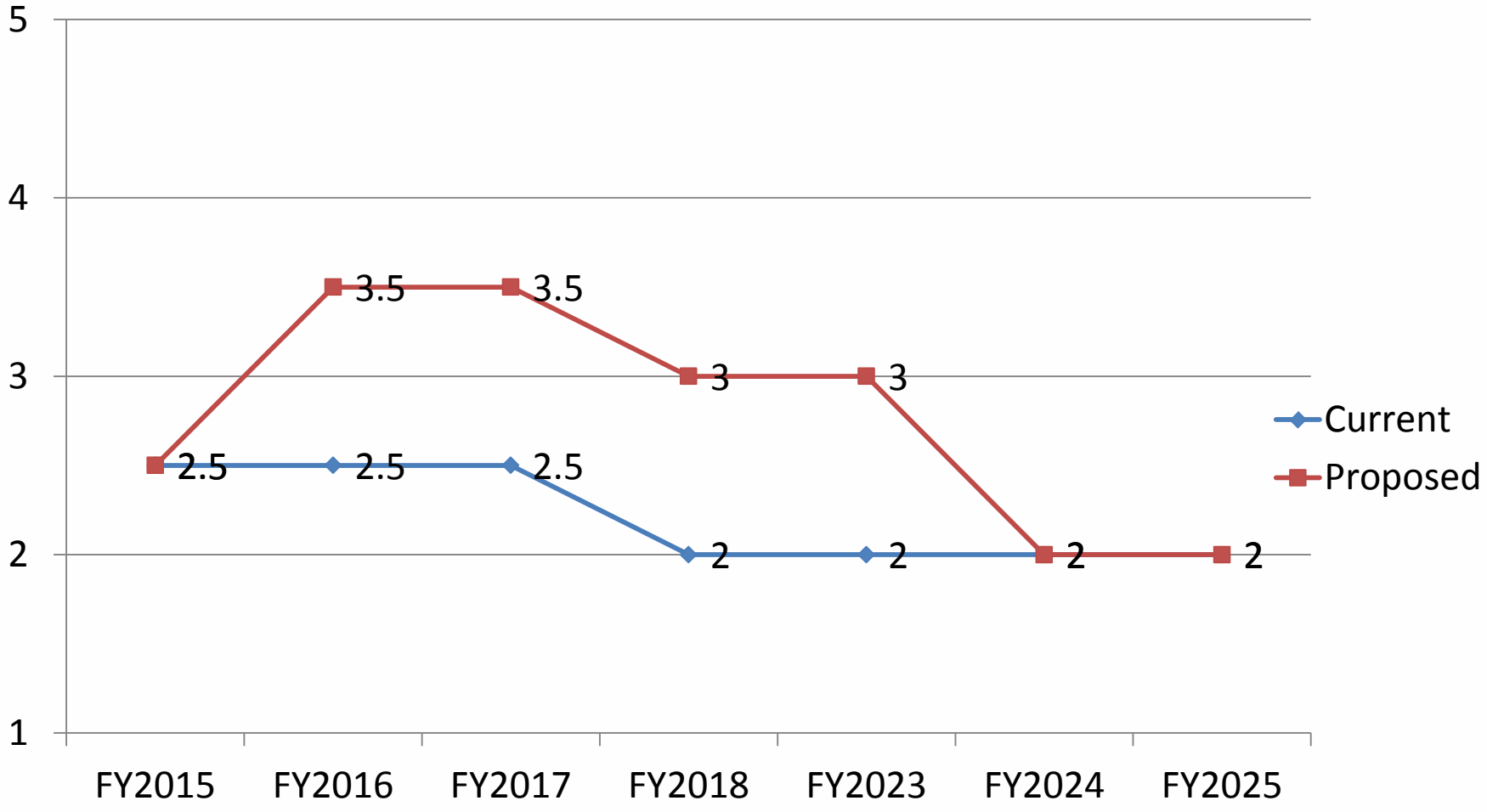
PROPOSAL

- Temporary 1% Sales tax Increase
  - Same rate as in 2010 through 2013 with Arizona Rate
  - .01 cent per dollar
  - .5% will sunset in 2018
    - This will make the tax increase .5% or .50 cents per $100 less.
  - New 1% increase to Sunset in 2022 or not more than 8 years
    - Will drop the rate to 2%

