

AGENDA

Executive Board Meeting

9:00 AM – 10:00 AM

OCTOBER 8, 2025

Teams Virtual Meeting

Join on your computer, mobile app or room device.

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Meeting ID: 290 866 967 838 4

Passcode: pb3nt3X2

In-Person Location

Downtown Connection Center

216 W Phoenix Ave, Flagstaff, AZ 86001

Regular meetings and work sessions are open to the public. Persons with a disability may request a reasonable accommodation by contacting MetroPlan via email at planning@metroplanflg.org. The MetroPlan complies with [Title VI of the Civil Rights Act](#) of 1964 to involve and assist underrepresented and underserved populations (age, gender, color, income status, race, national origin, and LEP – Limited English Proficiency.) Requests should be made as early as possible to allow time to arrange the accommodation.

PURSUANT TO A.R.S. §38-431.02, as amended, NOTICE IS HEREBY GIVEN to the general public that the following Notice of Possible Quorum is given because there may be a quorum of MetroPlan's Technical Advisory Committee present; however, no formal discussion/action will be taken by members in their role as MetroPlan Technical Advisory Committee.

Public Questions and Comments must be emailed to planning@metroplanflg.org prior to the meeting or presented during the public call for comment.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the MetroPlan Executive Board and to the general public that, at this regular meeting, the MetroPlan Executive Board may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the MetroPlan Executive Board's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

EXECUTIVE BOARD MEMBERS

- ☐ Miranda Sweet, Vice Mayor of Flagstaff, Chair
- ☐ Judy Begay, Chair Coconino County Board of Supervisors, Vice-Chair
- ☐ Austin Aslan, Flagstaff City Council
- ☐ Tony Williams, Mountain Line Board of Directors
- ☐ Becky Daggett, Mayor of Flagstaff
- ☐ Jamescita Peshlakai, Arizona State Transportation Board Member
- ☐ Jeronimo Vasquez, Coconino County Board of Supervisors
- ☐ Patrice Horstman, Coconino County Board of Supervisors (*alternate for Coconino County*)
- ☐ Anthony Garcia, Flagstaff City Council (*alternate for City of Flagstaff*)

METROPLAN STAFF

- ☐ Kate Morley, Executive Director
- ☐ David Wessel, Planning Manager
- ☐ Tami Suchowiejko, Business Manager
- ☐ Mandia Gonzales, Transportation Planner
- ☐ Kim Austin, Transportation Demand Management Planner
- ☐ Corey Cooper, Safe Routes to School Coordinator
- ☐ Melanie Nagel, Montoya Fellow
- ☐ Hailey Bishop, Transportation Education AmeriCorps Member

A. PRELIMINARY GENERAL BUSINESS

1. *CALL TO ORDER*
2. *ROLL CALL*
3. *PUBLIC COMMENT*

At this time, any member of the public may address the Board on any subject within their jurisdiction that is not scheduled before the Board on that day. Due to Open Meeting Laws, the Board cannot discuss or act on items presented during this portion of the agenda. To address the Board on an item that is on the agenda, please wait for the Chair to call for Public Comment at the time the item is heard.

4. *APPROVAL OF MINUTES*

Executive Board Regular Meeting Minutes of September 4, 2025

(Pages 4-8)

B. CONSENT AGENDA

Items on the consent agenda are routine in nature and/or have already been budgeted or discussed by the Executive Board.

No Consent Items

C. ACTION ITEMS

1. *CONSIDERATION AND POSSIBLE ACTION REGARDING THE CREATIVE LOCAL MATCH PLAN* (Pages 9-69)

MetroPlan Staff: Kate Morley

Recommendation: The Board accept the findings of the Creative Local Match Plan.

2. *CONSIDERATION AND POSSIBLE ACTION REGARDING THE LEGISLATIVE AGENDA* (Pages 70-77)

MetroPlan Staff:

Recommendation: The Board adopt the proposed legislative agenda.

3. *CONSIDERATION AND POSSIBLE ACTION REGARDING THE W. ROUTE 66 OPERATION ASSESSMENT (OA)* (Pages 78-80)

MetroPlan Staff: Mandis Gonzales

Recommendation: The Board adopt the W. Route 66 Operations Assessment.

4. *CONSIDERATION AND POSSIBLE ACTION REGARDING THE* (Pages 81-82)

**TRANSPORTATION IMPROVEMENT PROGRAM ADOPTION
SCHEDULE**

MetroPlan Staff:

Recommendation: The Board adopt the schedule for the 2027-2031 Transportation Improvement Program update.

5. **CONSIDERATION AND POSSIBLE ACTION REGARDING THE TRANSPORTATION IMPROVEMENT PROGRAM FORMAL AMENDMENT FOR TRANSPORTATION ALTERNATIVES GRANTS FOR MT. ELDEN LOOKOUT RD TO US-89, FORT VALLEY ROAD MOBILITY ENHANCEMENT SCOPING, AND FUNDING FOR THE MOUNTAIN LINE 5307 PROGRAM** (Pages 83-84)

MetroPlan Staff: Mandia Gonzales

Recommendation: The Board amend the Transportation Improvement Program to include the projects, Mt. Elden Lookout Rd to US-89, Fort Valley Road Mobility Enhancements, and funding for Mountain's Line 5307 funding program.

D. DISCUSSION ITEMS

No Discussion Items

E. CLOSING BUSINESS

1. **ITEMS FROM THE BOARD**

Board members may make general announcements, raise items of concern, or report on current topics of interest to the Board. Items are not on the agenda, so discussion is limited, and action not allowed.

2. **NEXT SCHEDULED EXECUTIVE BOARD MEETING**

(Meeting date)

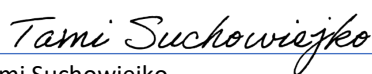
3. **ADJOURN**

The Transportation Improvement Program (TIP) includes the Northern Arizona Intergovernmental Public Transportation Authority (NAIPTA) final program of projects for Sections 5307 and 5339 funding under the Federal Transit Administration unless amended. Public notice for the TIP also satisfies FTA public notice requirements for the final program of projects. The MetroPlan Public Participation Plan (PPP) provides public participation notices and processes for NAIPTA as required to meet federal and state requirements for public participation and open meetings.

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted in the lobby of the Downtown Connection Center, located at 216 W Phoenix Avenue and at www.metroplanflg.org on October 1, 2025, at 2:30 p.m.

Dated this 1st day of October 2025.


Tami Suchowiejko
Business Manager

Meeting Minutes Executive Board Meeting

1:00 – 3:00 PM

September 4, 2025

Teams Virtual Meeting

Join on your computer, mobile app or room device.

