

Maricopa County Transportation Excise Tax

**Fiscal Year 2010
Year-End Report**

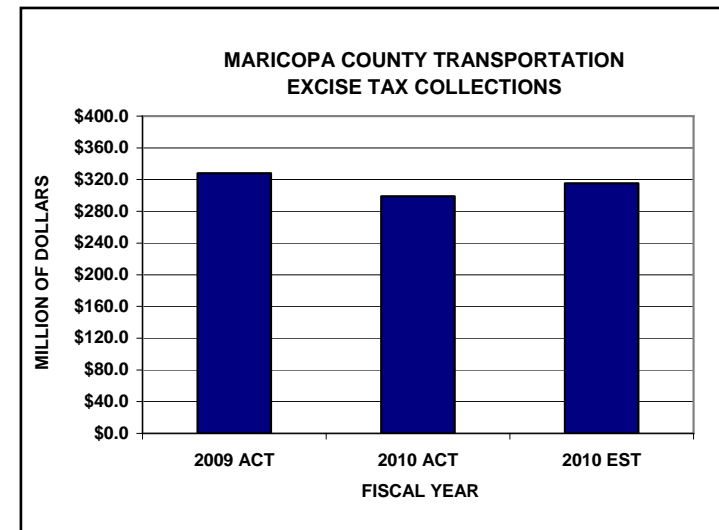


**Arizona Department of Transportation
Financial Management Services
Office of Financial Planning
July 2010**

MARICOPA COUNTY TRANSPORTATION EXCISE TAX EXECUTIVE SUMMARY

The Maricopa County Transportation Excise Tax, often referred to as the “1/2 cent sales tax” is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300, transportation excise tax revenues were deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account were the principal source of funding for the Regional Freeway System in Maricopa County and were dedicated by statute to the purchase of right-of-way, design and construction of controlled access highways through December 31, 2005. In November 2004, the Maricopa County voters approved Proposition 400, Maricopa County Transportation Excise Tax, which extended the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension is used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail.

The Maricopa County Transportation Excise Tax collections totaled \$299.0 million in FY 2010, a decrease of 8.9 percent from FY 2009 and 5.2 percent below the forecast. The decline in FY 2010 revenues was the third consecutive year of negative year-over-year growth for the RARF revenues. All RARF revenue categories, except utilities and other, posted year-over-year negative growth in FY 2010. High unemployment, weak residential and commercial construction markets, along with slower population growth in Maricopa County have continued to impact the RARF collections negatively. RARF revenues have now fallen back nearly to the FY 2004 revenue level.



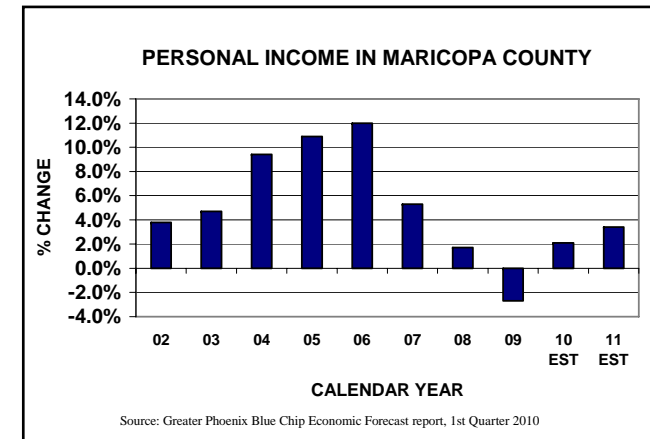
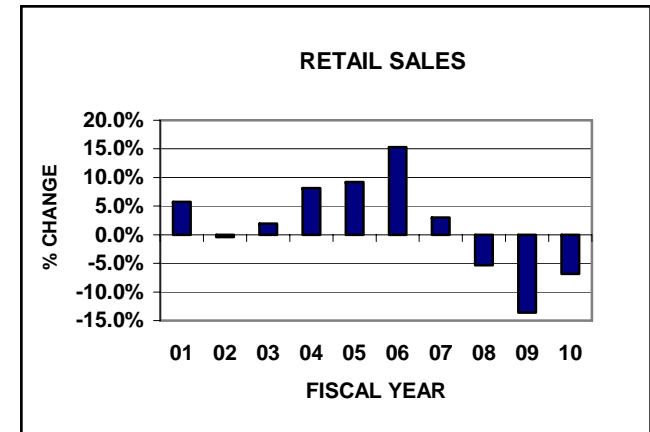
PERFORMANCE BY CATEGORY

RETAIL SALES:

The retail sales collections for FY 2010 totaled \$143.2 million, a decrease of 6.8 percent from FY 2009 and 4.5 percent below the estimate. After starting FY 2010 with four consecutive months of double digit negative year-over-year growth, the Maricopa County retail sales collections stabilized from November to February and then posted small positive year-over-year gains from March through June.

