

Maricopa County Transportation Excise Tax

Fiscal Year 2012 Year-End Report

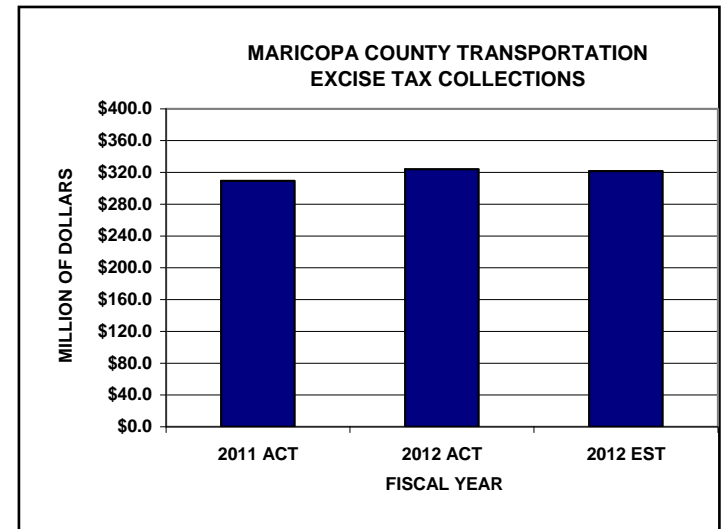


Arizona Department of Transportation
Financial Management Services
Office of Financial Planning
August 2012

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, 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 \$324.2 million in fiscal year (FY) 2012, an increase of 4.8 percent over FY 2011 and 0.8 percent above the estimate. In spite of the persistent high unemployment and slow job growth in Maricopa County, RARF revenues managed to grow moderately. All the primary RARF revenue categories posted positive year-over-year growth with strength centered in retail sales, contracting and restaurant and bar. The Maricopa County economy has continued to improve but at a slower than normal rate.

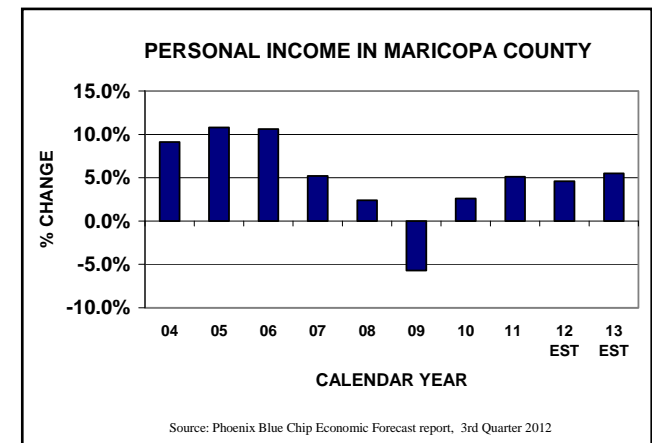
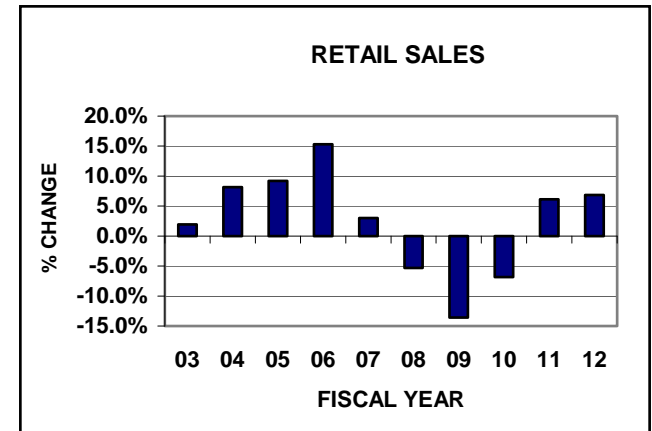


