

CITY COUNCIL REPORT



Meeting Date: March 17, 2020
 General Plan Element: *Economic Vitality*
 General Plan Goal: *Foster economic and employment opportunities*

ACTION

Adopt Ordinance No. 4444, amending Appendix C, Scottsdale Revised Code, Article IV, Sec. 462., Retail sales: Food for Home Consumption, with one of the following options:

1. Set the tax rate at an amount equal to 0.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.
Or;
2. Set the tax rate at an amount equal to 0.75% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.
Or;
3. Set the tax rate at an amount equal to 1.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

BACKGROUND

The Model City Tax Code was implemented in 1986 to establish more uniform taxation across the cities in Arizona. In 2013, the Model City Tax Code (MCTC) was amended. One of the amendments created an additional retail category specifically for food for home consumption. This category was added to Section 462 of Appendix C, in the Scottsdale Revised Code (SRC).

Prior to this time, the City was required to get the approval of the Municipal Tax Code Commission (MTCC) for a rate change to a category. The MTCC is a commission that consists of Mayors and Councilmembers appointed by the Legislature and the Governor. As a result of the 2013 changes to the MCTC, cities can now set the rate for food for home consumption without having to get approval from the MTCC. Changes made to any transaction privilege sales tax rates must be reported to the Arizona Department of Revenue. Notice must be given a minimum of 60 days, with the count starting on the 1st of the month after the rate change is approved. This proposed change will have an effective date of July 1, 2020.

Currently the City's transaction privilege tax rate is 1.75% across all categories. This has been the effective rate since February 1, 2019. The Scottsdale Tax Code currently taxes food for home consumption at the same 1.75% rate. Below is a table showing a comparison of the tax rates, food for home consumption tax rates, and the populations of local municipalities. These municipalities

are the cities that Scottsdale’s Human Resources’ Department uses in comparing compensation standards.

Comparative Tax Rates			
City	Census Bureau Population Estimates as of 2018	Overall TPT Tax Rate	Food for Home Consumption Tax Rate
Chandler	257,165	1.50	1.50
Gilbert	248,279	1.50	1.50
Glendale	250,702	2.90	2.50
Goodyear	82,835	2.50	2.00
Mesa	508,958	2.00	0.00
Peoria	172,259	1.80	1.60
Phoenix	1,660,272	2.30	0.00
Scottsdale	255,310	1.75	1.75
Surprise	138,161	2.20	0.00
Tempe	192,364	1.80	1.80
Note: Overall tax rates may vary by city for different tax categories. These rates represent the most common across all categories.			

ANALYSIS & ASSESSMENT

Recent Staff Action

On February 4, 2020 the Scottsdale City Council voted to agendize a discussion and possible action on the elimination of the tax on food for home consumption.

The City’s current transaction privilege tax rate is 1.75%. This rate consists of 1% for the General Fund, 0.35% for the McDowell Sonoran Preserve, 0.30% for Transportation, and 0.1% for Public Safety. The food store category made up 6% of the overall transaction privilege sales tax revenue for the year. The table below shows the distribution of the food store revenue for the past 3 fiscal years.

Transaction Privilege Sales Tax -Food	FY 16/17 Actual	FY 17/18 Actual	FY 18/19 Actual
1.00% GF	6,820,144	7,769,940	7,975,833
0.10% GF - Public Safety	682,013	776,993	797,583
0.20% Transportation Fund	1,359,974	1,531,425	1,589,402
0.10% Transportation Fund (2019)	-	-	310,500
0.20% Preservation Fund (1995)	1,363,972	1,553,594	1,594,865
0.15% Preservation Fund (2004)	1,023,020	1,165,489	1,196,374
	11,249,123	12,797,442	13,464,556

There are several options available for making changes to the tax rate on food for home consumption. The first option is to set the tax rate for this category to 0%. This will effectively eliminate the tax on all items that fit the food for home consumption category, any food item that is not meant for consumption on the premises.

The second option for changing the tax rate is to lower it to .75%. This option will retain all the special allocations voted on by the citizens of Scottsdale. This will include the Public Safety fund, the McDowell Mountain Preserve fund and the Transportation fund.

The third option would be to lower the rate to 1% which would leave the General Fund intact at the current rate.

The table below represents the impact that would have occurred for Fiscal year 2018/19 if each of these options had been in place during this time frame.

Sales Tax Food	FY 18/19 Actual	Take Food Tax to 0%	Take Food Tax to .75%	Take Food tax to 1%
1.00% GF	7,975,833	0	0	7,975,833
0.10% GF - Public Safety	797,583	0	797,583	-
0.20% Transportation Fund	1,589,402	0	1,589,402	-
0.10% Transportation Fund (2019)	310,500	0	310,500	-
0.20% Preservation Fund (1995)	1,594,865	0	1,594,865	-
0.15% Preservation Fund (2004)	1,196,374	0	1,196,374	-
Total	13,464,556	0	5,488,724	7,975,833

Policy Implications

The current policy is to tax food for home consumption and a repeal or change to the tax would be a change in policy.

Significant Issues to be Addressed

The median household income in 2018 dollars for Scottsdale (the latest data available), according to the US Census bureau, was \$84,601. The per capita income was estimated at \$59,953. The percentage of people in poverty was 8.2%.

The January 2020 USDA “Cost of Food at Home” report gives the monthly cost for a moderate food plan for a family of four as \$1,072.30 (if the children are between the ages of 6-11). This is \$12,867.60 dollars a year for food. This equates to a total of \$225.18 dollars in tax a year. The elimination of the food for home consumption tax would save the average family of four \$225.18 per year. Lowering the tax on food for home consumption to .75% will save a family of four \$128.68 per year. Changing the tax on this category to 1% will save a family of four \$96.50 per year. Currently there is a deduction available for any purchases using the federal government’s Supplemental Nutrition Assistance Program (SNAP), previously commonly known as Food Stamps, for food for home consumption.

