What Happens when a Large City doesn't have a Property Tax but Attempts to Enact One: A Case Study of Mesa, Arizona

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Abstract

Mesa, a city with a population of approximately 450,000, is the largest city in the United States without a property tax. It has also grown very rapidly in the last 25 years, although now its growth rate is moderating. In 1945, Mesa eliminated the property tax and began to depend heavily on revenues from public utilities to maintain its budget. The growth rate of Mesa's revenue has been very slow and, Mesa has responded by cutting operating and capital expenditures. The paper identifies ten, often interdependent reasons, why the budget problems are peaking in this year and then analyzes Mesa's responses to these problems. Mesa's responses included proposing an increase in the local sales tax and establishing a new property tax. In addition, the City advanced a series of expenditure reductions in specific programmatic areas. In its May 2006 election, Mesa voters accepted the sales tax increase and rejected the new property tax. In response, Mesa cut expenditures and eliminated a substantial number of personnel positions.

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The Mesa Fiscal Problem

The City of Mesa does not have a property tax, making it the largest city in the United States without this stable source of revenue.[1] The City of Mesa also has a budget problem. It forecasts entering the next fiscal year (2006-2007) with a deficit of about $37 million (out of a total revenue stream of about $658 million) unless it takes dramatic steps. This case study will describe Mesa, compare Mesa to other similarly sized cities across the United States and to other cities in Arizona, describe how Mesa became ensnared in this predicament, and then discuss some of the proposed solutions. The final pages of the paper will discuss the results of the May 16, 2006 property tax and sales tax approval election in Mesa and draw conclusions.

Some Economic Theory

Before describing how Mesa came to be in this budget predicament, its proposed responses to the problem, and the ultimate citizen verdict on the responses, three brief theoretical comments are necessary. First, there are a set of models in the economics literature that argue that jurisdictional differentiation by spending and taxing patterns can well lead to an economically efficient equilibrium (Tiebout, 1956). In this case it is logical to expect to see high tax/high expenditure local governments as well as low tax/low expenditure governments. A mobile citizen can then choose which jurisdiction in which to live. Under certain assumptions, this move reveals the citizen's demand for local public goods. In the Mesa case, with a property tax rate of zero, which would certainly be below a national average, and having low expenditure levels, Mesa might be populated with residents who are perfectly happy to live in a low tax/low service situation. If Mesa citizens want to have a constantly declining level of real services, revenue increases should not be considered. A second comment deals with tax incidence. Most public finance economists understand that while a property tax is sometimes difficult to analyze for distribution effects, it most assuredly is not regressive. There may be political arguments against this tax, but regressivity is not one of them.[2] Third, Fischel (2001) has argued that under certain zoning restrictions, the property tax can be examined as the equivalent of a benefit charge that the residents of a jurisdiction pay for the privilege of living in that jurisdiction. If Mesa does not have a property tax, it is not clear what that the efficiency characteristics of that tax system exist.

[1] Residents of Mesa do pay property taxes to the county, school districts, special districts, etc. However, there is no primary or secondary property tax in Mesa.

[2] For readings that discuss some of these issues, see Tiebout (1956) and Youngman (2002).

Mesa History and Financial Conditions

The first settlers in the Mesa area were the Hohokam peoples who migrated north out of Mexico around 300 BC and settled in Mesa around 200 BC (Royo, 2006). The Hohokams built a canal system that was quite sophisticated, extending for 16 miles throughout the desert and irrigating over 110,000 acres by 1100 AD. By 1450 AD, there were hundreds of miles of canals, many of which form the basis for today's irrigation systems (Mesa Library, 2006). Around 1450, for unknown reasons, (perhaps an extended drought) the Hohokams, disappeared, although there is some speculation that their descendants became part of the people of the Maricopa and Gila Indian Communities.

Missionaries and explorers passed through the general area during the 1500s and 1600s. The Apache Indians, who lived east of Mesa, drove the Spanish away in the 1700s; later, in the 1800s, U.S. Army troops fought the Apaches, and ultimately white settlements were able to expand into Arizona. In the mid 1800s, Mormons were settling Utah as a way of escaping religious persecution in the Midwest. As Utah's population increased, the officials of the Church asked Daniel Webster Jones to lead a group to settle in Arizona. Jones agreed—but with a contingency: the families in the settlement had to have many children and also be poor, so they could not resettle anywhere else with ease. This group arrived in Lehi, just north of Mesa, in March 1877. The Hohokam canals were cleared and were filled with water in 1878. Since Lehi was prone to flooding, the City of Mesa outgrew Lehi, and when the railroad was placed in Mesa about 1895, this growth pattern accelerated. Mesa was incorporated in 1883, with a population of 300.

Dr. A.J. Chandler (who later founded a city that bears his name) enlarged the Mesa Canal with heavy machinery in 1895 which allowed enough water to power an electricity generating plant. The City of Mesa bought Chandler's profitable utility company in 1917. Utility earnings allowed Mesa to pay for capital expenditures without issuing debt until the 1960s. In addition, these utility earnings provided funds to allow matching dollars for WPA construction and service projects during the Great Depression. From Mesa's early history, then, there was an intertwined role of utility revenues and the General Fund.

At the July 24, 1945, Mesa City Council meeting, it was unanimously adopted that "there would be no [property] tax levy for the year of 1945 and the income from the utility department was increased by the same amount as proposed to be raised by taxes" (Mesa City Council, 1945). Later, the City Charter, adopted in August 1967, stated, "No tax shall be levied on personal property unless approved by a majority of the qualified electors voting thereon at a general or special election" (Art. VI, Section 602, part D). The possibility of a property tax has been brought up at times since then; for example, in 1988, its possibility was discussed in the context of a privatization of sanitation fee change (Savage, 1988). In 1989, when the threat of a property tax resurfaced, a citizen's group—"Citizen's to Protect Mesa's Quality of Life," turned in 3,000 more signatures than necessary to request a ballot initiative preventing the imposition of a property tax without voter approval. There is still no property tax in Mesa.

With the advent of air conditioning in the late 1940s, Mesa began to grow rapidly. With the exception of the 1920s decade, Mesa's population has increased by at least 79 percent during every decennial census period up to 1990. Until the 1960's, the majority of the Mesa residents were employed, directly or indirectly in the farming sector. During the 1980s, Mesa had the highest growth rate of any city over 100,000 in the United States. Between 1990 and 2000, Mesa grew by 37 percent, and in 2005 Mesa became the 40th largest city in the United States.

Some Mesa Financial History

As Juozapavicius (2006a) notes, "Mesa could be the city that cried wolf one too many times." In 1965, the city manager claimed that Mesa was dipping into its reserve funds to balance its budget. In 1978, Mesa raised utility bills by as much as 33 percent because it argued that it needed the money to operate because the City did not have a property tax. In 1988, Mesa forecasted a $4 million shortfall and a $52.2 million deficit by 1992-93. At this time, the City proposed cuts in a variety of services and examined the idea of a property tax. The tax idea quickly died, services were not cut, and the property tax "was seen as poison to a politician's chance of getting elected or re-elected." (Juozapavicius 2006a).

By the late 1990s, problems began to occur: "pipes were bursting, sewerlines were leaking all over town, and roads were pocked with potholes" (Juozapavicius 2006a). For example, in February 2006, a sewer line collapsed that will cost about $400,000 to repair and which will entirely deplete the city's emergency sewer repair fund (Herzog 2006). Since 2001, Mesa has cut or reduced anticipated expenditure increases by over $51 million. These were not across the board cuts, but rather they targeted specific programs such as the elimination of the Bicycle safety Program, the DARE Program, and the Mesa Gang Intervention Project as well as reduced hours at recreation centers, public swimming pools, and reduced participation with Mesa schools in special events. (http://www.yesformesa.com/future/cuts.php) The fire department also lost some training programs, including paramedic training and special operations training (*Fire Times* 2002).

Table 1 (calculated from Tables 1A and 2A in the *Mesa Comprehensive Annual Financial Report* (CAFR) for the fiscal year ending June 30, 2005) compares the finances of Mesa from five years ago to the last fiscal year. This analysis gives rise to several intriguing results. All of the following conclusions take both inflation and population growth into account.

- There are almost no changes in the relative budgetary importance of particular revenue sources. In terms of expenditures, there have been some small changes, with increases in the importance of cultural and public safety as a percentage of expenditures offset by small decreases in some of the other categories. In particular, the former have become more important, while enterprise expenditures have become less prominent.[3] In part, this reflects the political dynamics in the

[3] "Cultural" includes parks, libraries and other cultural recreation.

City (especially for the public safety and cultural variables) and in part it reflects a deferring of important capital improvements in the enterprise units.

- When 2004/2005 per capita revenues are deflated to 2000/2001 levels and then compared to the nominal 2000/2001 per capita revenues, the results are striking. In every category, except enterprise, the deflated 2004/2005 per capita expenditures are less. In particular, sales taxes and state shared revenues are down by about 8 and 6 percent respectively. Only the per capita enterprise revenues are marginally higher. Total revenues are down, in real per capita terms, by about 3 percent.
- Total real per capita expenditures have fallen by over 8 percent. Only public safety and cultural have increased in these terms. Real per capita enterprise expenditures have dramatically fallen by slightly more than 21 percent.
- Real per capita expenditures on capital projects have also fallen by slightly over 10 percent. This represents a deferral of capital improvements that must be ultimately accounted for in the long run.
- Unlike the comparison to 2000/2001, the data indicate that real per capita revenues and expenditures have increased in 2004/2005 compared to 1994/1995. The reasons for this may be related to the "quality-of-life" sales tax increase which began in 1998 as well as the ten reasons listed beginning on page 4.

It is safe to conclude that Mesa has not been characterized by profligate spending or raising any potential revenues to their highest possible levels.[4] The picture is one of a City facing significant fiscal stress over the last five years.

Mesa Compared to Other Cities

The attached tables provide some detail as to the demographics and economic environmental in which Mesa exists. The following are some snapshot observations:

- Table 2 (from the U.S. Census): In 2003, Mesa was the 43rd largest city in the United States. Although Mesa is not particularly understaffed in terms of public sector employment per 10,000 population, its per capita government employment has fallen by about 14 percent over the last decade. While falls in per capita city government employment were not unusual during this time, Mesa's fall was among the largest.
- Table 3 (From Mesa City Document, item 3bi): Although Mesa is growing rapidly, compared to its neighboring jurisdictions, its growth rate is no longer as spectacular as it was prior to the 1990s. In fact, only Tempe and Phoenix have grown more slowly on average since 1990.
- Table 4 (from the U.S. Census, Quickfacts): Mesa's population is more bi-modally distributed than the state. That is, its percentage young and percentage old both exceed the state's. It is also whiter, less Hispanic, has fewer households that speak a foreign language; has fewer poor people (with a higher median

[4] This conclusion is substantiated by the Osborne and Hutchinson (2004) calculations that Mesa has one of the lowest costs of government in the 50 largest U.S. cities. It is tied with Las Vegas and is only slightly more expensive than Arlington, Texas, which is the lowest. Cited in Templar, 2006.

income than the state's) and has a greater percentage of high school graduates but a smaller percentage of college graduates.

- Table 5 (from Mesa City Document, item 3bvi): Real retail sales per capita have fallen by about 22 percent since 1999-2000. In Chandler and Gilbert the opposite has occurred: real retail sales have risen by 6 percent and 35 percent respectively in these two neighboring towns. [5]
- Table 6 (from Table XVI, 2005 CAFR): Mesa was hard hit by the 2001 recession. Both commercial and residential construction (in terms of number of permits and value) peaked during 1999-2000 and then rather precipitously fell. The 2004-2005 commercial values have regained their former levels; however, the residential construction values have continued to fall. Part of this, of course, may occur because the city is reaching its build-out population.
- Table 7 (from the City of Mesa handout, Cluster Portfolio): Observing just the future oriented sectors, Mesa is doing better in having activity in aerospace, bio-industry, education, health and retail categories compared to the Greater Phoenix area; it is doing worse in the high technology, plastics and software arenas. Mesa's economic development future is therefore difficult to predict, but still may be amenable to good public policy decisions.
- Table 8 compares Mesa to other Arizona cities in terms of a variety of taxes. In addition to Mesa, 59 Arizona cities do not have a primary property tax. Unlike 15 other cities, Mesa does not have an excess sales tax on restaurants and bars.
- All cities in Arizona have adopted a local sales tax that is imposed in addition to the state and county sales tax. City rates range from 1.25% to 3%, with more than half of the cities and towns setting the rate at two percent or higher. Mesa's current rate is 1.5%, a rate shared by five other cities; however, because Question 1 on the May ballot passed, this tax will not drop to 1.25 percent but rather, the tax will increase to 1.75 percent. Mesa also has a 3% bed tax that is addition to the regular sales tax rate. This is among the higher levels in the state. Although Mesa does not have a property tax, its residents still pay property taxes to the county, community college district, the Central Arizona Project, and several additional taxing authorities. In addition, depending upon the school district in which the resident resides, there is an additional $4.48 to $12.30 per $100 of assessed valuation that is paid to these districts.[6] Mesa encompasses five school districts. Since question 2 on the May ballot failed, the primary property tax will remain at zero. If Question 2 had passed, a primary property tax would have been imposed to raise $30 million, which was likely to result in a property tax rate of one percent of assessed value. See Appendix 1 for a brief synopsis of the extremely complex Arizona property tax laws. Appendix 2 gives the text of the two questions.
- Table 9 is divided into two panels. In all panels, unless otherwise noted, all of the data come from the respective jurisdiction's Comprehensive Audited Financial

[5] In Arizona, the sales tax is called a Transaction Privilege Tax. The state sales tax is 5.6% and the Maricopa County sales tax is 0.7%. Mesa's proposed change in the sales tax will be subsequently discussed.

[6] Homeowners are assessed at 10 percent of actual value; commercial property is assessed at 25 percent of actual value.

Report (CAFR). In all of the panels, Mesa is compared to five other Arizona cities which are roughly comparable to Mesa in size.

The top panel is for 2001/2002. The data show that Mesa is denser than most of the other cities and ranks slightly above the median in per capita revenues and ranks second in expenditures per capita. It is also interesting to note that of these comparison cities, the highest percentage of the property tax to total revenues is only 7.6 percent (Scottsdale). It is reasonably clear that the property tax is not the most important of the cities' revenue sources, probably because of the State property tax limits.

The second panel is for 2003/2004. Mesa now has a population almost as large as Tucson and considerably larger than Glendale, Scottsdale and Chandler. The per capita income of Mesa's population is the lowest of the six cities, and its per capita revenues and expenditures are slightly below the medians. Mesa is cutting back in local revenues and expenditures compared to its neighbors. The percentage of total tax revenues originating from the property tax is still small, but is slightly increasing in all but one of the jurisdictions. These increases are occurring because of the rapid new construction and property appreciation that occurred during this time interval.