PERFORMANCE BY CATEGORY

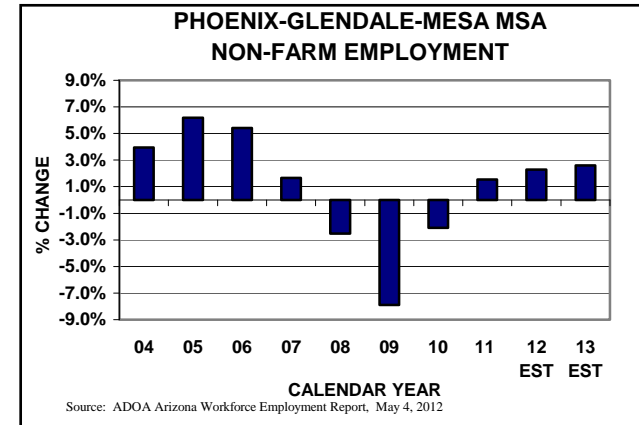
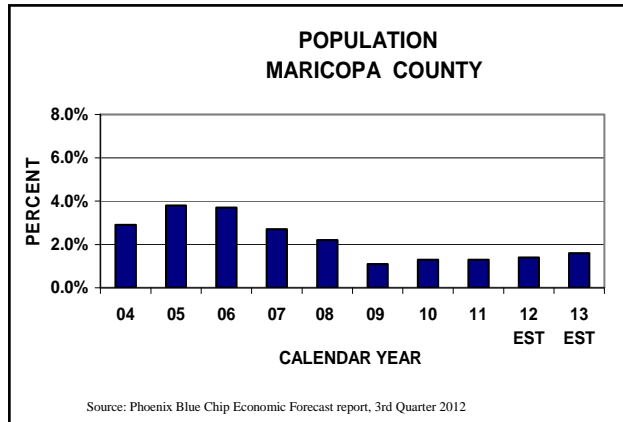
RETAIL SALES:

FY 2012 retail sales revenue amounted to \$162.4 million, an increase of 6.8 percent over FY 2011 and 1.7 percent over the estimate. Retail sales collections benefited from strong consumer spending which occurred in the first five months of FY 2012 but then slowed in the second half of the year. With an improving job market in Maricopa County during FY 2012, consumers were more willing to spend on discretionary items due to improved confidence in the economy. In an Arizona Republic article dated October 28, 2011, Dr. Dennis Hoffman from Arizona State University noted that consumers have reached a point where they cannot put off making major durable purchases forever.

The major factors used to forecast retail sales are personal income, population and non-farm employment. According to the 2012 third quarter Phoenix Blue Chip report, personal income grew by 5.1 percent in CY 2011 and the expert panel of economists expect it to continue to grow by 4.6 and 5.5 percent in CY 2012 and 2013, respectively. In the same report Maricopa County's population is projected to grow by 1.4 percent in CY 2012 and 1.6 percent in CY 2013, up from 1.3 percent in CY 2011. According to the Arizona Department of Administration's Arizona Workforce Employment Report dated May 4, 2012, the non-farm employment is expected to increase by 2.3 percent in CY 2012 and 2.5 percent in CY 2013.