With each of the options for changes to the transaction privilege sales tax on food for home consumption, businesses will be impacted. Businesses will need to make changes to their point of sale systems. This will incur an administrative cost to businesses to ensure that food items in this category are not taxed, or are taxed at a different rate, from the other items that they sell. For the last fiscal year there were 279 businesses that reported in the food for home consumption category to Scottsdale.

RESOURCE IMPACTS

Available funding

Eliminating or decreasing the food for home consumption transaction privilege sales tax would impact the overall funds that the City has available to provide the services that it delivers.

Staffing, Workload Impact

There would not be significant impacts on staffing or workload.

Maintenance Requirements

There are not additional maintenance requirements anticipated.

Future Budget Implications

There would be an impact of approximately 6% to the overall transaction privilege sales tax revenue going forward.

Cost Recovery Options

The options for cost recovery would be to go to the voters for an increase in the other categories that the City taxes.

OPTIONS

Description of Option 1

Adopt Ordinance 4444 and set the tax rate at an amount equal to 0.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Description of Option 2

Adopt Ordinance 4444 and set the tax rate at an amount equal to 0.75% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Description of Option 3

Adopt Ordinance 4444 and set the tax rate at an amount equal to 1.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail

Description of Option 4

Make no changes to the current transaction privilege tax code.

RESPONSIBLE DEPARTMENT(S)

City Treasurer's Office

Budget

Business Services

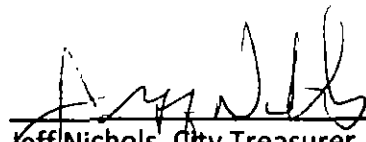
STAFF CONTACTS (S)

Jeff Nichols, jenichols@scottsdaleaz.gov

Darcy Nichols, Business Services Director, danichols@scottsdaleaz.gov

Terry Hogle, Business Services Manager, thogle@scottsdaleaz.gov

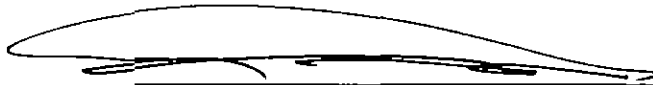
APPROVED BY



Jeff Nichols, City Treasurer
480-312-2364, jenichols@scottsdaleaz.gov

3/10/2020

Date



Jim Thompson, City Manager
480-312-2811, jthompson@scottsdaleaz.gov

3/10/2020

Date

ATTACHMENTS

1. Presentation: Elimination of Sales Tax on Food for Home Consumption
2. Ordinance 4444, Option 1, Change Transaction Privilege Sales Tax Rate to 0% on Food for Home Consumption
3. Ordinance 4444, Option 2, Change Transaction Privilege Sales Tax Rate to .75% on Food for Home Consumption
4. Ordinance 4444, Option 3, Change Transaction Privilege Sales Tax Rate to 1.0% on Food for Home Consumption
5. USDA: Cost of Food at Home at Four Levels, U.S. Average January 2020
6. U.S. Census Bureau Quick Facts: Scottsdale city, Arizona

Elimination of Sales Tax on Food for Home Consumption





February 4, 2020 – Mayor Lane made a motion to agendize, at a future date, a discussion and possible action on the elimination of the tax on food for home consumption. Councilmember Korte seconded the motion, which carried 6/1 (Councilwoman Milhaven dissenting).

Components of 1.75% Sales Tax Rate

1.00% General Fund - Unrestricted

0.10% Public Safety - Restricted

1.10% General Fund - Total

0.10% Transportation Fund - Operating

0.10% Transportation Fund - CIP

0.20% Transportation Fund Total

0.10% ALCP Transportation CIP - expires 2029

0.10% ALCP* Transportation CIP (temporary)

0.20% Preserve Fund - expires 2025

0.15% Preserve Fund - expires 2034

0.35% Preserve Fund (temporary)

* Alternative Life Cycle Project

Sales Tax Collections

	FY 2009/10 Actual	FY 2018/19 Actual	10 yr Increase	Avg. Annual Increase
1.10% General Fund Sales Tax	\$85.9	\$134.1	56%	5.6%
0.35% Preserve Sales Tax	26.4	41.9	59%	5.9%
0.20% Transportation Sales Tax	14.6	23.0	58%	5.8%
0.10% Transportation Sales Tax	-	4.8	n/m	n/m
Total Sales Tax	\$126.9	\$203.8	61%	6.1%
Without 0.10% Transp. Sales Tax		\$199.1	57%	

Sales Tax Collections on Food

	FY 2009/10 Actual	FY 2018/19 Actual	10 yr Increase	Avg. Annual Increase
1.10% General Fund Sales Tax	\$6.6	\$8.8	33%	3.3%
0.35% Preserve Sales Tax	2.1	2.8	33%	3.3%
0.20% Transportation Sales Tax	1.2	1.6	33%	3.3%
0.10% Transportation Sales Tax	-	0.3	n/m	n/m
Total Sales Tax	\$9.9	\$13.5	36%	3.6%
Without 0.10% Transp. Sales Tax		\$13.2	33%	

Tax Collection on Food for Home Consumption

(in millions)

	FY 2019/20 Adopted	FY 2019/20 Forecast
1.10% General Fund	\$9.6	\$10.2
0.20% Transportation Fund	1.7	1.8
0.10% ALCP Transportation	0.9	0.9
0.35% Preserve Fund	3.1	3.3
1.75% Total	\$15.3	\$16.2

History of General Fund Sources

	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual*	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual
Revenue	231,858	231,172	229,275	226,952	239,395	254,347	261,374	261,105	285,415	304,525
Transfers In	19,596	12,745	10,328	9,215	10,921	10,012	11,760	13,145	9,675	10,698
Total Sources	251,454	243,917	239,603	236,167	250,316	264,359	273,134	274,250	295,090	315,223
% Growth in Revenue	-8%	0%	-1%	-1%	5%	6%	3%	0%	9%	7%
Food Tax	6,592	6,744	7,012	7,122	7,236	7,697	7,884	7,502	8,547	8,773
% of total Revenue	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

* Does not include Nordstrom Garage payoff.

