

CITY OF FLAGSTAFF – QUESTION #406: ROAD REPAIR AND STREET SAFETY Frequently Asked Questions



Why is the City proposing a special road repair and street safety sales tax?

Safe and well-maintained streets are a key service provided by the City. Recent budget constraints have limited the City's ability to keep up with the needs. Delaying street repairs results in more costly repairs later.

How many miles of streets does the City have to maintain?

Flagstaff has over 660 lane miles of roads — many of them in declining condition with potholes.

Why is this important to me?

Safe streets connect people to work, schools, doctors' offices, grocery stores; places that are vital to everyone's well being. City streets are essential to getting children to school safely and getting people to work on time.

According to a national study by AAA, bad roads and potholes can cost drivers hundreds of additional dollars per year due to wear and tear on their vehicles. Providing smooth streets is essential to reducing the costs of road induced damage to residents' vehicles and making streets safer.

For what will the money from the new tax be used?

The proposed road repair and street safety tax will be restricted to specific uses related to road repair and street safety

improvements. Further, the City will ensure that the tax is applied to the purposes set forth in the ballot question through a citizen commission with oversight responsibilities. Annual review of expenditures and project planning related to the special sales tax will be a part of the City's existing budget development process. The proposed special sales tax will fund street improvements (reconstruction and resurfacing) and the ongoing preservation of streets (pavement preservation) in the City; such as:

Road reconstruction, where the roadway has reached the end of its life cycle due to the effect of weather and traffic and can no longer be rehabilitated, a new road must be constructed. All existing pavement will be removed and replace;

Resurfacing (surface overlays), where deterioration of streets requires greater surface repair than routine preservation and involves the addition of a brand new overlay of the road; and

Pavement preservation through practices known as surface treatments, where routine surface treatments, such as chip sealing, can extend the life and improve the surface of the street. This can include crack sealing, patching of potholes, correcting depressions, bumps, and other defects on city streets followed by seal-coating the surface of the street.

This initiative also includes funding for improvements to:

- adjacent curb, gutters, sidewalks, bicycle paths;
- pedestrian safety, transit facilities – defined as transit structures and amenities along or directly adjacent to City roadways that maintain the effectiveness of the City bus system; and
- utilities under or near streets being repaired with revenues from this tax. This ensures efficiency so that the City's Utilities Division (water, wastewater, and storm water) does not have to tear up recently improved streets.

In addition to the uses described above, proceeds from the special sales tax may also be used for financing-related costs including interest and borrowing related costs.

What happened to all the federal and State money for streets?

State and federal transportation funding comes primarily from gas and diesel taxes that have been eroding for two decades due to inflation and as cars and trucks have become more fuel efficient. In addition, the State has authorized sweeps of highway funds to pay for other State services that directly reduced the City's annual revenues. At the same time, road construction and repair costs have risen as has the number of miles of city streets and roads. For example, adjusted for inflation, a dollar in fuel taxes in 1991 (the last time there was an increase to the State gas tax) is only worth 30 cents in 2014. The long-term erosion in these major funding sources is straining government street and road budgets at all levels, including the City of Flagstaff.

Has the City considered raising the fuel tax to pay for these road improvements?

The City is not authorized by law to raise the fuel taxes. Only the Federal Government and the State can raise fuel taxes in Arizona.

Aren't there other sources within the City budget that could be cut to fund these costs?

For the past two years, the City Council has reduced funding to other City services in order to reallocate an ongoing \$1 million each year from the City's General Fund to help replace the eroding fuel taxes that pay for road repairs and necessary street safety improvements. In addition, over the last two years the City Council budgeted an extra total of over \$1 million in one-time funding to repair roads, thus reducing funding available for other City services.

What other options has the City considered?

The City Manager convened a Citizen Review Committee that reviewed the current condition of the City streets and the current funding situation. The Committee examined a variety of financing options to address the current condition of city streets and current funding situation, including raising property taxes and development fees. The Committee recommended, among other things, that the City Council put before the voters a ballot question regarding a special **Road Repair and Street Safety Sales Tax**.

What has the City done to be more efficient and effective with the existing money for road repairs and street maintenance?

The City has improved its street repair (pavement preservation) and maintenance operations and has been able to cut costs

since 2009 by eliminating staff positions, reducing the frequency of equipment purchases, re-evaluating service levels, and utilizing contract labor when cost effective.

Who will generally be paying the new tax?

Everyone who shops in the City, including visitors, will pay the special tax on all taxable items, which exclude food for home consumption.

How much money will the tax generate for the City?

The proposed road repair and street safety sales tax will generate an estimated \$5.3 million each year or \$106 million over the 20 year period. The amount actually generated will depend on economic conditions during the 20 year period the special sales tax is in place.

Will all paved streets in Flagstaff be improved?

Yes – it is currently planned that over the 20 year period the tax is in place, every paved street maintained by the City will be improved as needed with funding from the special road repair and street safety sales tax.

How are voters assured that the money will only be used for purposes set forth in the ballot question?