Mesa Compared to Other U.S. Cities

The most striking difference between Mesa and other cities in its size class is that Mesa does not have a property tax. Table 10 compares Mesa to five other US cities outside of Arizona that are about the same size and are also located in a large metropolitan area. With the exception of Miami, Mesa is the least dense. In 2001/2002, Mesa was second from the bottom in both revenues and expenditures per capita. By 2004-2005, Mesa was at the bottom of both categories. It is also important to compare the last column in Table 10 to the last column in Table 9. Other similar cities are far more dependent on the property tax than Arizona cities, sometimes by as much as a factor of five, both in 2001/2002 and 2003/2004.[7]

Why does Mesa have a Problem?

There are a myriad of reasons for Mesa's budget problems. While each one, in and of itself, is quite serious, none of them is the only reason for the current deficit. The following appear to be the principal ten, often interdependent, reasons for the deficit.

First, while per capita revenues and expenditures have increased in the long run, after accounting for inflation, they have both fallen since 2000/2001. The four principal reasons why nominal per capita expenditures have increased seem to be:

- Jail billing costs are increasing. The total of booking and housing fees in 2001/2002 was $140.39. These two fees rose to a total of $190.42 for 2005/2006, for an increase of almost 36 percent over the four years. During this same period, the number of inmates increased from 11,988 to 13,138, an increase of over 9.5

[7] California is subject to a very stringent property tax limitation, which explains the percentage that is similar to Arizona's cities. Georgia also has some property tax limitations, depending upon the county.

percent. Together, total jail billing costs went from $2,582,009 to $4,180,000, an increase of nearly 62 percent.[8] These are exogenous to the City, assuming that the City maintains a constant level of police service.

- Retirement system costs are increasing. There are two parts to this cost: the public safety retirement system and the public employee retirement system. Both costs are increasing. Including long-term disability premiums for public safety, the City estimates that its contribution to the fire component of the system will rise from 3.12 percent in 2000 to 9.83 percent in 2005, drop slightly in 2006 and then increase to 10.9 percent in 2007. The police component was a City contribution of 8.67 percent in 2000, will rise to 13.4 percent in 2005, increase to 11.55 percent in 2006, and then remain stable in 2007. No forecasts beyond 2007 were made. For other City employees, the contribution was 2.66 percent in 2000, rising to 5.70 percent in 2005, and then continuing to increase to 7.40 percent in 2006 and 9.10 percent in 2007. Since the non-police/fire employee contributes the same amount as the City, the employee's net salary has increased by a total of 5.7 percent since 2000 while the CPI has increased by about 13.3 percent, leading to a real reduction in salary.[9]
- Health benefits are taking an increasing share of the budget. The overall annual U.S. average growth rate in health care premiums (for all sectors) was 7.3 percent from 1993-2003.[10]
- Mesa citizens approved the Quality-of-Life sales tax increase in 1998. This was a ½-cent sales tax increase to fund a variety of services and capital expenditures. These services included additional police officers, firefighters, swimming pools, parks and recreation programs, and the Mesa Arts Center. One-half of the tax increase (1/4 cent) funds capital projects with the other 1/4 cent funding operations and maintenance. The budget increases partially reflect this additional Quality-of-Life expenditure. The capital portion of the tax expires in July 2006, leading to a revenue fall of about $20.7 million. The new tax increase will offset part of this decline.

Second, Mesa took advantage of low interest rates in 2003 and 2004 (until July 2004, at which time the Federal Reserve System began to increase interest rates). The City restructured some of its debt to save between $25 to $20 million a year in debt service for 2004 through 2007.[11] This action allowed the City to defer making drastic budget cuts for these four years. The City hoped that the low interest rate environment would continue. Unfortunately, this did not happen, and in 2007/2008, the total bond payments will increase to almost $79 million per year, an increase from the $35 million in FY 2006/07. The Financing the Future Committee anticipates that this change (along with operational cost changes) will drive the City's ending fund balance to a deficit of $77.6 million by 2010/2011. Within the City, this particular problem is called "Debt Valley."[12]

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[8] Strategic Budget Planning Session, February 3, 2006, item number 3dv.2
[9] Strategic Budget Planning Session, February 3, 2006, item number 3dv1
[10] Centers for Medicare and Medicaid Services, National Health Accounts, 2005.
[11] Mesa 2025, p. 4. Remember, debt service is paid out of General Fund revenues. Mesa 2025, p.4. The City has also refunded almost $375 million of debt since 1995 to take advantage of interest rate fluctuations (CAFR 6/30/05)
[12] Mesa 2025, p. 5.

Third, there are sales tax problems. Sales taxes are very important to Mesa, comprising nearly 19 percent of its total revenues, and exceeded only by utility revenues and state-shared revenues. During the 1990s, Mesa's economy grew rapidly, a large shopping Mall was built in Mesa, and sales tax revenues increased. For a time, Mesa was the retail hub of the East Valley and realized a large amount of sales tax revenues. In 2000, Mesa voters approved an initiative to repeal the sales tax on food for home consumption, which made Mesa and Phoenix the only major jurisdictions in Maricopa County to not have a tax on food. The elimination of this tax base translates into a $9 million annual reduction in revenue. A second problem that Mesa faces because of sales tax dependence is that surrounding cities have built large retail malls while, until recently, Mesa was slow to respond. Stores located in Mesa years ago because it was the center of the East Valley population. Now, high-end retail is choosing to expand in the surrounding cities of Chandler and Gilbert. Mesa is now second to the bottom in per capita sales tax collections among East Valley cities (Hogan 2006). The Mesa City Council and management team have recognized this and are now attempting to strategically fight back, partially by offering incentives to keep car dealerships from relocating and partially providing additional incentives to get a 2 million square foot retail development along its northwest border successfully started ahead of Tempe, which is competitively trying to do the same. At least one analyst argues that past Mesa City Hall decisions regarding retail—or even letting decisions remain unmade so development lacked direction—have negatively affected Mesa's future. He argued that Mesa does not have the (high-income) demographics but does have older run-down areas. "Mesa is paying the penalty for lack of planning and zoning in past years."[13]

The fourth explanation is the already mentioned expiration of the ¼-cent portion of the Quality-of-Life sales tax on June 30, 2006. This is estimated to result in a $20.7 million annual reduction in revenue for capital expenditures. The passage of the sales tax increase will ease this problem.[14]

Fifth, the Financing the Future Committee identified a series of growth-related issues that will be affecting future City finances. In particular, a significant amount of infrastructure developed by the City is aging and, in some cases, exceeding its lifespan. Because of the aging of streets and housing, the City's maintenance costs have increased. Further, as the City reaches build-out, there will be increased pressure to meet the needs of new development, including residential, commercial and industrial. Included in this category are increased costs associated with federal mandates (the Committee names arsenic remediation) as an example.[15]

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[13] Tom Rex, as quoted in Hogan, 2006. It is worthwhile to note that Mesa Chamber of Commerce, while endorsing the incentives for attracting business, recognizes that "by chasing retail, you encourage creation of low-end jobs that don't require a higher education. Then you have a less educated labor force and a more difficult time attracting high-wage jobs. And the lack of high-end jobs discourages high-end retail because the per capita income doesn't suit that level of product." Charlie Deaton, president of the Mesa Chamber of Commerce, quoted by Hogan.

[14] One proposed future solution to this capital finance problem is to have all debt-financed capital projects be serviced through a secondary property tax.

[15] Mesa 2025, p.3

Sixth, and closely related to the above, is the current transportation structure of the City. The roads and mass transit structures of the City of Mesa are critical elements of the of Maricopa County transportation system. The City of Mesa is the principle manager and maintainer of the roadway systems within and bordering the city. Since 1992, this system has expanded from 854 miles of roads and 173 miles of storm sewer systems to approximately 1,164 miles of paved surfaces and 290 miles of storm sewers under the maintenance authority of the city, about a 37% increase. As the area and population of the city have expanded over time, the quantity and complexity of city roadways has expanded. In addition to the sizeable collection of intra city surface roads, US Highway 60 and the Red Mountain Freeway act as major conduits for vehicle transportation to and through the city. The city contributes to the expansion of the US 60 and the Red Mountain Freeway through its participation in the Maricopa County Association of Governments organization which acts as the Regional Public Transportation Authority.

The existing roadways represent a significant fiscal expense for the city. In 2004, in progress construction and maintenance, with a contract value of $60,284,000, continued the maintenance and expansion of city roads, which traffic volume studies indicate a need for increase in capacity. Construction and maintenance contracts for sewer systems were in the amount of $17,134,000. Capital construction of roads has been financed with State and Highway User Revenue bonds issued over an 8 year period starting in 1997. The outstanding value of these obligations was reported in the 2004 CAFR at $107,697,000. Principal and interest payment schedules for these instruments show a total balance due of $179,018,000.

Seventh, and closely connected to the above, are additional future transportation funding needs of the City.[16] These were identified as some of the largest areas in which funding is lacking. In 2002, a City Transportation Plan included recommendations for addressing issues of both improvements to and expansion of street maintenance and capital. However, the plan was not implemented because it would have required a new tax, which would need voter approval. Since the City was just beginning to come out of the recession, the council was hesitant to go to the voters and ask for approval of an increase in the sales tax. The Committee concludes that the condition of the streets has greatly deteriorated and will continue to do so because of the lack of enough funding for street maintenance as well as for the ever-expanding street system. In addition, in 2004, Proposition 400 passed, which continued a countywide transportation tax. This proposition will raise enough revenue to provide $385 million in regional funding for more than 50 street capital projects in Mesa. This covers about 70 percent of the total necessary funding; a local match of $170 million (in 2002 dollars) is required to make up the 30 percent shortfall. If Mesa cannot meet the local match requirement, it will lose its share of the tax revenue to other communities in Maricopa County (Mesa 2025, p.4). As Mesa's population expands and approaches 600,000 people, the existing surface roads will require considerable capital expansion. Out year estimates of the cost to the City of Mesa for its participation in the regional roadway transportation plan, which will widen

[16] The Strategic Budget Planning session identified seven pages of transportation needs and scheduled improvements.

and extend many existing streets through joint city construction projects is $195,924,719[17]. This amount includes construction work which will continue through 2025. Future planning based on population increases calls for new bus rapid transit routes, regional express routes, and the airport Williams Field Gateway freeway connector. The city has also partnered with other governments in the valley to support the construction of the Valley Metro Light Rail System. This passenger rail system will connect the central business areas of Phoenix to the population and business centers of the East Valley and regional transportation systems such as Sky Harbor Airport. This project is jointly funded by the cities and the Federal Transportation Authority. The support of the light rail system has been controversial in Mesa, and may have been one of the reasons for the property tax initiative to fail.

Eighth, the City receives about $130 million per year through the state shared revenue programs.[18] These five revenue sources all have population as either the sole factor or one of the factors in their distribution.[19]Although Mesa is anticipated to grow until about 2040, its share of the state population is likely to decline as other cities in the state still have large amounts of land available for development. Although the absolute amount that Mesa will be receiving should still be growing, it is likely to grow at a reduced pace. This problem became more visible on March 30, 2006, when the preliminary mid-decade U.S. Census numbers were released indicating that Mesa's population may be approximately 35,000 less than previously believed, leading to an initial estimate of an additional revenue fall of about $6 million (Juozapavicius, 2006b).[20] On April 14, 2006, four East Valley Cities (Mesa, Scottsdale, Gilbert and Chandler) appealed the U.S. Census population survey that indicated this shortfall. As part of their appeal, Mesa noted that the census survey found a fall of about 3,000 homes in one part of the city during the last five years—in an area where growth was significantly occurring. The final recalculated cost to the City of this lower population estimate is now about $6.9 million (Gabrielson 2006a).[21] In the short run, however, Mesa will not receive the final population estimates until after it adopts its 2006/2007 budget, and so is assuming that the funds will not be there (Gabrielson 2006b).

The ninth reason for Mesa's problems is that its current financing model has inherent structural problems. Table 11 (Mesa 2025) compares Mesa to some of the surrounding cities. When differences in property tax rates, sales tax base and rates, and utility rates are taken into account, Mesa's existing tax structure generates an average of about $40

[17] City of Mesa Council Meeting, February 3, 2006.
[18] Table IIA 2004/2005 CAFR
[19] The five sources are: urban revenue sharing, state sales tax, Highway User Revenue Fund, vehicle license tax, and the Local Transportation Assistance Fund.
[20] This is actually a revenue transfer to the rapidly growing cities on the West side of Phoenix.
[21] There is another component to the state shared revenue program that can affect Mesa's (and other local governments) revenues. The State is now enjoying a $1.1 billion surplus, which is generating a serious decision of income tax cuts. The Republican proposal (which is part of a complex budget negotiation, which will not be concluded until June or July), is to cut income taxes by about $600 million. If this occurs, it is estimated that Mesa will lose (compared to no tax cut) $2.8 million, $5.7 million, and $8.5 million over the next three years (Sherwood and Crawford 2006, quoting the Arizona League of Cities and Towns).

million less in revenue per year than the comparison group, (with a median of $59 million). It is also interesting to note that with the exception of Scottsdale, all of the other cities charge less than Mesa for utility services. Because of this differential compared to the other cities, the City Council believes that utility rates cannot be continually increased in order to balance the Mesa budget. Table 12 (Mesa 2025) is the average homeowner's charges survey, which illustrates that for 2005, Mesa is the cheapest city in which to live, being between 9 and 33 percent cheaper, at least with respect to government costs.

Tenth is the importance of the role of the enterprise utilities in the City's financial structure.[22] Table 13, provided by the City, shows the five principle enterprise accounts—all utilities—since 2001-02. Mesa's electric district covers about 7 square miles of the city; its gas district covers about half of the city, while the other utilities cover the entire city. Between 2001-02 and 2004-05, total utility revenues have increased by slightly more than 13 percent. According to the Mesa 2025 Financing the Future Committee, the City adjusts utility rates not only "to provide sufficient revenues need to address the increased costs of utility services but also to offset Citywide revenue shortfalls and fund many operational expenditures in the General Fund, including police, fire, street repairs, and parks and recreation" (Mesa 2025, 4).[23] The committee also believes that this hinders the utilities ability to maintain and improve their infrastructure, as well as hiding from the Mesa citizens how their utility payment is being used. The outcome of this is that Mesa has a utility rate structure that if imposed on the average valley city would generate for that city an additional $24 million. (PowerPoint, 11)

There are some additional notes in this discussion:

- With the exception of gas, whose net income fell to 5.7 percent of revenues, there is a general upward trend in the "net income after all expenditures" category (all expenditures, income, capital, and debt service expenditures). Also, note that although each individual utility has fluctuated over the last four years in terms of profitability, the total transfer to the city has shown monotonic increases.
- For most of the utilities, the increases are erratic, and in some year-to-year comparisons, even negative. For example, water's net income, after a downturn in 2003-2004, has risen to a 47.3 percent return.
- There is a consistent increase in the "net income after all expenditure" total, both in absolute dollars and as a percentage of all revenues. Total net income, after deducting all expenditures, and subtracting capital and debt expenditures, has increased by over 26 percent and has grown as a percentage of utility revenues from 28.8 percent to 32.1 percent. All of this net income has been transferred to the General Fund.[24] In 2004-2005, this was $76,228,239—the entire amount

[22] To put the following data into context, using the 2002 Census, for Mesa, utility and liquor store revenues are about 25 percent of total revenues. For the other six cities in Arizona that exceeded 125,000 population in 2000, the average percentage was slightly under 13 percent.