In thousands

History of General Fund Uses

	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual*	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual
Department Expenses	224,870	214,534	206,915	214,242	224,991	231,980	237,193	247,536	258,362	265,588
Debt Service	2,370	4,951	9,565	4,395	2,843	2,849	2,844	2,859	2,874	2,891
Transfers Out	26,836	18,812	22,966	19,369	19,149	25,493	23,053	27,441	25,376	25,780
Total Uses	254,076	238,297	239,445	238,006	246,983	260,321	263,090	277,836	286,613	294,258
% Growth in Department Expenses	-11%	-5%	-4%	4%	5%	3%	2%	4%	4%	3%

* Does not include Nordstrom Garage payoff.

In thousands

General Fund

	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Beginning Fund Balance	86,216	106,510	117,187	124,538	122,210	111,691
Sources						
Taxes - Local	153,528	147,790	148,070	147,728	149,003	151,388
Food Tax	9,286	8,891	8,924	8,980	9,069	9,160
Food Tax - Public Safety (0.10%)	929	889	892	898	907	916
State Shared Revenues	70,697	74,244	75,945	76,179	76,598	77,666
Property Tax	32,617	33,717	34,688	35,687	36,715	37,773
Other Revenue	58,771	58,317	57,933	58,325	59,762	61,053
Transfers In	11,124	11,422	11,722	12,015	12,234	12,526
Total Sources	336,953	335,270	338,175	339,811	344,287	350,481
Uses						
Expenditures	285,247	297,360	308,386	321,659	335,577	350,418
Debt Service	2,908	377	396	416	437	458
Transfers Out	23,024	20,930	17,581	17,071	17,282	17,770
Transfer Out to CIP - Food Tax	5,480	5,927	4,462	2,993	1,511	-
Total Uses	316,659	324,594	330,825	342,138	354,807	368,647
Ending Fund Balance						
Operating Contingency	2,882	2,977	3,088	3,221	3,360	3,509
Operating Reserve	28,815	29,774	30,878	32,207	33,601	35,088
PSPRS Pension Liabilities	60,013	69,636	75,771	71,982	59,929	40,129
Cavasson Infrastructure Reimbursement	14,300	14,300	14,300	14,300	14,300	14,300
Undesignated, Unreserved Fund Balance	500	500	500	500	500	500
Total Ending Fund Balance	106,510	117,187	124,538	122,210	111,691	93,525

In thousands

General Fund Sources vs Uses

	FY 2019/20 Revised Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Sources	336,953	335,270	338,175	339,811	344,287	350,481
% growth	7%	0%	1%	0%	1%	2%
Total Uses	316,659	324,594	330,825	342,138	354,807	368,647
% growth	8%	3%	2%	3%	4%	4%

In thousands

General Fund

without Food Tax

	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Beginning Fund Balance	86,216	106,510	113,334	115,329	106,117	87,133
<u>Sources</u>						
Taxes - Local	163,744	147,790	148,070	147,728	149,003	151,388
State Shared Revenues	70,697	74,244	75,945	76,179	76,598	77,666
Property Tax	32,617	33,717	34,688	35,687	36,715	37,773
Other Revenue	58,771	58,317	57,933	58,325	59,762	61,053
Transfers In	11,124	11,422	11,722	12,015	12,234	12,526
Total Sources	336,953	325,491	328,359	329,933	334,311	340,405
<u>Uses</u>						
Expenditures	285,247	297,360	308,386	321,659	335,577	350,418
Debt Service	2,908	377	396	416	437	458
Transfers Out	28,504	20,930	17,581	17,071	17,282	17,770
Total Uses	316,659	318,667	326,363	339,145	353,295	368,647
Ending Fund Balance						
Operating Contingency	2,882	2,977	3,088	3,221	3,360	3,509
Operating Reserve	28,815	29,774	30,878	32,207	33,601	35,088
PSPRS Pension Liabilities	60,013	65,783	66,563	55,889	35,372	5,495
Cavasson Infrastructure Reimbursement	14,300	14,300	14,300	14,300	14,300	14,300
Undesignated, Unreserved Fund Balance	500	500	500	500	500	500
Total Ending Fund Balance	106,510	113,334	115,329	106,117	87,133	58,891

General Fund Sources vs Uses

without Food Tax

	FY 2019/20 Revised Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Sources	336,953	325,491	328,359	329,933	334,311	340,405
% growth	7%	-3%	1%	0%	1%	2%
Total Uses	316,659	318,667	326,363	339,145	353,295	368,647
% growth	8%	1%	2%	4%	4%	4%

In thousands

Comparative Tax Rates

- Overall tax rates may vary by city for different tax categories.
- These rates represent the most common across all categories.

0.10% = \$12.8 million

City	Census Bureau Population Estimates as of 2018	Overall TPT Tax Rate	Food for Home Consumption Tax Rate
Chandler	257,165	1.5	1.5
Gilbert	248,279	1.5	1.5
Glendale	250,702	2.9	2.5
Goodyear	82,835	2.5	2
Mesa	508,958	2	0
Peoria	172,259	1.8	1.6
Phoenix	1,660,272	2.3	0
Scottsdale	255,310	1.75	1.75
Surprise	138,161	2.2	0
Tempe	192,364	1.8	1.8

Food Tax Elimination - Impact to CIP General Fund



Funding Available for FY 2020/21–2024/25 – **(\$8.2)** million



Balance by reducing funding to 47 existing projects - \$73.8 million

Municipal Property Corporation Bonds

Fiscal Year Ended June 30	Excise Tax	Debt Service	Coverage
2010	170,638	28,130	6.07
2011	155,515	31,970	4.86
2012	157,645	32,982	4.78
2013	170,227	33,835	5.03
2014	183,376	41,194	4.45
2015	195,037	39,249	4.97
2016	194,560	43,435	4.48
2017	196,729	44,149	4.46
2018	216,643	50,198	4.32
2019	223,668	52,684	4.25



Option 1

Adopt Ordinance No.4444 and set the tax rate at an amount equal to 0.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Option 2

Adopt Ordinance No. 4444 and set the tax rate at an amount equal to 0.75% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Option 3

Adopt Ordinance No. 4444 and set the tax rate at an amount equal to 1.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Option 4

Make no changes to the current transaction privilege tax code.