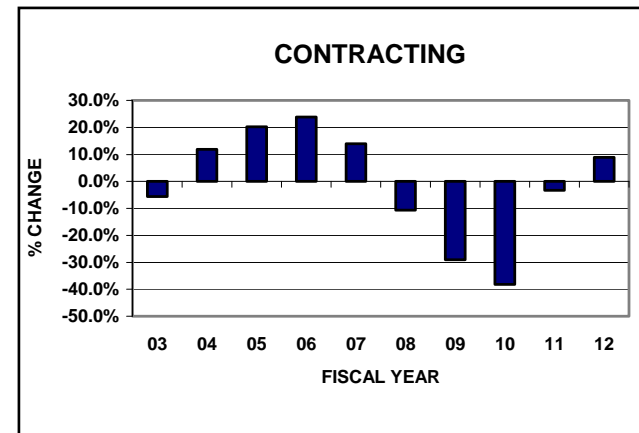


RETAIL SALES: Continued

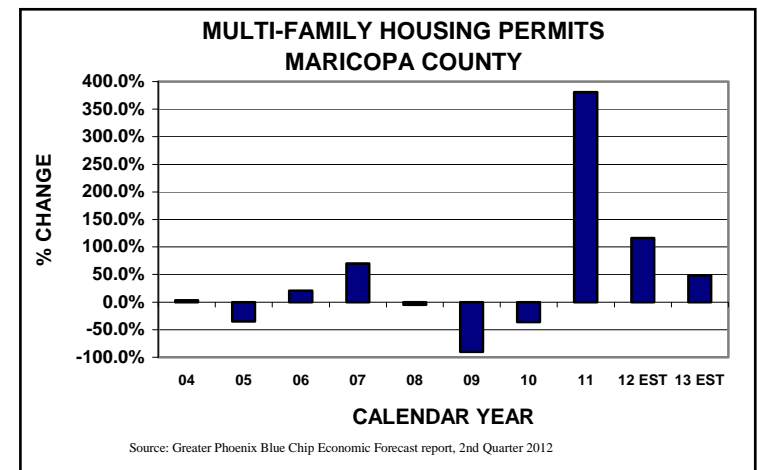
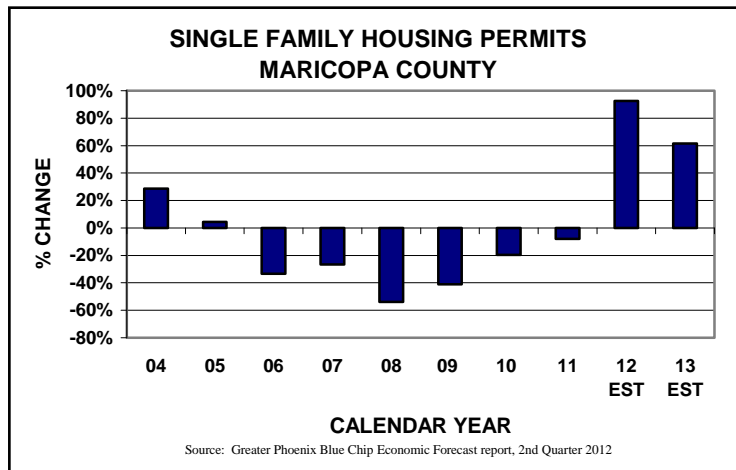


CONTRACTING:

Contracting revenues for FY 2012 totaled \$30.5 million, an increase of 8.9 percent from FY 2011 and even with the estimate. The contracting revenue category benefited from a decrease in the supply of residential homes for sale and lower commercial real estate vacancy rates. Continued lower interest rates and affordable home prices have also attributed to stronger contracting revenues. This is the first year the contracting revenue category posted a year-over-year gain since FY 2008. However, contracting revenue collections were still at the 1998 revenue levels.



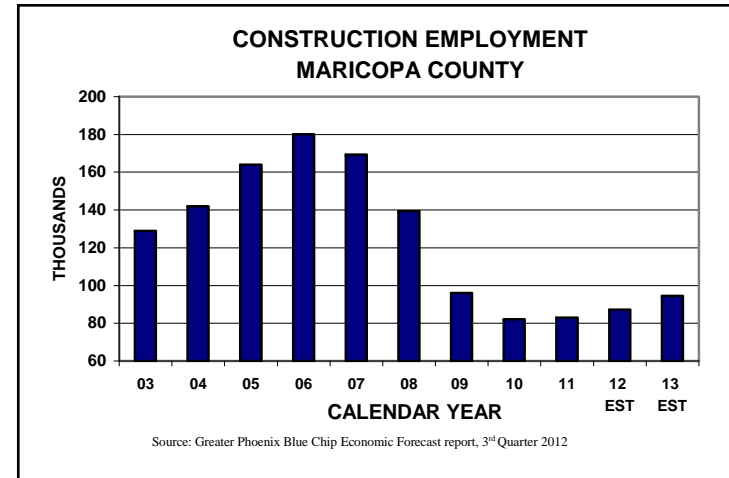
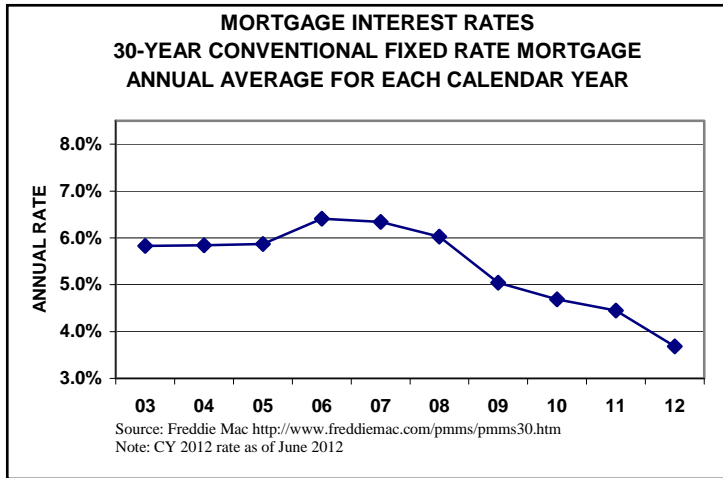
The Phoenix Blue Chip panel estimates single-family permits in Maricopa County to increase by 92.6 and 61.4 percent in CY 2012 and CY 2013, respectively, from a decline of 7.9 percent in CY 2011. The multi-family permits increased 380.6 percent in CY 2011 and is forecast to increase by another 116.5 percent in CY 2012 before slowing down to 48.4 percent in CY 2013. The large year-over-year increases are due to the low housing permit base. CY 2012 is expected to be the best year in housing permit growth since CY 2007. Construction activity in the office, retail and industrial sectors is estimated to be modest in CY 2012 and CY 2013 as the excess inventory continues to be absorbed. In CY 2011, 0.44 million square feet of office space was added in Maricopa County. The panel expects another 0.22 million square feet of new office space in CY 2012 and 0.4 million in CY 2013. The retail sector that added 0.36 million square feet in CY 2011 is forecasted to add another 0.55 million square feet in CY 2012 and 0.74 million square feet in CY 2013. The industrial sector added 1.49 million of square feet to its inventory while the Phoenix Blue Chip panel expects another 1.25 and 2.88 million square feet to be added in CY 2012 and 2013, respectively.