[Join the meeting now](#)

Meeting ID: 255 793 734 726 3

Passcode: D8bv2RG3

In-Person Location

Downtown Connection Center

Ponderosa Room

216 W. Phoenix Avenue

Flagstaff, AZ 86001

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- ☒ Kim Austin, Transportation Demand Manager
- ☐ Corey Cooper, Safe Routes to School Coordinator
- ☒ Melanie Nagel, Montoya Fellow

A. PRELIMINARY GENERAL BUSINESS

1. CALL TO ORDER

Chair Sweet called the meeting to order at 1:08 p.m.

2. ROLL CALL

See above.

3. PUBLIC COMMENT

At this time, any member of the public may address the Board on any subject within their jurisdiction that is not scheduled before the Board on that day. Due to Open Meeting Laws, the Board cannot discuss or act on items presented during this portion of the agenda. To address the Board on an item that is on the agenda, please wait for the Chair to call for Public Comment at the time the item is heard.

4. APPROVAL OF MINUTES

(Pages 5-9)

Executive Board regular Meeting Minutes of June 5, 2025

Motion: Member Daggett made a motion to approve the Executive Board Meeting Minutes from June 4, 2025. Member Vasquez seconded the motion. The motion passed unanimously.

5. CONSENT AGENDA

Items on the consent agenda are routine in nature and/or have already been budgeted or discussed by the Executive Board. These items are enacted by a single motion. If discussion is desired on a particular item, that item will be removed from the consent agenda and will be considered separately.

B. GENERAL BUSINESS

1. FY2025 QUARTER 4 FINANCIAL REPORT

(Pages 10-12)

MetroPlan Staff: Tami Suchowiejko

Recommendation: None. For information and discussion only.

Business Manager Suchowiejko provided a presentation on fiscal year quarter four financials for MetroPlan. There was no discussion by the Executive Board.

2. UPDATE ON KEY PERFORMANCE INDICATORS (KPIs)

(Pages 13)

MetroPlan Staff: Kate Morley

Recommendation: None. For information and discussion only.

MetroPlan Staff provided an update on key performance indicators through the end of fiscal year 2025. There was no discussion by the Executive Board.

**3. CONSIDERATION AND POSSIBLE ACTION TO ADOPT THE CALENDAR YEAR 2026 (CY26)
EXECUTIVE BOARD MEETING CALENDAR** (Pages 14-16)

MetroPlan Staff: Tami Suchowiejko

Recommendation: Staff recommend the Board adopt the Calendar Year 2026 (CY26) Executive Board Meeting calendar as presented.

Motion: Vice-chair Begay made a motion to adopt the Calendar Year (CY26) Executive Board Meeting as presented. Member Daggett seconded the motion. The motion passed unanimously.

4. CONSIDERATION AND POSSIBLE ACTION TO IDENTIFY \$8,000,000 FOR US 180 AND \$18,649,600 FOR WEST ROUTE 66 IN THE GREATER ARIZONA FUNDING INITIATIVE – RURAL TRANSPORTATION ADVOCACY COUNCIL PROJECTS BILL (Pages 17-19)

MetroPlan Staff: Kate Morley

Recommendation: Staff recommend the Board identify \$8,000,000 for US 180 and \$18,649,600 for West Route 66 in the Greater Arizona Funding Initiative- Rural Transportation Advocacy Council Projects Bill.

Motion: Member Vasquez made a motion to identify \$8,000,000 for US 180 and \$18,649,600 for West Route 66 in the Greater Arizona Funding Initiative- Rural Transportation Advocacy Council Projects Bill. Member Aslan seconded the motion. The motion passed unanimously.

Executive Board Discussion:

Member Vasquez commented that preparing a list of regional projects is beneficial and gets all our ducks in a row. He encouraged the other members of the Executive Board to advocate for the regional projects using the resources and materials provided, such as project one-pagers.

Vice-chair Begay commented that it takes all of us to advocate for the regional projects and it is important to use the standardized talking points.

5. CARBON REDUCTION PROGRAM EXPENDITURES: PROJECT PRIORITIZATION PROCESS (Pages 20-25)

MetroPlan Staff: Kate Morley

Recommendation: None. For information and discussion only.

Executive Board Discussion:

Chair Sweet expressed support for this direction, stating it is a good use of time and energy, and she appreciates the opportunity to revisit the hiring of a grant writer position in the future.

Member Vazquez asked if MetroPlan has the capacity to actively seek grant opportunities. Executive Director Morley responded that MetroPlan has the capacity for the strategic grants plan and continued support to partners.

own grants. Bringing funding to the area is still an important KPI. Member Vasquez expressed his support.

6. CALL FOR PROJECTS FOR STRATEGIC GRANTS PLAN AND ADOT PLANNING TO PROGRAM PROCESSES (Pages 26-45)

MetroPlan Staff: Kate Morley

Recommendation: None. For information and discussion only.

Executive Director Morley presented information about the Strategic Grant Plan and ADOT Planning to Program (P2P) cycle. Staff are now collecting projects from member agencies. There is no need to resubmit projects that are on the prioritized lists. Staff does not recommend changing the number one project, US 180 Improvements. There may be an opportunity to refine projects two to seven on the list. There was no discussion by the Executive Board.

7. VULNERABLE ROAD USERS SAFETY ACTION PLAN UPDATE (Pages 46-53)

MetroPlan Staff: Mandia Gonzales

Recommendation: None. For information and discussion only.

Staff provided a presentation on strategies including noting a strategy to support red light cameras. Staff pointed out that such cameras are different from current discussions on FLOCK cameras and only trigger when a red light is run.

Executive Board Discussion:

Member Dagget commented she does not have an issue with the use of red-light cameras. She has heard from citizens about their concerns and frustrations.

Member Vasquez expressed support for the use of red-light cameras if they can help to save lives. He stressed that it will be important for MetroPlan to use their platform for education efforts to share information with the community about the use of red-light cameras.

Member Aslan commented that surveillance concerns are a recent hot topic of conversation. The use of red-light cameras for traffic safety is different than surveillance and the messaging needs to be clear.

Chair Sweet is supportive of the recent discussions and reiterated that we need to make sure the messaging is clear and direct as to how the red-light cameras work.

8. W. ROUTE 66 OPERATIONAL ASSESSMENT UPDATE (Pages 54-56)

MetroPlan Staff: Mandia Gonzales

Recommendation: None. For information and discussion only.

Transportation Planner Gonzales provided a presentation and update on the West Route 66 Operational Assessment. Updates included a review of project recommendations as identified by the Project Advisory Group (PAG). The operational assessment will be presented to the Technical Advisory Committee at

their meeting on September 24, 2025, prior to possible adoption by the Executive Board in October.

9. METROPLAN HAPPENINGS

(Pages 57-58)

MetroPlan Staff: Kate Morley

Recommendation: None. For information and discussion only.

Executive Director Morley provided a presentation and update on current, past, and future achievements and updates.

C. CLOSING BUSINESS

1. ITEMS FROM THE BOARD

Board members may make general announcements, raise items of concern, or report on current topics of interest to the Board. Items are not on the agenda, so discussion is limited, and action not allowed.

