

**WORK SESSION**

**AGENDA ITEM 7**



**City of Flagstaff**  
***Intergovernmental Affairs Program***  
***2011 State Legislative Agenda***

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Protect revenue sharing percentages and sources

- State shared **income tax** has dropped 35.5% for Flagstaff in last two years.
- State shared **sales tax** has dropped 26.1% for Flagstaff in last four years.
- For FY2011, state shared revenue represents 25% of the General Fund's ongoing revenue.
- Census data is already expected to decrease state shared revenue to Flagstaff. Every 1/100<sup>th</sup> of a percent decrease in percent of the State's population reduces revenue sharing by \$83,900.
- Flagstaff's sales tax has shrunk 31% in this recession.
- Revenue from building activity has shrunk 39% during the recession.
- Flagstaff has cut 20% of its budget, 64% of which is personnel related, in last two years.
- The State has swept millions from the HURF fund requiring us to bond for street repairs.
- Every million dollar decrease in Flagstaff's budget closes one fire station.
- **Our piece of the pie has already shrunk!**
- **A deal was made between cities and the State.**

Retain and enhance economic development tools

- Job creation happens principally in cities;
  - Incubator created 108 job last year paying an average of \$85,000
  - Purina GPLET produced 30 jobs and added 100,000sq.ft. of space
  - Joy Cone GPLET produced 15 jobs and added 65,000sq.ft. of space
- Flagstaff entered a cooperative with GPEC, TRIO, and Yuma to attract businesses from California. While some interest, Arizona is losing business attraction opportunities to other states who offer incentives;
- Our existing firms are being lured by states who offer incentives;
- Blanket tax cuts not as effective as specific cuts for investment and job creation;
- Job creation doesn't happen just from the "Big Hunt" (i.e. attracting a firm from another state). We need to grow our own. Incentives such as GPLET's, enterprise zones, and Tax Increment Financing (TIF's) in the right direction.

Request and encourage the Arizona State Legislature to establish the mechanism for the creation of sustainable energy financing district authority

- Need financial tools to assist residential and business to convert to alternative energy sources.
- Conventional banks rarely lend on these projects.
- Conventional lending wants 5-7 year pay-off.
- A district allows property owners to finance the equipment in their property taxes over 20 years.
- Equipment stays with the property
- All voluntary. No mandatory participation.

## Water

- Water is critical to Flagstaff
- Bureau of Reclamation appraisal study for Coconino Plateau shows Flagstaff will need approximately 16,500 AF at build-out.
- Working with the Legislative Water Resource Development Commission
- A state-wide framework for acquiring water resources so Rural's aren't left with the most expensive water in the state.
- City is supportive but not yet a signer of the Northeast Arizona Water Settlement.
  - With Navajo Nation approval, looks more promising that State legislation may be in this session.
  - Western Navajo Pipeline could change everything for the Coconino Plateau—quality of life, economic development, reliability.
  - BOR has granted the first \$500,000 in feasibility dollars for pipelines on the Plateau to the WAC.
  - Flagstaff is providing the largest portion of the required match for the feasibility study.
  - Flagstaff has some issues to resolve with the settlement, but expect to be a signer.
  - We will keep you posted.