ORDINANCE NO. 4444

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AMENDING APPENDIX C OF THE SCOTTSDALE REVISED CODE (SCOTTSDALE TAX CODE), SECTION 462, TO ELIMINATE THE TRANSACTION PRIVILEGE TAX ON RETAIL SALES ON FOOD FOR HOME CONSUMPTION; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the Scottsdale City Council desires to eliminate the transaction privilege tax on retail sales on food for home consumption; and

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

SECTION 1. Subsection (a) of **Section 462, Retail Sales: Food for Home Consumption**, of Appendix C of the Scottsdale Revised Code, Article IV (Privilege Taxes), is hereby amended as follows, with new language in shaded format and deleted language in strikethrough:

Sec. 462. Retail sales: food for home consumption.

(a) The tax rate shall be at an amount equal to ~~one and seven and one-half tenths~~ **zero** percent (~~1.75-0%~~) of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

SECTION 2. The amendment in Section 1 is effective as of July 1, 2020.

SECTION 3. If desired in the future, the Council may raise the retail sales tax rate on food for home consumption, Section 462 of Appendix C of the Scottsdale Revised Code, back to previously authorized levels without additional voter approval.

PASSED AND ADOPTED by the City Council of the City of Scottsdale, Maricopa County, Arizona, this _____ day of _____, 2020.


CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

Carolyn Jagger, City Clerk

W.J. "Jim" Lane, Mayor

APPROVED AS TO FORM:



Sherry R. Scott, City Attorney
By: Kimberly Campbell, Assistant City Attorney

18021293v1

ORDINANCE NO. 4444

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AMENDING APPENDIX C OF THE SCOTTSDALE REVISED CODE (SCOTTSDALE TAX CODE), SECTION 462, TO REDUCE THE TRANSACTION PRIVILEGE TAX RATE ON THE RETAIL SALES TAX ON FOOD FOR HOME CONSUMPTION TO 0.75%; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the Scottsdale City Council desires to reduce the transaction privilege tax rate on the retail sales tax on food for home consumption to 0.75% to retain the special purpose taxes previously approved by City voters; and

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

SECTION 1. Subsection (a) of **Section 462, Retail Sales: Food for Home Consumption**, of Appendix C of the Scottsdale Revised Code, Article IV (Privilege Taxes), is hereby amended as follows, with new language in shaded format and deleted language in strikethrough:

Sec. 462. Retail sales: food for home consumption.

(a) The tax rate shall be at an amount equal to ~~one and seven and one-half tenths percent (1.75-0.75%)~~ 0.75% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

SECTION 2. The amendment in Section 1 is effective as of July 1, 2020.

SECTION 3. If desired in the future, the Council may raise the retail sales tax rate on food for home consumption, Section 462 of Appendix C of the Scottsdale Revised Code, back to previously authorized levels without additional voter approval.

PASSED AND ADOPTED by the City Council of the City of Scottsdale, Maricopa County, Arizona, this _____ day of _____, 2020.


CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

W.J. "Jim" Lane, Mayor

Carolyn Jagger, City Clerk

APPROVED AS TO FORM:


Sherry R. Scott, City Attorney
By: Kimberly Campbell, Assistant City Attorney

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ORDINANCE NO. 4444

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AMENDING APPENDIX C OF THE SCOTTSDALE REVISED CODE (SCOTTSDALE TAX CODE), SECTION 462, TO REDUCE THE TRANSACTION PRIVILEGE TAX RATE ON THE RETAIL SALES TAX ON FOOD FOR HOME CONSUMPTION TO 1%; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the Scottsdale City Council desires to reduce the transaction privilege tax rate on the retail sales tax on food for home consumption to 1% to retain the general fund allocation; and

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

SECTION 1. Subsection (a) of **Section 462, Retail Sales: Food for Home Consumption**, of Appendix C of the Scottsdale Revised Code, Article IV (Privilege Taxes), is hereby amended as follows, with new language in shaded format and deleted language in strikethrough:

Sec. 462. Retail sales: food for home consumption.

(a) The tax rate shall be at an amount equal to ~~one and seven and one-half tenths~~ **one** percent (~~1.75-1~~%) of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

SECTION 2. The amendment in Section 1 is effective as of July 1, 2020.

SECTION 3. If desired in the future, the Council may raise the retail sales tax rate on food for home consumption, Section 462 of Appendix C of the Scottsdale Revised Code, back to previously authorized levels without additional voter approval.

PASSED AND ADOPTED by the City Council of the City of Scottsdale, Maricopa County, Arizona, this ____ day of _____, 2020.

CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

Carolyn Jagger, City Clerk

W.J. "Jim" Lane, Mayor

APPROVED AS TO FORM:



Sherry R. Scott, City Attorney
By: Kimberly Campbell, Assistant City Attorney

18021414v1



Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, January 2020 ¹

Age-gender groups	Weekly cost ²				Monthly cost ²			
	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan	Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan
Individuals ³								
Child:								
1 year	\$22.20	\$29.80	\$33.90	\$41.10	\$96.00	\$129.30	\$147.00	\$178.10
2-3 years	\$24.10	\$31.20	\$37.40	\$45.50	\$104.60	\$135.20	\$162.00	\$197.40
4-5 years	\$25.50	\$32.00	\$40.00	\$48.20	\$110.40	\$138.70	\$173.50	\$209.00
6-8 years	\$32.30	\$44.90	\$54.40	\$64.00	\$140.00	\$194.50	\$235.80	\$277.30
9-11 years	\$36.80	\$48.20	\$63.20	\$73.60	\$159.40	\$208.80	\$274.00	\$319.10
Male:								
12-13 years	\$39.20	\$55.70	\$69.50	\$82.00	\$169.70	\$241.30	\$301.10	\$355.10
14-18 years	\$40.50	\$56.70	\$71.50	\$82.80	\$175.50	\$245.80	\$309.70	\$358.70
19-50 years	\$43.40	\$56.10	\$70.20	\$85.90	\$188.00	\$243.20	\$304.10	\$372.20
51-70 years	\$39.60	\$53.10	\$66.00	\$80.00	\$171.40	\$230.30	\$285.90	\$346.50
71+ years	\$39.70	\$52.00	\$64.90	\$80.00	\$171.80	\$225.30	\$281.30	\$346.80
Female:								
12-13 years	\$38.90	\$48.00	\$58.30	\$70.90	\$168.70	\$207.90	\$252.80	\$307.40
14-18 years	\$38.50	\$48.00	\$57.10	\$70.90	\$166.80	\$207.80	\$247.50	\$307.30
19-50 years	\$38.50	\$48.70	\$59.70	\$76.50	\$166.70	\$211.20	\$258.50	\$331.50
51-70 years	\$38.20	\$47.50	\$59.00	\$71.40	\$165.60	\$206.00	\$255.90	\$309.40
71+ years	\$37.50	\$46.80	\$58.50	\$70.60	\$162.50	\$202.80	\$253.50	\$305.80
Families								
Family (Male & Female) of 2: ⁴								
19-50 years	\$90.00	\$115.40	\$142.80	\$178.60	\$390.20	\$499.80	\$618.80	\$774.10
51-70 years	\$85.60	\$110.80	\$137.50	\$166.50	\$370.70	\$479.90	\$596.00	\$721.50
Family of 4:								
Couple (Male & Female), 19-50 years and children—								
2-3 and 4-5 years	\$131.50	\$168.10	\$207.30	\$256.20	\$569.70	\$728.30	\$898.00	\$1110.10
6-8 and 9-11 years	\$151.00	\$197.90	\$247.50	\$300.00	\$654.10	\$857.70	\$1072.30	\$1300.00

¹ The Food Plans represent a nutritious diet at four different cost levels. The nutritional bases of the Food Plans are the 1997-2005 Dietary Reference Intakes, 2005 Dietary Guidelines for Americans, and 2005 MyPyramid food intake recommendations. In addition to cost, differences among plans are in specific foods and quantities of foods. Another basis of the Food Plans is that all meals and snacks are prepared at home. For specific foods and quantities of foods in the Food Plans, see *Thrifty Food Plan, 2006* (2007) and *The Low-Cost, Moderate-Cost, and Liberal Food Plans, 2007* (2007). All four Food Plans are based on 2001-02 data and updated to current dollars by using the Consumer Price Index for specific food items.

² All costs are rounded to nearest 10 cents.

³ The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person—add 20 percent; 2-person—add 10 percent; 3-person—add 5 percent; 4-person—no adjustment; 5- or 6-person—subtract 5 percent; 7- (or more) person—subtract 10 percent. To calculate overall household food costs, (1) adjust food costs for each person in household and then (2) sum these adjusted food costs.

⁴ Ten percent added for family size adjustment.

This file may be accessed at: <https://www.fns.usda.gov/cnpp/usda-food-plans-cost-food-reports-monthly-reports>.

Issued February 2020.



QuickFacts

Scottsdale city, Arizona

QuickFacts provides statistics for all states and counties, and for cities and towns with a population of 5,000 or more.

Table

ALL TOPICS	Scottsdale city, Arizona
Median household income (in 2018 dollars), 2014-2018	\$84,501
PEOPLE	
Population	
Population estimates, July 1, 2019, (V2019)	NA
Population estimates, July 1, 2018, (V2018)	255,310
Population estimates base, April 1, 2010, (V2019)	NA
Population estimates base, April 1, 2010, (V2018)	217,464
Population, percent change - April 1, 2010 (estimates base) to July 1, 2019, (V2019)	NA
Population, percent change - April 1, 2010 (estimates base) to July 1, 2018, (V2018)	17.4%
Population, Census, April 1, 2010	217,385
Age and Sex	
Persons under 5 years, percent	▲ 3.8%
Persons under 18 years, percent	▲ 16.0%
Persons 65 years and over, percent	▲ 23.4%
Female persons, percent	▲ 50.7%
Race and Hispanic Origin	
White alone, percent	▲ 87.9%
Black or African American alone, percent (a)	▲ 1.8%
American Indian and Alaska Native alone, percent (a)	▲ 0.8%
Asian alone, percent (a)	▲ 4.9%
Native Hawaiian and Other Pacific Islander alone, percent (a)	▲ 0.1%
Two or More Races, percent	▲ 2.3%
Hispanic or Latino, percent (b)	▲ 10.4%
White alone, not Hispanic or Latino, percent	▲ 80.3%
Population Characteristics	
Veterans, 2014-2018	18,200
Foreign born persons, percent, 2014-2018	12.2%
Housing	
Housing units, July 1, 2018, (V2018)	X
Owner-occupied housing unit rate, 2014-2018	65.9%
Median value of owner-occupied housing units, 2014-2018	\$455,900
Median selected monthly owner costs --with a mortgage, 2014-2018	\$2,123
Median selected monthly owner costs --without a mortgage, 2014-2018	\$601
Median gross rent, 2014-2018	\$1,284
Building permits, 2018	X
Families & Living Arrangements	
Households, 2014-2018	111,221
Persons per household, 2014-2018	2.20
Living in same house 1 year ago, percent of persons age 1 year+, 2014-2018	82.0%
Language other than English spoken at home, percent of persons age 5 years+, 2014-2018	13.7%
Computer and Internet Use	
Households with a computer, percent, 2014-2018	95.5%
Households with a broadband Internet subscription, percent, 2014-2018	90.9%
Education	
High school graduate or higher, percent of persons age 25 years+, 2014-2018	96.5%
Bachelor's degree or higher, percent of persons age 25 years+, 2014-2018	57.2%
Health	
With a disability, under age 65 years, percent, 2014-2018	5.5%
Persons without health insurance, under age 65 years, percent	▲ 8.0%