Chair Sweet expressed appreciation to staff for the refreshments set out for the meeting. She encouraged the Executive Board Members to attend future meetings in person. Executive Director Morley commented that we have added travel time to calendars before and after the Executive Board meetings. MetroPlan staff are also available to assist with trip planning and provide bus passes to make travel more convenient.

Vice-chair Begay commented that she is glad the Executive Board and MetroPlan staff are working together, and that advocacy is a must by all.

2. NEXT SCHEDULED EXECUTIVE BOARD MEETING

October 2, 2025

3. ADJOURN

Chair Sweet adjourned the meeting at 2:41 p.m.



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STAFF REPORT

REPORT DATE: September 25, 2025

MEETING DATE: October 8, 2025

TO: Honorable Chair and Members of the Executive Board

FROM: Kate Morley, Executive Director

SUBJECT: Consideration and Possible Action on Creative Local Match Plan

1. RECOMMENDATION:

The Board accept the findings of the Creative Local Match Plan.

2. RELATED STRATEGIC WORKPLAN ITEM:

Goal 1: Maximize Funding for Transportation Projects and Programs

Objective 1.2: Expand match and revenue generating options.

3. BACKGROUND:

In 2022, MetroPlan was awarded a 5305e planning grant from the Federal Transit Administration (FTA) via the Arizona Department of Transportation (ADOT) in collaboration with Mountain Line, to develop a statewide Creative Local Match Plan (CLM) Plan, attached. The CLM Plan identifies local match mechanisms, particularly for rural and smaller jurisdictions in Arizona, to generate local (non-federal) match dollars for transit projects. The mechanisms listed may also be employed to fund surface transportation projects. Local match dollars are necessary to apply for federal discretionary grant programs from 5.7% and 20% of the project total. Matching funds are also required to draw down formula funds, such as 5307 Urbanized Area Formula Program, and 5311 Formula Grants for Rural Areas. Having access to local, matching funds directly impacts an agency's ability to leverage federal dollars to fund necessary projects and programs.

AECOM was hired to complete the report on behalf of MetroPlan and Mountain Line. The Plan explores the legal framework, revenue-generating capacity, public acceptance, and implementation steps for ten revenue-generating ideas, including:

- Local Transportation Assistance Fund II
- Development Impact Fee



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- Transportation Utility Fee
- Tax Increment Financing
- Highway User Revenue Fund
- Vehicle Registration Fee
- Rental Vehicle surcharge
- Short Term Rental Tax
- State Infrastructure Bank
- State Match Advantage for Rural Transportation Fun

4. TAC AND MANAGEMENT COMMITTEE DISCUSSION:

The TAC recommended the Board accept the findings of the Creative Local Match Plan. The Management Committee did not discuss this item.

5. FISCAL IMPACT:

There is no direct fiscal impact to accepting the findings. The Creative Local Match plan is funded by a \$200,000 (80/20 split) Federal Transit Administration 5305e grant. The \$40,000 local match was provided by Mountain Line.

6. ALTERNATIVES:

- 1) **Recommended:** Accept the findings of the Creative Local Match Plan. This action indicates the Board has been presented with the content, finds the facts defensible, and the conclusions drawn from them reasonable. It does not commit the agency to pursuing strategies.
- 2) **Not Recommended:** Do not accept the findings of the Creative Local Match Plan. The Board could provide direction to staff to revise the document.

7. ATTACHMENTS:

Creative Local Match Plan



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Creative Local Match Plan

PREPARED BY
AECOM

July 2025

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Acronyms & Abbreviations

ADEQ	Arizona Department of Environmental Quality
ADOR	Arizona Department of Revenue
ADOT	Arizona Department of Transportation
AFV	Alternative fuel vehicle
A.R.S.	Arizona Revised Statute
AZ SMART	State Match Advantage for Rural Transportation
AzTA	Arizona Transit Association
BBB	Bed, Board, and Beverage
CIP	Capital Improvement Plan
CLMP	Creative Local Match Plan
COG	Councils of Governments
CSA	County Supervisors Association of Arizona
DIF	Development Impact Fee
EV	Electric vehicle
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
FY	Fiscal Year
GADA	Greater Arizona Develop Authority
HB	House Bill
HCR	House Concurrent Resolution
HELP	Highway Expansion and Extension Loan Program
HURF	Highway User Revenue Fund
ITE	Institute of Transportation Engineers
IIP	Infrastructure Improvements Plan
LTAF	Local Transportation Assistance Fund
LUA	Land Use Assumptions
MPO	Metropolitan Planning Organizations
RTAC	Rural Transportation Advocacy Council
SIB	State Infrastructure Bank
STB	State Transportation Board
STBGP	Surface Transportation Block Grant Program
TIF	Tax Increment Financing
TPT	Transaction Privilege Tax
TRZ	Transportation Reinvestment Zone
TUF	Transportation Utility Fee
USDOT	U.S. Department of Transportation
VLT	Vehicle License Tax

Purpose & Background

Local match funding is a critical component of securing federal transit and transportation grants, but obtaining local match presents unique challenges in Arizona. As one of five states with no dedicated transit funding and a political system that is often not in favor of taxation, Arizona transit systems need to develop local match sources to take advantage of federal funding for capital and operating expenses.

The Creative Local Match Plan (CLMP) focuses on identifying new local match sources for Mountain Line, the public transit system in Flagstaff, Arizona, to enable Mountain Line to draw down additional federal funding. This plan also identifies solutions that can be used by all Arizona transit systems, large and small. The CLMP includes ten potential funding mechanisms and outlines the legal barriers, potential revenue generation, equity and affordability impacts, and implementation steps to allow the funding mechanism to be used as a local match source.

The CLMP includes the following ten funding mechanisms:

1. Local Transportation Assistance Fund (LTAF) II
2. Development Impact Fee (DIF)
3. Transportation Utility Fee (TUF)
4. Tax Increment Financing (TIF)/Transportation Reinvestment Zone (TRZ)
5. Highway User Revenue Fund (HURF)
6. Vehicle Registration Fee
7. Rental vehicle surcharge
8. Short-Term Rental Tax
9. State Infrastructure Bank (SIB)
10. State Match Advantage for Rural Transportation (AZ SMART) Fund

These mechanisms are geared for Intergovernmental Public Transportation Authorities, Regional Transportation Authorities, municipalities, counties, Metropolitan Planning Organizations (MPOs), and Councils of Governments (COGs) in Arizona to explore generating local, non-federal funds. Transit systems should clearly illustrate the public benefit of transit to employ strategies that involve enabling legislation. There is no one-size-fits-all mechanism; each transit system, municipality, MPO, COG, or county must consider their unique political and cultural climate prior to considering funding mechanisms. For example, City of Flagstaff voters are willing to tax themselves through sales taxes that support the local transit system, Mountain Line. Maricopa County voters also approved a sales tax that helps fund Valley Metro, but sales tax may not be viable in every community.