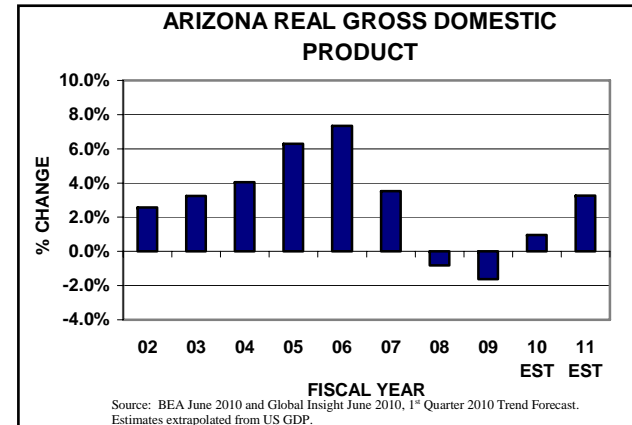
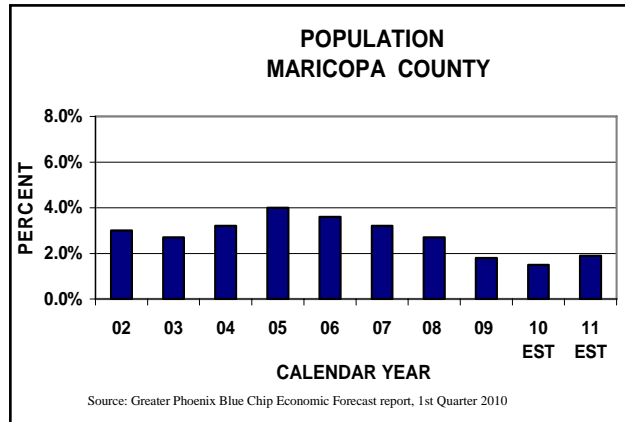
The “cash for clunkers” program, first-time home buyer tax credits and historically low interest rates have failed to spur Maricopa County consumer spending. Consumers curbed their discretionary spending due to uncertain job security and much lower home values.

The main factors used to forecast retail sales are per capita personal income and Arizona gross domestic product. The first quarter 2010 Greater Phoenix Blue Chip report noted that Maricopa County personal income is expected to increase from a negative 2.7 percent in CY 2009 to 2.1 and 3.4 percent in CY 2010 and 2011, respectively. The report also mentioned that the estimated growth rate for population was expected to decrease from 1.8 percent in CY 2009 to 1.5 percent in CY 2010 and 1.9 percent in CY 2011. According to the U. S. Bureau of Economic Analysis, Arizona real gross domestic product decreased 1.6 percent in FY 2009 after a 0.8 percent decrease in FY 2008. With the national economy improving and the Arizona economy stabilizing, the Arizona real gross domestic product is expected to return to positive growth of 1.0 percent in FY 2010 followed by an increase of 3.3 percent in FY 2011.



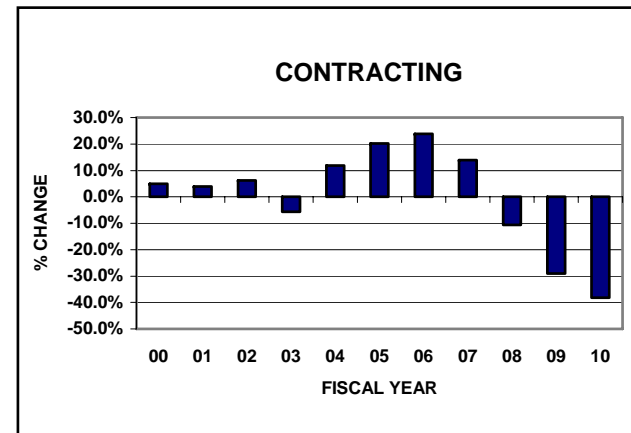
RETAIL SALES: Continued

Looking forward, the retail sale collections for FY 2011 are expected to improve modestly as the Maricopa County economy is expected to continue to recover at a slower pace in the second half of CY 2010.

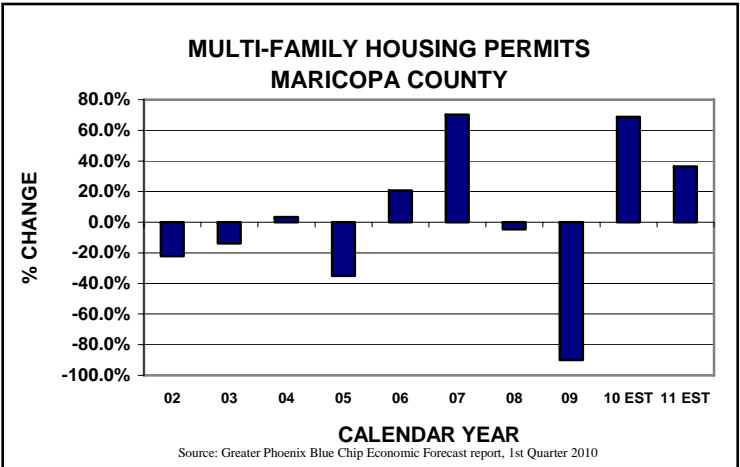
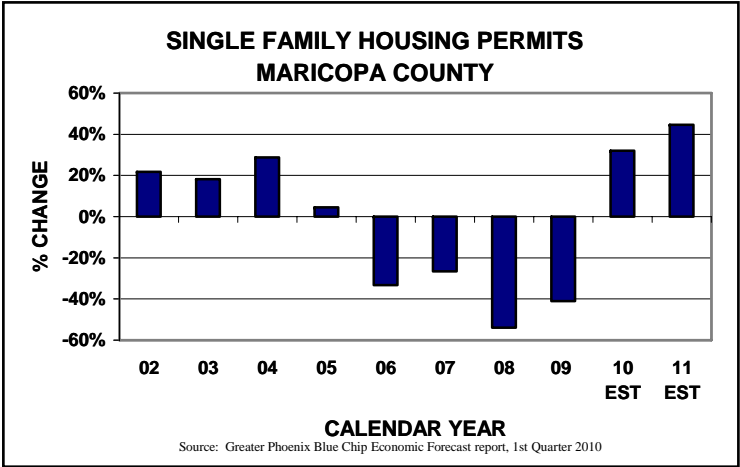


CONTRACTING:

Contracting revenues decreased from \$46.9 million in FY 2009 to \$28.9 million in FY 2010, a decrease of 38.2 percent and 29.0 percent below the forecast. The contracting revenue category finished the fiscal year at the FY 1997 collections level. The continued downturn in the residential and commercial real estate markets has affected the contracting category. In the July 15, 2010 Arizona Workforce Employment report, the Arizona Department of Commerce reported that the losses in construction job were in the building, heavy construction and specialty trade area from June 2009 to June 2010. The losses in construction employment have led to an exodus of workers from Maricopa County and is not expected to improve until FY 2012.



