

Maricopa County Transportation Excise Tax

Fiscal Year 2011 Year-End Report

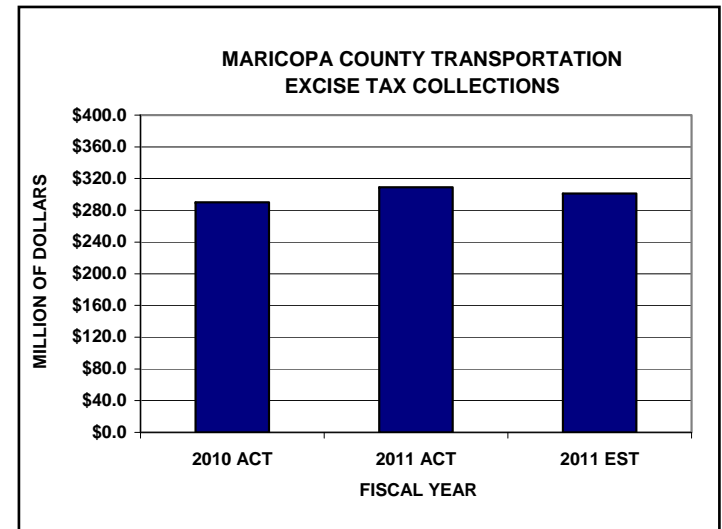


Arizona Department of Transportation
Financial Management Services
Office of Financial Planning
July 2011

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.

FY 2011 Maricopa County Transportation Excise Tax revenues amounted to \$309.2 million, an increase of 3.4 percent over FY 2010 and 2.7 percent above the estimate. RARF collections ended the year with nine consecutive months of year-over-year growth. With the improvement in the hospitality and tourism industries, along with modest increases in employment and personal income, RARF revenues finished the year with a positive gain for the first time since FY 2007.

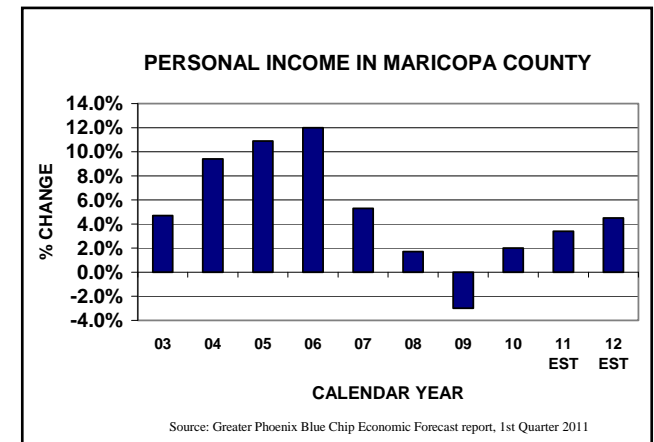
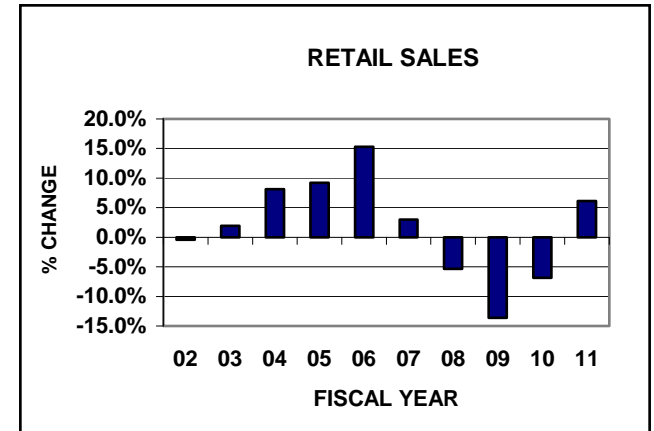