Legal Framework

The legal framework in this CLMP refers to a component of the Arizona laws in the state constitution, statute(s), or Flagstaff local ordinance that needs to be changed or created in order to allow the funding mechanism to be used to fund transit programs. Many of the mechanisms in this plan do not explicitly include transit in their accompanying legislation, so the first step is to expand legislative language to include transit in the mechanisms that do not currently have precedent in Arizona for transit. The legal framework is based on research conducted and does not provide any legal advice or guidance.

Revenue Generation

Revenue generation includes a scale of high, medium, and low with an order of magnitude to give a sense of how much potential revenue could be collected from the funding mechanism. For existing funding mechanisms, historical revenue performance, distribution trends, and growth trajectories were reviewed and collected. Opportunities were evaluated for either redistribution of funds or an expansion of an existing mechanism. For new funding mechanisms, the possible revenue contributions were based on applicable benchmarks or comparable case studies. However, a financial model was not created for the CLMP, so revenue generation is a high-level estimate.

Public Acceptance

MetroPlan staff engaged with local planning professionals and elected officials from the City of Flagstaff and Coconino County and asked them to view the CLMP mechanisms through a statewide lens to gauge public appetite, with a focus on mechanisms that require enabling legislation. The CLMP mechanisms were also shared during MetroPlan's May 1, 2025, Executive Board meeting. The feedback is included in the public acceptance portion for each mechanism.

Implementation Steps

This section includes step-by-step actions needed to change legislation to allow for a funding mechanism to be used as local match for transit. These actions include items such as amending the state constitution via a vote of the people, amending state statutes with a bill, or creating a local ordinance as allowed under state statute.

Local Transportation Assistance Fund II

Purpose From 1998 to 2010, there was the Mass Transit Fund, better known as LTAF II. These funds were derived from state lottery revenues and distributed to towns, cities, and counties to enhance existing public transportation systems and fund operating and capital expenses. Funds were distributed proportionally based on population figures from the most recent U.S. census, with specific provisions to ensure that all eligible cities, towns, and counties received a minimum allocation of \$10,000.¹ LTAF II can fund operating and capital public transportation projects, but it currently only provides funding to Maricopa County.
Benefits • This source of funding is flexible and can be used for transit operations, maintenance, and capital. • Relatively stable source of funding. For example, from Fiscal Year (FY) 2019 to 2023, Valley Metro consistently received around \$11 million (this data is during the COVID-19 pandemic). • Low equity or affordability impacts on the general public, since it is not an additional tax or user fee.
Considerations • Arizona Revised Statute (A.R.S.) §5-572, 2025 identifies specific appropriations to various categories, such as health and welfare programs and homeless shelters. • Maricopa County's Mass Transit Fund is based on Maricopa County's share of lottery revenue, not the entire state.
Additional Information In 2010, Governor Jan Brewer signed a budget package that eliminated LTAF II funds, amending A.R.S. §28-8101 with a House Bill (HB) in 2012 that placed all LTAF II funds into the state General Fund. In 2011, Maricopa County sued the state (Paisley vs. Darwin, 2011) and won under the Clean Air Act, arguing that rescinding LTAF II funds for Maricopa County violates the Clean Air Act since public transit helps mitigate air pollution. As a result, the state must calculate 31.5 percent of Maricopa County's lottery revenues and distribute those monies to the county regional public transportation agency, which is Valley Metro. This share equates to around \$11 million in revenue for Valley Metro each year, or 3 percent of the total, statewide lottery revenues. Table 1 outlines the current beneficiary breakdown of lottery revenue. A.R.S. §5-572 is the statutory distribution that requires the General Fund to receive up to \$84,150,000. The General Fund – Part 2 would receive up to an additional \$15,490,000 (for a total of \$99,640,000). After all other statutory obligations have been met, the General Fund – Part 3 would receive all remaining revenues.

¹ General lottery monies; fund distribution; definitions, A.R.S. §28-8102 (2005). <https://law.justia.com/codes/arizona/2005/title28/08102.html>.

Table 1: FY 2025 Forecast of Lottery Revenue Distribution

FY 2025 Forecast of Lottery Revenue Distribution (\$ in Millions)		
Net Profit	\$344.0	
Profit Transfers		Percentage
Maricopa County Mass Transit	11.4	3%
General Fund – Part 1	84.2	24%
Heritage Fund (Game and Fish)	10.0	3%
Health and Welfare Programs	24.3	7%
Homeless Shelters	1.0	0%
General Fund – Part 2	15.5	5%
Arizona Commerce Authority	1.8	1%
University Capital	43.2	13%
Deferred General Fund – Part 3	152.7	44%
Total Transfers	\$344.0	

Legal Framework

Prior to 2010:

- [A.R.S. §28-8102 \(2005\)](#) defined that a city or town shall receive lottery revenue in the proportion that the population of each city or town compared to the total population in Arizona and states that a city or town is entitled to receive at least \$10,000.
- [A.R.S. §5-522 \(2005\)](#) defined that not less than 29 percent of the lottery revenues will go to LTAF II, up to a maximum of \$18 million, and was contingent upon the General Fund – Part 1 receiving \$45 million.

Effective after 2010:

- [A.R.S. §5-572](#) governs the use of monies in the State Lottery Fund and has the following distribution:
 1. Priority of Payments to Debts: The first use of lottery funds is to pay debt service on state lottery revenue bonds. These payments take precedence over all other uses, ensuring bondholders are paid before any other allocations.
 2. Designated Allocations: After bond obligations and operating costs are covered, the statute mandates specific allocations:
 - \$10 million to the Arizona Game and Fish Commission Heritage Fund.
 - \$5 million to the Department of Child Safety for the Healthy Families Program.
 - \$4 million to the Arizona Board of Regents for health education.
 - Additional funds are allocated to health services, disease control, and problem gambling programs.
 3. No Explicit Provision for Public Transportation: The statute does not currently allocate any lottery funds directly to public transportation or city infrastructure projects.
- The results of the Paisley vs. Darwin case were not codified in state statute since the funds for transit in Maricopa County were already committed to fund specific measures in the State Implementation Plan, which is the cumulative record of all air pollution strategies.

Barriers

- Competition among beneficiaries and how the lottery funds are distributed.
- State appropriations (the act of setting aside state funding for specific purposes) are notoriously difficult to obtain, as needs far exceed available funding, and this is true for transportation infrastructure across Arizona.

- There is a potential loss of state general funds if some of the state revenues go to cities and towns for transit, which is the case whenever state general funds are moved for a different use. However, with lottery revenues, there is a specific pot of funding (General Fund – Part 3) that receives the remaining revenues after the appropriations, which may have a cumulative surplus to reduce this burden.
- Under prior LTAF II statutes, \$18 million is the maximum amount for mass transit. If a new statute was created following the statute regulations, Maricopa County mass transit would get \$10.8 million, which is less than they currently receive.

