

**RESOLUTION 2790**

**A RESOLUTION OF THE TOWN OF PAYSON SUPPORTING AND CO-SPONSORING THE CITY OF KINGMAN'S PROPOSED ARIZONA LEAGUE OF CITIES AND TOWNS RESOLUTION RELATED TO HURF FUNDING.**

**WHEREAS**, Highway User Revenue Fund (HURF) monies support the construction, repair and maintenance of local streets; and

**WHEREAS**, during the past five years, cities and towns in Arizona, including the Town of Payson, have experienced significant reductions in HURF monies; and

**WHEREAS**, annually, the Executive Committee of the Arizona League of Cities and Towns ("the League") approves Resolutions that direct the League's legislative priorities; and

**WHEREAS**, the City of Kingman has proposed a Resolution to the League Executive Committee related to HURF funding; and

**WHEREAS**, the Town of Payson desires to support and be a co-sponsor of Kingman's proposed Resolution,

**NOW, THEREFORE, THE MAYOR AND COUNCIL OF THE TOWN OF PAYSON, ARIZONA, DO HEREBY RESOLVE AS FOLLOWS:**

1. The Town of Payson desires to support and co-sponsor the City of Kingman's proposed League Resolution urging the Arizona Legislature to find a sustainable revenue collection system that will increase revenue into the Highway User Revenue Fund, in substantially the form attached as Exhibit A.
2. The Mayor and Town Manager are authorized to take such other actions as may be necessary to carry out the intent of this Resolution.

**PASSED AND ADOPTED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF PAYSON, ARIZONA**, this \_\_\_\_ day of June, 2014, by the following vote:

AYES \_\_\_\_\_ NOES \_\_\_\_\_ ABSTENTIONS \_\_\_\_\_ ABSENT \_\_\_\_\_

\_\_\_\_\_  
Kenny J. Evans, Mayor

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ATTEST:

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Silvia Smith, Town Clerk

APPROVED AS TO FORM:



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Timothy M. Wright, Town Attorney

**Exhibit A**  
**To**  
**Resolution 2790**

**LEAGUE OF ARIZONA CITIES & TOWNS  
RESOLUTION FORMAT**

*Text of Resolution (Insert one or two concise sentences describing what action or policy you are proposing.)*

Urges the Legislature to find a sustainable revenue collection system that will increase revenue into the Highway User Revenue Fund. The purpose of this Resolution is to recommend the formation of a HURF revenue study committee to work together to analyze transportation funding challenges, explore revenue options and make recommendations for an up to date alternative revenue collection system necessary to expand and maintain Arizona's transportation network now and into the future.

**Submitted by:** *(List the municipalities sponsoring this Resolution – there must be at least two.)*

City of Kingman  
\_\_\_\_\_  
\_\_\_\_\_

\* \* \* \* \*

**A. Purpose and Effect of Resolution** *(Explain your proposal and provide any relevant background information.)*

Investment in our transportation system is absolutely vital for Arizona's economic expansion and the safety of our traveling public. The quality of Arizona's transportation infrastructure directly affects the quality of life of Arizonans through mobility, safety, and jobs. To be successful, commerce, economic development and international trade depend on quality transportation systems. Good quality roads are an integral part of tourism, one of Arizona's top economic drivers. Infrastructure enhances accessibility of tourists to different parts of our state, more specifically transportation is an essential component of successful tourism development in that it creates an impression of our state, induces the creation of attractions and the growth of existing ones.

The quality of Arizona's transportation infrastructure continues to deteriorate. Revenue going into the Highway User Revenue Fund (HURF) has decreased substantially and over the past several years, hundreds of millions of dollars have been diverted from the already declining HURF fund. Arizona's transportation funding levels, while once average, now ranks 42<sup>nd</sup> in the nation. Modernization of how we pay for infrastructure needs to be reviewed to secure adequate and sustainable funding. Transferring of HURF revenues to pay for other government programs needs to stop. Arizona cannot afford to slip further behind.

- Transportation revenue collection continues to decline. Gasoline tax has lost its value over the past decade. And gas and fuel tax revenues will continue to decrease over time due to the increased fuel efficiency of the fleet. With more fuel efficient fleet, increasing the gasoline tax may not be a viable solution to sustain our current and future infrastructure needs. HURF revenues for 2013 of nearly \$1.2 billion were \$200 million less than 2007 and even less when compared to 2004.
- According to ADOT's numbers, fuel tax revenues collected in FY 2013 totaled \$647.9 million. In FY 2004 \$642.5 million in fuel taxes were collected – that's less than a percent difference over a span of 10 years, yet the rate of inflation over this period of time is 23.9%.
- Due to our state's critical transportation funding gap, highway construction has become increasingly reliant on Washington. However, federal transportation dollars are drying up as well; it is expected that there will be no federal funding for new projects in fiscal year 2015 and beyond. Arizona currently receives roughly \$675 million in federal highway funding, continuation of receiving federal assistance remains highly volatile.
- Americans pump less gas these days, have a greater dependence on mass transit, and live in walkable communities where they walk to services, schools, and jobs. With continued high gas prices, fuel efficient cars like hybrids and electric cars are important factors for consumers. According to the University of Michigan, vehicles manufactured in the month of February 2014 averaged 25.2 mpg, a drastic improvement compared to 16.9 mpg in 1991 – the last time AZ gas taxes were addressed.
- The 2013 ASCE report card for Arizona's infrastructure reflects 52% of Arizona roads were rated in poor to mediocre condition, and driving on these poor roads costs Arizona motorists almost \$887 million per year in vehicle repair and operating costs. Additionally the report reflects 3.2% of Arizona bridges are structurally deficient and 9.2% are functionally obsolete.