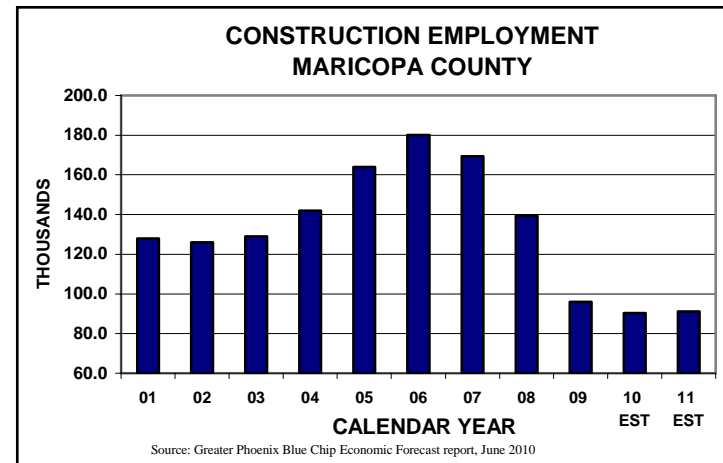
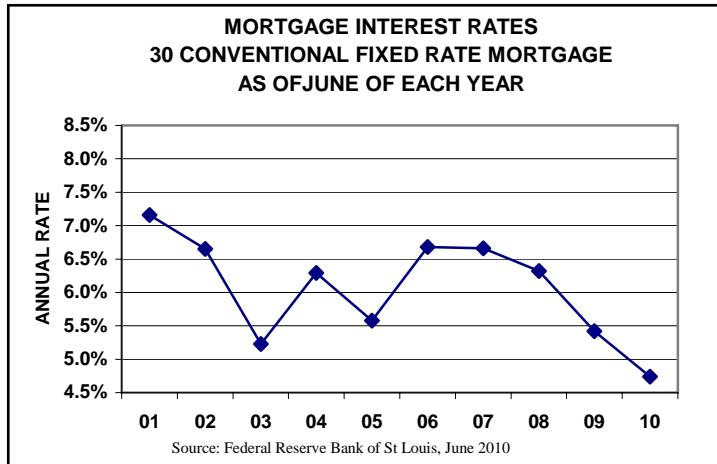
According to the Crowsord.com, an active listing of residential properties for sale web site, there were approximately 42,000 residential properties for sale in Maricopa County in July 2010. Low interest rates, first-time home buyers tax credit and affordable home prices have helped to reduce the inventory. The Greater Phoenix Blue Chip expert panel believes that CY 2009 was the bottom of the housing market. The panel expects single family housing permits to increase from a negative 41.0 percent in CY 2009 to a positive 32.1 and 44.7 percent in CY 2010 and 2011, respectively. Multi-family housing permits decreased by a negative 90.0 percent in CY 2009 but are expected to increase by 68.8 and 36.3 percent in CY 2010 and 2011, respectively. Vacancy rates for office buildings, retail and industrial spaces are expected to increase further in CY 2010. The office building, retail and industrial spaces vacancy rates rose from 24.5, 11.4 and 16.1 percent in CY 2009 to 25.7, 13.1 and 16.8 percent in CY 2010 and 24.3, 12.9 and 15.8 percent for CY 2011, respectively. The commercial sector has suffered due to the prolonged economic downturn which resulted in higher loan defaults and significantly tighter credit.



With the high unemployment rate and low inflation environment, the Federal Reserve had little urgency to raise interest rates in CY 2010. The central bank has kept interest rates low to spur economic growth. The conventional 30-year fixed rate mortgage decreased to 4.7 percent in June 2010 from 5.4 percent in June 2009. A continuing low mortgage rate environment should help the housing sector once the employment picture improves.