PERFORMANCE BY CATEGORY

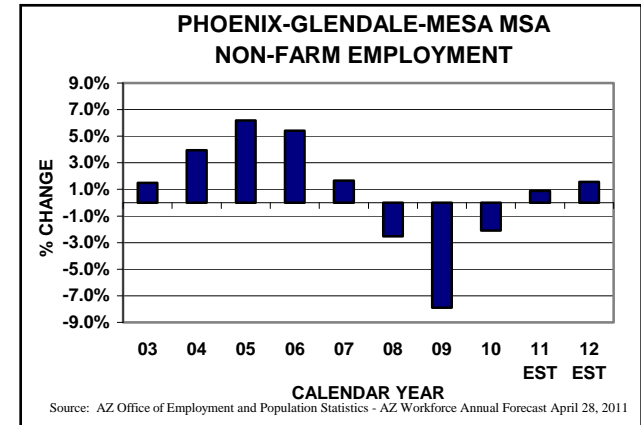
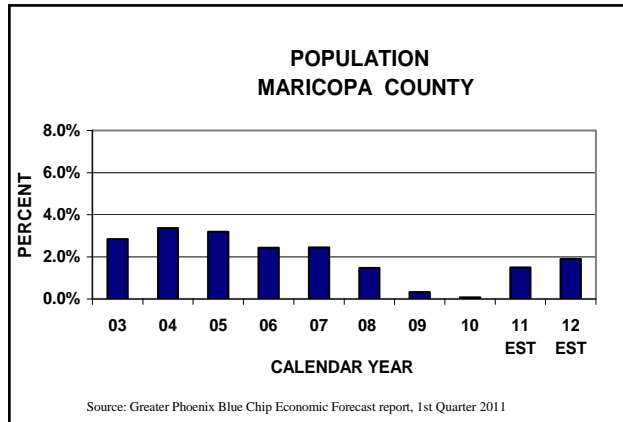
RETAIL SALES:

Retail sales collections increased from \$143.2 million in FY 2010 to \$152.0 million in FY 2011, an increase of 6.1 percent and 4.0 percent over the estimate. Maricopa County consumers were very cautious in their spending for the first five months of the fiscal year but were willing to spend more as they gained confidence in the economy with the employment outlook looking better than CY 2010. However, the sharp increases in fuel and food prices in the last quarter did reduce consumers disposable income.

Maricopa County retail sales are affected by the growth in personal income, population and non-farm employment. The Greater Phoenix Blue Chip dated June 18, 2011 reported a negative personal income growth rate of 3.0 percent in CY 2009 and a positive growth rate of 2.0 percent in CY 2010. The Greater Phoenix Blue Chip panel members expect personal income to continue to increase at 3.4 and 4.5 percent in CY 2011 and CY 2012, respectively. According to the Arizona Office of Employment and Population Statistics, the Maricopa County population growth rate for CY 2009 and CY 2010 was 0.3 and 0.8 percent, respectively, and is forecast to increase by 1.5 percent in CY 2011 and 1.9 percent in CY 2012. The Arizona Workforce report dated April 28, 2011 noted that non-farm employment growth rates for CY 2009 and CY 2010 declined 7.9 and 2.1 percent, respectively. However Maricopa County employers are expected to increase hiring leading to non-farm employment growth of 0.9 percent in CY 2011 and 1.6 percent in CY 2012.