Economy	
In civilian labor force, total, percent of population age 16 years+, 2014-2018	82.3%
In civilian labor force, female, percent of population age 16 years+, 2014-2018	56.2%
Total accommodation and food services sales, 2012 (\$1,000) (c)	1,370,613
Total health care and social assistance receipts/revenue, 2012 (\$1,000) (c)	2,664,668
Total manufacturers shipments, 2012 (\$1,000) (c)	4,532,533
Total merchant wholesaler sales, 2012 (\$1,000) (c)	4,011,124
Total retail sales, 2012 (\$1,000) (c)	5,648,090
Total retail sales per capita, 2012 (c)	\$26,164
Transportation	
Mean travel time to work (minutes), workers age 16 years+, 2014-2018	22.1
Income & Poverty	
Median household income (in 2018 dollars), 2014-2018	\$44,601
Per capita income in past 12 months (in 2018 dollars), 2014-2018	\$59,953
Persons in poverty, percent	▲ 8.2%
 BUSINESSES	
Businesses	
Total employer establishments, 2017	X
Total employment, 2017	X
Total annual payroll, 2017 (\$1,000)	X
Total employment, percent change, 2016-2017	X
Total nonemployer establishments, 2017	X
All firms, 2012	36,825
Men-owned firms, 2012	18,724
Women-owned firms, 2012	11,164
Minority-owned firms, 2012	3,440
Nonminority-owned firms, 2012	31,002
Veteran-owned firms, 2012	3,155
Nonveteran-owned firms, 2012	30,865
 GEOGRAPHY	
Geography	
Population per square mile, 2010	1,182.0
Land area in square miles, 2010	183.92
FIPS Code	0485000

About datasets used in this table

Value Notes

▲ Estimates are not comparable to other geographic levels due to methodology differences that may exist between different data sources.

Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable. Click the Quick Info ⓘ in row in TABLE view to learn about sampling error.

The vintage year (e.g., V2019) refers to the final year of the series (2010 thru 2019). Different vintage years of estimates are not comparable.

Fact Notes

- (a) Includes persons reporting only one race
- (b) Hispanics may be of any race, so also are included in applicable race categories
- (c) Economic Census - Puerto Rico data are not comparable to U.S. Economic Census data

Value Flags

- Either no or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the lowest or open ended distribution.
- D Suppressed to avoid disclosure of confidential information
- F Fewer than 25 firms
- FN Footnote on this item in place of data
- N Data for this geographic area cannot be displayed because the number of sample cases is too small.
- NA Not available
- S Suppressed; does not meet publication standards
- X Not applicable
- Z Value greater than zero but less than half unit of measure shown

QuickFacts data are derived from: Population Estimates, American Community Survey, Census of Population and Housing, Current Population Survey, Small Area Health Insurance Estimates, Small Area Income Estimates, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits.

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Elimination of Sales Tax on Food for Home Consumption

1

February 4, 2020 – Mayor Lane made a motion to agendaize, at a future date, a discussion and possible action on the elimination of the tax on food for home consumption. Councilmember Korte seconded the motion, which carried 6/1 (Councilwoman Milhaven dissenting).

2

Components of 1.75% Sales Tax Rate

1.00%	General Fund - Unrestricted
0.10%	Public Safety - Restricted
1.10%	General Fund - Total
0.10%	Transportation Fund - Operating
0.10%	Transportation Fund - CIP
0.20%	Transportation Fund Total
0.10%	ALCP Transportation CIP - expires 2029
0.10%	ALCP* Transportation CIP (temporary)
0.20%	Preserve Fund - expires 2025
0.15%	Preserve Fund - expires 2034
0.35%	Preserve Fund (temporary)

* Alternative Life Cycle Project

3

Sales Tax Collections

	FY 2009/10	FY 2018/19	10 yr	Avg.
	Actual	Actual	Increase	Annual
				Increase
1.10% General Fund Sales Tax	\$85.9	\$134.1	56%	5.6%
0.35% Preserve Sales Tax	26.4	41.9	59%	5.9%
0.20% Transportation Sales Tax	14.6	23.0	58%	5.8%
0.10% Transportation Sales Tax	-	4.8	n/m	n/m
Total Sales Tax	\$126.9	\$203.8	61%	6.1%
<u>Without 0.10% Transp. Sales Tax</u>		<u>\$199.1</u>	<u>57%</u>	

4

Sales Tax Collections on Food

	FY 2009/10 Actual	FY 2018/19 Actual	10 yr Increase	Avg. Annual Increase
1.10% General Fund Sales Tax	\$6.6	\$8.8	33%	3.3%
0.35% Preserve Sales Tax	2.1	2.8	33%	3.3%
0.20% Transportation Sales Tax	1.2	1.6	33%	3.3%
0.10% Transportation Sales Tax	-	0.3	n/m	n/m
Total Sales Tax	\$9.9	\$13.5	36%	3.6%
Without 0.10% Transp. Sales Tax		\$13.2	33%	

5

Tax Collection on Food for Home Consumption

(in millions)

	FY 2019/20 Adopted	FY 2019/20 Forecast
1.10% General Fund	\$9.6	\$10.2
0.20% Transportation Fund	1.7	1.8
0.10% ALCP Transportation	0.9	0.9
0.35% Preserve Fund	3.1	3.3
1.75% Total	\$15.3	\$16.2

6

History of General Fund Sources

	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual*	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual
Revenue	231,858	231,172	229,275	226,952	239,395	254,347	261,374	261,105	285,415	304,525
Transfers In	19,596	12,745	10,328	9,215	10,921	10,012	11,760	13,145	9,675	10,698
Total Sources	251,454	243,917	239,603	236,167	250,316	264,359	273,134	274,250	295,090	315,223
% Growth in Revenue	-8%	0%	-1%	-1%	5%	6%	3%	0%	9%	7%
Food Tax	6,592	6,744	7,012	7,122	7,236	7,697	7,884	7,502	8,547	8,773
% of total Revenue	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