[23] On December 22, 2005, the Arizona Court of Appeals ruled that city councils are free to raise fees for city services—such as garbage, water and sewer—without fear of being overturned by city residents. The decision dealt specifically with Mesa rate hikes. (Fischer (200).

[24] This is a little confusing to the general reader of the CAFR. The budget document shows revenues from Enterprise functions as about $285 million (47 percent of total city revenue) and expenditures on enterprise

shows as a transfer in the CAFR. The 32.1 percent number is one of the drivers in the instigation of the ballot measures to increase the property and sales tax.

The Utility Component Re-examined in the Context of the Budget Deficit

The City explains that the amount of transfer to the General Fund from the utilities reflects the amount of bond debt that the utilities will be paying and the relative split between Utility and General Obligation bond debt (Appendix 3). As earlier noted, this is has been an increasing percentage of net income after all expenditures for the five utilities and has gone from 28.8 percent in 2001-2002 to 32.1 percent in 2004-2005. With no policy change, this percentage is anticipated to peak at 32.6 percent in 2006-2007, and then decline to 25.8 percent in 2007-2008. Because of the pressure of attempting to keep utility rate increases low (referred to as utility adjustments), this source of revenue to the City will not be increasing. More importantly, the City Council has determined that this transfer should be reduced to 17 percent, either immediately or over time. The 17 percent figure was arrived at by the Council who believe it to be an industry standard. The Council also believes that the contribution of utilities to the City at the 17 percent rate would also allow the utilities to have adequate revenues to maintain rate stability and improve their capital stock.

To demonstrate the effects of this reduction, the City presented four hypothetical scenarios, also shown in Appendix 3. The worst case is Scenario 1, in which both propositions fail (there are no property tax revenues and the sales tax is not increased) and there is an immediate reduction in transfers to the 17 percent level. In this case, immediate reductions, totaling $37 million must be made in order to maintain an adequate fund balance. Scenario II is based on the assumptions that there are no tax increases and that there would be a phased reduction to a transfer of 17 percent beginning in FY 2008/09 and reached in FY 2015-2016. In this scenario, there would only need to be an immediate on-going cut of $15 million. Scenario III assumes that there would be a property tax and an increase in the sales tax along with an immediate reduction to the 17 percent level. This scenario generates the need for an immediate cut of $22 million. Scenario IV assumes both tax increases and phased reduction to the 17 percent level, beginning in 2008-09 and achieved in 2015/2016. This best case scenario leads to no reductions and adequate fund balances, assuming a 3 percent annual utility adjustment. In this case (and the only one presented in detail), by 2015-2016, the transferred amount would be about $58.5 million. The arguments for tax increases are partially based on these scenarios.

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functions of $170 million or 26 percent of total expenditures. This expenditure is in addition to the approximately $85 million of enterprise capital expenditures.

Mesa's Recognition of the Problem

Although many of these problems had been known for years—there was a 1989 report that identified many of the same concerns—there was a sense of inertia in the City. After the 1989 report, Mesa entered the boom era of the early to mid-1990s and so was able to defer addressing these concerns. However, these became more important in the early 2000s (and were recognized by the staff as they restructured the debt to un-encumber some additional revenues). During this time, the City staff developed a very sophisticated budget forecasting system that was to be fully integrated into the budget and capital improvement systems. It included all operating funds by fund type and program, and forecasts both revenues and expenditures for both the short-run and long-run. Using percentage changes and regression models, it is able to forecast such detail as wages and future benefits. This model became operational in September, 2003 and it was the model's initial forecasts that indicated continuing budget concerns (under the assumption that there would be no improvements in the levels of service provided by the City) that were to be important in future City Council actions. In fall, 2003, the City Council acknowledged the fiscal difficulties facing Mesa and in January 2004 created a 16-member "Financing the Future" Committee. This Committee, chaired by Councilmember Kyle Jones, met at least 34 times during 2004 and 2005 and made its final report in September 2005. This report made several recommendations including:

- Prioritizing and revamping city services
- Asking departments and agencies to articulate specific long- and short-term goals
- Establish a Sunset Review process
- Adjust the City Council budget process
- Establish a committee to examine city employee compensation and benefits.

The Committee also recommended four revenue related changes:

- Institute a primary property tax
- Increase the Local Sales Tax Rate to 1.75 percent (with 60% of the revenues to be spent on streets)
- Adopt a policy to establish transfer limits from the Utilities Enterprise Fund to the General Fund
- Evaluate options regarding the Pinal County Water Farms.

These recommendations were to play an important part in the final proposals that the City Council would show to the Mesa citizens.

The Mesa Response

The City leaders did not hide from the Citizens' Committee recommendations. Keno Hawker, the Mayor, directly addressed them in his State of the City speech in January, 2006. Because of the political courage of its leaders, the City was able to adopt a two-track response to a potential $37 million deficit. One track was the Council placing two tax increase propositions on the May ballot and propose raising additional revenues from selling a portion of the City's Pinal County Water Farm. The decision was done in consultation with the Chamber of Commerce and other City interest groups. The City

Council voted to place sales tax and property tax increases on the ballot in May 2006 at their December 21, 2005 meeting.

Track 1:

The first proposition on the ballot is to increase the sales tax, effective July 1, 2006, from 1.25 percent to 1.75 percent. Of this 0.5 percent increase, 0.3 percent is earmarked for streets—including construction, operations, maintenance, and street capital equipment needs. The remaining 0.2 percent is earmarked for municipal services, such as police, fire, courts, parks and recreation, libraries, and other services authorized by the City. It is anticipated that this will raise about $40 million.

The second proposition is to authorize the City to raise an amount not to exceed $30 million by a primary property tax. This $30 million would become the base for determining subsequent levy limitations, which essentially means that new construction can be added to this base. Note that the proposition does not set the tax rate. However, the City will be imposing a $1.00/$1000 of assessed valuation. The City expects to raise between $25 and $30 million from this tax.

In Arizona, under the 1980 State Groundwater Management Act, cities in certain areas have to guarantee water to their inhabitants. In order to do so, some cities, including Mesa, have purchased undeveloped land that sits over potential sources of water, a practice known as groundwater farming. Arizona law attaches water rights to these sources to the land. Mesa owns a large amount of property in Pinal County (a county between Mesa and the City of Tucson and which is rapidly growing) that it has used this as a water farm for protection of water supplies. Some portions of this farm are non-contiguous and isolated and Mesa believes it can sell these portions in order to generate $11 million per year for the next ten years. Even with this straightforward device, there is a complication. There is a defunct oil refinery on 37 acres of this water farm. The owner of the refinery is currently leasing the property from Mesa and is considering exercising a renewal option—not to operate the refinery but to prevent the refinery from falling into the hands of a competitor. Depending on the source, the refinery is either worth no more than scrap metal or about $4.2 million. It appears as if this piece of land will not be immediately sold (Thomason 2006). Selling parts of the farm reduces the projected deficit to about $25 million. The rest of this analysis will assume the lower deficit number based on the belief that this sale will occur.[25]

Track 2:

[25] In addition, to protect future budgets, the City will also only issue GO Debt that is financed by the secondary property tax. Although this tax was never formally approved by Mesa voters, the City Attorney has opined that Mesa can use this tax because it was implicitly authorized when Mesa voters approved the currently existing GO Debt. This action is included in the discussion of the deficit to the $25 million.

The second track undertaken by the Council was to determine and make public the programmatic cuts in the budget. In addition to the potential expenditure cutbacks tentatively suggested by the Financing the Future Committee, Mesa proposed two potential sets of expenditure reductions. The first set, posted on December 12, 2005, identified 108 reductions (although some were alternatives so that this total is slightly exaggerated). They were broad ranging; for example the City proposed to stop stocking urban lakes with fish (saving $8,000), reduce contributions to the Mesa Senior Center and other non-profits (saving $822,052), reduce Senior dial-a-ride services and other transportation services (saving $1,000,000), and reducing park maintenance by 35 percent by eliminating park lighting, tree maintenance, reducing mowing and reducing watering trees and other plants (saving $1,117,010). The listing indicated that about 355 positions would be impacted. This list was almost immediately pulled off of the Web because of a Councilman's objection that the list had not been thoroughly discussed.

The City then went through a more formal process to obtain citizen views on how and when the potential cuts might occur. Beginning in early February, with a community-wide meeting to brief all interested parties on the budget, the city then held meetings in each of the council districts to discuss the budget problems. In each of these meetings, there were a series of alternatives discussed about what programmatic cuts should occur and citizen input was requested. After these February meetings, the City proposed a new set of cutbacks. This new plan is very similar to the first; except the City will not shut down two branch libraries and police specialty positions will not be eliminated. Instead, the closing of two museums will be expedited. 265 employee positions will be eliminated, although it is not known how many are currently vacant. The press release for this set of reductions identified three sets of cuts: those that would occur even if both taxes passed (saving of $1 million); those that would occur if the sales tax passes but the property tax doesn't (51 programs to save $13 million—including eliminating holiday lighting), and those that would occur if both taxes failed (45 additional programs saving $11 million—including the discontinuation of the broadcasting of Council meetings) (Powell, 2006a). As the May election approached, the City continued to discuss cuts. On March 29th, the City recommended accepting the basic cuts that were proposed with one major exception—it would cut its contribution to the local airport by $1million rather than the $2 million originally proposed. It would make up this $1 million by letting the City of Phoenix buy into a partial ownership position of the airport, thus reducing Mesa's ownership share.[26]Ultimately, Phoenix and Mesa would have equal shares in the ownership (Richardson, 2006). The final decision as to the extent of these new relationships will be deferred until after the May 16, 2006 election.

This airport decision generated interesting consequences. The City of Phoenix announced that it would be willing to not only bankroll a significant portion of the operating expenses of Williams Gateway Airport, but would also contribute toward capital improvements. The total Phoenix investment in the next five years could be $11.5 million. Phoenix is undertaking this investment because it envisions a regional airport system that would naturally develop in order to take some of the pressure off of the

[26] The airport is owned by Mesa, Gilbert, Queen Creek and the Gila Indians. It is not making a profit at the current time, but is expected to become profitable in the future.

Phoenix Sky Harbor Airport (Richardson, 2006). Within five days after this announcement, an editorial appeared in the *Scottsdale Republic* that suggested the Scottsdale City Council revisit its decision to minimize commercial service at the Scottsdale Airport (*Scottsdale Republic* 2006).

Finally, Mesa began implementing some cutbacks. Library hours were reduced in March and the hiring freeze was continued. The City also discontinued its support for the special citywide events following the Martin Luther King Day celebration in January and cancelled its Mesa Day Miniature Parade in March. (Arthur 2006).

The City Council and May Elections

On March 14, 2006, Mesa had a City Council election in which one of the pro-property tax supporters was reelected (with 51% of the vote) and an incumbent who opposed the property tax was defeated by a 56% to 44% margin. However, neither of the winning candidates made the property tax increase the cornerstone of his campaign, although neither backed away from support. Other issues, including a gunfight between one of the candidates and some suspected illegal immigrants and the allowing of housing construction near the airport seemed to be at least as important to the voters as they analyzed the candidates.

As the tax election approached, Mesa citizens were invited to attend community meetings to discuss the tax issues. On April 9, 2006, The *East Valley Tribune* endorsed both propositions. The *Tribune* and *The Arizona Republic* both consistently editorialized in favor of both propositions.

The polls consistently showed that the property tax proposal would lose by about a 60%-40% opposed while the sales tax would be approved, by the same 60%-40% margin. The proponents of the property tax implementation spent about $445,000 in support (of which 70 percent came from out-of-Mesa residents), while the opponents spent just a "few thousand dollars" (Juozapavicius 2006c). The election campaign seemed to be relatively straightforward, with charges about government waste and size being countered by assertions of draconian cuts. However, in addition to the on-going history of Mesa backing away from service cuts after threatening to implement them, there were two issues that the proponents of the property tax were unable to clearly define for the Mesa citizens. The first was the implication that the City had enough money because it was spending about $110 million per year on the Arts Center. Although the proponents tried, they were unsuccessful in demonstrating that this Center had an earmarked revenue stream, generated by the quality-of-life sales tax passed in 1998 and the City hade little opportunity to divert this money, although the City did spend about $5 to $7 million in additional operating expenses (Oldroyd, et al 2006). The second issue was that of light rail. Mesa was spending $22 million on its light rail leg, and again, this was used as an example of wasted money. The proponents could not get the opponents to recognize that this was a one-time expenditure, already committed, and thus was irrelevant to future budget problems.

On May 16, 2006, the sales tax proposal passed by the 60 percent forecasted, while the property tax was defeated by the 60 percent forecasted. Neither was a surprise. On May 17th, layoffs began, starting with the Mesa Southwest Museum which lost 11 positions (Perera 2006). At least 45 full-and part-time employees would be laid off and 145 positions will be eliminated. Even the police will lose 15 full-time positions and the fire department will lose 8 (Juozapavicius 2006d). However, the final budget reductions will be $14 million and there will be some small pay increases (Juozapavicius 2006e). The cutbacks will be continuing until the final budget adoption in June. Also on May 17th and again on May 23rd, the *East Valley Tribune* (2006) editorialized that "the council shouldn't retreat from its plans to offer a bond package to voters later this year that would be funded with a secondary property tax."[27]On the Monday following the election, the Mesa City Council tentatively approved an increase in water rates by 6.6 percent and other utility rates by 5 percent (Powell 2006b).

The property tax defeat was also identified as a reason for nearly 170 employees leaving the city (Juozapavicius and Searborough, 2006). Dozens of employees were laid off and more than 150 positions were eliminated. Many of the employees who left since May held specialty positions including cemetery operations coordinator, building plans examiner, court interpreter and senior tax auditor. Some police officers have voluntarily left to work for surrounding cities and the state, both for low city morale reasons as well as better pay or job promotion opportunities. Currently Mesa has more than 400 vacancies.