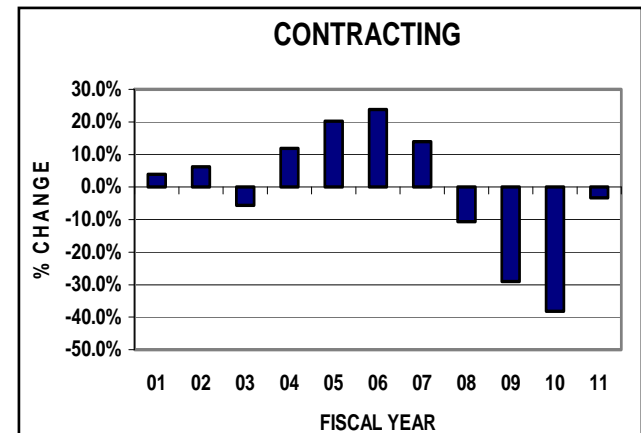
RETAIL SALES: Continued



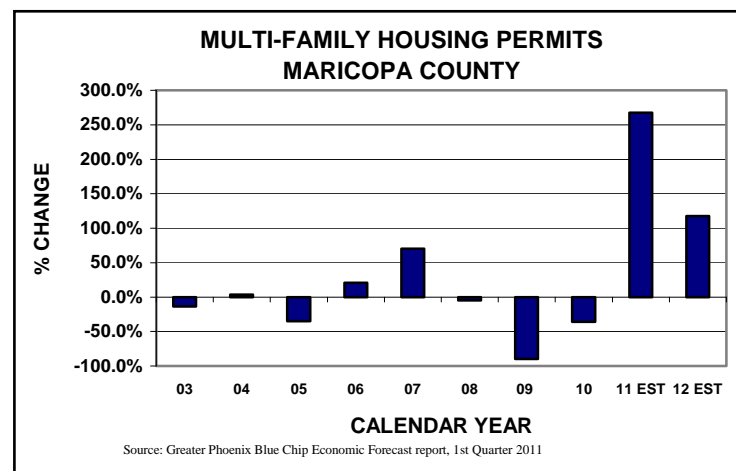
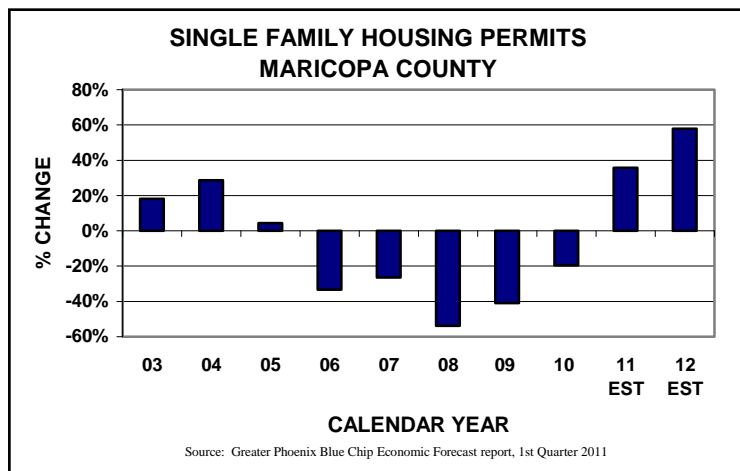
CONTRACTING:

FY 2011 contracting collections totaled \$28.0 million, a decrease of 3.2 percent from last year, but 1.9 percent above the estimate. The contracting revenue category bottomed in December 2010 and ended FY 2011 with six consecutive months of year-over-year growth. However, concerns with falling home prices, the large inventory of unsold homes, and excess vacancy of retail and commercial office spaces will mean that any recovery will be slow.

The growth rate for single-family housing permits was negative 41.0 percent in CY 2009 and 19.6 percent in CY 2010. The Greater Phoenix Blue Chip expert panel forecasts single-family housing permits will increase by 35.8 percent in CY 2011 and 57.9 percent in CY 2012. The large increases are due



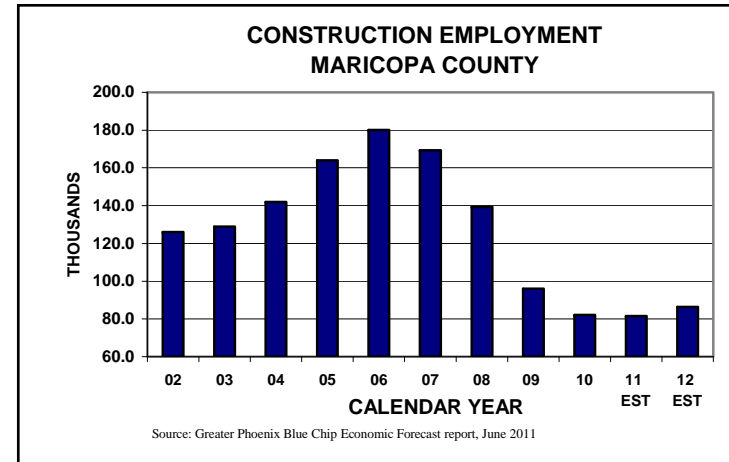
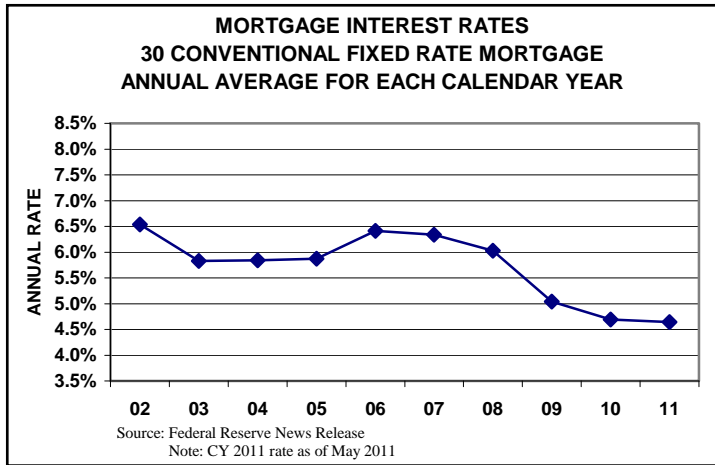
to the low single-family housing permit base. Due to the recession, the multiple family housing permits declined by 90.0 and 35.9 percent in CY 2009 and CY 2010, respectively. In the future, the panel estimates that multi-family housing permits will grow by 267.6 percent in CY 2011 and 117.8 percent in CY 2012. The estimates for the office, retail and industrial vacancy rates for CY 2011 are 24.6, 12.3 and 13.9 percent, respectively, and are expected to improve slightly in CY 2012 to 22.8, 11.4 and 12.3 percent, respectively. Excess inventories of vacant office, retail and industrial properties plagued metropolitan Phoenix in CY 2009 and CY 2010. As a result, the number of new commercial building construction starts are expected to be flat in CY 2011. Overall, the Greater Phoenix Blue Chip forecast for CY 2011 and CY 2012 estimates low employment and population growth with very strong growth in residential construction due to a smaller base along with little or no major construction projects expected in the office and commercial building sectors.