* Does not include Nordstrom Garage payoff.
In thousands

7

History of General Fund Uses

	FY 2009/10 Actual	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual*	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual
Department Expenses	224,870	214,534	206,915	214,242	224,991	231,980	237,193	247,536	258,362	265,588
Debt Service	2,370	4,951	9,565	4,395	2,843	2,849	2,844	2,859	2,874	2,891
Transfers Out	26,836	18,812	22,966	19,369	19,149	25,493	23,053	27,441	25,376	25,780
Total Uses	254,076	238,297	239,445	238,006	246,983	260,321	263,090	277,836	286,613	294,258
% Growth in Department Expenses	-11%	-5%	-4%	4%	5%	3%	2%	4%	4%	3%

* Does not include Nordstrom Garage payoff.
In thousands

8

General Fund

	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Beginning Fund Balance	86,216	106,510	117,187	124,538	122,210	111,691
Sources						
Taxes - Local	153,528	147,790	148,070	147,728	149,003	151,388
Food Tax	9,286	8,891	8,924	8,980	9,069	9,160
Food Tax - Public Safety (0.10%)	929	889	892	898	907	916
State Shared Revenues	70,697	74,244	75,945	76,179	76,598	77,666
Property Tax	32,617	33,717	34,688	35,687	36,715	37,773
Other Revenue	58,771	58,317	57,933	58,325	59,762	61,053
Transfers In	11,124	11,422	11,722	12,015	12,234	12,526
Total Sources	336,953	335,270	338,175	339,811	344,287	350,481
Uses						
Expenditures	285,247	297,360	308,386	321,659	335,577	350,418
Debt Service	2,908	377	396	416	437	458
Transfers Out	23,024	20,930	17,581	17,071	17,282	17,770
Transfer Out to CIP - Food Tax	5,480	5,927	4,462	2,993	1,511	-
Total Uses	316,659	324,594	330,825	342,138	354,807	368,647
Ending Fund Balance						
Operating Contingency	2,882	2,977	3,088	3,221	3,360	3,509
Operating Reserve	28,815	29,774	30,878	32,207	33,601	35,088
PSPRS Pension Liabilities	60,013	69,636	75,771	71,982	59,929	40,129
Cavasson Infrastructure Reimbursement	14,300	14,300	14,300	14,300	14,300	14,300
Undesignated, Unreserved Fund Balance	500	500	500	500	500	500
Total Ending Fund Balance	106,510	117,187	124,538	122,210	111,691	93,525

In thousands

9

General Fund Sources vs Uses

	FY 2019/20 Revised Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Sources	336,953	335,270	338,175	339,811	344,287	350,481
% growth	7%	0%	1%	0%	1%	2%
Total Uses	316,659	324,594	330,825	342,138	354,807	368,647
% growth	8%	3%	2%	3%	4%	4%

In thousands

10

General Fund

without Food Tax

	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Beginning Fund Balance	86,216	106,510	113,334	115,329	106,117	87,133
Sources						
Taxes - Local	163,744	147,790	148,070	147,728	149,003	151,388
State Shared Revenues	70,697	74,244	75,945	76,179	76,598	77,666
Property Tax	32,617	33,717	34,688	35,687	36,715	37,773
Other Revenue	58,771	58,317	57,933	58,325	59,762	61,053
Transfers In	11,124	11,422	11,722	12,015	12,234	12,526
Total Sources	336,953	325,491	328,359	329,933	334,311	340,405
Uses						
Expenditures	285,247	297,360	308,386	321,659	335,577	350,418
Debt Service	2,908	377	396	416	437	458
Transfers Out	28,504	20,930	17,581	17,071	17,282	17,770
Total Uses	316,659	318,667	326,363	339,145	353,295	368,647
Ending Fund Balance						
Operating Contingency	2,882	2,977	3,088	3,221	3,360	3,509
Operating Reserve	28,815	29,774	30,878	32,207	33,601	35,088
PSPRS Pension Liabilities	60,013	65,783	66,563	55,889	35,372	5,495
Cavasson Infrastructure Reimbursement	14,300	14,300	14,300	14,300	14,300	14,300
Undesignated, Unreserved Fund Balance	500	500	500	500	500	500
Total Ending Fund Balance	106,510	113,334	115,329	106,117	87,133	58,891

In thousands

11

General Fund Sources vs Uses

without Food Tax

	FY 2019/20 Revised Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast	FY 2023/24 Forecast	FY 2024/25 Forecast
Total Sources	336,953	325,491	328,359	329,933	334,311	340,405
% growth	7%	-3%	1%	0%	1%	2%
Total Uses	316,659	318,667	326,363	339,145	353,295	368,647
% growth	8%	1%	2%	4%	4%	4%

In thousands

12

Comparative Tax Rates

- Overall tax rates may vary by city for different tax categories.
- These rates represent the most common across all categories.

0.10% = \$12.8 million

City	Census Bureau Population Estimates as of 2018	Overall TPT Tax Rate	Food for Home Consumption Tax Rate
Chandler	257,165	1.5	1.5
Gilbert	248,279	1.5	1.5
Glendale	250,702	2.9	2.5
Goodyear	82,835	2.5	2
Mesa	508,958	2	0
Peoria	172,259	1.8	1.6
Phoenix	1,660,272	2.3	0
Scottsdale	255,310	1.75	1.75
Surprise	138,161	2.2	0
Tempe	192,364	1.8	1.8

13

Food Tax Elimination - Impact to CIP General Fund



Funding Available for FY 2020/21–2024/25 – (\$8.2) million



Balance by reducing funding to 47 existing projects - \$73.8 million

14

Municipal Property Corporation Bonds

Fiscal Year Ended June 30	Excise Tax	Debt Service	Coverage
2010	170,638	28,130	6.07
2011	155,515	31,970	4.86
2012	157,645	32,982	4.78
2013	170,227	33,835	5.03
2014	183,376	41,194	4.45
2015	195,037	39,249	4.97
2016	194,560	43,435	4.48
2017	196,729	44,149	4.46
2018	216,643	50,198	4.32
2019	223,668	52,684	4.25

15

Option 1

Adopt Ordinance No.4444 and set the tax rate at an amount equal to 0.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Option 2

Adopt Ordinance No. 4444 and set the tax rate at an amount equal to 0.75% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Option 3

Adopt Ordinance No. 4444 and set the tax rate at an amount equal to 1.0% of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

Option 4

Make no changes to the current transaction privilege tax code.