The Mesa City Council only partially adopted the recommendation of the *East Valley Tribune* as it placed four utility bonds on the November 7, 2006 ballot. The $260.5 million dollar bond package for water, gas, wastewater and electric infrastructure renewal and provision was to be financed by an increase in rates for each of these services rather than implementing a property tax. Over 100 projects were identified by the City as needing improvement or expansion. Presented to the voters in four separate packages, there were easily approved, all receiving over 65 percent of the vote. Total rate increases will be $1.78 per month. It probably did not hurt the chances for passage that Mesa announced a new organizational structure four days before the election. This structure is designed to "streamline operations and consolidate some divisions for efficiency" (City of Mesa, 2006).

Finally, to conclude the end of the calendar year 2006, Mesa eliminated the financing of a city Christmas exhibit. This saved $50,000 (Hensley, 2006).

[27] ." In October, the City announced that it was exploring the possibility of selling the gas and electric utilities (Cronin, 2006).

Some Additional Questions

This paper examines a city that has not had a property tax for over 60 years. This is in a state in which many other cities do not have property taxes, and those that do face a complex mechanism of determining what that tax would be. An interesting set of questions that need far more research revolve around city financial patterns in constrained situations. These questions could include:

- If a jurisdiction does not have a property tax, is there another revenue source that fulfills Fischel's benefit charge role?
- If a jurisdiction is located in a state that constrains property taxes, is this the equivalent of a price ceiling? Does that then imply that the demand for public services will exceed their supply and thus raise questions of what mechanisms will be used to solve this discrepancy.
- How does the capping (or non-existence) of a property tax affect incidence analysis of the local tax system?
- What other, perhaps ad hoc, ways of financing municipal services will be discovered since the property tax revenues are either non-existent or very-low. What effects will these arcane ways have on service delivery.

Conclusions

There is only one conclusion. A large city that has not implemented a property tax for over 60 years and which has a past history of "crying wolf" about budget reductions, will find it very difficult to convince voters that it needs a property tax. Despite past and future cuts in services, clear views that the city's economic situation will continue to lead to continued service cuts, strong editorial support, and strong financial support for the campaign to pass both taxes, voters turned down a relatively low property tax as a source of revenue. Mesa may well be a polar case of the Tiebout model.

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Appendix 1[28]

Arizona's tax limits

- Tax Base is full-cash value. Estimated by replacement cost, income method, hedonic equations
- Two types of property value for tax purpose:
    - Primary Value
        - Generally, primary value increases cannot exceed 10% per year
        - Primary value must be increased by 25% of the difference between the past primary value and the new secondary value if that value increase would be more than 10% of the past primary value. Primary value is always less than secondary value.
        - Majority of property taxes collected from primary value
        - The amount of total primary property taxes that a county, city, or community college district can levy is limed by a levy limit that grows by 2% each year plus new construction.
        - Levy limit operates off a base year levy established in 19979-1980.
        - The limit increases each year, regardless of use, so no loss of future capacity.
        - The combined primary tax on owner-occupied residences, from all jurisdictions may not exceed 1% of the primary value.
            - In cases where the tax exceeds that amount, school district taxes are reduced on the primary amount and the state provides additional aid to the school district to make up the difference.
    - Secondary value (tracks full cash value)
        - Primary purpose is to fund bond issues, budget overrides, special districts
        - No limit on either the amount of taxes that may be assessed or on the growth rate of the assessed values
- There are 13 different property tax classifications with different assessment ratios, ranging from 1% to 27%.
- Complex state aid for education through homeowner rebate.

[28] For more detail, see Arizona Tax Research Association 2000.

Appendix 2

QUESTION 1

INCREASING THE CITY'S TRANSACTION PRIVILEGE TAX (SALES TAX) – RESOLUTION NO. 8648

Shall the City of Mesa be authorized to increase, effective July 1, 2006, the City's transaction privilege tax (sales tax) from 1.25% to 1.75%, of which .30% will be used for street construction, street operations, street maintenance, and street capital equipment needs and .20% will be used for municipal services, such as police, fire, courts, parks and recreation, libraries, and other services authorized by the City of Mesa?

QUESTION 2

PRIMARY (AD VALOREM) PROPERTY TAX IMPLEMENTATION – RESOLUTION NO. 8649

Shall the City of Mesa be authorized to raise an amount not to exceed Thirty Million Dollars ($30,000,000) by primary property tax (ad valorem tax)? IF SUCH AMOUNT IS APPROVED BY THE VOTERS, IT SHALL BE THE BVASE FOR DETERMINING LEVY LIMITATIONS FOR THE CITY FOR SUBSEQUENT FISCAL YEARS.

Appendix 3

Utility Transfer Options and Impacts

For FY 2004/'05 the amount of net income from the utility operations that was transferred to the General Fund was 32.1% of total net revenues generated by the utility programs (Electric, Gas, Water, Wastewater and Solid Waste). The percentage of net income transferred varies from 29% in FY 2001/'02 to a high of 32.6% anticipated for FY 2006/'07. In FY 2007/'08 the transfer is anticipated to decline 25.8%. These moves, both up and down, reflect the fluctuating amount of bond debt to paid by the utilities and the relative split between Utility and General Obligation bond debt.

The following scenarios outline the required adjustment necessary to reduce the transfer to a hypothetical target of 17% either immediately or over time:

Scenario 1: Assumptions: Both ballot measures fail.
Immediate reduction in transfers to the 17% target level.

Result: Requires additional immediate ongoing reductions totaling $37M to maintain an adequate fund balance for the mid-range forecast.

Scenario 2: Assumptions: Both ballot measures fail.
Phased reduction to the 17% target level beginning in FY 2008/'09 and achieved in FY 2015/'16.

Result: Requires additional immediate ongoing reductions totaling $15M to maintain an adequate fund balance for the mid-range forecast.

Scenario 3: Assumptions: Both ballot measures are approved.
Immediate reduction in transfers to the 17% target level.

Result: Requires additional immediate ongoing reductions totaling $22M to maintain an adequate fund balance for the mid-range forecast.

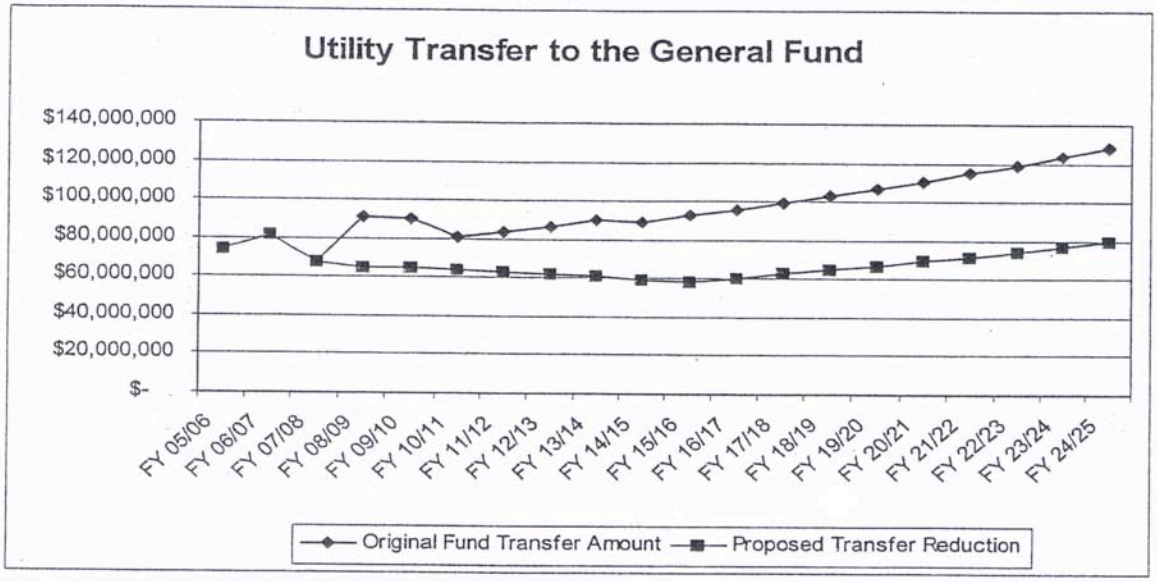
Scenario 4: Assumptions: Both ballot measures are approved.
Phased reduction to the 17% target level beginning in FY 2008/'09 and achieved in FY 2015/'16.

Result: No reductions are required and adequate fund balances are maintained provided estimated (3%) utility adjustments are instituted annually.

Appendix 3 (Continued)

Utility Transfer Options and Impacts

Graphical and tabular depiction of Scenario 4:



PROPOSED TRANSFER AMOUNTS					
	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11
Transfer Amount	$ 81,983,942	$ 67,855,306	$ 65,010,835	$ 64,459,398	$ 63,788,244
Reduction From the Original Forecast	$ -	$ -	$ (25,881,824)	$ (25,040,327)	$ (16,703,676)
Percentage of Total Utility Revenue	32.6%	25.8%	24.0%	23.0%	22.0%
	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
Transfer Amount	$ 62,982,821	$ 62,054,689	$ 60,995,777	$ 59,797,261	$ 58,451,823
Reduction From the Original Forecast	$ (20,487,179)	$ (24,503,311)	$ (28,765,223)	$ (29,284,739)	$ (33,926,177)
Percentage of Total Utility Revenue	21.0%	20.0%	19.0%	18.0%	17.0%
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21
Transfer Amount	$ 60,497,637	$ 62,615,054	$ 64,806,581	$ 67,074,811	$ 69,422,430
Reduction From the Original Forecast	$ (35,298,363)	$ (36,724,946)	$ (38,209,419)	$ (39,753,189)	$ (41,358,570)
Percentage of Total Utility Revenue	17.0%	17.0%	17.0%	17.0%	17.0%
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	
Transfer Amount	$ 71,852,215	$ 74,367,042	$ 76,969,889	$ 79,663,835	
Reduction From the Original Forecast	$ (43,027,785)	$ (44,763,958)	$ (46,569,111)	$ (48,446,165)	
Percentage of Total Utility Revenue	17.0%	17.0%	17.0%	17.0%	

Table 1. City of Mesa Per Capita Measures

Per Capita Values	Per Capita 2004/2005US$	2004/05 Per Capita in 2000/01US$	PER Capita nominal 2000/01US$	2004/05 per capita in 1994/95US$	Per Capita Nominal in 1994/95US$
REVENUES					
Sales and other Taxes	251	277	247	196	158
Revenues from State	288	261	278	225	222
Grants	53	48	52	42	35
Enterprise	632	573	568	493	456
Other	115	105	109	90	59
Total	1,339	1,214	1,254	1,045	930
EXPENDITURES					
Total Gen. Gov't	112	92	112	80	79
Public Safety	426	386	366	332	243
Total Cultural	180	163	138	140	79
Enterprise	377	342	435	294	362
Other	151	137	173	118	164
Capital Projects	235	213	238	183	106
Total	1,470	1,333	1,461	1,147	1,033

Percentage Values	Percent of Total in 2004/05	Percent of total in 2000/01	Percent of total in 1994/95
REVENUES			
Sales and other Taxes	19	20	17
Revenues from State	22	22	24
Grants	4	4	4
Enterprise	47	45	49
Other	9	9	6
Total	100	100	100
EXPENDITURES			
Total Gen. Gov't	7	8	8
Public Safety	29	25	24
Total Cultural	12	9	8
Enterprise	26	30	35
Other	10	12	16
Capital Projects	16	16	10
Total	100	100	100

Table 2. City Government Employment.

City Government Employment and Payroll—Largest Cities: 1993 and 2003

[In thousands, (421.8 represents 421,800). For 1993 as of October; 2003 as of March. See footnote 3, Table 447, for those areas representing city-county consolidated governments. See headnote, page 311 for full-time equivalent employment definition.]