The ballot language, a citizen commission with oversight responsibilities, and the required separate accounting for revenues from the special sales tax all guarantee the monies will only be used for road repair and street safety and related costs.

Why will the City issue borrow money for some of the work?

The City may borrow in an amount to not exceed \$20 million secured by the special sales tax revenues to expedite the improvements to the City streets. This way, critical repairs can be made sooner so that the repairs will cost less. Borrowing will allow the City to repairs streets that can be preserved with less expensive overlay improvements rather than requiring full roadway reconstruction.

How does the City borrow?

The ballot question, if approved, authorizes the City to borrow, which it does by issuing some type of security. Those securities are then sold to investors in the public financial markets and the amount borrowed is repaid, along with interest, from a portion of the special sales tax revenues. The City has a long record of cost-effective borrowing to expedite projects and a perfect repayment track record.

Which streets will be repaired first?

The priority will be on repairing the streets most in need of improvement. Concurrently, the City will prioritize streets where a delay will cause the street's condition to materially deteriorate and significantly increase the cost to repair later. Streets in good to excellent condition will be maintained and preserved to slow deterioration thus reducing the cost of future repairs.

Keeping Flagstaff streets safe is always a factor determining the priority of repairs.

The most cost-effective street pavement management strategy is to preserve streets in good condition to prevent deterioration. Cost

effectiveness often includes making utility improvements (water, sewer and storm water) and minor pedestrian, bicycle and transit facilities improvements at the same time as the major street repairs. (The City will also coordinate repairs with private utilities.)

The worse the overall condition of a street, the more expensive it is to fix. While new streets generally remain in good-to-excellent condition for several years with little or no upkeep, the rate of deterioration increases rapidly after several years, depending on the type and use of the street. Maintaining and preserving streets in good condition increases their life and saves significant costs.

When will work begin?

Work will begin almost immediately after the special sales tax effective date of January 1, 2015. The City estimates that a majority of the significant road construction projects will be completed in the first seven years. The pace of repairs will depend, in part, on weather conditions.

How long will the tax last?

The special road repair and street safety sales tax will be in effect for 20 years from January 1, 2015 to December 31, 2034.

What will be the rate of the Road Repair and Street Safety Tax?

The tax rate will be one-third of one percent (0.33%), which is equivalent of 33 cents on a \$100 purchase. Other examples of how this tax would be calculated with respect to some common purchases include:

- A new washer that costs \$500 would have an additional \$1.65 in sales tax.
- A new car that costs \$25,000 would have an additional \$82.50 in sales tax.

What will the City's total sales tax rate be if the Road Repair and Street Safety Tax passes?

If the Road Repair and Street Safety Tax passes then the City's total sales rate will be approximately 2 percent (2.051%), or approximately \$2.05 on a \$100 purchase.

How is the City's Road Repair and Street Safety Tax different than the County's proposed road tax?

Just as the County maintains hundreds of miles of roads throughout the County – the second largest in the nation – the City of Flagstaff must repair and preserve hundreds of miles of streets throughout the City. The City residents pay to repair City streets and County residents, including those living in the city, fund maintenance of County roads. The monies from the County road maintenance sales tax will be used only for County road purposes.

If the County's road maintenance sales tax is approved by voters, then the funds will be used to support daily road maintenance service (snow plowing, dirt road grading, fixing potholes, etc.) and to restore the County's paved roads.

What will the total sales tax rate in the City be, if voters approve both the City road repair and street safety tax and the County road tax?

The County is proposing a new 30 cents on \$100 road sales tax. But, at the same time another County tax equal to 12.5 cents on \$100 is expiring. So, if voters approve both the County and City proposed sales taxes, the total tax rate in the City will still be less than 9% (8.951%). Over half of the total sales tax

(5.60%) goes to the State.

What will happen if the Road Repair and Street Safety Initiative is NOT APPROVED?

If the special sales tax increase is not approved then the City will focus the existing limited funding (approximately \$2 million a year for road repair) on the highest priority streets and defer repairs to other roads until sufficient resources become available.

Is the City coordinating with the County and other communities?

Yes, City and County staffs as well as the City Council and the Board of Supervisors have been meeting over the last 18 months to identify funding needs for roads in the region. Further, the City and County have partnered since 1996 as members of the Flagstaff Metropolitan Planning Organization on

transportation infrastructure planning. Many residents of the County, outside the City, work and shop in Flagstaff and rely on both County and City roads to get their children safely to school and to work on time. At the same time, many City residents rely on County roads to get to work and to access the forest and areas surrounding Flagstaff.

Will there be more frequent snowplowing if the new tax is approved by voters?

Not as a result of the special sales tax. Snowplowing is a regular operational expense of the City Public Works Division. Snowplowing and other routine maintenance, like street sweeping, will continue to be funded from existing sources. The special road repair and street safety sales tax will be dedicated to repairing and improving the condition of City streets.

More Information

**www.flagstaff.az.gov/roadsafety
Kevin Burke, Flagstaff City Manager
(928) 213-2078**