It should be noted that FY 2011 contracting revenue collections remained at the FY 1997-1998 revenue level and may take years of significant gains to reach the FY 2007 peak level. The Greater Phoenix Blue Chip panel members reported a decrease in construction employment in CY 2009 and CY 2010 of 31.1 and 14.4 percent, respectively. For CY 2011, the panel members expect negative growth of 0.9 percent before reversing to a positive gain of 6.1 percent in CY 2012.

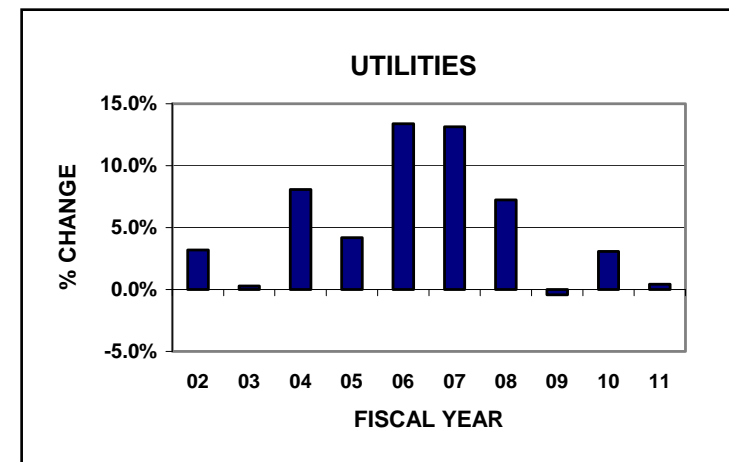
CONTRACTING: Continued

The Federal Reserve continued its policy of maintaining a low interest rate environment in CY 2010 and during the first half of CY 2011. The annual average conventional 30-year fixed mortgage rate decreased to 4.7 percent in CY 2010 from 5.0 percent in CY 2009. Even with the end of second round of quantitative easing by the Fed on June 30, 2011, Federal Reserve Chairman Ben Bernanke said that the Federal Reserve will keep interest rates low for an “extended period” if necessary.



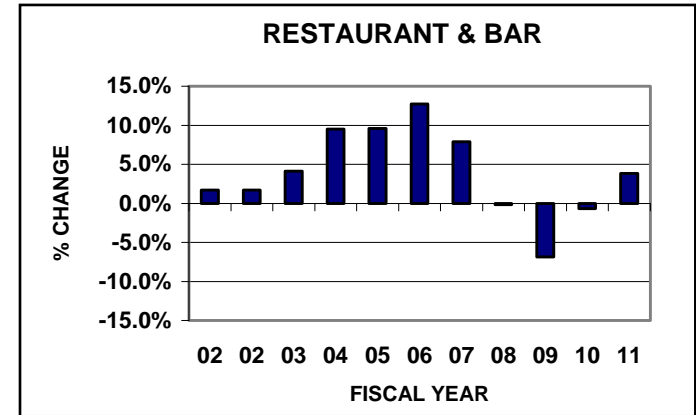
UTILITIES:

Utilities revenues for FY 2011 totaled \$29.5 million, an increase of 0.4 percent over FY 2010 but 0.6 percent below the estimate. Milder weather, no electric rate increases, and an excess supply of vacant residential homes and commercial business buildings pressured utilities revenues growth in FY 2011.