During the Great Recession, many construction workers left the state or changed their vocation resulting in a shortage of construction workers. The 2012 third quarter Phoenix Blue Chip report noted that construction employment increased by 1.0 percent in CY 2011. The panel forecasts construction employment will increase by 5.0 percent in CY 2012 and 8.5 percent in CY 2013.

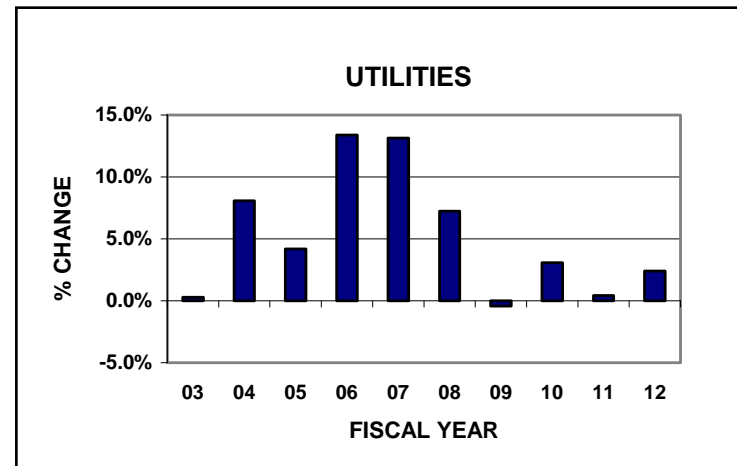
CONTRACTING: Continued

The contracting revenue category is also affected by the interest rates. The 30-year fixed mortgage rate decreased from 4.7 percent in CY 2010 to 4.5 percent in CY 2011. According to Freddie Mac, the 30-year fixed mortgage rate has fallen to 3.7 percent in June 2012. With the U.S. economy recovery being less robust and the unemployment rate still high, the Federal Reserve is expected to continue a low interest rate environment.



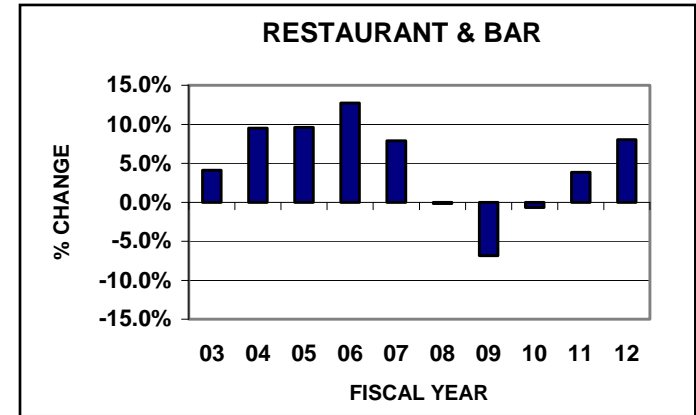
UTILITIES:

FY 2012 utilities collections were \$30.2 million, an increase of 2.4 percent from the prior fiscal year and 1.4 percent over the estimate. Warmer weather and lower residential and commercial vacancies attributed to the growth in utilities revenues. In CY 2011, SRP and APS had no rate increases due to excess capacity and consumers being watchful of their utility usage.



