ASU Project Cities
Exploring New Revenue Sources

Research Report on Four of Nine Peer Cities:
Towns of Queen Creek, Oro Valley, Avondale, and Mesa, Arizona

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Project Overview

**Situational Analysis**: Examination of several factors noted by Apache Junction city officials thought to be affecting their financial position.

**Four case studies**: Officials facilitated access to four peer towns in Arizona: Queen Creek, Oro Valley, Avondale, and Mesa. The goal of these interviews was: insight into the revenue streams towns are using to generate revenues for municipal funds; the way they structure their revenue; and examination of fee amounts on charges for services.
Case Studies

Town of Queen Creek

Town of Oro Valley
Case Studies Outline

- Case Studies Overview
- Situational Analysis
- Case Studies Findings
- Recommendations
E-commerce is rapidly growing
- Effect depends on retail category (Hartung, 2017) (La Monica, P., 2017)
- Federal response needed (Ter- Minassian, T., 2015)

Volatility of state taxes creates uncertainty for local govts (Randall & Rubin, 2017)
- Arizona: regressive state and local tax systems (lack of horizontal equity)

San Tan Valley incorporation appears stalled (Khairalla, R. 2017)
- Disagreement over boundaries of incorporation
- AZ legislature made incorporation easier; takes effect 8/2018
San Tan Valley Incorporation Efforts

Would reduce state shared revenue to Apache Junction by $1 million dollars

The laws governing incorporation in Arizona are found in A.R.S. §9-101. A law passed by the Arizona legislature making it easier for towns to incorporate takes effect on August 9, 2018 (Khairalla, 2017).

New San Tan Valley PAC seeking to change the boundaries of incorporation (Kincaid, 2018).

Queen Creek has taken steps to reduce the incentive to incorporate through annexation of critical revenue generators (e.g. Banner Ironwood Medical Center) (Khairalla, 2017).
Methodology: Data Collection

- In-depth review of town websites; budgets; CAFR’s

- Queen Creek
  - In-person meeting on 3/28/18 with Asst. to Town Manager, Accounting Manager, and Senior Financial Services Analyst

- Oro Valley
  - Communication through e-mail with Finance Director
Findings
Queen Creek

4% Local Sales Tax

Represents 54% of all revenue allocated to the General Fund

(Apache Junction 2.5% local sales tax)

Sources: “Town of Queen Creek Adopted Budget- Fiscal Year 2017-18” (2018); “City of Apache Junction: Comprehensive Annual Report” (2017).
“Limited” Property Tax

In 2007 voters approved a $1.95 property tax rate

- 100% allocated to Emergency Management Services Fund

(no property tax in Apache Junction)

Source “Town of Queen Creek Adopted Budget- Fiscal Year 2017-18” (2018)
Charges for services based on:

- residency status
- business status

(no delineation based on residency or business status in Apache Junction Parks and Recreation programs)
Unfunded Liability (PSRPS)

2016 - task force formed

Outcomes:

- View liability as “debt”
- Town writes a check at end of FY to cover funding gaps

Source: In person meeting with Queen Creek Officials on 3/28/18
Queen Creek

Purchased Water Rights in 2008

Crucial to broader general plan

- Greater control over service fees
- Positive impact on revenue

(Apache Junction; one privately held water company and a water district [serving 14,000 residents])

Findings

Town of Oro Valley
2.5% Local Sales Tax

6% lodging tax (increasing to 8% 2018)

Additional 4% tax on:

- Construction
- Utility Services
  - Used for general governmental purposes

Water Services

Began to deliver reclaimed water in 2005 CAP water in 2012.

- Resulted in a 50% reduction in well water use, “...from 3.3 billion gallons in 2004, to just 1.6 billion gallons in 2015” (Saletta, P., 2016).

- Serves to protect and preserve the town’s groundwater supplies for future generations (Saletta, P., 2016).
Public/Private Partnerships

Children’s Museum of Oro Valley
Southern Arizona Arts and Cultural Alliances (SAACA)

Supports concert events

Source: “Town of Oro Valley Annual Budget FY 2017-18”
Recommendations for the City of Apache Junction based on findings from Peer Case Studies
Park and Recreation Services

- Create resident/non-resident fee structure
  - Review user fees annually
- Fill unmet service needs in the community
  - Apache Junction 55+ winter residents
- Increases quality of life
Refinance Local Government Debt Whenever Possible

- Queen Creek consolidated two large loans resulting in significant savings on interest.

Source: In-person meeting with Queen Creek Officials on 3/28/18
Explore Public-Private Partnerships & invest in recreation

- Oro Valley Community & Recreation Center
- Horseshoe Park and Equestrian Center in Queen Creek
  - Arizona Cutting Horse Association car and RV shows; and concerts, and a whole host of other events
Planning and review of revenue policies

- Explore feasibility of purchasing water rights
- Annually review revenue management policy
- Diversify retail base by drawing in establishments “immune” to e-commerce
Case Studies

City of Avondale

City of Mesa
Case Studies Outline

• Case Studies Overview
• Case Study Findings
• Recommendations
Case Studies Overview:

- Understanding the issue
  - The Impact of the Online Sales Trend on revenues
  - Investigate the demographics of the city
  - Analyze and compare revenues between the three cities

- Explore the Revenue Sources in Mesa and Avondale
  - 2 general revenue categories: License and Permits and Charges for Services

- Findings & Recommendations
Data

- CAFR 2008-2017
- Open data sources
  - Avondale: OpenBooks.az.gov
  - Mesa: Mesa Data Portal
- US Census
Avondale
Charges For Services General Revenues

Mesa
Charges for Services General Revenues

Apache Junction
Charges for Services General Revenues

Source: Cities' CAFRs 2008-2017
Examples
Results

- Demographics
  - Apache Junction has a much lower Median Household Income
  - Population affects revenue
  - Revenue levels has not reached 2008 levels

- Revenue Sources in Avondale and Mesa
  - Most Frequent transactions
  - Highest average amount
  - Highest sum collected
Conclusion

- Fees should be progressive
- Fee rates must not be decreased.
- Further analyses and modification of revenue sources.
Thank you!

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