Proposed Changes

A.R.S. §5-572, Section G

G. All monies remaining in the state lottery fund after the appropriations and deposits authorized in this section shall be deposited in the state general fund.

The General Fund – Part 3 receives remaining revenues after the appropriations. It is recommended to modify language in Section G of the existing statute and transfer an amount approved by the legislature to revitalize LTAF II funding from this pot of funding. This amount could be based on the prior statute in 2005, which declared a maximum of \$18 million for LTAF II. Based on FY25 budget, General Fund – Part 3 has the highest share of allocation (44 percent). This proposed change would reduce competition among existing beneficiaries since their share of funding is not being affected.

Revenue

The MetroPlan region's population is approximately 98,000.² Arizona's total population in 2024 was approximately 7.6 million people,³ meaning the MetroPlan region accounts for roughly 1.3 percent of the state's population. Under prior LTAF II statute, not less than 29 percent of lottery revenues (up to \$18 million) were designated for LTAF II. Between 2008 and 2010, Mountain Line received an average of \$128,500 annually, about 1.1 percent, of total LTAF II revenues. Applying the population share (1.3 percent) to a reinstated \$18 million LTAF II allocation would yield an estimated \$234,000 annually for the MetroPlan region.

Impacts on Equity and Affordability

No new taxes would be imposed, maintaining affordability at the household level. However, if lottery funds are redirected to LTAF II from the Arizona General Fund, the programs funded by the Arizona General Fund, including K–12 education, health services, corrections, and more,⁴ could lose up to \$18 million across the board. This raises equity trade-offs at the statewide level, particularly if the reallocation impacts vulnerable populations relying on General Fund-supported programs.

Public Acceptance

It is estimated that using lottery revenue to fund transit will be well supported by the public since it is not a new taxation mechanism that places financial burden on local households. However, if there is a bill to amend the current statute and redistribute lottery revenue funds, the current beneficiaries will likely oppose the change, unless the decrease comes from the state of Arizona's General Fund, which currently receives 73 percent of lottery revenues. Public acceptance of reinstating LTAF II funding to the entire state will depend on the ability to illustrate need, demand, and board collective support among transit systems for funding.

² Flagstaff MPO. (2025). Coordinated Public Transit-Human Services Transportation Plan. <https://mountainline.az.gov/wp-content/uploads/2025/04/Separate-Attachment-7a-2025-Coordinated-Public-Transit-Human-Services-Transportation-Plan.pdf>.

³ U.S. Census Bureau. (2024). QuickFacts: Arizona. <https://www.census.gov/quickfacts/fact/table/AZ/PST045224>.

⁴ The Arizona Center for Economic Progress. State Budget 101. <https://azeconcenter.org/state-budget-101/>.

Development Impact Fee

Purpose
Development Impact Fee (DIF) is a one-time payment used to construct system improvements needed to accommodate new development. DIFs are typically paid by developers or property owners. The fee represents future development's proportionate share of infrastructure costs. DIFs may be used for capital infrastructure improvements for growth-related infrastructure such as parks, schools, roads, water/sewage, utilities, and police and fire service capital needs. In contrast to general taxes, development impact fees may not be used for operations, maintenance, replacement, or correcting existing deficiencies.⁵ DIFs can fund capital transportation improvements (roadways, bicycle and pedestrian infrastructure, and transit), but not operations. In Flagstaff, the DIF program is only for police and fire.
Benefits
- Funds can be used as local match for federal grants, with a caveat to be aware about the nexus study, which is a document that demonstrates a reasonable relationship between the DIF and public facilities, integration with the Infrastructure Improvements Plan (IIP), and illustration of clear proportionality of fees related to the project and its beneficiaries. - Shifts costs of financing new public facilities from general taxpayers to the beneficiaries or users of those new facilities.
Considerations
The first development pays the brunt of the infrastructure costs, and then developments that come in later will potentially have lower costs to contribute.
Additional Information
DIFs must be calculated pursuant to an IIP. For each public capital improvement that is the subject of a development impact fee, by law, the IIP shall include several required elements, such as existing conditions, need of improvement, projected demand, and a forecast of revenues generated by development impact fee. The process of calculating development impact fees involves two main steps: 1) determining the cost of development-related capital improvements and 2) allocating those costs equitably to various types of development. In practice, though, the calculation of development impact fees can become quite complicated because of the variety of variables involved in defining the relationship between development and the need for facilities in the designated service area. In Arizona, DIFs are assessed on new development to fund infrastructure improvements needed to support growth. These fees are determined by local governments, typically cities and towns, based on the specific infrastructure needs and the type of development. Arizona's DIF law is among the nation's most restrictive. The money raised can only be used for specified capital improvements, and there must be a reasonable relationship between the fee amount and the development. The funds cannot be used to operate, maintain, repair, alter, or replace capital facilities and can only be assessed for facilities that benefit the development.⁶ A.R.S. §9-463.05, Section D.3 requires cities to update their Land Use Assumptions (LUA) and IIPs and make necessary adjustments to impact fee schedules at least every 5 years.

⁶ U.S. Department of Transportation (USDOT). *Development Impact Fees*. Center for Innovative Finance Support. https://www.fhwa.dot.gov/ipd/fact_sheets/value_cap_development_impact_fees.aspx

Legal Framework

[A.R.S. §9-463.05](#) defines the process, requirements, and restrictions of DIFs in Arizona. Under this statute, cities and towns may impose development impact fees to offset the costs of providing necessary public services to new developments. These services can include:

- Streets and roads
- Public safety
- Parks and recreation
- Water and wastewater infrastructure
- Transit facilities, if included in the city's IIP

Flagstaff has [Ordinance No. 2008-28](#), 11-18-2008, which defines the procedure, calculation, and collection of development impact fees. The city collects all applicable development impact fees at the time of issuance of a building permit and appropriates the funds based on their IIP. Flagstaff currently only includes fire and police facilities in their IIP, so Flagstaff currently cannot fund transit improvements, unless there are modifications to the IIP.

Based on additional research from Mountain Line's legal counsel, it was determined that there are not any "significant constitutional and statutory limitations" that preclude the use of DIFs for necessary public transit infrastructure in the city's right-of-way.

Barriers

- DIFs cannot fund operations or maintenance: DIFs cannot be used for transit operations, maintenance, or to upgrade existing capital facilities—only for new infrastructure needed due to new development.
- Proportionality requirement: Fees must be proportionate to the impact of the development and based on a service unit calculation (e.g., per dwelling unit or square foot). This calculation can limit the amount of funding collected from smaller developments, add additional risk since proportional share is difficult and complex to calculate, and have a negative impact on housing affordability if the proportionate share calculations are overly burdensome. In *Nollan v. California Coastal Commission* and *Dolan v. City of Tigard*, Oregon, the U.S. Supreme court determined there must be "essential nexus" and "rough proportionality" tests for development impact fees.
- Administrative burden: Cities must update LUAs, prepare and update a detailed IIP, and conduct public hearings, which can be resource-intensive for smaller municipalities.