Cities ranked by 2002 population [1]	Total employment (1,000)		Full-time equivalent employment				Payroll (mil. dol.)		Average monthly earnings for full-time employees (dol.)	
			Total (1,000)		Per 10,000 population [1]					
	1993	2003	1993	2002	1993	2003	1993	2003	1993	2003
New York, NY [2 3]	421.8	453.1	380.9	413.9	520	512	1,278.7	2,044.6	3,416	5,080
Los Angeles, CA	47.4	53.1	46.9	51.8	135	136	182.1	286.3	3,896	5,573
Chicago, IL	39.6	41.4	39.6	40.7	142	141	131.4	165.5	3,315	4,091
Houston, TX	22.0	22.7	22.0	22.4	135	112	53.1	73.1	2,412	3,268
Philadelphia, PA	29.8	31.1	29.0	30.1	183	202	88.6	124.8	3,071	4,157
Phoenix, AZ	11.4	13.7	10.9	13.3	111	97	34.1	59.6	3,211	4,495
San Diego, CA	10.8	12.0	10.1	11.2	91	89	30.8	53.0	3,116	4,865
Dallas, TX	13.8	15.0	13.6	14.7	135	122	35.2	59.4	2,647	4,090
San Antonio, TX	13.7	17.8	13.1	16.9	140	141	32.0	57.3	2,472	3,515
Detroit, MI	18.8	44.8	18.5	38.5	180	416	49.2	157.2	2,700	4,139
San Jose, CA	6.2	7.8	5.7	7.0	73	78	23.7	44.1	4,312	6,674
Honolulu, HI	10.3	9.8	9.7	9.1	116	101	28.3	33.5	2,966	3,737
Indianapolis, IN	12.4	16.0	11.7	15.2	161	195	26.7	45.9	2,293	3,009
San Francisco, CA	23.9	28.8	23.9	28.8	330	377	92.9	175.1	3,892	6,078
Jacksonville, FL	10.5	10.6	9.8	10.5	154	137	27.9	39.0	2,967	3,862
Columbus, OH	7.9	9.0	7.5	8.7	119	120	21.6	34.6	2,919	4,018
Austin, TX	3.7	8.4	3.5	7.9	131	113	6.7	24.7	1,936	3,160
Baltimore, MD [2]	12.4	12.5	11.8	11.9	254	178	30.6	44.4	2,650	3,752
Memphis, TN [2]	24.2	28.1	22.3	27.1	366	418	55.4	89.6	2,490	3,357
Milwaukee, WI	28.4	29.4	27.8	28.3	378	444	74.4	107.3	2,713	3,892
Boston, MA [2]	8.7	8.0	8.3	7.8	133	132	22.9	32.5	2,782	4,181
Washington DC [2 3]	21.0	21.8	20.7	20.7	360	351	61.8	89.7	3,034	4,397
Nashville-Davidson, TN	4.8	5.9	4.7	5.7	119	99	11.9	21.6	2,578	3,777
El Paso, TX	5.7	5.8	5.6	5.7	108	99	12.2	16.3	2,225	2,868
Seattle, WA	44.6	36.8	43.1	34.9	711	612	132.7	156.9	3,130	4,553
Denver, CO	11.2	13.4	10.3	11.6	199	203	36.8	56.3	3,691	5,161
Charlotte, NC	5.3	6.1	5.1	5.9	113	104	11.5	21.0	2,334	3,704
Fort Worth, TX	13.9	14.6	12.5	13.6	266	243	35.5	50.1	2,859	3,683
Portland, OR	17.7	20.9	16.6	19.9	340	365	40.4	71.1	2,430	3,649
Oklahoma City, OK	5.3	6.2	4.8	5.4	109	100	17.2	25.4	3,679	4,818
Tucson, AZ	5.0	4.9	4.6	4.5	104	87	11.7	18.5	2,567	4,218
New Orleans, LA	2.0	2.9	2.0	2.7	77	53	6.5	14.5	3,310	5,466
Las Vegas, NV	5.4	6.5	4.9	5.9	122	118	12.9	22.7	2,714	4,023
Cleveland, OH	9.8	9.7	9.6	9.4	194	199	15.5	23.3	1,623	2,474
Long Beach, CA	5.7	6.4	5.4	6.0	125	127	19.3	28.0	3,726	4,938
Albuquerque, NM	9.4	9.5	8.8	9.1	175	194	23.6	31.9	2,687	3,539
Kansas City, MO	7.4	5.8	6.0	5.6	156	120	12.6	17.8	2,148	3,304
Fresno, CA	2.7	3.7	2.7	3.6	76	80	9.1	15.6	3,396	4,565
Virginia Beach, VA [2]	6.3	6.7	6.2	6.6	143	149	15.6	25.2	2,518	3,834
Atlanta, GA	4.3	5.0	3.9	4.3	107	98	12.8	19.7	3,384	4,948
Sacramento, CA	14.7	22.7	14.0	18.4	356	423	31.5	51.4	2,273	2,964
Oakland, CA	2.5	3.9	2.5	3.8	86	88	7.6	17.0	3,091	4,605
Mesa, AZ	8.5	7.4	8.4	7.2	213	170	21.1	24.5	2,523	3,409
Tulsa, OK	6.6	7.4	5.9	6.7	154	162	13.3	19.0	2,363	3,067
Omaha, NE	5.1	5.2	4.8	5.2	128	130	18.0	35.0	4,165	6,680
Baton Rouge, LA	3.0	3.2	2.8	2.8	84	69	8.6	11.4	3,225	4,233
Minneapolis, MN	4.5	4.5	4.3	4.3	118	111	10.8	14.6	2,559	3,395
Miami, FL	6.8	6.4	6.1	5.9	165	157	19.2	24.9	3,359	4,321
Colorado Springs, CO	3.8	4.1	3.7	4.0	103	105	12.8	18.7	3,595	5,015
St Louis, MO	6.0	7.7	5.5	7.1	197	192	15.2	29.6	2,826	4,235
Wichita, KS	3.2	3.4	2.9	3.0	97	83	7.1	10.0	2,429	3,443
Santa Ana, CA	2.2	3.2	1.9	2.6	74	74	5.1	8.7	2,721	3,518
Pittsburgh, PA	2.2	2.4	1.8	2.0	63	57	8.9	10.7	5,163	5,910
Arlington, TX	7.9	7.6	7.5	7.4	190	219	17.9	27.4	2,393	3,706
Cincinnati, OH	3.6	3.4	2.4	2.7	90	81	9.4	14.3	4,251	6,381
Anaheim, CA	5.3	4.0	5.1	4.0	138	122	14.9	15.5	3,009	3,981
Toledo, OH	7.8	6.5	7.0	6.1	192	189	19.3	25.8	2,973	4,341
Tampa, FL	4.0	4.5	3.9	4.4	139	141	12.0	16.9	3,128	3,848
Buffalo, NY [2]	3.0	2.9	3.0	2.9	89	95	9.1	11.9	3,054	4,054
St Paul, MN	2.9	3.7	2.6	3.3	127	109	6.6	10.2	2,532	3,221
Corpus Christi, TX	14.4	12.6	13.3	11.3	405	393	35.4	46.1	2,862	4,266
Aurora, CO	2.0	2.6	2.0	2.6	88	90	5.5	11.1	2,796	4,279
Raleigh, NC	3.6	3.3	3.3	3.0	121	105	11.5	13.8	3,629	4,800
Newark, NJ	3.2	3.2	3.0	2.9	117	105	6.6	9.2	2,247	3,176
Lexington-Fayette, KY	6.1	7.0	5.9	6.1	214	219	16.8	28.5	2,877	4,901
Anchorage, AK	2.2	2.2	2.2	2.0	98	74	7.9	10.2	3,756	5,502
Louisville, KY	8.8	10.8	8.0	9.7	353	359	28.4	38.7	3,691	4,125
Riverside, CA	3.5	4.2	3.3	3.9	148	148	6.8	11.9	2,039	3,126
St Petersburg, FL	1.8	2.3	1.6	1.9	77	73	5.3	8.7	3,426	5,035
Bakersfield, CA	1.2	1.4	1.1	1.4	64	52	3.8	6.1	3,517	4,580
Stockton, CA	3.5	3.8	3.1	3.4	128	136	7.9	11.9	2,745	3,767
Birmingham, AL	3.5	3.9	3.3	3.6	146	148	146	16.3	3,416	4,897
Jersey City, NJ	4.2	4.8	4.1	4.6	152	193	9.3	18.5	2,320	4,063
Norfolk, VA [2]	11.6	13.9	10.3	11.8	394	495	25.5	36.5	2,523	3,146
Hialeah, FL	1.5	2.3	1.3	2.1	104	89	3.6	8.3	2,753	4,165
Lincoln, NE	3.7	2.9	3.3	2.7	170	115	8.4	10.1	2,668	3,930
Greensboro, NC	1.3	1.9	1.2	1.7	80	75	3.6	7.3	3,104	4,406

[1] 2002 based on enumerated resident population as of July 1. [2] Includes city-operated elementary and secondary schools.
[3] Includes city-operated university or college.

Source: U.S. Census Bureau; *Government Employment, March 2003*. See also <http://www.census.gov/govs/www/apes.html>; (accessed 12 May 2005).

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U.S. Census Bureau, Statistical Abstract of the United States: 2006

Table 3. Population Growth.

Population and Population Growth by Municipality - 1990 to 2004

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average Change
Chandler	91,305	95,140	100,610	108,045	117,040	129,155	141,320	152,100	160,830	170,340	178,655	186,875	194,390	208,450	220,705	8,627
		4.2%	5.7%	7.4%	8.3%	10.4%	9.4%	7.6%	5.7%	5.9%	4.9%	4.6%	4.0%	7.2%	5.9%	6.5%
Gilbert	29,805	33,470	38,585	43,670	50,110	57,085	67,570	80,230	92,540	103,140	111,600	122,360	133,640	151,290	164,685	8,992
		12.3%	15.3%	13.2%	14.7%	13.9%	18.4%	18.7%	15.3%	11.5%	8.2%	9.6%	9.2%	13.2%	8.9%	13.0%
Glendale	148,645	150,925	155,525	161,545	169,285	177,125	183,430	190,920	199,955	213,015	219,625	224,970	227,495	230,610	233,330	5,646
		1.5%	3.0%	3.9%	4.8%	4.6%	3.6%	4.1%	4.7%	6.5%	3.1%	2.4%	1.1%	1.4%	1.2%	3.3%
Mesa	288,730	297,270	304,350	313,760	325,775	336,550	345,580	354,165	366,825	379,250	401,180	414,075	427,550	434,215	447,130	10,560
		3.0%	2.4%	3.1%	3.8%	3.3%	2.7%	2.5%	3.6%	3.4%	5.8%	3.2%	3.3%	1.6%	3.0%	3.2%
Phoenix	987,220	1,010,020	1,032,880	1,061,520	1,094,415	1,141,555	1,183,915	1,223,780	1,250,395	1,284,400	1,326,080	1,344,775	1,365,675	1,387,670	1,416,055	28,589
		2.3%	2.3%	2.8%	3.1%	4.3%	3.7%	3.4%	2.2%	2.7%	3.2%	1.4%	1.6%	1.6%	2.0%	2.6%
Scottsdale	130,880	135,390	139,780	146,800	156,110	165,735	174,370	182,500	190,400	197,885	204,195	209,960	214,090	217,555	221,130	6,017
		3.4%	3.2%	5.0%	6.3%	6.2%	5.2%	4.7%	4.3%	3.9%	3.2%	2.8%	2.0%	1.6%	1.6%	3.8%
Tempe	142,030	143,450	144,310	145,565	147,140	153,325	154,385	155,420	156,775	158,225	158,825	159,435	159,425	159,615	160,820	1,253
		1.0%	0.6%	0.9%	1.1%	4.2%	0.7%	0.7%	0.9%	0.9%	0.4%	0.4%	0.0%	0.1%	0.8%	0.9%

Sources: U.S. Bureau of the Census, Year 200 Census, 1995 Special Census of Maricopa County and Maricopa Association of Government annual population updates.
Populations as of July 1.

Mesa (city), Arizona People QuickFacts	Mesa	Arizona
Population, 2003 estimate	432,376	5,580,811
Population, percent change, April 1, 2000 to July 1, 2003	8.7%	8.8%
Population, 2000	396,375	5,130,632
Population, percent change, 1990 to 2000	36.6%	40.0%
Persons under 5 years old, percent, 2000	8.2%	7.5%
Persons under 18 years old, percent, 2000	27.3%	26.6%
Persons 65 years old and over, percent, 2000	13.3%	13.0%
Female persons, percent, 2000	50.5%	50.1%
White persons, percent, 2000 (a)	81.7%	75.5%
Black or African American persons, percent, 2000 (a)	2.5%	3.1%
American Indian and Alaska Native persons, percent, 2000 (a)	1.7%	5.0%
Asian persons, percent, 2000 (a)	1.5%	1.8%
Native Hawaiian and Other Pacific Islander, percent, 2000 (a)	0.2%	0.1%
Persons reporting some other race, percent, 2000 (a)	9.7%	11.6%
Persons reporting two or more races, percent, 2000	2.8%	2.9%
Persons of Hispanic or Latino origin, percent, 2000	19.7%	25.3%
Living in same house in 1995 and 2000, pct 5 yrs old & over	40.2%	44.3%
Foreign born persons, percent, 2000	11.2%	12.8%
Language other than English spoken at home, pct age 5+, 2000	18.8%	25.9%
High school graduates, percent of persons age 25+, 2000	84.7%	81.0%
Bachelor's degree or higher, pct of persons age 25+, 2000	21.6%	23.5%
Mean travel time to work (minutes), workers age 16+, 2000	25.9	24.9
Housing units, 2000	175,701	2,189,189
Homeownership rate, 2000	66.4%	68.0%
Median value of owner-occupied housing units, 2000	$122,100	$121,300
Households, 2000	146,643	1,901,327
Persons per household, 2000	2.68	2.64
Median household income, 1999	$42,817	
Per capita money income, 1999	$19,601	
Persons below poverty, percent, 1999	8.9%	

Business QuickFacts	Mesa
Wholesale trade sales, 1997 ($1000)	1,280,783
Retail sales, 1997 ($1000)	4,348,728
Retail sales per capita, 1997	$12,319
Accommodation and foodservices sales, 1997 ($1000)	411,391
Total number of firms, 1997	23,742
Minority-owned firms, percent of total, 1997	9.1%
Women-owned firms, percent of total, 1997	27.4%

Geography QuickFacts	Mesa
Land area, 2000 (square miles)	125
Persons per square mile, 2000	3,171.3
FIPS Code	46000
Counties	Maricopa County

(a) Includes persons reporting only one race. (b) Hispanics may be of any race, so also are included in applicable race categories.

FN: Footnote on this item for this area in place of data
D: Suppressed to avoid disclosure of confidential information
S: Suppressed; does not meet publication standards
F: Fewer than 100 firms
NA: Not available
X: Not applicable
Z: Value greater than zero but less than half unit of measure shown

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, 2000 Census of Population and Housing, 1990 Census of Population and Housing, Small Area Income and Poverty Estimates, County Business Patterns, 1997 Economic Census, Minority- and Women-Owned Business, Building Permits, Consolidated Federal Funds Report, Census of Governments
Last Revised: Friday, 12-Jan-2007 16:03:35 EST

Table 5. City of Mesa Retail Sales

RETAIL SALES PER RESIDENT
FISCAL YEAR 81/82 to FISCAL YEAR 04/05

MESA

FISCAL YEAR ENDING	SALES TAX REVENUES	SALES TAX RATE	RETAIL SALES	RETAIL SALES PER RESIDENT	ADJUSTED* RETAIL SALES PER RESIDENT
1985	$26,208,215	1.00%	$2,620,821,500	$12,582	$12,079
1986	$30,261,188	1.00%	$3,026,118,800	$12,821	$11,924
1987	$33,071,286	1.00%	$3,307,128,600	$13,490	$12,276
1988	$33,844,899	1.00%	$3,384,489,900	$13,057	$11,490
1989	$35,175,584	1.00%	$3,517,558,400	$13,036	$11,081
1990	$34,314,133	1.00%	$3,431,413,300	$12,319	$9,978
1991	$36,127,063	1.00%	$3,612,706,300	$12,595	$9,698
1992	$36,973,175	1.00%	$3,697,317,500	$12,672	$9,251
1993	$40,056,942	1.00%	$4,005,694,200	$13,408	$9,520
1994	$45,062,035	1.00%	$4,506,203,500	$14,594	$10,070
1995	$49,725,691	1.00%	$4,972,569,100	$15,425	$10,335
1996	$54,599,867	1.00%	$5,459,986,700	$16,415	$10,834
1997	$58,290,598	1.00%	$5,829,059,800	$17,001	$10,881
1998	$62,406,323	1.00%	$6,240,632,300	$17,879	$11,085
1999	$93,925,852	1.50%	$6,261,723,467	$17,197	$10,490
2000	$105,742,329	1.50%	$7,049,488,600	$18,489	$11,093
2001	$102,331,304	1.50%	$6,822,086,933	$17,059	$9,894
2002	$102,654,158	1.50%	$6,843,610,533	$16,274	$9,113
2003	$98,965,814	1.50%	$6,597,720,933	$15,277	$8,555
2004	$105,505,475	1.50%	$7,033,698,333	$15,971	$8,624