16

Mayor and Members of Council...

At no time in memory have citizens suffered more from disinformation and lack of information. This is true of the national discussions of the COVID-19 virus, as well as our local discussion of eliminating the food tax. I'd like to offer a response to some of what you may have heard or read.

First, the fact: The Adopted FY 2019/20 Budget anticipated food tax collections of \$15.3 million, distributed as follows:

1.10% General Fund (net of transfers to CIP)	\$4.1 million
CIP Fund (from the General Fund)	5.5
0.20% Transportation Fund	1.7
0.10% ALCP Transportation Fund	0.9
<u>0.35%</u> Preserve Fund	<u>3.1</u>
1.75%	
Total	\$15.3 million

Unfortunately, most of our local debate about eliminating the food tax has focused on the General Fund, even though the General Fund share is only one quarter of the total food tax burden on our citizens. Here are five arguments I've heard many times:

1. "This food tax funds pays for police, fire, garbage and parks. Eliminating the food tax would strain public safety and disproportionately harm those the tax cut is supposed to help." The truth is...we don't have to eliminate citizen services. As stated, only 25% of our food taxes goes to support these General Fund services. Most of the food tax revenue goes to either (a) CIP and transportation programs (*which the last bond election replenished*) or (b) temporary funds (*that don't need this revenue*).

More importantly, you will hear tonight the General Fund enjoyed more than \$10 million of revenues over expenses through the first eight months this year. That's on top of \$50 million of surpluses accumulated in the previous four years while the General Fund was sending food tax money to CIP.

2. "It is never prudent to cut \$16 million from a City budget without identifying a replacement revenue stream..." This argument misses the point of a tax cut: It's not a tax cut if you replace it with another tax.

More importantly, we have already replaced this revenue! You will hear tonight our local sales tax collections have increased 61% over the past ten years. That's why we have accumulated such a large unreserved fund balance. Moreover, you will hear our local sales tax collections over the next five years are forecast to drop only 2%, *even with a prolonged recession!*

3. "The timing makes this tax cut even less palatable" This insensitivity of this argument is, "*don't cut taxes when the economy dips and people need help.*" This argument is in stark contrast to sympathetic actions taken by the Federal Reserve, Congress, the Administration and every other concerned government around the world.

More importantly, you will see a five-year forecast tonight that assumes (a) a recession in revenues and (b) elimination of the entire food tax and (c) no actions to reduce General Fund programs (*on the contrary, the forecast assumes above market salary increases.*) Even with these severe assumptions, the current \$60 million of Unreserved Fund Balance *remains positive!*

4. "Based on the demographics of our City, the majority of food tax revenue is generated by those that don't qualify as low income, such as Tourists, snowbirds, higher income residents, as well as residents from other Valley cities (Paradise Valley doesn't even have a grocery store!)" There is absolutely no demographic study in existence (or logical argument) to support these statements. The truth is:

- There is no data or logical argument to suggest tourists spend any money on grocery shopping.

- There is no data or logical argument to suggest higher income families spend more on groceries than lower income families (*in fact, the opposite is more likely, since higher income families dine out more often.*)
- There is no data or logical argument to suggest residents of other Valley cities spend any appreciable amount on grocery shopping in Scottsdale. Even if the 15,000 residents of Paradise Valley spent the USDA average on food to consume at home (which is doubtful) and even if they bought all their groceries from Scottsdale stores (also doubtful), their share of our food taxes would be only 5% of our total.

5. "Repealing this modest tax won't significantly improve our lives" That's only true for families who make so much money that \$225 isn't a significant share of their disposable income. Everyone knows, the tax burden is greatest on our neediest citizens – those who can least afford to feed themselves or their families at restaurants.

I urge you to eliminate the food tax tonight. The action is humane, justified and long overdue.

David N. Smith



OFFICE OF THE
CITY CLERK

MAR 16 PM 2:33

The Coalition of Greater Scottsdale

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16 March 2020

To: Scottsdale City Council

Re: AGENDA #24 FOOD TAX 17 March 2020 City Council hearing

On the Food Tax agenda item for this Tuesday, the COGS Board initially supported removal of all Food Tax collections. Then Jeff Nichols provided more details on the impact to the city if any reduction or removal of the current Food Tax is approved by city council. (see the COG newsletter from Saturday evening, 3.14.2020 at www.cogsaz.net).

COGS supports NO CHANGE in the current Food Tax collection at this time

Until there is a comprehensive review of Scottsdale's revenues and needs, with a recommended method of replacing the food tax revenue with other revenues, AND updated community input, COGS supports that no changes be made in the food tax *at this time.*"

Rationale:

- City revenue is now and will be increasingly reeling from the financial losses with the cancelation of Cactus League Spring Training, signature Arts Festival, 80 to 90% canceled hotel reservations, reduction in restaurant receipts and the reduced spring retail sales tax revenues
- Specifically, on this agenda item, City Council needs to discuss optional sources to replace the Food Tax revenue (if reduced or zeroed out) and to request and receive projected numbers of currently approved areas in the 2020-21 budget that will be reduced or eliminated
- The community needs time to be informed of budget/project changes and to provide informed input to guide council's ultimate decision

ACTION that COGS requests of the city council CONTINUE to a date to be determined or Table until appropriate data is received from the City Manager and the Treasurer's office.

Respectfully,

For the COGS—The Coalition of Greater Scottsdale—Board of Directors

Sonnie Kirtley, Executive Director 602 717 3886