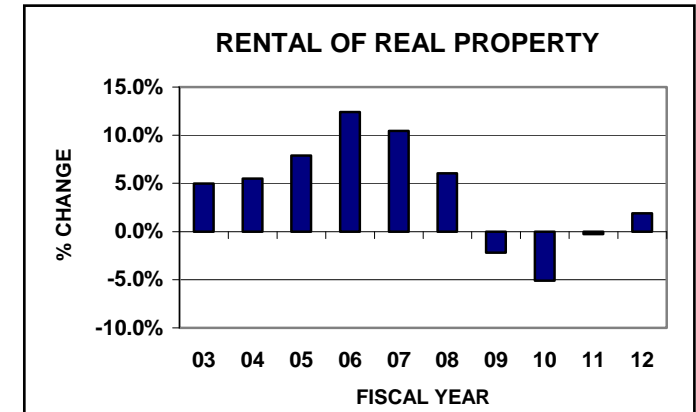
RESTAURANT AND BAR:

In FY 2012, restaurant and bar revenues totaled \$34.3 million, an increase of 8.0 percent over FY 2011 and 4.5 percent above the estimate. The restaurant and bar revenue category benefited from the improved hospitality and tourism industry and Maricopa County consumers became more willing to dine out as the economy added more jobs. In the summer of CY 2011, hotels promoted heavily and major conventions, including the Major League Baseball All-Star Game in Phoenix, attracted many vacationers which helped the restaurant and bar collections.



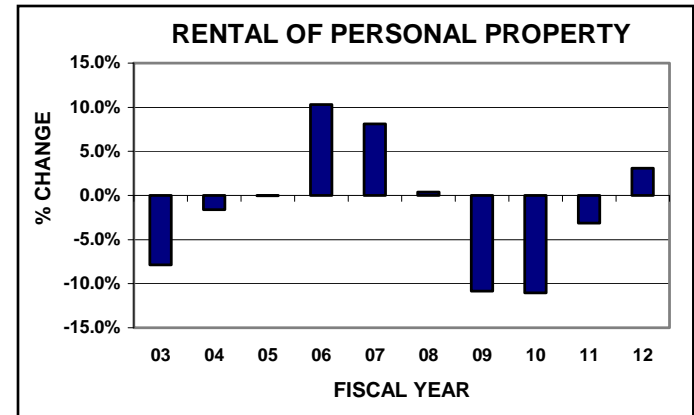
RENTAL OF REAL PROPERTY:

FY 2012 rental of real property collections increased to \$36.4 million, an increase of 1.9 percent over last year and 0.9 percent above the estimate. The rental of real property revenue category includes rental of apartments and houses and motel and hotel activity. In FY 2012, 81 percent of rental of real property revenues were derived from the rental of apartments and houses and the remaining 19 percent from motel and hotel. In FY 2012, the motel and hotel sector increased by 6.3 percent and apartment and houses rental increased by 0.9 percent. The increase in rental of real property revenues was due to the increased activity in the hospitality and tourism industry.



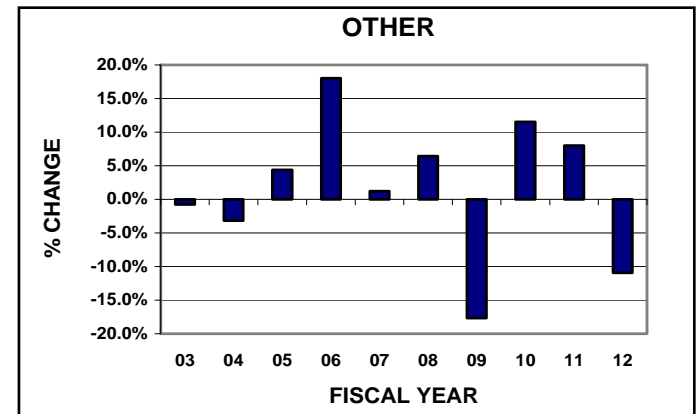
RENTAL OF PERSONAL PROPERTY:

FY 2012 rental of personal property collections totaled \$12.0 million, an increase of 3.1 percent over FY 2011 and 2.3 percent over the estimate. This revenue category benefited from increased vehicle rentals by tourists, vehicle leasing, business and construction equipment leasing and rental of tangible personal property.