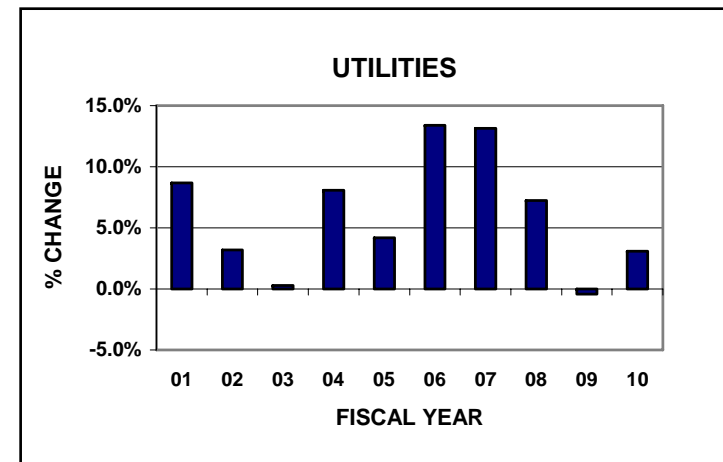
CONTRACTING: Continued

The first quarter 2010 Greater Phoenix Blue Chip report noted construction employment will decrease by 6.1 percent in CY 2010 before recovering to a positive 0.9 percent growth in CY 2011. CY 2009 saw construction employment decrease by 31.6 percent. Looking ahead, the residential housing sector is expected to do better than the commercial real estate market as more people are expected to find employment in CY 2011. Mr. Elliott Pollack of Elliot D. Pollack and Company, an economic and real estate consulting firm in Arizona, mentioned in the first quarter 2010 Greater Phoenix Blue Chip report that CY 2009 was the worst year for vacancy rates in commercial activity and will continue to be a drag on the economy in CY 2010 and CY 2011. He does not expect the commercial construction industry to recover any time soon.



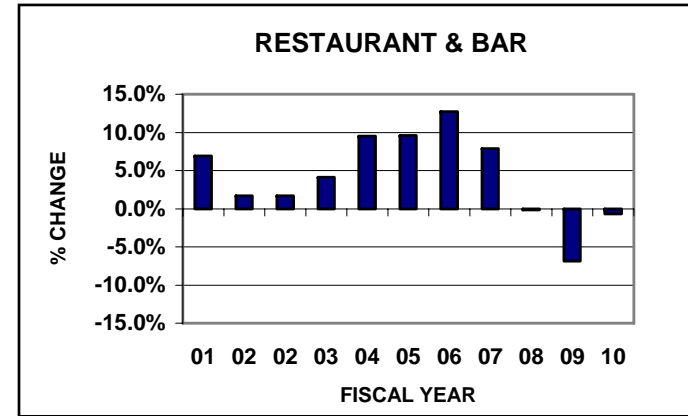
UTILITIES:

FY 2010 utilities collections were \$29.4 million, an increase of 3.1 percent from the prior year and 3.1 percent above the estimate. The increase in revenues was mainly due to the rate increases by the utility companies in FY 2010. However, the higher collections were offset by milder weather and poor economy.



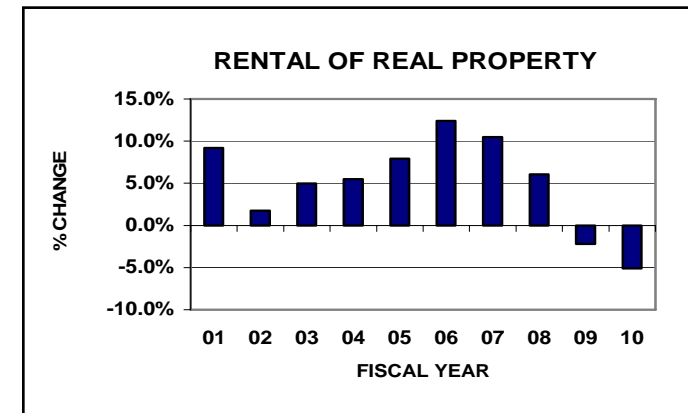
RESTAURANT AND BAR:

Restaurant and bar revenues totaled \$30.6 million in FY 2010, a decrease of 0.7 percent from FY 2009 but 1.2 percent above the estimate. The restaurant and bar revenue category posted slower growth in FY 2010 due mainly to higher unemployment and lower personal income. Maricopa County consumers remain cautious, but are willing to go to restaurants and bars on a less frequent basis.



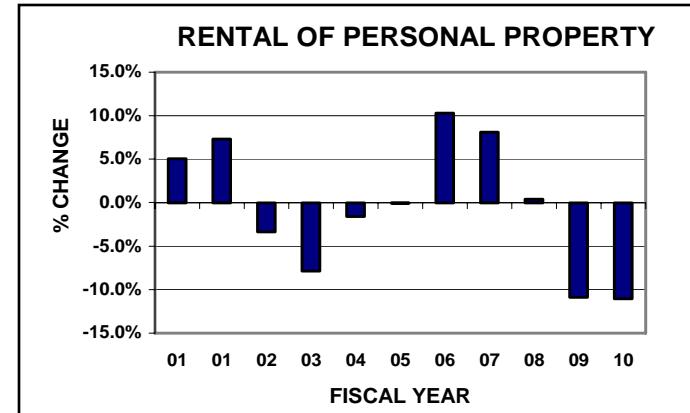
RENTAL OF REAL PROPERTY:

The rental of real property revenue in FY 2010 amounted to \$35.8 million, a 5.1 percent decrease below last year and 1.9 percent below the estimate. The rental of real property saw a slower growth rate in FY 2010 due mainly to the economic slowdown which has impacted both business and leisure travel. Also, the excess supply of rooms due in part to new hotels have negatively impacted room rates. The Smith Travel Research firm noted Phoenix had the second largest decline in revenue per available room, a key hotel measure that factors in room rates, supply and occupancy levels, among the top 25 U.S. markets in the lodging industry during the winter of CY 2009 according to an article in the Arizona Republic on February 10, 2010.