Proposed Changes

[A.R.S. §9-463.05](#):

1. Expand the definition of "necessary public services," as transit is not explicitly listed in the definition.

*A. A municipality may assess development fees to offset costs to the municipality associated with providing **necessary public services** for development, including the costs of infrastructure, improvements, real property, engineering and architectural services, financing and professional services required for the preparation or revision of a development fee pursuant to this section, including the relevant portion of the infrastructure improvements plan.*

- Transit is not explicitly listed in Section 7's defined "necessary public services." Item (e) identifies street facilities, which could include transit stops.

(e) Street facilities located in the service area, including arterial or collector streets or roads that have been designated on an officially adopted plan of the municipality, traffic signals and rights-of-way and improvements thereon.

2. Expand use of the DIFs to allow for operations and maintenance.

5. Development fees may not be used for any of the following:

(a) Construction, acquisition or expansion of public facilities or assets other than necessary public services or facility expansions identified in the infrastructure improvements plan.

*(b) Repair, **operation or maintenance** of existing or new necessary public services or facility expansions.*

*(c) Upgrading, updating, expanding, correcting or replacing existing necessary public services to serve existing development **in order to meet stricter safety, efficiency, environmental or regulatory standards.***

*(d) Upgrading, updating, expanding, correcting or replacing existing necessary public services to **provide a higher level of service to existing development.***

*(e) **Administrative, maintenance or operating costs** of the municipality.*

Flagstaff [Ordinance No. 2008-28](#):

1. Flagstaff's DIFs are only for capital items for police and fire. A fee structure for street facilities will need to be created, so transit-related improvements, like bus stops or bus-only lanes, can be paid for by DIFs.

Revenue

Total DIF revenues for fire and police in Flagstaff were \$728,000 in 2023 and \$1.2 million in 2024.^{7, 8} In both years, approximately 60 percent of the revenue was allocated to the Fire Department and 40 percent to the Police Department.

The possible revenue generated for transportation, including transit, would depend on the proportional cost of the fee and the elasticity of demand for the development. If a fee equal to that of the Police Department were to be enacted, and as long as developers are willing to pay the fees to build, it could generate between \$291,000 to \$467,000 in revenue annually based on 2023 and 2024 revenues.

Impacts on Equity and Affordability

A potential negative impact of these higher impact fees would be a decrease in overall development (and thus, a decrease in associated employment and the supply of affordable housing). As long as impact fees do not prevent development, employment creation in the region's housing development industry should remain constant. However, if increased development fees are passed onto users (renters or buyers), then the affordability of housing could be negatively impacted.

⁷ City of Flagstaff. (2023). City of Flagstaff Development Impact Fee Report Form Impact Fee Account Summary for Fiscal Year Ending June 30, 2023. Publisher. <https://www.flagstaff.az.gov/DocumentCenter/View/77337/Fire--Police-Development-Fee-Report---FY-2023>.

⁸ City of Flagstaff. (2024). City of Flagstaff Development Impact Fee Report Form Impact Fee Account Summary for Fiscal Year Ending June 30, 2024. Publisher. <https://www.flagstaff.az.gov/DocumentCenter/View/80539/Fire--Police-Development-Fee-Report---FY-2024>.

Public Acceptance

DIFs are generally met with little resistance since it is not a new tax. However, there can be some opposition since costs are passed on to the beneficiary and can increase the cost of the development, such as housing costs or rent for the tenants.

- A focus group in Flagstaff made up of city and county planning professionals assessed the public acceptance of DIF as medium:
 - The City of Flagstaff has completed LUAs, an IIP, and a Development Impact Fee Report, which can be a starting point for a transportation-specific DIF in Flagstaff.
 - Coconino County has previously expressed interest in DIF for certain capital projects, such as the Bellemont roundabout located near the Interstate 40 exit. However, the county has few instances in which a DIF can apply, as commercial and residential development is not occurring on a wide scale at this time.
- In addition, during MetroPlan's May 1, 2025, Executive Board meeting, it was noted that the city has been discussing expanding the use of DIFs to include transportation and the Flagstaff City Council would look to expanding the use of DIFs favorably.

Transportation Utility Fee

Purpose
A TUF is a periodic fee charged by a municipality to property owners or users in a local jurisdiction to fund transportation-related needs, including capital, operation, and maintenance costs. These funds would help pay for street repairs and reconstruction, as well as transit operations. It is essentially a way to treat the transportation system like a utility. A TUF can fund operating and capital public transportation projects, but there is currently no legislation in Arizona for this funding mechanism.
Benefits
• Can be used to pay for transit operations and match for capital and operations. • Since a TUF is a fee, they are typically allowed without voter approval, and they can be approved by a city council.
Considerations
• Although Arizona does not have state legislation detailing TUFs, the Phoenix City Council approved a TUF for roadway maintenance.
Additional Information
The first TUFs in the United States were implemented in Oregon in the 1980s, and they have been used successfully in cities with small populations in Washington, Idaho, Utah, Colorado, Texas, Missouri, and Florida. The fees are primarily used by local governments to fund roadway maintenance. They are also known as street maintenance fees, road use fees, street utility fees, and pavement maintenance utility fees.⁹ TUFs differ from other types of impact fees in that they are levied on all property occupants, not just property owners. Residents and businesses are charged fees based on their use of the transportation system rather than charged taxes based on the value of the property. TUFs are often not subject to voter approval and are based on the number of trips generated by different land uses. Utility fee rates may be based on the number of parking spaces, square footage, or gross floor area. This approach links the costs of maintaining transportation infrastructure or transit operations with the benefits derived from mobility and access to a transportation system. The City of Phoenix implemented a TUF to fund the maintenance and improvement of the city's transportation infrastructure, such as streets, sidewalks, and traffic signals. The fee was reviewed and approved by the Phoenix City Council after public input and analysis.¹⁰
Legal Framework
• Arizona state law does not explicitly authorize or prohibit TUFs at the municipal level, but Phoenix has implemented such fees under their "home rule authority," which allows them to manage local affairs unless specifically restricted by state law. • Ordinance 13.28.020 established a TUF in the City of Phoenix to pay for the operation and maintenance of streets in the city.

⁹ USDOT. Transportation Utility Fees. Center for Innovative Finance Support.

https://www.fhwa.dot.gov/ipd/fact_sheets/value_cap_transport_utility_fees.aspx.

¹⁰ City of Phoenix. The Phoenix Municipal Code: Chapter 13.28 Transportation Utility Fee.