CHANDLER

FISCAL YEAR ENDING	SALES TAX REVENUES	SALES TAX RATE	RETAIL SALES	RETAIL SALES PER RESIDENT	ADJUSTED* RETAIL SALES PER RESIDENT
1985	$6,091,454	1.00%	$609,145,400	$9,628	$9,243
1986	$6,615,426	1.00%	$661,542,600	$9,690	$9,012
1987	$7,756,132	1.00%	$775,613,200	$10,495	$9,550
1988	$7,535,147	1.00%	$753,514,700	$9,550	$8,404
1989	$7,968,666	1.00%	$796,866,600	$9,425	$8,011
1990	$8,526,555	1.00%	$852,655,500	$9,339	$7,565
1991	$10,170,978	1.00%	$1,017,097,800	$10,691	$8,232
1992	$11,560,610	1.00%	$1,156,061,000	$11,491	$8,388
1993	$13,363,708	1.00%	$1,336,370,800	$12,369	$8,782
1994	$15,666,194	1.00%	$1,566,619,400	$13,385	$9,236
1995	$26,328,423	1.50%	$1,755,228,200	$13,590	$9,105
1996	$30,116,839	1.50%	$2,007,789,267	$14,207	$9,377
1997	$32,201,558	1.50%	$2,146,770,533	$14,114	$9,033
1998	$35,156,270	1.50%	$2,343,751,333	$14,573	$9,035
1999	$41,619,415	1.50%	$2,774,627,667	$16,289	$9,936
2000	$44,688,844	1.50%	$2,979,256,267	$16,676	$10,006
2001	$50,829,131	1.50%	$3,388,608,733	$18,133	$10,517
2002	$53,630,072	1.50%	$3,575,338,133	$18,393	$10,300
2003	$58,413,111	1.50%	$3,894,207,400	$18,682	$10,462
2004	$65,087,590	1.50%	$4,339,172,667	$19,661	$10,617

GILBERT

FISCAL YEAR ENDING	SALES TAX REVENUES	SALES TAX RATE	RETAIL SALES	RETAIL SALES PER RESIDENT	ADJUSTED* RETAIL SALES PER RESIDENT
1985	$455,113	1.50%	$30,340,867	$2,562	$2,460
1986	$857,086	1.50%	$57,139,067	$3,849	$3,580
1987	$1,600,129	1.50%	$106,675,267	$5,688	$5,176
1988	$1,917,880	1.50%	$127,858,667	$5,771	$5,078
1989	$2,815,033	1.50%	$187,668,867	$7,311	$6,214
1990	$3,024,921	1.50%	$201,661,400	$6,766	$5,480
1991	$3,167,828	1.50%	$211,188,533	$6,310	$4,859
1992	$3,389,878	1.50%	$225,991,867	$5,857	$4,276
1993	$4,432,154	1.50%	$295,476,933	$6,766	$4,804
1994	$5,609,821	1.50%	$373,988,067	$7,463	$5,149
1995	$6,779,612	1.50%	$451,974,133	$7,918	$5,305
1996	$8,893,585	1.50%	$592,905,667	$8,775	$5,792
1997	$10,920,918	1.50%	$728,061,200	$9,075	$5,808
1998	$12,205,799	1.50%	$813,719,933	$8,793	$5,452
1999	$13,875,320	1.50%	$925,021,333	$8,969	$5,471
2000	$15,760,767	1.50%	$1,050,717,800	$9,415	$5,649
2001	$25,435,882	1.50%	$1,695,725,467	$13,858	$8,038
2002	$29,462,863	1.50%	$1,964,190,867	$14,698	$8,231
2003	$29,645,046	1.50%	$1,976,336,400	$13,063	$7,315
2004	$34,972,908	1.50%	$2,331,527,200	$14,157	$7,645

* Adjusted for the purchasing power of the dollar.

Table 6. Building Permits

CITY OF MESA, ARIZONA

TABLE XVI

BUILDING PERMITS, CONSTRUCTION, PROPERTY VALUE AND BANK DEPOSITS

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Assessed Property Value (2)	Maricopa County Bank Deposits (000) (3)
	Number of Permits	Value	Number of Permits	Value		
1995-96	1,757	$ 239,128,350	2,638	$ 328,052,091	$ 1,268,202,419	$ 21,124,505
1996-97	2,114	216,583,883	2,351	379,711,101	1,302,942,539	20,998,441
1997-98	2,338	231,604,628	3,802	491,973,079	1,470,814,456	20,568,058
1998-99	2,375	277,824,910	5,193	795,405,548	1,541,503,375	24,529,547
1999-00	2,524	367,086,823	5,102	715,647,738	1,726,848,814	26,490,225
2000-01	2,189	233,646,364	4,307	641,923,031	1,919,915,826	28,379,815
2001-02	1,933	309,965,037	2,936	414,082,906	2,142,980,665	29,293,209
2002-03	1,822	186,426,421	2,495	390,766,016	2,272,244,883	34,753,406
2003-04	1,956	108,419,847	1,689	360,622,598	2,463,878,234	37,333,436
2004-05	2,586	388,569,680	1,552	269,646,110	2,648,163,284	45,175,789

Source: (1) Monthly Building Permit Report.
(2) Maricopa County Assessor.
(3) Arizona Banker's Association.

MESA CLUSTER PORTFOLIO

2005

	Employment				Employment Concentration vs. Greater Phoenix		# of Companies	% of Total: Companies	# of Companies	% of Total: Companies
	Mesa	%	Phx-Metro	%			Mesa	%	Phx-Metro	%
Clusters										
Aerospace	4,916	3.13%	26,533	1.67%	1.87:1		31	0.25%	275	0.25%
Agriculture & Food Processing	461	0.29%	15,494	0.98%	.3:1		57	0.46%	679	0.61%
Bioindustry	2,216	1.41%	14,474	0.91%	1.54:1		95	0.77%	795	0.71%
Advanced Business & Financial Services	9,314	5.92%	135,486	8.55%	.69:1		1,390	11.28%	14,018	12.52%
High-Tech/Information	1,707	1.09%	34,626	2.18%	.5:1		123	1.00%	1,052	0.94%
Minerals & Mining	166	0.11%	5,556	0.35%	.3:1		11	0.09%	148	0.13%
Optics	0	0.00%	105	0.01%	.:1		0	0.00%	4	0.00%
Plastics & Advanced Composites Materials	147	0.09%	4,630	0.29%	.32:1		11	0.09%	161	0.14%
Software	291	0.19%	14,126	0.89%	.21:1		56	0.45%	602	0.54%
Tourism	19,761	12.57%	207,932	13.12%	.96:1		1,190	9.65%	10,382	9.27%
Transportation & Distribution	1,005	0.64%	19,112	1.21%	.53:1		104	0.84%	1,193	1.07%
Total Cluster Employment	39,984	25.42%	478,074	30.16%		Total	3,068	24.89%	29,309	26.18%
Other										
Educational Services	11,755	7.47%	99,573	6.28%	1.19:1		278	2.26%	2,566	2.29%
Growth Clusters	23,916	15.21%	234,323	14.78%	1.03:1		2,473	20.06%	20,830	18.61%
Health Services	18,482	11.75%	131,115	8.27%	1.42:1		862	6.99%	7,040	6.29%
Retail Trade	23,125	14.70%	196,756	12.41%	1.18:1		1,939	15.73%	15,469	13.82%
Personal Services	4,749	3.02%	49,021	3.09%	.98:1		920	7.46%	7,754	6.93%
Wholesale Trade	4,718	3.00%	73,579	4.64%	.65:1		452	3.67%	5,662	5.06%
Total Other Cluster Employment	86,745	55.16%	784,367	49.48%		Total	6,924	56.17%	59,321	52.99%
Public Administration	3,060	1.95%	92,008	5.80%	.34:1		122	0.99%	2,160	1.93%
Industries Employment Not Elsewhere Classified	27,475	17.47%	230,926	14.57%			2,213	17.95%	21,153	18.90%
Total Employment	**157,264**		**1,585,375**		9.92%		**12,327**		**111,943**	
Total Population	451,223		3,730,550		12.10%					
Jobs Per Capita Ratio	**0.3485**		**0.4250**				**% of Mesa Business**		**11.01%**	

Source: Claritas, August 2005

* Denotes City of Mesa Planning Area, Mesa Development Services Department, July 2005

Table 7. Employment Comparisons

Table 8. City General Information

City of Mesa - Taxes

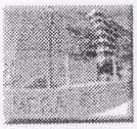
City of Mesa.org Arizona

CITY OF MESA

Home • Living in Mesa • Visiting Mesa • Doing Business in Mesa • City Government

SEARCH GO

Taxes



Events Forms
Jobs Maps
e-Services
Departments & Divisions

- Back to ED Main Page
- Back to Profile
- Business & Industry
- Relocate to Mesa
- Reports & Strategies

2004 Sales Tax

Mesa: 1.5% County: 0.7% State: 5.6% **Total 7.8%**

Tax & Licensing Office

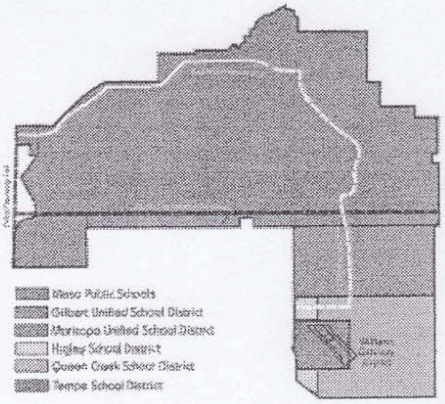
Corporate Tax: 6.968%

2004 Property Tax Breakdown

Source: Arizona Tax Research Foundation, 2004

This example is for a property residing within the Mesa Public School District

State	$0.00
City	$0.00
County	$1.67
Community College	$1.04
Central AZ Project	$0.12
EVIT	$0.10
Flood District	$0.21
Library	$0.05
Fire District	$0.01
Mesa School District	$6.67
Total	**$9.87**



Maricopa School District	*$4.48*
Higley School District	*$9.66*
Queen Creek District	*$12.30*
Gilbert School District	*$9.66*
Tempe School District	*$10.22*

Rates are per $100 assessed valuation. The assessed valuation for commercial property development is 25% of the actual value determined by Maricopa County and 10% for residential. The rate is then multiplied by the assessed value to determine the tax.

Example: Commercial property within the Mesa Public School district with a full cash value of $100,000:
$100,000 x .25 x $9.87/100=$2,467.50

http://www.ci.mesa.az.us/econdev/profile/taxes/taxes.asp 1/11/2006

Table 8(Continued). City General Information

PROPERTY TAX RATES OF ARIZONA CITIES AND TOWNS 2004

	1995		1996		1997		1998		1999		2000		2001		2002		2003		2004	
	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)
Apache Junction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Avondale	0.67	0.69	0.67	0.91	0.63	0.72	0.63	1.15	0.64	1	0.6	0.68	0.55	0.73	0.5389	0.7347	0.4789	0.686	0.4623	0.7069
Benson	0.55	0	0.64	0	0.64	0	0.64	0	0.65	0	0.62	0	0.58	0	0.596	0	0.6221	0	0.6473	0
Bisbee	2.25	0	2.17	0	2.63	0	2.54	0	2.53	0	2.48	0	2.48	0	2.4556	0	2.3675	0	2.3817	0
Buckeye	1.91	0.98	1.14	1.06	1.16	1.07	1.26	0.94	1.09	0.81	0.89	0.81	0.59	1.08	0.9776	0.6924	0.9776	0.573	1.1461	0.4039
Bullhead City	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Camp Verde	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Carefree	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Casa Grande	0.69	0.31	0.66	0.33	0.7	0.28	1	0	1	0	1	0	1	0	0.9999	0	0.9999	0	0.9999	0
Cave Creek	0	0	0	0	0	0	0	0	0	0	0	0	0	0.82	0	0.9247	0	0.742	0	0.6394
Chandler	36	0.97	0.36	0.97	0.35	0.97	0.35	0.97	0.38	0.93	0.38	0.92	0.38	0.91	0.38	0.9	0.38	0.9	0.38	0.9
Chino Valley	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Clarkdale	1.26	0.36	1.28	0.37	1.2	0.31	1.22	0.28	1.22	0	1.22	0	1.18	0	1.1617	0	1.1384	0	1.1526	0
Clifton	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado City	0	2.95	0	2.94	0	2.42	0	2.43	0	2.4	0	2.37	0	2.04	0	1.8442	0	0	0	0
Coolidge	1.57	0	1.66	0	1.64	0	1.67	0	1.63	0	1.52	0	1.52	0	1.5158	0	1.5158	0	1.5158	0
Cottonwood	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Douglas	1.1	0	1.1	0	1.1	0	1.1	0	1.09	0	1.09	0	1.09	0	1.0926	0	1.0926	0	1.0926	0
Duncan	0.6	0	0.58	0	0.61	0	0.58	0	0.61	0	0.57	0	0.67	0	0.6785	0	0.5267	0	0.534	0
Eagar	0	1.22	0	1.16	0	1.09	0	0.91	0	0.87	0	0.79	0	0.73	0.7279	0	0	0.762	0	0.4925
El Mirage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.3474	0	1.3166	0.2993
Eloy	1.26	0.05	1.25	0.04	1.25	0.03	1.25	0.03	1.25	0.03	1.18	0.02	1.18	0	1.3551	0	1.3549	0	1.3497	0
Flagstaff	0.73	1.07	0.73	1.1	0.73	0.98	0.73	0.98	0.73	0.98	0.73	0.98	0.73	0.98	0.7326	0.9801	0.7326	0.98	0.7326	0.9801
Florence	1	0	0.94	0	0.85	0	0.82	0	0.79	0	0.79	0	0.85	0	0.7607	0	0.9635	0	0.9913	0
Fountain Hills	0	0.32	0	0.3	0	0.23	0	0.17	0	0.26	0	0.33	0	0.56	0	0.5137	0	0.476	0	0.415
Fredonia	0	0.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gila Bend	1.83	0	1.83	0	1.83	0	1.89	0	1.72	0	1.64	0	1.54	0	1.3672	0	1.37	0	1.37	0
Gilbert	0	1.25	0	1.25	0	1.25	0	1.25	0	1.25	0	1.25	0	1.25	0	1.15	0	1.15	0	1.15
Glendale	0.59	1.34	0.54	1.34	0.49	1.34	0.44	1.34	0.39	1.34	0.38	1.34	0.36	1.36	0.3548	1.3652	0.3396	1.38	0.3273	1.3927
Globe	1.43	0	1.41	0	1.35	0	1.33	0	1.33	0	1.33	0	1.33	0	1.33	0	1.33	0	1.33	0

Notes: (P) - Primary Tax Rate; (S) - Secondary Tax Rate
Prepared by: League of Arizona Cities and Towns Source: Arizona Tax Research Foundation, "2004 Property Tax Rates and Assessed Values"