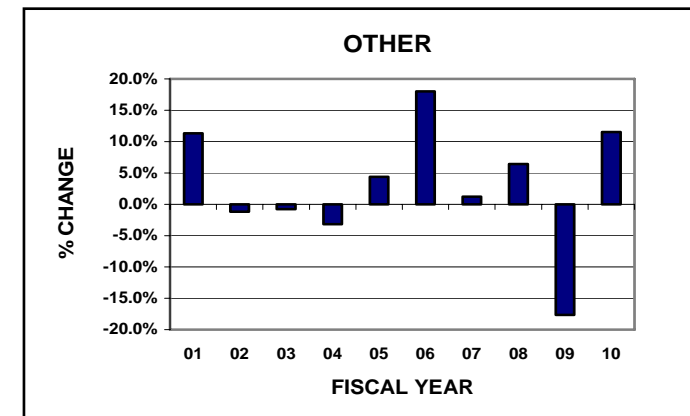
RENTAL OF PERSONAL PROPERTY:

For FY 2010, the rental of personal property collections amounted to \$11.9 million, a decrease of 11.0 percent below last year and 7.8 percent lower than the estimate. This category includes rental of vehicles, business and construction equipment leasing and rental of tangible personal properties. The rental of personal property revenue category has been negatively impacted by the recession and the collapse in the commercial and industrial construction sectors.

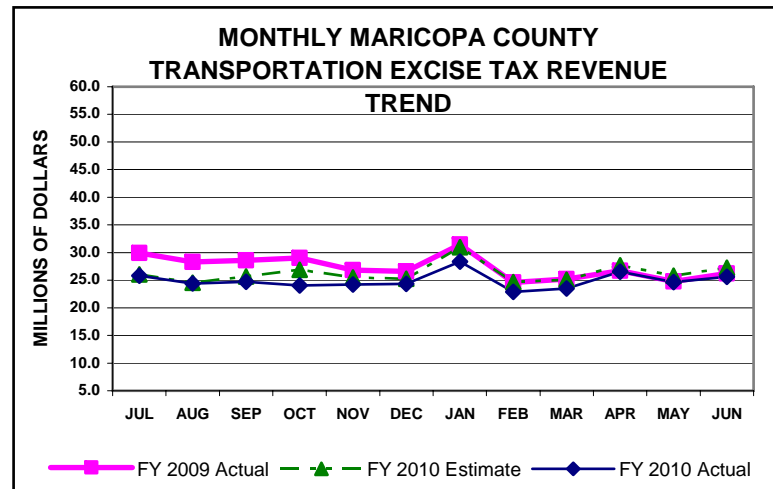
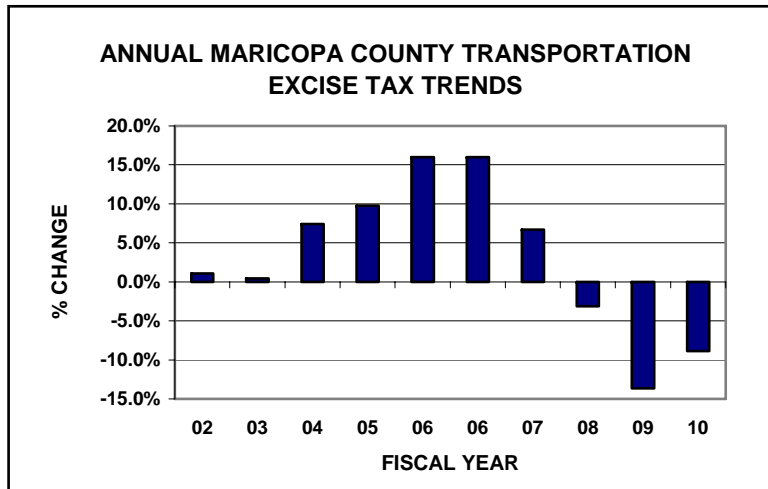


OTHER:

In FY 2010, the “other” revenues totaled \$19.1 million, an increase of 11.5 percent from FY 2009 and 16.6 percent above the forecast. In FY 2010, there was a one-time revenue adjustment of \$2.3 million from the retail sales revenue category to the “other” revenue category for prior periods revenue. The “other” revenue category includes collections from towing and transportation, communications, railroad and aircraft, private rail and pipeline, publishing, printing, amusement, jet fuel tax and miscellaneous other revenues.



REVENUE TREND ANALYSIS



FY 2010 saw all revenue categories, except utilities and other, negatively impacted by the recession, high unemployment, depressed real estate market and lower population growth in Maricopa County. This represents the third consecutive year of negative year-over-year growth for the Maricopa County transportation excise tax collections. Revenue collections continued to be pressured by the poor performance in the contracting revenue category; however, retail sales revenue collections seem to have stabilized in FY 2010.

On a monthly basis, the transportation excise tax revenues continued to follow a consistent trend with sharp increases in revenues in January and April due to holiday retail sales, college football bowl games, Cactus League baseball spring training and winter visitors.