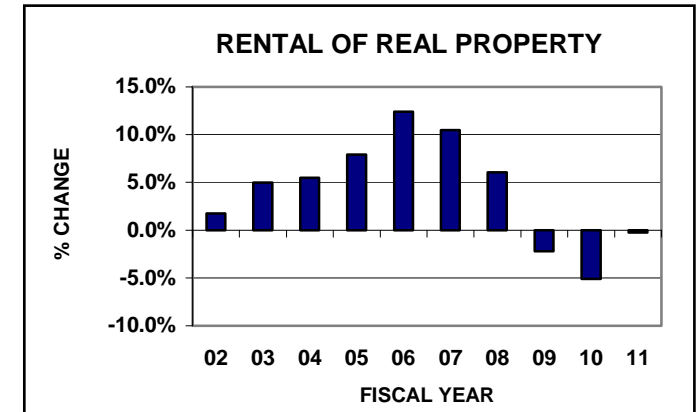
RESTAURANT AND BAR:

Restaurant and bar collections increased to \$31.7 million in FY 2011 compared to \$30.6 million in FY 2010. This represents an increase of 3.8 percent over last year and 0.7 percent above the forecast. The restaurant and bar revenue category benefitted from three college bowl games and a successful Cactus League spring training season with record attendance due to the relocation of two teams from Tucson to Phoenix.



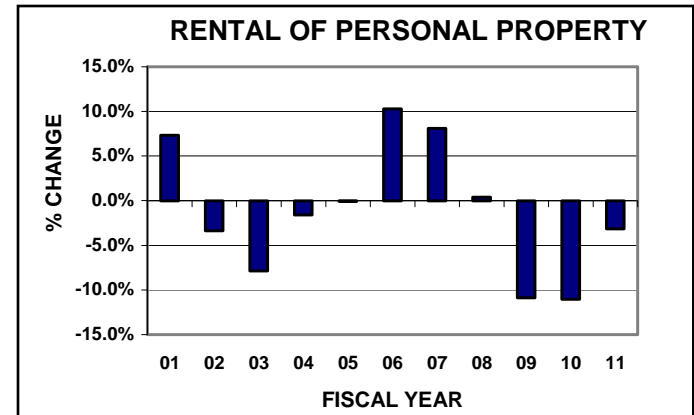
RENTAL OF REAL PROPERTY:

FY 2011 rental of real property revenue was \$35.7 million, a decrease of 0.3 percent from last fiscal year and 1.3 percent below the estimate. Unlike the last two years of negative growth in the hospitality industry due to the economic recession, the FY 2011 rental of real property revenue category posted flat revenue growth.



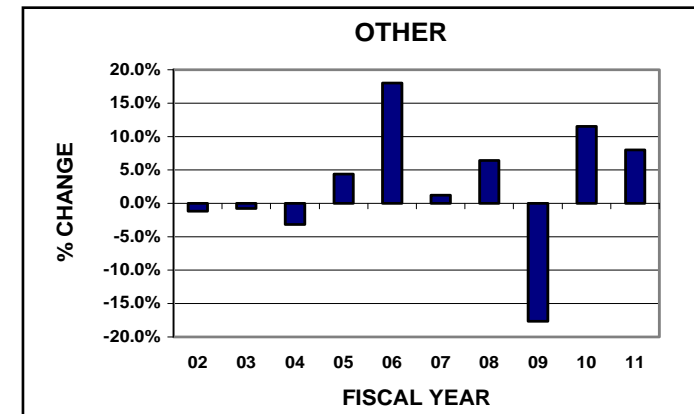
RENTAL OF PERSONAL PROPERTY:

The rental of personal property revenues totaled \$11.6 million, a decrease of 3.1 percent from FY 2010 and 3.3 percent below the forecast. This category includes rental of vehicles, business and construction equipment leasing and rental of tangible personal properties. The rental of personal property revenue category continued to be pressured by the decrease in construction and heavy equipment rental activities. However, this decrease is partially offset by an increase in vehicle rentals by tourists and the resurgence of vehicle leasing.