<https://www.codepublishing.com/OR/Phoenix/html/Phoenix13/Phoenix1328.html#:~:text=A.,vacant%20and%20not%20generating%20traffic.>

Barriers

- Lack of legislation in Arizona to allow for TUFs; however, a city, such as the City of Phoenix, can create their own ordinance.
- TUFs have been subjected to legal challenges under the claim that they are a tax rather than a fee.

Proposed Changes

- Develop a TUF in Flagstaff for transit operations and/or maintenance.

Revenue

TUFs are typically structured to charge property owners a rate that reflects the demand they place on the road system. This demand is most often measured by the average weekday traffic volume or the number of vehicle trips generated by different land uses. A common source for estimates of trip generation is the Trip Generation Manual developed by the Institute of Transportation Engineers (ITE), a professional association that develops technical standards and has compiled data from thousands of U.S. and Canadian studies since the 1960s.

Cities using TUFs classify property types and assign each type a corresponding trip generation rate from the ITE manual. For example, the manual estimates that a single-family residential property generates ten trips per day, which can include commuting, errands, and appointments.¹¹

For example, Loveland, Colorado, set an annual target revenue goal of \$820,000 in 2000 to 2001 from a TUF program, drawing from residential, industrial, retail, and office land uses (**Table 2**). As Loveland and Flagstaff are similar in population size, have predominantly single-family residential land use, and maintain modest, local transit networks, Flagstaff could reasonably target similar levels of annual revenue. However, differences such as Flagstaff's larger student population and tourism-based economy need to be considered.

Table 2: Loveland, Colorado, Street Maintenance Fee Calculations, 2000 to 2001

Property Category	Daily Trip Generation	Basis of Measurement	Number of Units	Total Daily Trips	Total Annual Trips	Monthly Fee	Annual Revenue
Residential	10	Per dwelling unit	20,000	200,000	73,000,000	\$1,.25	\$300,675
Industrial	76	Per acre	330	25,156	9,181,904	\$9.55	\$37,819
High-Traffic Retail	1,634	Per acre	48	78,408	28,618,920	\$204.65	\$117,876
Retail	272	Per acre	300	81,675	29,881,375	\$34.11	\$122,788
Retail Miscellaneous	174	Per acre	48	8,352	3,048,480	\$21.80	\$12,556
Office	183	Per acre	830	151,850	55,425,308	\$22.92	\$228,287
Total					199,085,987	--	\$820,000

Source: Federal Highway Administration (FHWA), Transportation Utility Fees: Maintaining Local Roads, Trails and Other Transportation, 2020.

¹¹ FHWA. (2020). Transportation Utility Fees: Maintaining Local Roads, Trails and Other Transportation. USDOT. https://www.fhwa.dot.gov/ipd/pdfs/value_capture/TUFs_Primer_Formatted_v06_RELEASE_508.pdf.

Impacts on Equity and Affordability

Because TUFs are tied to trip generation rather than property value, they can promote greater equity by charging users based on their actual impact on the transportation system. However, careful policy design is needed to avoid unintended consequences, such as disproportionate impacts on low-income renters or small businesses, particularly if landlords pass fees through via rent or lease agreements.

In Loveland's structure, the highest monthly fee was applied to high-traffic retail properties, which also represent the land use type with the highest daily trip generation that stands to benefit the most from improved transportation. For single-family homes, the fee was relatively modest, approximately \$15 a year (or \$1.25 per month), representing a manageable cost for most households.

Public Acceptance

TUFs are often seen as a fairer alternative to sales taxes since they are based on property use or trip generation rather than consumption. When structured carefully, TUFs can be scaled to reflect actual usage, which appeals to both residents and businesses who want transparency and fairness. However, in general, TUFs are an additional fee, which can cause opposition.

Based on a discussion during MetroPlan's May 1, 2025, Executive Board meeting, the members were generally supportive of a TUF and noted that it seemed like a great concept; however, there may be opposition from the public. It would require an education campaign to explain the program and benefits.

Tax Increment Financing/Transportation Reinvestment Zone

Purpose

TIF has developed into one of the country's most commonly used economic development tools. As of 2015, 49 states and the District of Columbia allowed cities to use some form of TIF, and it has been used in recent years to finance many of the country's largest development projects. In Arizona, TIFs have a complex legal history, and capturing incremental property taxes is illegal in Arizona.

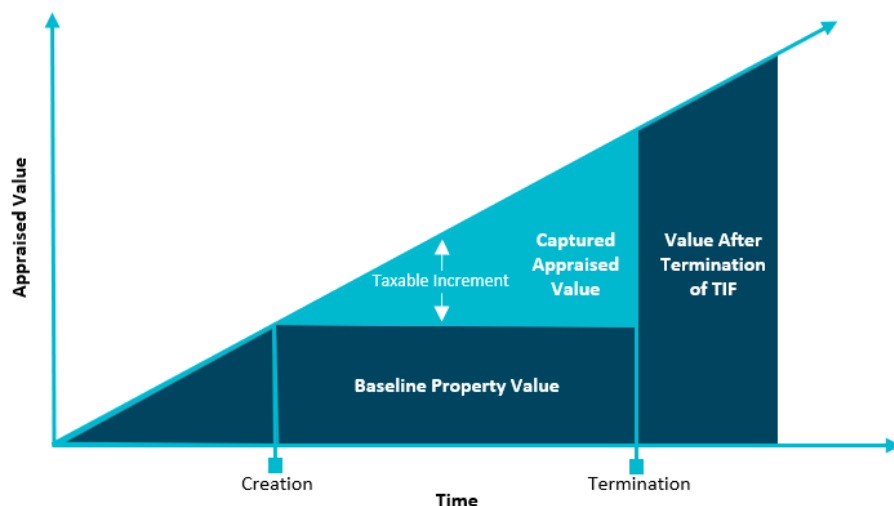
Both TIF and TRZs apply to a contiguous area around a transportation project designated by a local government as an impact zone, where a portion of local property and/or sales tax increment revenues resulting from the growth in the zone's tax base is captured and used to support funding and financing of the project (**Figure 1**). TIF/TRZs are for areas where significant growth is anticipated and implemented prior to that growth. The concept behind TIF is that public investments in infrastructure and services will induce private development, which in turn will lead to higher property values, more employment, and additional tax revenue. Since this economic activity and revenue growth would not occur "but for" upfront investments made by the public sector, cities can capture the new property tax revenue to pay for the investments that sparked the growth.¹²

TIF is defined as a value capture revenue tool that uses taxes on future gains in real estate values to pay for new infrastructure improvements that are broader than transportation (utilities, landscaping, streetscaping).

TRZ is a type of TIF and is limited to funding capital transportation projects.

TIF/TRZs can fund capital transportation (roadways, bicycle and pedestrian infrastructure, and transit) improvements; however, there are legal barriers in Arizona.