Arizona's HURF revenue collection system is clearly out dated, running a budget based on a 1991 tax. The purpose of this Resolution is to recommend the formation of a HURF revenue study committee to work together to analyze transportation funding challenges, explore revenue options and make recommendations for an up to date alternative revenue collection system necessary to expand and maintain Arizona's transportation network now and into the future. **Examples** of possible

alternative revenue sources the committee can explore include, but are not limited to:

- Increase to the current taxing rates.
- Implementing some sort of indexing mechanism.
- Move to a vehicle miles traveled tax.
- Implement a transportation-targeted state and local sales tax.
- Permit cities and towns to collect their own gas tax

Example of possible study committee composition can include a 19 member team representing all regions of Arizona and from the following groups: state, county and local government officials, League staff, business, labor, and advocates for motorists to name a few.

Our recommended time line is for the study committee be appointed in the 2015 legislative session, with a report of its findings and recommendations to the Governor and the legislature on or before December 1, 2015.

**B. Relevance to Municipal Policy** *(Explain how the resolution impacts cities/towns throughout the state.)*

Arizona is at a crucial decision point for transportation funding; our transportation system is in trouble. Allowing our roads to crumble, losing jobs and tourists and endangering the public is a disastrous plan, when we could secure adequate, sustainable transportation funding. Cities and towns across our state are struggling with a backlog of pavement preservation projects and dwindling transportation revenues.

Arizona's gasoline tax has stood at 18 cents per gallon for nearly 23 years. Over those years, the average rate of inflation is 2.63 percent making that 18 cents now worth what a dime was in 1991. Had the rate of inflation been kept up, that 18 cents tax would be .33 cents today. The buying power to construct new transportation improvements and maintain the existing transportation infrastructure has diminished due to inflation. Growth, changes to fuel saving automotive technology and driving habits are resulting in less revenue to repair our crumbling transportation infrastructure. Infrastructure is deteriorating on a yearly basis resulting in escalating and unaffordable costs for repair; it's reached a tipping point!

Fundamental responsibility for transportation decision-making should be at the local level. Municipalities should have the ability to set their own priorities in transportation investment that satisfy local needs and objectives. Maintaining and expanding our vital transportation infrastructure is critical for economic growth in our communities. With the overwhelming amount of economic activity that occurs in cities and towns, investing in infrastructure at the local level will create jobs, encourage tourism, and attract out-of-state businesses and to keep local businesses in our communities.

**C. Fiscal Impact to Cities and Towns** *(Explain the potential fiscal impact, if any, to cities/towns. Include any cost estimates if possible.)*

Streets, roads and bridges are critical assets for local government. HURF revenues are our primary source of street funding. While we appreciate the inclusion of some restored HURF revenue in the recently adopted state budget, over the past decade, more than \$200 million in city and town HURF funds have been transferred to DPS. These legislative sweeps have been devastating to local governments. Sweeps need to stop and be redirected back to their intended use.

Local roads comprise over 75% of the nation's pavement. Roughly half of all HURF revenues are directed to county and municipal road programs. Mohave County alone has seen its HURF dollars reduced by 20%, losing \$5.9 million which has contributed to 80% of its road network reaching or surpassing its pavement service life.

Declining revenues and HURF sweeps have greatly affected the City of Kingman's transportation infrastructure program:

- Kingman has an increasing backlog of annual maintenance needs with a current estimated shortfall of approximately \$11 million.
- A funding gap of \$26.5 million is required to complete Kingman's much needed short term transportation projects.
- Kingman's 20 year Long Range Transportation Projects, which considers such factors as pavement conditions, congestion levels and safety performance, are estimated to have a \$365.9 million funding gap between needs and revenues.

Appointment of a HURF revenue study committee can review approaches to implement a set of revenue measures that address the transportation infrastructure funding shortfalls experienced by cities and towns across Arizona.

**D. Fiscal Impact to the State** *(Identify possible state or federal funding sources and if the impact to the state would be an appropriation of monies or a tax credit, exemption, etc.)*

Economic development and job growth continue to be cited as top priorities of public, local and state government officials, legislators and the Governor. Both are dependent on quality and capacity of our transportation infrastructure.

Infrastructure investment means higher economic activity for the construction industry. During the recession, Arizona

construction jobs were slashed from 250, 000 to 120,000.

Maintenance in the state's transportation infrastructure already in place is not being adequately addressed. Last year's five-year program update provided \$150 million per year for maintenance while ADOT's pavement preservation staff estimate they need roughly \$260 million. ADOT estimates its system has \$18.4 billion worth of assets that would cost over \$100 billion to replace.

Due to declining transportation revenues, last year's ADOT five-year plan update required \$350 million in previously planned highway construction and maintenance activity. ADOT has had to cut or defer \$537 million in needed infrastructure projects, current revenue collection is woefully deficient.

The state's 25-year Long Range Transportation Plan, which considers such factors as pavement conditions, congestion levels and safety performance, projects a \$63 billion gap between needs and revenues.

Appointment of a HURF revenue study committee can review approaches to implement a set of revenue measures that address the transportation infrastructure funding shortfalls experienced by the state to properly fund vital infrastructure.

**E. Contact Information**

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