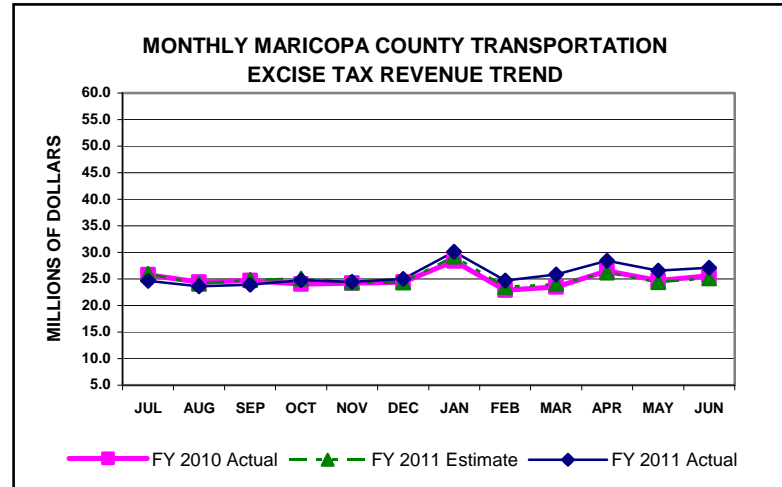
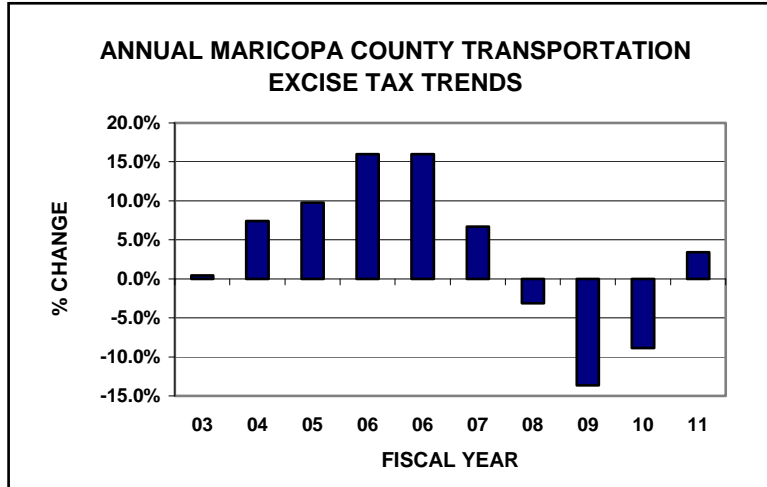


OTHER:

In FY 2011, the “other” collections totaled \$20.6 million, an increase of 8.0 percent above FY 2010 and 15.3 percent over the estimate. The increase in “other” collections category was due to higher revenues in the miscellaneous other collections and revenue audits of businesses. 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



In FY 2011, the Maricopa County transportation excise tax reversed a three year period of negative year-over-year growth to finish the year with total revenues of \$309.2 million. Higher revenue collections from retail sales, restaurant and bar, and other revenue categories led the turnaround in RARF collections. However, the contracting and rental of personal property revenue categories continue to limit RARF collections growth due to excess inventories of residential homes and commercial office spaces, and the lack of construction equipment leasing. When compared on a monthly basis, the transportation excise tax revenue collections had a positive year-over-year growth for every month except for the first three months.

The monthly seasonality revenue trend continues to follow a consistent trend with December holiday retail sales and college bowl games pushing up January revenue collections and the spike in April revenues were due to the Cactus League baseball spring training and winter visitors.