Table 8(Continued). City General Information

PROPERTY TAX RATES OF ARIZONA CITIES AND TOWNS 2004

	1995		1996		1997		1998		1999		2000		2001		2002		2003		2004	
	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)
Goodyear	0.2	1.89	0.4	1.72	1	1.1	1.3	0.79	1.08	1.02	1.34	0.74	1.37	0.58	1.2866	0.7549	1.2691	0.775	1.2239	0.7493
Guadalupe	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hayden	3.04	0.1	3.04	0.1	3.14	0	5.39	0	12.06	0	15.09	0	15.07	0	15.07	0	22.882	0	23.05	0
Holbrook	0.19	0.31	0.21	0.29	0.21	0.28	0.22	0.27	0.2	0.29	0.2	0.29	0.2	0.27	0.1861	0.2639	0.2829	0.261	0.2977	0.2661
Huachuca City	1.61	0	1.62	0	1.56	0	1.56	0	1.56	0	1.56	0	1	0	1	0	1	0	1	0
Jerome	1.77	0.16	1.74	0.17	1.6	0.13	1.5	0.15	1.54	0.13	1.63	0.15	1.52	0.15	1.3382	0	1.2461	0	1.1904	0
Kearny	2.29	0	2.18	0	2.14	0	2.17	0	2.2	0	2.03	0	2.2	0	2.2266	0	2.4562	0	2.5042	0
Kingman	0	0.82	0	0.66	0	0.67	0	0.38	0	0.36	0	0.36	0	0.34	0	0.3183	0	0.303	0	0.2862
Lake Havasu City	0.11	0	0.92	0	0.9	0	0.88	0	0.87	0	0.84	0	0.84	0	0.8413	0	0.7958	0	0.7958	0
Litchfield Park	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mammoth	1.67	0	1.67	0	1.67	0	2.26	0	2.11	0	2.11	0	2.11	0	2.107	0	1.9753	0	1.9752	0
Marana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Maricopa	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0
Mesa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miami	3.99	0	4.07	0	4.07	0	3.97	0	4.03	0	4	0	3.88	0	3.74	0	3.74	0	3.755	0
Nogales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Oro Valley	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Page	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Paradise Valley	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Parker	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Patagonia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payson	0.37	0.22	0.37	0.21	0.37	0.18	0.35	0.15	0.34	0.12	0.32	0.08	0.3	0.09	0.2853	0.0691	0.2754	0.065	0.2867	0.0614
Peoria	0.4	1.09	0.4	1.11	0.36	1.16	0.32	1.3	0.32	1.3	0.32	1.3	0.29	1.3	0.29	1.3	0.29	1.3	0.29	1.3
Phoenix	0.94	0.88	0.94	0.88	0.92	0.9	0.91	0.91	0.87	0.95	0.86	0.96	0.82	1	0.7982	1.0218	0.85	0.97	0.85	0.97
Pima	0.28	0	0.27	0	0.25	0	0.24	0	0.23	0	0.21	0	0.2	0	0.1939	0	0.1838	0	0.1802	0
Pinetop-Lakeside	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prescott	0.51	0.52	0.46	0.17	0.42	0.15	0.38	0.14	0.32	0.51	0.29	0.56	0.26	0.51	0.2522	0.4707	0.2415	0.407	0.2383	0.3763
Prescott Valley	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Quartzsite	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Queen Creek	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Safford	0.41	0	0.42	0	0.41	0	0.43	0	0.42	0	0.43	0	0.45	0	0.4358	0	0.4455	0	0.4682	0

Table 8(Continued). City General Information

PROPERTY TAX RATES OF ARIZONA CITIES AND TOWNS 2004

	1995		1996		1997		1998		1999		2000		2001		2002		2003		2004	
	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)	(P)	(S)
Sahuarita	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
St. Johns	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
San Luis	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Scottsdale	0.55	0.88	0.65	0.9	0.58	0.99	0.55	0.94	0.55	0.83	0.53	0.66	0.49	0.67	0.5073	0.6456	0.4783	0.642	0.4518	0.6184
Sedona	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Show Low	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sierra Vista	0.34	0	0.33	0	0.31	0	0.01	0	0.01	0	0.01	0	0.01	0	0.0076	0	0.15	0	0.15	0
Snowflake	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Somerton	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Tucson	0.31	0	0.29	0	0.29	0	0.29	0	0.29	0	0.29	0	0.28	0	0.2706	0	0.2513	0	0.2383	0
Springerville	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Superior	2	0	1.77	0	4.13	0	4.16	0	4.16	0	4.12	0	4.12	0	4.5	0	4.4762	0	4.7482	0
Surprise	0.56	1.77	0.5	1.62	0.41	1.28	0.42	0.94	0.42	0.63	0.41	0.44	0.66	0.18	0.6632	0.2469	0.6936	0.217	0.7501	0.16
Taylor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tempe	0.56	0.84	0.57	0.83	0.56	0.84	0.54	0.86	0.55	0.85	0.55	0.8	0.53	0.82	0.5214	0.8286	0.5472	0.803	0.5293	0.8207
Thatcher	0.23	0	0.22	0	0.21	0	0.01	0	0.01	0	0.01	0	0.01	0	0.0078	0	0.0073	0	0.0068	0
Tolleson	0.96	1.06	0.98	1.22	0.99	1.33	0.98	0.84	0.99	1.26	1	1.06	1.08	1.16	1.0394	0.955	1.0199	1.653	1.0185	1.3875
Tombstone	1.31	0.12	1.32	0.12	1.29	0.11	1.25	0.15	1.21	0.15	1.21	0.13	1.21	0.13	1.1142	0.1265	1.0616	0.127	1	0.1265
Tucson	0.2	0.95	0.15	1	0.14	0.85	0.14	0.82	0.14	0.88	0.14	0.99	0.14	0.98	0.2089	0.9113	0.2089	0.948	0.3531	0.8316
Wellton	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wickenburg	1.28	0.04	1.21	0	1.11	0	1.02	0	0.78	0	0.71	0	0.64	0	0.5947	0	0.65	0	0.6142	0
Willcox	1.13	1.38	1.08	1.24	0.93	1.07	0.94	0.99	0.92	0.92	0.79	0.94	0.74	0.87	0.3474	0.8201	0.3214	0.734	0.301	0.7066
Williams	1.39	0.27	1.39	0.26	1.39	0.23	1.35	0.19	1.31	0.18	1.26	0.15	1.26	0.14	1.4676	0.1254	1.6089	0.117	1.6089	0.0917
Winkelman	3.37	0	3.48	0	3.78	0	4.26	0	4.25	0	4.53	0	4.26	0	4.1221	0	4.23	0	4.4375	0
Winslow	0.95	0	0.95	0	0.95	0	0.95	0	0.95	0	0.95	0	0.95	0	0.9501	0	0.9501	0	0.9501	0
Youngtown	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Yuma	1.98	0	1.98	0	1.99	0	1.99	0	1.99	0	1.99	0	1.92	0	1.8621	0	1.8693	0	1.8693	0

Notes: (P) - Primary Tax Rate; (S) - Secondary Tax Rate
Prepared by: League of Arizona Cities and Towns Source: Arizona Tax Research Foundation, "2004 Property Tax Rates and Assessed Values"

Table 8(Continued). City General Information

CITIES/TOWNS WITH TAX RATES ON RESTAURANTS & BARS
IN EXCESS OF REGULAR TAX RATE

6/05

Name of City/Town	Regular Tax Rate	Tax Rate on Restaurants & Bars
Chandler	1.5	1.8
Eloy	2	6
Flagstaff	1.601	3.601
Glendale	1.3	2.8
Goodyear	2	4
Guadalupe	3	4
Lake Havasu City	2	3
Page	2	3
Peoria	1.5	2.5
Pinetop-Lakeside	2.5	4.5
Sierra Vista	1.5	2.6
South Tucson	2.5	3.5
Surprise	2.2	3.2
Williams	3	4.5
Yuma	1.7	3.7

(Prepared by the League of Arizona Cities and Towns)

Table 8(Continued). City General Information

CITY/TOWN BED TAX RATES

(These rates are in addition to the regular sales tax rates.)

6/05

Apache Junction	2	Miami	--
Avondale	2	Nogales	4
Benson	2	Oro Valley	3
Bisbee	2.5	Page	2
Buckeye	--	Paradise Valley	3
Bullhead City	3	Parker	3
Camp Verde	3	Patagonia	3
Carefree	3	Payson	3
Casa Grande	2	Peoria	3.5
Cave Creek	4	Phoenix	3
Chandler	2.9	Pima	--
Chino Valley	2	Pinetop-Lakeside	3
Clarkdale	2	Prescott	2
Clifton	--	Prescott Valley	2.33
Colorado City	2	Quartzsite	--
Coolidge	3	Queen Creek	3
Cottonwood	2	Safford	3
Dewey-Humboldt	2	St. Johns	1
Douglas	2	Sahuarita	2
Duncan	--	San Luis	--
Eagar	3	Scottsdale	3
El Mirage	2	Sedona	3
Eloy	3	Show Low	--
Flagstaff	2	Sierra Vista	--
Florence	2	Snowflake	2
Fountain Hills	3	Somerton	--
Fredonia	--	South Tucson	2
Gila Bend	2	Springerville	2
Gilbert	3	Superior	--
Glendale	3	Surprise	1
Globe	4	Taylor	2
Goodyear	2.5	Tempe	3
Guadalupe	4	Thatcher	3
Hayden	2	Tolleson	2
Holbrook	2	Tombstone	3
Huachuca City	--	Tucson	4 +$1.00 per night
Jerome	--	Wellton	--
Kearny	3	Wickenburg	--
Kingman	2	Willcox	4
Lake Havasu City	3	Williams	1.5
Litchfield Park	1	Winkelman	--
Mammoth	--	Winslow	2
Marana	3.5	Youngtown	2
Maricopa	2	Yuma	2
Mesa	3		

(Prepared by the League of Arizona Cities and Towns)

Table 8(Continued). City General Information

CITY/TOWN SALES TAX RATES

6/2005

Apache Junction	2.2	Miami	2.5
Avondale	2.5	Nogales	1.25
Benson	2.5	Oro Valley	2
Bisbee	2.5	Page	3
Buckeye	2	Paradise Valley	1.65
Bullhead City	2	Parker	2
Camp Verde	2	Patagonia	3
Carefree	2	Payson	2.12
Casa Grande	1.8	Peoria	1.5
Cave Creek	2.5	Phoenix	1.8
Chandler	1.5	Pima	2
Chino Valley	3	Pinetop-Lakeside	2.5
Clarkdale	2.25	Prescott	2
Clifton	2	Prescott Valley	2.33
Colorado City	2	Quartzsite	2.5
Coolidge	3	Queen Creek	2
Cottonwood	2.2	Safford	2
Dewey-Humboldt	2	Sahuarita	2
Douglas	2.5	St. Johns	2
Duncan	2	San Luis	3.5
Eagar	3	Scottsdale	1.65
El Mirage	3	Sedona	3
Eloy	3	Show Low	2
Flagstaff	1.601	Sierra Vista	1.6
Florence	2	Snowflake	2
Fountain Hills	2.6	Somerton	2.5
Fredonia	2	South Tucson	2.5
Gila Bend	3	Springerville	3
Gilbert	1.5	Superior	2
Glendale	1.8	Surprise	2.2
Globe	1.5	Taylor	2
Goodyear	2	Tempe	1.8
Guadalupe	3	Thatcher	2
Hayden	3	Tolleson	2
Holbrook	3	Tombstone	2.5
Huachuca City	1.5	Tucson	2
Jerome	3	Wellton	2.5
Kearny	2	Wickenburg	1.7
Kingman	2	Willcox	3
Lake Havasu City	2	Williams	3
Litchfield Park	2	Winkelman	3.5
Mammoth	2	Winslow	3
Marana	2.5	Youngtown	2
Maricopa	2	Yuma	1.7
Mesa	1.5		

(Prepared by The League of Arizona Cities and Towns)

Table 9. City Comparisons, within Arizona.

2001-2002

	Population	Density (Population/SquareMiles)	Per Capita Income	Revenue per Capita	Expenditures per Capita	Property Tax / Total Revenue (percentage)
Mesa	435,850	3,324	NR	1,573	1,365	0.0
Phoenix	1,375,906	2,840	27,564	1,665	1,231	6.1
Tucson	508,271	2,248	25,000	1,339	1,280	3.6
Glendale	228,000	4,197	28,000	1,082	886	6.5
Scottsdale	215,320	1,166	43,400	2,349	1,778	7.6
Chandler	198,840	3,266	NR	1,510	1,062	5.3

2003-2004

Mesa	445,334	3,444	21,938	1,395	1,206	0.0
Phoenix	1,490,420	2,895	22,309	1,698	1,384	6.6
Tucson	518,878	2,295	25,000	1,411	1,282	3.7
Glendale	233,000	4,109	NR	1,314	1,038	6.0
Scottsdale	217,555	1,175	42,096	2,752	1,909	7.8
Chandler	236,601	3,737	23,904	1,356	1,007	6.5

Table 10. City Comparisons, National

	Population	Density (Population / SquareMiles)	Per Capita Income	Revenue per Capita	Expenditures per Capita	Property Tax / Total Revenue (percentage)
2001-2002						
Mesa, AZ	434,585	3,324	NR	1573	1365	0.0
Sacramento, CA	426,013	4,347	31,722	1,930	1,576	6.5
Atlanta, GA	428,100	3,258	NR	3,178	2,509	13.5
Oakland, CA	408,800	7,599	39,611	1,683	1,741	25.0
Miami, FL	362,470	10,069	NR	1,434	1,346	29.2
Minneapolis, MN	386,618	6,584	NR	2,091	1,787	11.6
2003-2004						
Mesa, AZ	445,334	3,444	21,938	1,395	1,206	0.0
Sacramento, CA	440,976	4,454	29,631	2,190	1,803	6.6
Atlanta, GA	411,600	3,310	34,308	3,249	2,569	14.1
Oakland, CA	362,470	7,651	44,129	1,874	1,794	26.0
Miami, FL	382,618	10,568	17,165	1,545	1,618	31.0
Minneapolis, MN	382,618	6,516	25,309	1,983	1,925	16.0

Table 11. Comparisons of Revenue Structures

Comparision of the City of Mesa's Revenue Structure
- All Revenues Expressed as Differences from Mesa-