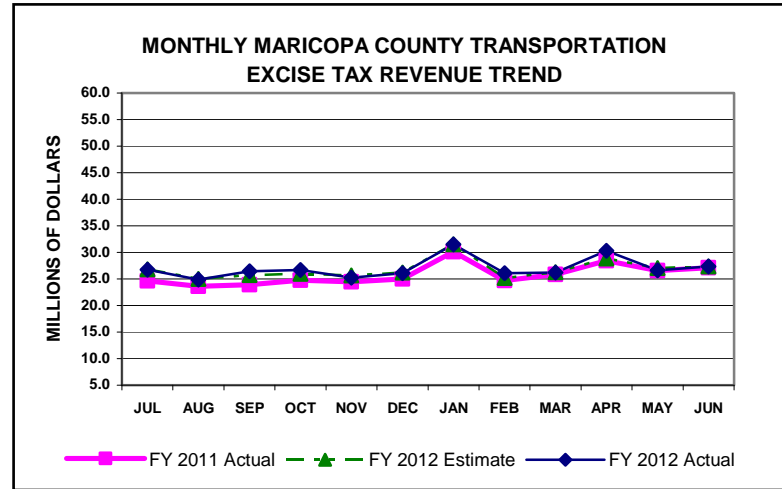
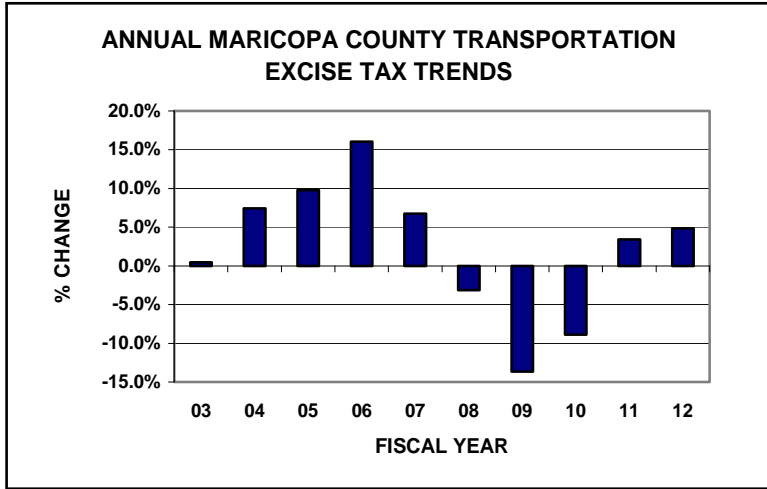


OTHER:

“Other” revenues amounted to \$18.4 million in FY 2012 a decrease of 10.9 percent from FY 2011 and 12.8 percent below the forecast. The decrease in other revenues was due to FY 2011 having higher than normal revenue audit collections that significantly boosted one-time revenues. 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



The Maricopa County Transportation Excise Tax has posted two consecutive years of positive year-over-year growth and ended the year at \$324.2 million. Although the Maricopa County economy continues to grow at a slow pace, all the primary RARF revenue categories managed to end the year with positive year-over-year growth.

The monthly seasonality revenue trend has consistently seen spikes in January and April due to the holiday season shopping along with spring training baseball games and winter visitors. The reporting of the revenues lags one month.