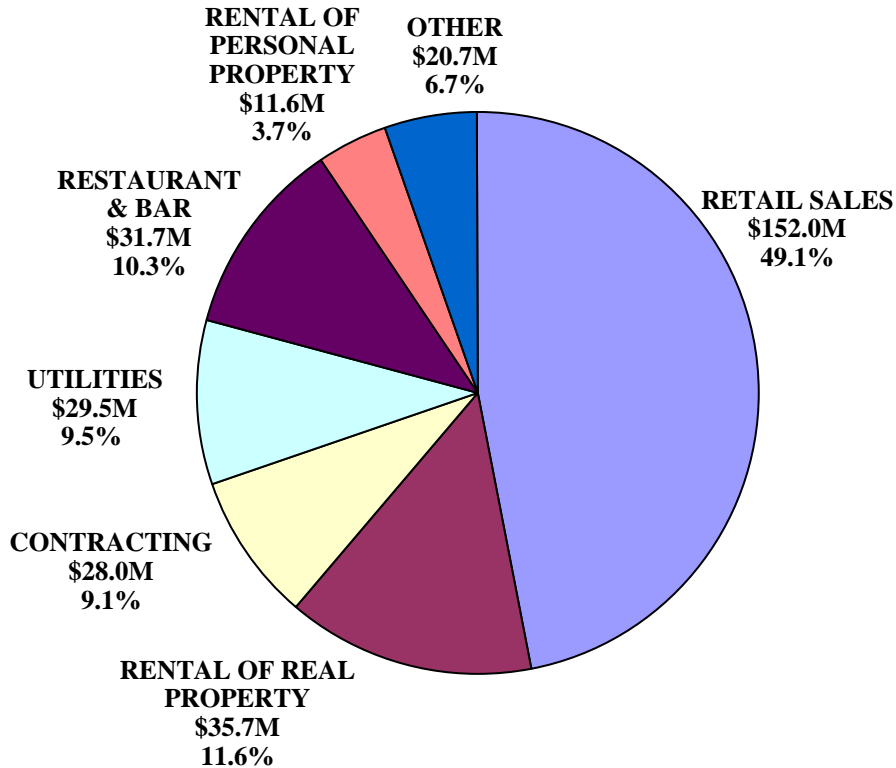
REVENUE PERFORMANCE

MARICOPA COUNTY TRANSPORTATION EXCISE TAX

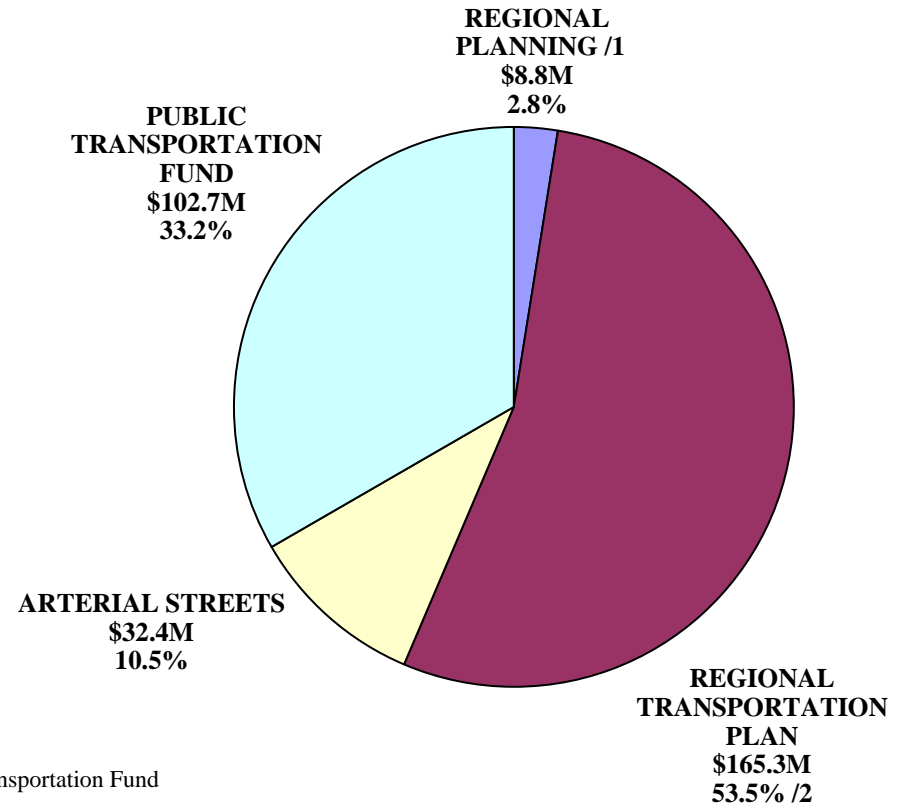
FY 2011 ACTUAL

TOTAL= \$309.2 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 2010 AND 2011

CATEGORY	FY 2010 ACTUAL	FY 2011 ACTUAL	CHANGE	FY 2011 ESTIMATE	CHANGE
RETAIL SALES	\$143,204,938	\$152,002,580	6.1%	\$146,200,000	4.0%
CONTRACTING	28,952,861	28,012,067	-3.2%	27,500,000	1.9%
UTILITIES	29,385,405	29,511,098	0.4%	29,700,000	-0.6%
RESTAURANT & BAR	30,557,645	31,728,534	3.8%	31,500,000	0.7%
RENTAL OF REAL PROPERTY	35,824,612	35,730,775	-0.3%	36,200,000	-1.3%
RENTAL OF PERSONAL PROPERTY	11,983,058	11,606,271	-3.1%	12,000,000	-3.3%
OTHER	19,115,032	20,642,646	8.0%	17,900,000	15.3%
TOTAL	\$299,023,551	\$309,233,971	3.4%	\$301,000,000	2.7%

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 – 2011 (Dollars in Thousands)