Updated: August, 2005

	Mesa's Revenues			At Chandler's Rates		At Gilbert's Rates		At Glendale's Rates	
Property Tax: Using FY'04/05 valuations	Assessed Valuation	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate	Revenue
Primary	$ 2,505,946,314	0.0000	$ -	0.3800	$ 9,522,596	0.0000	$ -	0.3273	$ 8,201,962
Seconday	$ 2,648,163,284	0.0000	$ -	0.9000	$ 23,833,470	1.1500	$ 30,453,878	1.3927	$ 36,880,970
In Lieu Property Tax: Salt River Project	$ 58,529,519	0.0000	$ -	1.2800	$ 749,178	1.1500	$ 673,089	1.7200	$ 1,006,708
Net Difference - Property Tax			$ -		$ 34,105,243		$ 31,126,967		$ 46,089,640
Sales Tax: Using FY'04/05 Sales @ 1.50%	Sales Tax Base								
Utilities	$ 445,623,133	1.50%	$ 6,684,347	2.75%	$ 5,570,289	1.50%	$ -	1.80%	$ 1,336,869
Communications	$ 215,849,200	1.50%	$ 3,237,738	2.75%	$ 2,698,115	1.50%	$ -	5.00%	$ 7,554,722
Publishing	$ 104,167,333	1.50%	$ 1,562,510	1.50%	$ -	1.50%	$ -	1.80%	$ 312,502
Printing & Advertising	$ 24,458,933	1.50%	$ 366,884	1.50%	$ -	1.50%	$ -	1.80%	$ 73,377
Contracting	$ 804,003,733	1.50%	$ 12,060,056	1.50%	$ -	1.50%	$ -	1.80%	$ 2,412,011
Retail	$ 4,279,504,600	1.50%	$ 64,192,569	1.50%	$ -	1.50%	$ -	1.80%	$ 12,838,514
Restaurants & Bars	$ 564,926,333	1.50%	$ 8,473,895	1.80%	$ 1,694,779	1.50%	$ -	2.80%	$ 7,344,042
Amusements	$ 71,336,867	1.50%	$ 1,070,053	1.50%	$ -	1.50%	$ -	1.80%	$ 214,011
Rentals	$ 957,592,067	1.50%	$ 14,363,881	1.50%	$ -	1.50%	$ -	1.80%	$ 2,872,776
Miscellaneous	$ 7,863,800	1.50%	$ 117,957	1.50%	$ -	1.50%	$ -	1.80%	$ 23,591
Sub - Total	$ 7,475,326,000		$ 112,129,890		$ 9,963,183		$ -		$ 34,982,416
Food Exemption (FY'04/05 estimate)	$ 606,095,400	0.00%	$ -	1.50%	$ 9,091,431	1.50%	$ 9,091,431	1.80%	$ 10,909,717
Net Difference - Sales Tax					$ 19,054,614		$ 9,091,431		$ 45,892,133
Net Difference - Property Tax + Sales Tax					$ 53,159,858		$ 40,218,398		$ 91,981,773
Utilities: Using FY'04/05 rates									
Water - Residential					$ (4,388,720)		$ (13,511,333)		$ (11,601,246)
Water - Commercial					$ (3,214,092)		$ (9,367,817)		$ (8,691,396)
Wastewater - Residential					$ (4,268,070)		$ (192,340)		$ 1,667,683
Wastewater - Commercial (excl industrial)					$ (7,684,298)		$ (8,674,587)		$ (3,965,263)
Solid Waste - Residential					$ (9,480,051)		$ (6,747,263)		$ (5,666,859)
Net Difference - Utilities					$ (29,035,231)		$ (38,493,340)		$ (28,257,081)
Total Difference - Property Tax + Sales Tax + Utility Revenues					$ 24,124,627		$ 1,725,058		$ 63,724,692

	At Phoenix's Rates		At Scottsdale's Rates		At Tempe's Rates		Average (excl Mesa)	
Property Tax: Using FY'04/05 valuations	Rate	Revenue	Rate	Revenue	Rate	Revenue	Rate	Revenue
Primary	0.8500	$ 21,300,544	0.4518	$ 11,321,865	0.5293	$ 13,263,974	0.4231	$ 10,601,824
Seconday	0.9700	$ 25,687,184	0.6184	$ 16,376,242	0.8207	$ 21,733,476	0.9753	$ 25,827,537
In Lieu Property Tax: Salt River Project	1.8200	$ 1,065,237	1.0702	$ 626,383	1.3500	$ 790,149	1.3984	$ 818,457
Net Difference - Property Tax		$ 48,052,965		$ 28,324,490		$ 35,787,598		$ 37,247,817
Sales Tax: Using FY'04/05 Sales @ 1.50%								
Utilities	2.70%	$ 5,347,478	1.65%	$ 668,435	1.80%	$ 1,336,869	2.03%	$ 2,376,657
Communications	4.70%	$ 6,907,174	1.65%	$ 323,774	1.80%	$ 647,548	2.90%	$ 3,021,889
Publishing	1.80%	$ 312,502	1.65%	$ 156,251	1.80%	$ 312,502	1.68%	$ 182,293
Printing & Advertising	0.50%	$ (244,589)	1.65%	$ 36,688	1.80%	$ 73,377	1.46%	$ (10,191)
Contracting	1.80%	$ 2,412,011	1.65%	$ 1,206,006	1.80%	$ 2,412,011	1.68%	$ 1,407,007
Retail	1.80%	$ 12,838,514	1.65%	$ 6,419,257	1.80%	$ 12,838,514	1.68%	$ 7,489,133
Restaurants & Bars	1.80%	$ 1,694,779	1.65%	$ 847,389	1.80%	$ 1,694,779	1.89%	$ 2,212,628
Amusements	1.80%	$ 214,011	1.65%	$ 107,005	1.80%	$ 214,011	1.68%	$ 124,840
Rentals	1.80%	$ 2,872,776	1.65%	$ 1,436,388	1.80%	$ 2,872,776	1.68%	$ 1,675,786
Miscellaneous	1.80%	$ 23,591	1.65%	$ 11,796	1.80%	$ 23,591	1.68%	$ 13,762
Sub - Total		$ 32,378,247		$ 11,212,989		$ 22,425,978		$ 18,493,802
Food Exemption (FY'04/05 estimate)	0.00%	$ -	1.65%	$ 10,000,574	1.80%	$ 10,909,717	1.38%	$ 8,333,812
Net Difference - Sales Tax		$ 32,378,247		$ 21,213,563		$ 33,335,695		$ 26,827,614
Net Difference - Property Tax + Sales Tax		$ 80,431,212		$ 49,538,053		$ 69,123,294		$ 64,075,431
Utilities: Using FY'04/05 rates								
Water - Residential		$ (11,566,788)		$ 5,552,003		$ (9,547,116)		$ (7,510,533)
Water - Commercial		$ 769,737		$ 5,301,065		$ (8,964,274)		$ (4,027,796)
Wastewater - Residential		$ (3,658,172)		$ (423,846)		$ (8,480,985)		$ (2,559,288)
Wastewater - Commercial (excl industrial)		$ (1,198,105)		$ 218,679		$ (8,058,615)		$ (4,893,698)
Solid Waste - Residential		$ 3,611,908		$ (6,353,233)		$ (5,171,144)		$ (4,967,774)
Net Difference - Utilities		$ (12,041,420)		$ 4,294,668		$ (40,222,134)		$ (23,959,090)
Total Difference - Property Tax + Sales Tax + Utility Revenues		$ 68,389,792		$ 53,832,721		$ 28,901,160		$ 40,116,342

Updated: 8/22/2005

AVERAGE HOMEOWNER'S CHARGES SURVEY

	CITY PROPERTY TAXES (1),(6)		CITY SALES	SOLID WASTE	WATER	WASTEWATER	ANNUAL	PERCENTAGE OF
	PRIMARY	SECONDARY	TAXES (2)	CHARGES (3)	CHARGES (4)	CHARGE (5)	TOTAL	MESA'S CURRENT
MESA - Current								
Rate (9)	$0.0000	$0.0000	1.50%	$20.55	$31.59	$16.22		
Annual Cost	$0.00	$0.00	$399.07	$246.60	$379.03	$194.62	$1,219.31	
CHANDLER								
Rate (7)	$0.3800	$0.9000	1.71%	$15.07	$27.28	$14.26		
Annual Cost	$76.76	$181.81	$542.84	$180.84	$327.39	$171.12	$1,480.76	121.4%
GILBERT								
Rate (8)	$0.0000	$1.1500	1.50%	$14.05	$20.50	$17.56		
Annual Cost	$0.00	$232.31	$476.42	$168.60	$245.97	$210.73	$1,334.02	109.4%
GLENDALE								
Rate (7)	$0.3064	$1.4136	1.97%	$14.90	$20.80	$17.71		
Annual Cost	$61.89	$285.56	$625.52	$178.80	$249.65	$212.47	$1,613.90	132.4%
PHOENIX								
Rate (7)	$0.8584	$0.9616	1.93%	$23.20	$21.56	$17.04		
Annual Cost	$173.40	$194.25	$513.16	$278.40	$258.68	$204.43	$1,622.32	133.1%
SCOTTSDALE								
Rate	$0.4440	$0.5999	1.65%	$14.79	$35.93	$16.35		
Annual Cost	$89.69	$121.18	$524.06	$177.48	$431.21	$196.24	$1,539.87	126.3%
TEMPE								
Rate (10)	$0.5227	$0.8773	1.80%	$16.74	$22.57	$10.30		
Annual Cost	$105.59	$177.22	$571.70	$200.88	$270.89	$123.55	$1,449.83	118.9%

Notes:

1. Single family home with a value of $237,655 Figured in $100 units based on 85% of the value.
   $237,655.00 X .85 X 10% / 100 X the tax rate. Source: Arizona Real Estate Center, ASU East website for 2nd Qtr 2005
2. Annual Maricopa County income of $58,600 Source: Median Family Income - Phoenix-Mesa - HUD 2/05, HUD website
   The cities of Phoenix and Mesa do not collect sales tax on food sales.
3. Charge for biweekly garbage (and recyclables where applicable) collection using 90 gallon barrels.
4. Based on Mesa's average monthly residential water use for the most recent twelve months.
5. Winter Water Average formulas are applied in cities where known. Changes in fees are due to both rate and formula changes.
6. Primary and Secondary Tax Rates reflect the 05/06 FY (updated as of 8/15/05 posting on Maricopa County web site).
7. Sales Tax Rate is a weighted average rate, based on the City of Mesa tax base as of 6/04.
8. Gilbert's water calculation uses the rate effective as of September 1, 2005.
9. City of Mesa utility rate changes were approved June 20, 2005. Changes are effective August 1, 2005 for the first billings on Sept. 1, 2005.
10. Tempe solid waste rates go into effect November 1, 2005.

Table 12. Ownership Survey

Table 13. Utility Revenue Comparisons

UTILITY REVENUES, EXPENDITURES, AND NET INCOMES

	2001-02	2002-03	2003-04	2004-05
ELECTRIC				
Revenue	$ 29,422,804	$ 27,099,262	$ 28,199,620 ***	$ 31,872,880
Operating Expenditures	$ 18,879,880	$ 19,636,353	$ 21,798,100	$ 21,602,537
Net Income After Operating Exp.	$ 10,542,924	$ 7,462,909	$ 6,401,520	$ 10,270,343
Capital/Debt Expenditures	$ 5,266,781	$ 3,599,215	$ 3,606,707	$ 4,847,592
Net Income After All Exp.	$ 5,276,143	$ 3,863,694	$ 2,794,813	$ 5,422,751
Net Income as a % of Revenue	17.9%	14.3%	9.9%	17.0%
GAS				
Revenue	$ 26,575,125	$ 25,468,851	$ 29,626,736	$ 35,222,999
Operating Expenditures	$ 18,186,156	$ 20,301,265	$ 23,772,433	$ 30,682,436
Net Income After Operating Exp.	$ 8,388,969	$ 5,167,586	$ 5,854,303	$ 4,540,562
Capital/Debt Expenditures	$ 3,026,135	$ 3,067,920	$ 1,671,195	$ 2,547,251
Net Income After All Exp.	$ 5,362,834	$ 2,099,666	$ 4,183,108	$ 1,993,312
Net Income as a % of Revenue	20.2%	8.2%	14.1%	5.7%
WATER				
Revenue	$ 79,070,353	$ 80,469,145	$ 83,069,324	$ 82,639,285
Operating Expenditures	$ 31,098,167	$ 27,338,855	$ 30,394,210	$ 33,658,899
Net Income After Operating Exp.	$ 47,972,186	$ 53,130,290	$ 52,675,114	$ 48,980,386
Capital/Debt Expenditures	$ 15,937,949	$ 19,745,780	$ 23,055,332	$ 9,889,872
Net Income After All Exp.	$ 32,034,237	$ 33,384,510	$ 29,619,782	$ 39,090,514
Net Income as a % of Revenue	40.5%	41.5%	35.7%	47.3%
WASTEWATER				
Revenue	$ 44,384,270	$ 46,379,100	$ 47,058,340	$ 50,659,648
Operating Expenditures	$ 14,022,925	$ 14,102,802	$ 16,690,431	$ 17,870,378
Net Income After Operating Exp.	$ 30,361,345	$ 32,276,298	$ 30,367,910	$ 32,789,270
Capital/Debt Expenditures	$ 20,682,178	$ 21,350,410	$ 12,301,931	$ 16,325,503
Net Income After All Exp.	$ 9,679,166	$ 10,925,888	$ 18,065,978	$ 16,463,767
Net Income as a % of Revenue	21.8%	23.6%	38.4%	32.5%
SOLID WASTE				
Revenue	$ 29,959,310	$ 32,466,393	$ 34,288,784	$ 36,822,728
Operating Expenditures	$ 19,513,561	$ 19,889,118	$ 20,215,613	$ 22,190,513
Net Income After Operating Exp.	$ 10,445,750	$ 12,577,275	$ 14,073,170	$ 14,632,215
Capital/Debt Expenditures	$ 2,471,822	$ 1,480,757	$ 1,077,397	$ 1,374,320
Net Income After All Exp.	$ 7,973,928	$ 11,096,518	$ 12,995,773	$ 13,257,895
Net Income as a % of Revenue	26.6%	34.2%	37.9%	36.0%
TOTAL UTILITIES				
Revenue	$209,411,862	$211,882,751	$222,242,804	$237,217,539
Operating Expenditures	$101,700,689	$101,268,393	$112,870,787	$126,004,764
Net Income After Operating Exp.	$107,711,173	$110,614,358	$109,372,018	$111,212,776
Capital/Debt Expenditures	$47,384,866	$49,244,082	$41,712,563	$34,984,537
Net Income After All Exp.	$60,326,308	$61,370,276	$67,659,455	$76,228,239
Net Income as a % of Revenue	28.8%	29.0%	30.4%	32.1%

*** One-time $5.2M payment from an electric commodity supplier for assignment of a long term contract to another supplier has been deducted from the 2003-04 Electric Revenues.