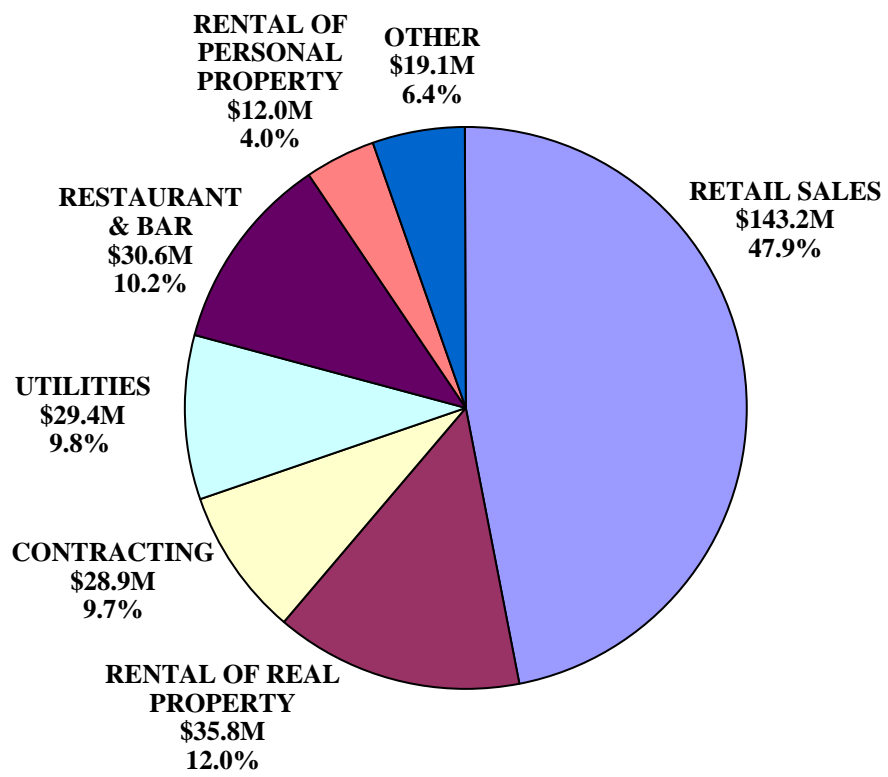
REVENUE PERFORMANCE

MARICOPA COUNTY TRANSPORTATION EXCISE TAX

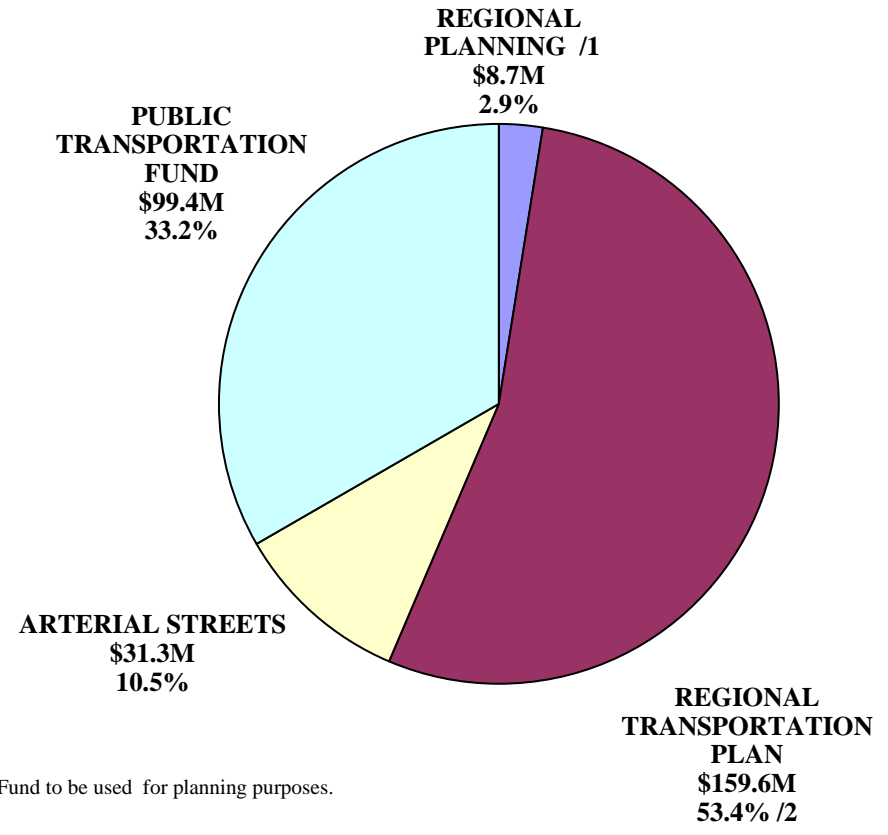
FY 2010 ACTUAL

TOTAL= \$299.0 MILLION

SOURCES



DISTRIBUTIONS



Note: 1/ Funds split evenly between Maricopa Association of Government and the Public Transportation Fund to be used for planning purposes.
 2/ Percentage variance due to Prop. 300 collections.
 Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE COMPARISON STATEMENT FY 2009 AND 2010

CATEGORY	FY 2009 ACTUAL	FY 2010 ACTUAL	CHANGE	FY 2010 ESTIMATE	CHANGE
RETAIL SALES	\$153,681,000	\$143,204,938	-6.8%	\$149,900,000	-4.5%
CONTRACTING	\$46,865,099	\$28,952,861	-38.2%	40,800,000	-29.0%
UTILITIES	\$28,510,606	\$29,385,405	3.1%	28,500,000	3.1%
RESTAURANT & BAR	\$30,762,755	\$30,557,645	-0.7%	30,200,000	1.2%
RENTAL OF REAL PROPERTY	\$37,757,332	\$35,824,612	-5.1%	36,500,000	-1.9%
RENTAL OF PERSONAL PROPERTY	\$13,469,970	\$11,983,058	-11.0%	13,000,000	-7.8%
OTHER	\$17,138,956	\$19,115,032	11.5%	16,400,000	16.6%
TOTAL	\$328,185,718	\$299,023,551	-8.9%	\$315,300,000	-5.2%

NOTE: Division of collections to business categories is imputed based upon reported taxable income.
Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUES COLLECTED BY CATEGORY FY 1986 – 2010 (Dollars in Thousands)