FISCAL YEAR	RETAIL			RESTAURANT		RENTAL	RENTAL	OTHER	TOTAL	PERCENT CHANGE
	SALES	CONTRACTING	UTILITIES	& BAR	REAL PROPERTY	PERSONAL PROPERTY				
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%	
2011	152,003	28,012	29,511	31,729	35,731	11,606	20,643	309,234	3.4%	
TOTAL	\$2,788,263	\$816,121	\$440,114	\$487,653	\$543,509	\$258,576	\$315,100	\$5,649,336		

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 2011) = 5.0%

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

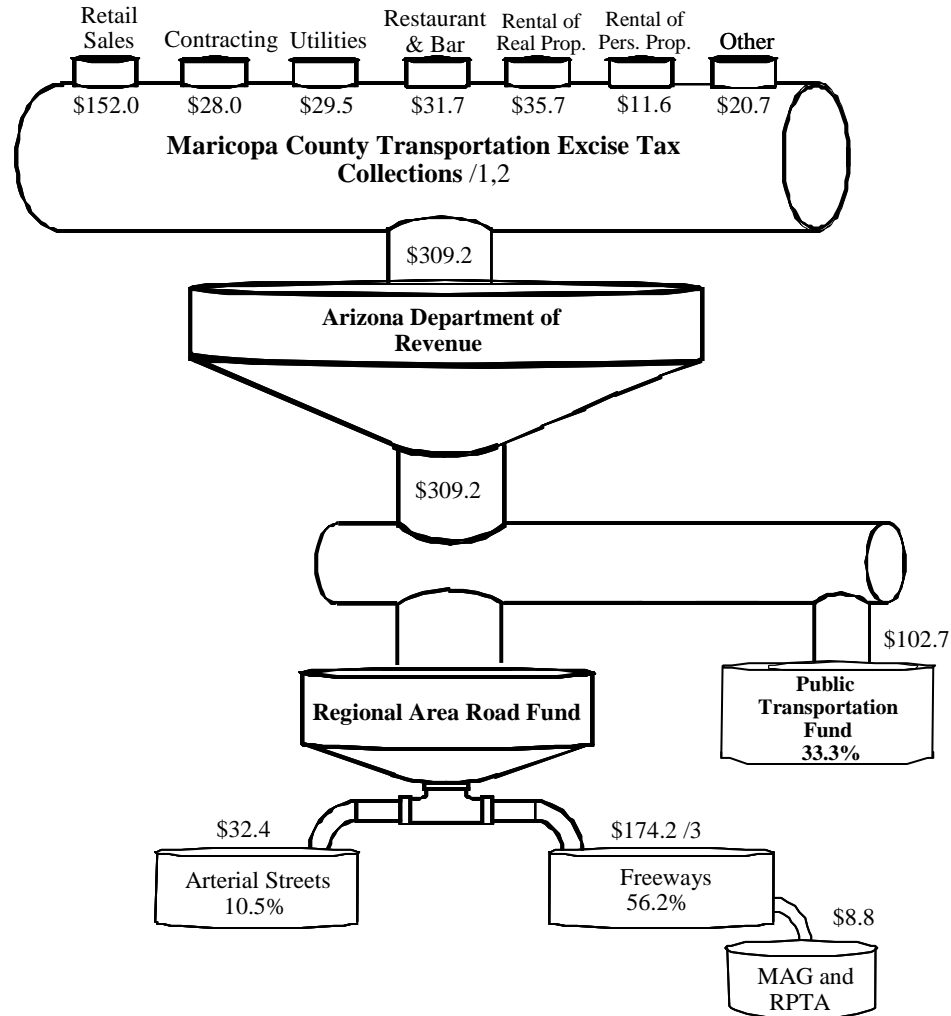
Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE DISTRIBUTION FY 1986 – 2011 (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
2011	165,321	8,845	32,379	102,689	309,234
Total	\$4,662,032	\$173,496	\$195,091	\$618,718	\$5,649,336

- Notes: 1/ The Maricopa County transportation excise tax became effective on January 1, 1986 per Prop. 300. Prop. 300 collections total \$3,791 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 \$1,858 million from date of inception. Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX FY 2011 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 2011 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 2011

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	49.16%	5.00%	0.50%
Contracting	9.06%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	11.55%	1.82%*	0.512%
Restaurants and Bars	10.26%	5.00%	0.50%
Utilities	9.54%	5.00%	0.50%
Rental of Personal Property	3.75%	5.00%	0.50%
Communication	3.27%	5.00%	0.50%
Amusements	1.18%	5.00%	0.50%
Publishing and Printing	0.52%	5.00%	0.50%
Other	1.71%	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