Arizona City Sales Tax Rates



City Sales Tax Proposal



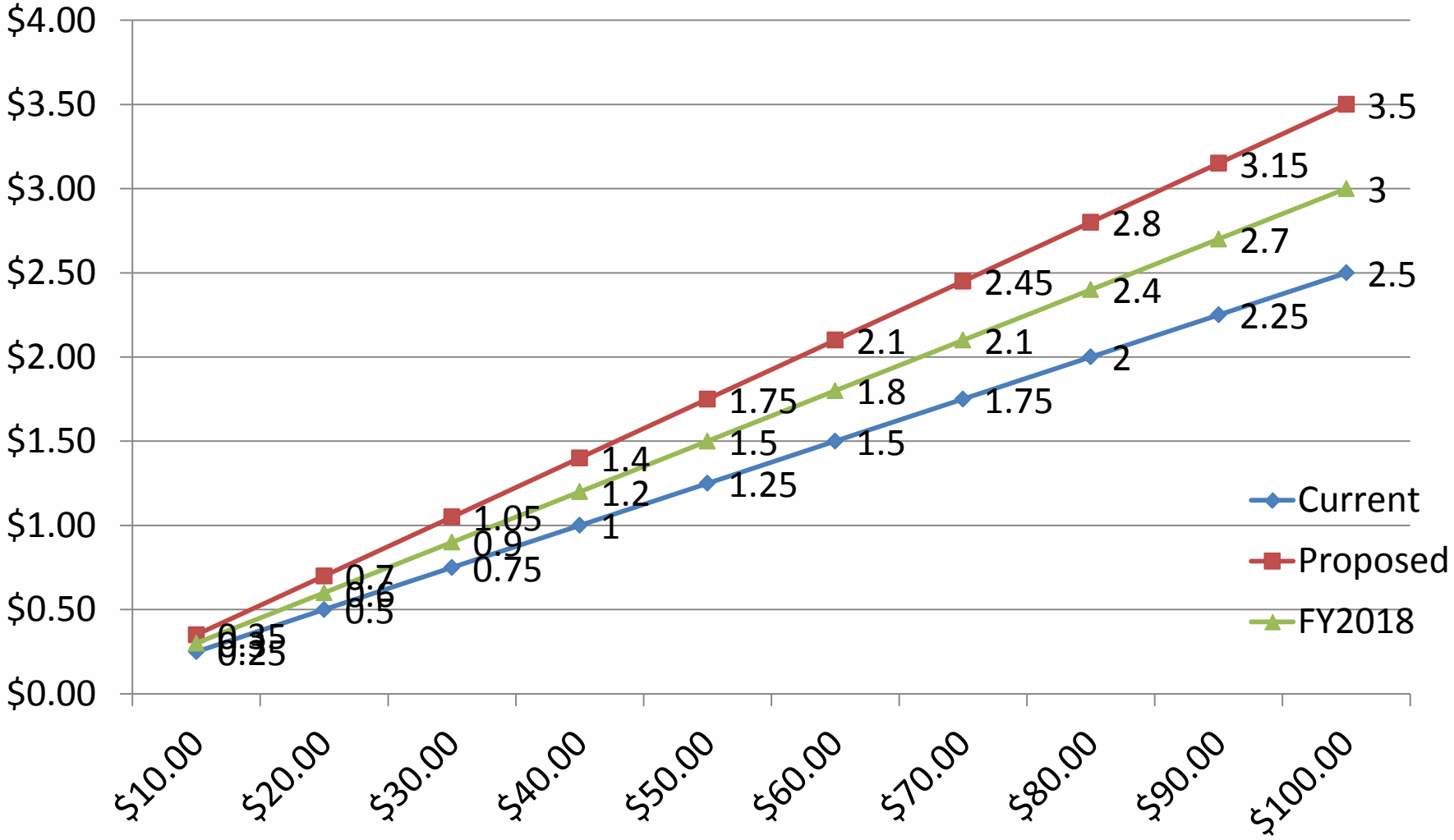
Proposal

- .01 cent Per Dollar
  - Will Stabilize City Of Benson
  - Restores Most Services
  - Restores Police Department
  - Stops City Wide Furloughs
  - Balance budget after State Sweep
  - Increase Reserve Funds

1% Increase Effect

- Buy Groceries in Tucson at Houghton/Old Vail Road
  - Average Gas price 2.44 per Gallon (non-premium)
  - 32 Miles One way to Wal-Mart Houghton/ Old Vail Road.
  - Average Car gets 25 miles per gallon
  - (64miles/25 gallons) x 2.44=$6.25 in Fuel costs
  - $6.25 for one trip: a person would have to spend over $600.00 in food to save the increase in sales tax dollars.
  - Would have to spend over $200 in groceries to breakeven with the full increase tax rate of 3.5%—does not include the time lost for the 1 hour round trip.

City Sales Tax
Cost Per $10 Spent



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- Duncan Valley Electric- Natural Gas. www.dvec.org
- Green Valley Community Water. www.communitywater.com
- Metro Water District. www.metrowater.com
- Southwest Gas Corporation. www.swgas.com
- UnisourceEnergy Services. *www.uesaz.com*
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