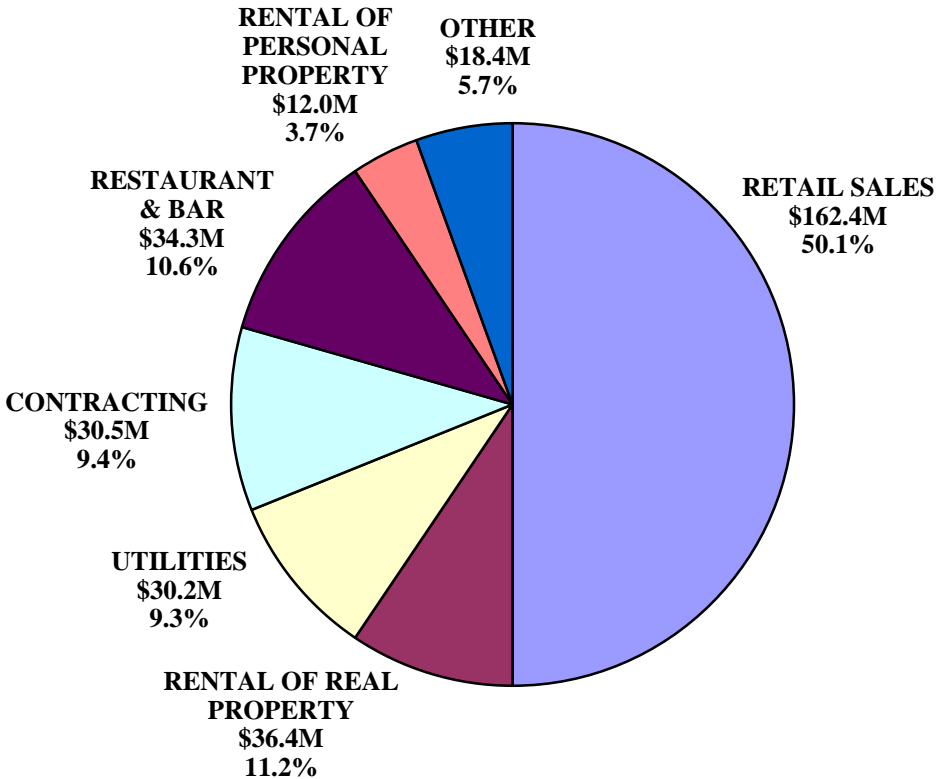
REVENUE PERFORMANCE

MARICOPA COUNTY TRANSPORTATION EXCISE TAX

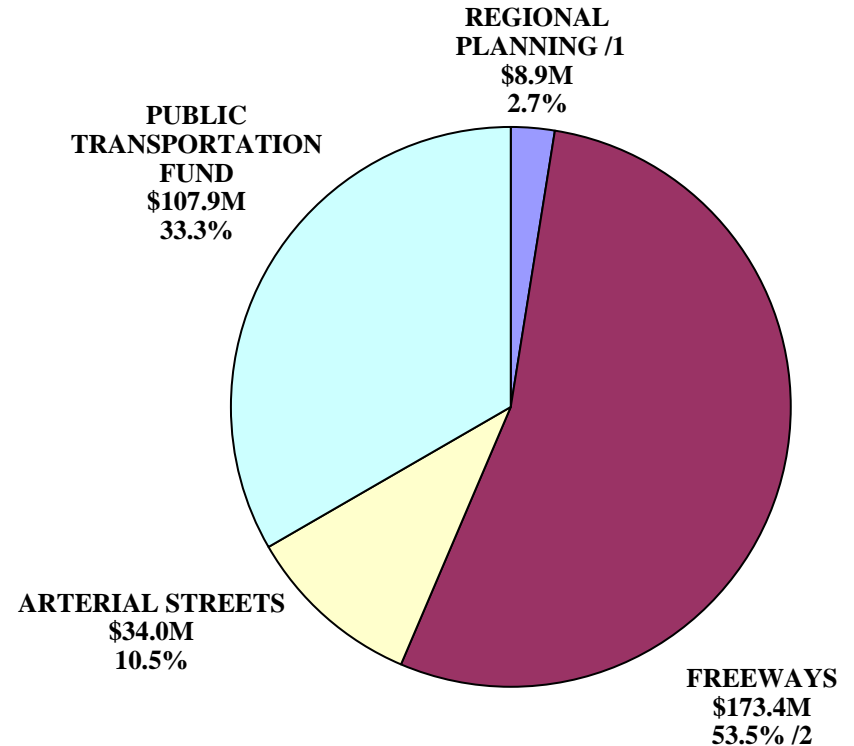
FY 2012 ACTUAL

TOTAL= \$324.2 MILLION

SOURCES



DISTRIBUTIONS



Note: 1/ Funds split evenly between Maricopa Association of Governments and the Public Transportation Fund to be used for planning purposes.

2/ Net of Regional Planning monies of \$8.9 million.

Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE COMPARISON STATEMENT FY 2011 AND 2012

CATEGORY	FY 2011 ACTUAL	FY 2012 ACTUAL	CHANGE	FY 2012 ESTIMATE	CHANGE
RETAIL SALES	\$152,002,580	\$162,391,152	6.8%	\$159,600,000	1.7%
CONTRACTING	28,012,067	30,513,491	8.9%	30,500,000	0.0%
UTILITIES	29,511,098	30,216,580	2.4%	29,800,000	1.4%
RESTAURANT & BAR	31,728,534	34,278,481	8.0%	32,800,000	4.5%
RENTAL OF REAL PROPERTY	35,730,775	36,415,145	1.9%	36,100,000	0.9%
RENTAL OF PERSONAL PROPERTY	11,606,271	11,966,269	3.1%	11,700,000	2.3%
OTHER	20,642,646	18,388,999	-10.9%	21,100,000	-12.8%
TOTAL	\$309,233,971	\$324,170,117	4.8%	\$321,600,000	0.8%

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 – 2012

(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%
2012	162,391	30,513	30,217	34,278	36,415	11,966	18,389	324,170	4.8%
TOTAL	\$2,950,654	\$846,635	\$470,331	\$521,932	\$579,924	\$270,542	\$333,489	\$5,973,507	

COMPOUND ANNUAL GROWTH RATE (FY 1987 - FY 2012) = 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.