FISCAL YEAR	RETAIL SALES	CONTRACTING	UTILITIES	RESTAURANT & BAR	RENTAL REAL PROPERTY	RENTAL PERSONAL PROPERTY	OTHER	TOTAL	PERCENT CHANGE
1986 *	\$19,244	\$5,716	\$3,073	\$3,682	\$1,923	\$1,733	\$1,615	\$36,986	
1987	48,085	14,849	8,542	7,579	6,822	4,172	4,782	94,831	N/A
1988	51,405	14,188	9,535	8,379	5,994	4,728	4,961	99,190	4.6%
1989	53,927	13,947	10,336	8,795	8,952	4,883	5,410	106,250	7.1%
1990	55,798	13,286	10,685	9,282	10,808	5,289	5,653	110,801	4.3%
1991	56,769	12,715	11,353	9,655	11,091	5,708	6,044	113,335	2.3%
1992	59,108	11,688	10,999	10,280	11,707	6,043	6,671	116,496	2.8%
1993	64,033	13,385	11,874	11,171	12,993	6,672	7,145	127,273	9.3%
1994	72,737	17,039	12,680	12,166	13,414	7,002	7,808	142,846	12.2%
1995	81,546	21,107	13,132	13,291	14,660	8,198	8,384	160,318	12.2%
1996	90,454	24,284	14,198	14,739	16,822	8,734	9,183	178,413	11.3%
1997	96,281	26,948	14,583	15,821	18,298	10,074	10,252	192,257	7.8%
1998	104,073	30,610	15,101	16,917	19,552	11,539	11,472	209,263	8.8%
1999	113,528	35,632	15,680	18,304	20,266	12,787	13,272	229,470	9.7%
2000	124,428	37,384	16,437	20,005	22,080	13,434	14,827	248,596	8.3%
2001	131,608	38,820	17,862	21,395	24,112	14,416	16,510	264,722	6.5%
2002	131,393	41,218	18,432	21,748	24,529	13,928	16,314	267,563	1.1%
2003	133,922	38,894	18,485	22,646	25,747	12,834	16,192	268,721	0.4%
2004	144,817	43,524	19,980	24,807	27,163	12,631	15,678	288,600	7.4%
2005	158,179	52,325	20,813	27,191	29,310	12,624	16,364	316,806	9.8%
2006	182,378	64,822	23,600	30,656	32,949	13,923	19,309	367,637	16.0%
2007	187,817	73,864	26,697	33,073	36,398	15,053	19,548	392,452	6.7%
2008	177,845	66,046	28,630	33,021	38,605	15,111	20,808	380,066	-3.2%
2009	153,681	46,865	28,511	30,763	37,757	13,470	17,139	328,186	-13.7%
2010	143,205	28,953	29,385	30,558	35,825	11,983	19,115	299,024	-8.9%
TOTAL	\$2,636,260	\$788,110	\$410,603	\$455,925	\$507,779	\$246,970	\$294,457	\$5,340,102	

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 2010) = 5.1%

*The tax (Prop. 300) became effective January 1, 1986 and was extended (Prop. 400) on January 1, 2006 for another 20 years.

Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE DISTRIBUTION

FY 1986 – 2010

(Dollars in Thousands)

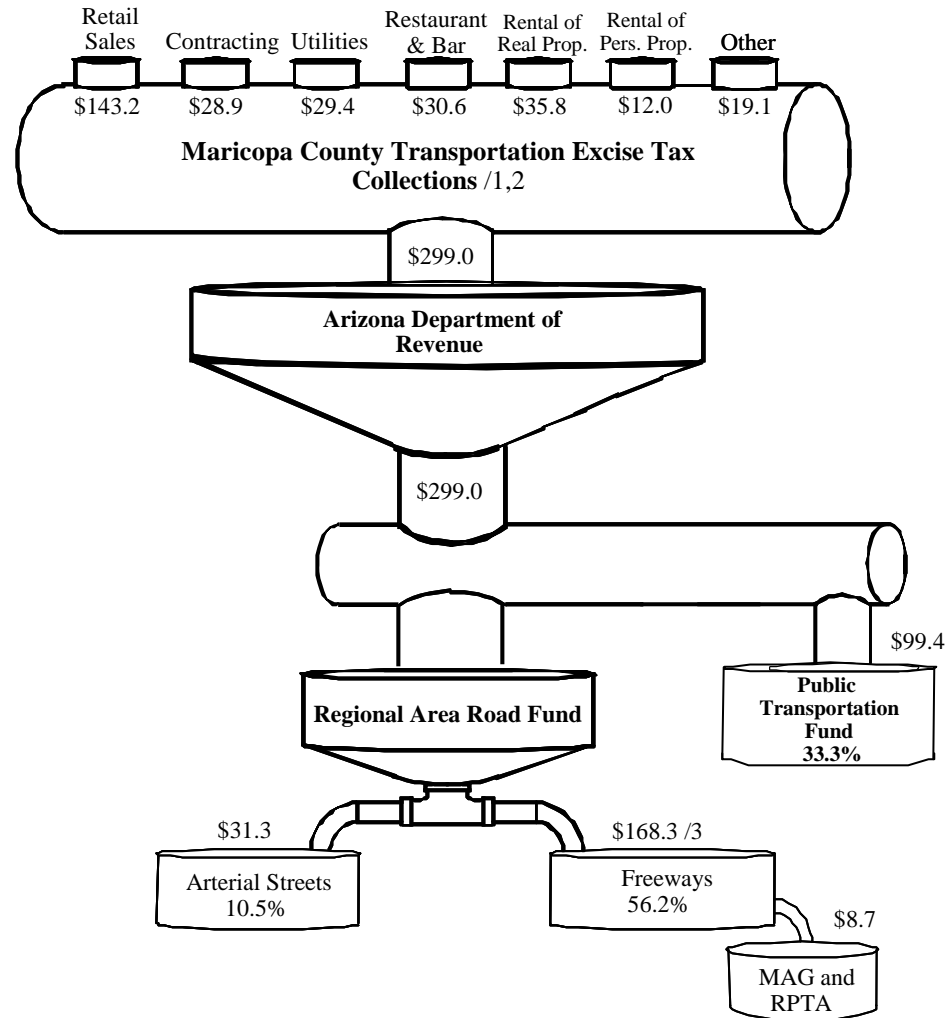
FISCAL YEAR	REGIONAL AREA ROAD FUND			PUBLIC TRANSPORTATION FUND	TOTAL
	FREEWAYS	RPTA/MAG /2	ARTERIAL STREETS		
1986/1	\$36,986				\$36,986
1987	89,831	\$5,000			94,831
1988	94,056	5,135			99,190
1989	100,963	5,287			106,250
1990	105,325	5,477			110,801
1991	107,652	5,683			113,335
1992	110,579	5,917			116,496
1993	121,141	6,132			127,273
1994	136,553	6,293			142,846
1995	153,864	6,454			160,318
1996	171,826	6,587			178,413
1997	185,507	6,750			192,257
1998	202,380	6,883			209,263
1999	222,450	7,020			229,470
2000	241,505	7,091			248,596
2001	257,529	7,194			264,722
2002	260,222	7,341			267,563
2003	261,219	7,502			268,721
2004	281,012	7,588			288,600
2005	309,092	7,713			316,806
2006/3	292,487	7,877	\$16,127	\$51,146	367,637
2007	213,119	8,095	41,050	130,188	392,452
2008	205,576	8,334	39,832	126,324	380,066
2009	176,235	8,555	34,376	109,020	328,186
2010	159,604	8,742	31,327	99,351	299,024
Total	\$4,496,710	\$164,651	\$162,712	\$516,029	\$5,340,102