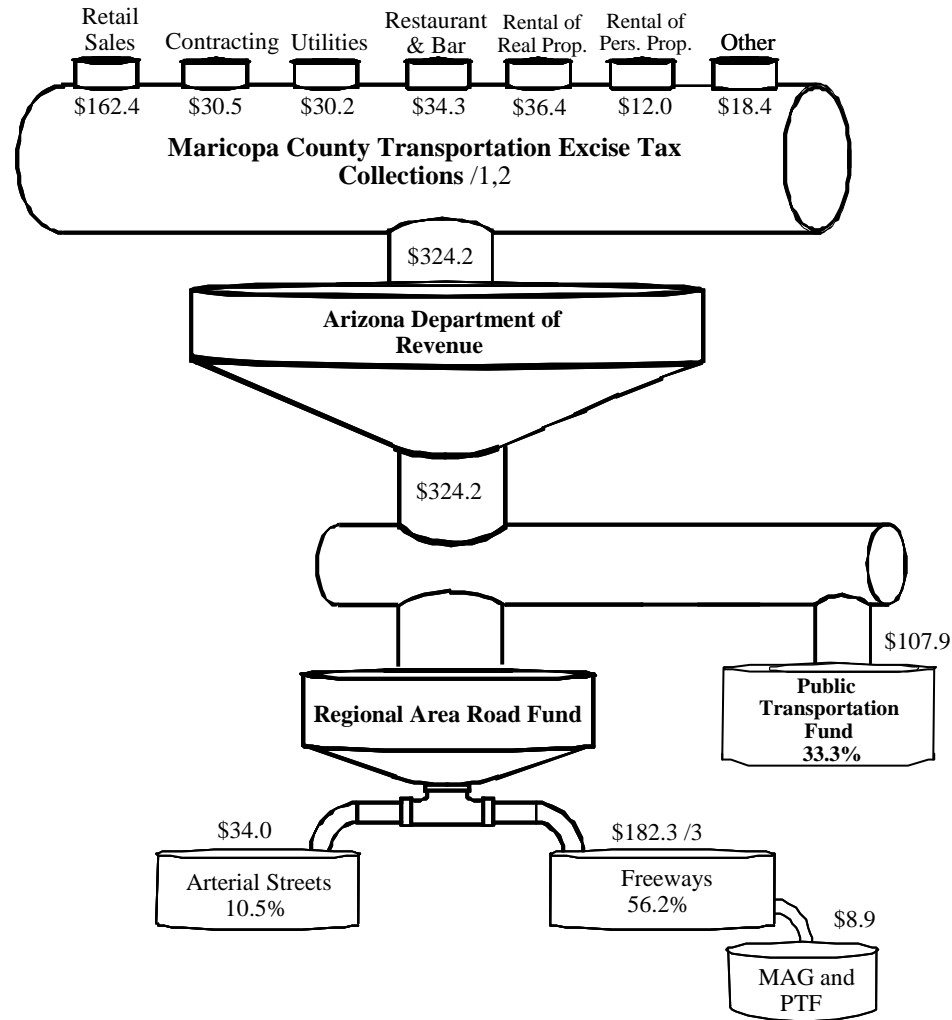
MARICOPA COUNTY TRANSPORTATION EXCISE TAX REVENUE DISTRIBUTION FY 1986 – 2012

(Dollars in Thousands)

FISCAL YEAR	REGIONAL AREA ROAD FUND			PUBLIC TRANSPORTATION FUND	TOTAL
	FREEWAYS	RPTA/(PTF and 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
2012	173,334	8,928	34,019	107,889	324,170
Total	\$4,835,365	\$182,424	\$229,110	\$726,607	\$5,973,506

- Notes: 1/ The Maricopa County transportation excise tax became effective on January 1, 1986 per Prop. 300. Prop. 300 collections (effective January 1, 1986 through December 31, 2005) total \$3,792 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, 2005. As of January 1, 2006, 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 \$2,182 million since inception.
- Total may not add due to rounding.

MARICOPA COUNTY TRANSPORTATION EXCISE TAX FY 2012 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 2012

Taxable Activity	Percent of Total Maricopa County Transaction Privilege Tax Collections	Transaction Privilege Tax Rate	Transportation Excise Tax Rate
Retail Sales	50.10%	5.00%	0.50%
Contracting	9.40%	5.00%	0.50%
Rental of Real Property (including hotels & motels)	11.20%	1.82%*	0.512%
Restaurants and Bars	10.60%	5.00%	0.50%
Utilities	9.30%	5.00%	0.50%
Rental of Personal Property	3.70%	5.00%	0.50%
Communication	3.10%	5.00%	0.50%
Amusements	1.20%	5.00%	0.50%
Publishing and Printing	0.40%	5.00%	0.50%
Other	1.00%	5.00%	0.50%
Mining	0.00%	3.125%	0.3125%

* 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.

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