- Notes: 1/ The Maricopa County transportation excise tax became effective on January 1, 1986 per Prop. 300. Prop. 300 collections total \$3,790 million but will change over time due to adjustments, refunds and audits.
- 2/ The Regional Public Transportation Authority received a portion of the excise tax funds for transit costs through December 31, 2006. On January 1, 2007 these funds are distributed evenly to the Maricopa Association of Governments and the Public Transportation Fund to be used for planning purposes per Prop. 400. These funds are netted from the Freeway funds.
- 3/ The Prop. 400 became effective on January 1, 2006 and the distributions are as follows: Freeways, 56.2%; Arterial Streets, 10.5%; and Public Transportation Fund, 33.3%. Prop. 400 collections total \$1,550 million from date of inception.
- Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX

FY 2010 ACTUAL REVENUE DISTRIBUTION FLOW

(Millions of Dollars)



NOTES:

/1. Prop 300 expired on December 31, 2005 and Prop. 400 became effective on January 1, 2006. FY 2010 collections and distributions are a mix of both Prop. 300 and Prop. 400. Prop. 300 monies will continue over time due to adjustments, refunds and audits.

/2. Under Prop. 400, the Regional Area Road Fund (ADOT) receives the Freeways 56.2% and the Arterial Streets 10.5% revenues. MAG programs projects for the Arterial Streets 10.5% monies and then bills ADOT for the costs.

/3. A portion of the Freeways 56.2% monies are distributed equally to MAG and the Public Transportation Fund to be used for planning purposes.

ARIZONA TRANSACTION PRIVILEGE TAX EXCISE TAX RATES FY 2010

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	46.83%	5.00%	0.50%
Contracting	14.28%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	11.50%	1.82% *	0.512%
Restaurants and Bars	9.37%	5.00%	0.50%
Utilities	8.69%	5.00%	0.50%
Rental of Personal Property	4.10%	5.00%	0.50%
Communication	2.99%	5.00%	0.50%
Amusements	1.19%	5.00%	0.50%
Publishing and Printing	0.49%	5.00%	0.50%
Other	0.56%	5.00%	0.50%
Mining	0.00%	3.125%	0.3125%
Wholesale Feed	0.00%	0% **	0.00%

* In 1990 and 1993, legislation reduced the transaction privilege tax rate for real property rentals; however, for transportation excise tax purposes, the rate was retained at its prior level.

** In 1994, legislation repealed the transaction privilege tax for livestock and poultry feed, salts, vitamins and other additives for livestock and poultry. The tax rate was reduced to zero on July 17, 1994 and then the tax classification was repealed on October 1, 1994.

REVENUE CATEGORY DEFINITIONS

RETAIL SALES	Includes retail sales of automobiles, durable goods and other general merchandise, apparel, building materials, furniture and other tangible personal property. The tax on food was repealed in July, 1980.
CONTRACTING	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
UTILITIES	Includes producing and/or furnishing to consumers electricity, natural or artificial gas and water.
RESTAURANT AND BAR	Includes operations of restaurants and drinking establishments.
RENTAL OF REAL PROPERTY	Includes leasing or renting real property, hotels and motels.
RENTAL OF PERSONAL PROPERTY	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
OTHER	Includes intrastate transportation of persons, freight or operations of property, intrastate telecommunication services, intrastate operation of pipelines for oil or natural or artificial gas, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, operations of amusement places and miscellaneous other revenues