Figure 1: TIF/TRZ Value Capture



Source: Based on a graphic by Citizens Budget Commission, Tax Increment Financing

¹² The Citizens Budget Commission (2017). Tax Increment Financing: A Primer. <https://cbcny.org/research/tax-increment-financing-primer>.

Benefits

- Promotes economic development since it can finance large development projects like transit stations, new parks, and light rail.
- Finite—it is a mechanism to pay for a discrete project and stops once it is paid off.
- Once the project is paid off, sales tax revenue goes to the usual recipients such as fire and police.
- Once enabling legislation takes effect, TRZ funding could move more quickly than federal assistance monies.
- TIF does not increase the taxes paid and does not reduce the tax revenues to the municipality. The taxes would increase with any increase in value, and the TIF just pauses the increase in revenues to the municipality until it expires or is paid off.

Considerations

- Challenges in Arizona to establish TIF and collect incremental property tax revenue.
- TIF projects experience a lag between upfront capital investments and the collection of incremental property tax revenue.

Additional Information

New York City used a variation on TIF to fund the extension of the Flushing Line (Number 7) subway to the Hudson Yards District without state or federal assistance. The Chicago City Council approved a TIF to fund the local match of a proposed subway extension. San Francisco and Denver created TIF districts to finance new central city transit stations that will anchor redevelopment districts. However, much of the historical experience suggests that the taxable increment value is not exclusively or even primarily due to the transportation improvements funded; rather, the improvements have at least partially appreciation in value that would have occurred from inflation or secular value changes regardless of the improvement.

Arizona

TIF operates differently in Arizona than any other state due to the legal restrictions. The Tucson Rio Nuevo TIF District is the one exception. This district is legally authorized under Arizona state law, specifically through the Rio Nuevo Multipurpose Facilities District statutes ([A.R.S §48-4201](#) to [§48-4255](#)). The TIF was established in 1999 following voter-approved ballot initiative [HB 2568 \(1999\)](#). The district was created to revitalize Downtown Tucson by capturing a portion of state sales tax revenues generated within its boundaries. However, unlike most TIF districts that rely on property tax increments, Rio Nuevo is funded by retaining half of the 5.6 percent sales tax revenue, or state transaction privilege tax (TPT), which would otherwise go to the state's General Fund. This district is governed by a state-appointed board, not a city government.^{13, 14}

Legal Framework

- There is no enabling statute in Arizona law allowing cities to use the incremental property tax revenue for project funding, and Arizona has not fully enacted a statewide TIF framework like other states (e.g., Texas or Colorado).
- In 1999, [HB 2026](#) retroactively repealed ASR § Section 36-1488.01, authorizing property TIF to finance redevelopment projects.
- [A.R.S §48-4201](#) and [§48-4255](#) enable the Rio Nuevo Multipurpose Facilities District in Tucson to collect sales tax instead of the increase in property tax, which is typically used for TIF.

¹³ Inside Tucson Business. Gov. Ducey signs bill extending life of Rio Nuevo. https://www.insidetucsonbusiness.com/news/gov-ducey-signs-bill-extending-life-of-rio-nuevo/article_fda3c43c-3cd7-11e8-b343-e3085c08cebe.html?utm_

¹⁴ Rio Nuevo District. What is Rio Nuevo. <https://rionuevo.org/about/what-is-rio-neuvo/>.

Barriers

- There is no Arizona statute allowing the use of incremental property tax revenue.
- Time: Process length from legislation changes to implementation.
 - TIF projects experience a lag between upfront capital investments and the collection of incremental property tax revenue. It takes time for new real estate projects to come online, and market conditions can shift. As part of the TIF process, cities should test their revenue projections against a range of economic scenarios, including the impact of possible cost overruns, revenue shortfalls, cost spillovers, and economic downturns.
- A jurisdiction must already have a mechanism to fund the project up front such as a bond, which can add some additional risk to the community if the increment never materializes, such as a recession.
- May face resistance from usual tax revenue recipients, who will not see the increase they usually would from a new development.

Proposed Changes

- Create new legislation that allows for the incremental increase of property taxes to be collected for a specific area. This legislation will increase the opportunity for TIF for new developments, such as residential developments where there may be lower sales tax revenues.
- Alternately, create a TIF district similar to Rio Nuevo in Tucson by developing an initial planning and vision of an area, designating an area as a multipurpose facility in a stadium district per A.R.S [§48-4201](#) and [§48-4255](#), going to local voters to establish a formal district, and creating a board to oversee the district.

Revenue

Potential revenue generation from a TIF district or a TRZ would depend on the mechanism used—either from incremental increases in property tax revenues (common in TIFs and TRZs) or from sales tax revenues (as in certain special cases like Rio Nuevo).

As shown in **Table 3**, property tax revenues in Flagstaff have increased at an average annual rate of 4 percent. If half of that annual growth (2 percent) were allocated toward a transportation-focused TIF or TRZ, it could generate approximately \$316,000 annually based on FY 2024 revenues of \$15.8 million. However, TIFs or TRZs are designated over a specific area, so revenues would accordingly be smaller, unless a greater than 2 percent increase could be attributed to the investment.

Table 3: Historical Flagstaff Property Tax Revenues

Fiscal Year	Property Tax Revenue	Percent Change from Prior Year
2014 – 2015	\$11,211,038	-
2015 – 2016	\$11,339,774	1%
2016 – 2017	\$11,674,553	3%
2017 – 2018	\$12,482,546	6%
2018 – 2019	\$13,541,400	8%
2019 – 2020	\$14,100,719	4%
2020 – 2021	\$14,358,593	2%
2021 – 2022	\$14,943,139	4%
2022 – 2023	\$15,342,909	3%
2023 – 2024	\$15,806,237	3%

Source: City of Flagstaff, Annual Comprehensive Financial Report, 2024

The existing TIF District in Arizona, Rio Nuevo, retains half the revenue from the 5.6 percent state sales tax. Flagstaff is a much smaller city than Tucson, and it would be difficult to build the level of development seen in Rio Nuevo to convince the state to return some of its sales tax revenue. However, half of the state sales tax would amount to 2.8 percent. Flagstaff's city sales tax rate of 2.28 percent generated \$83.5 million in FY 2024 and \$81.3 million in FY 2023.¹⁵

Assuming proportional returns, an additional 2.8 percent of the state sales tax could potentially generate up to \$100 million in additional revenues, although this assumes an unrealistic match of state contribution. In practice, TIF/TRZ revenues would be significantly smaller, as they are highly dependent on the size, land use mix, and development intensity of the area included in the zone.

Impacts on Equity and Affordability

Property tax revenue increases that are not allocated to transportation would otherwise go to other public spending in the city, such as for city administration, the Police Department, the Fire Department, community development, recreation, parks, facilities, community investment, and management services.¹⁶

A significant portion of sales tax revenue contributes to the Arizona State General Fund. As discussed in the **Local Transportation Assistance Fund II** section, funds allocated from the General Fund reduce General Fund investments in K–12 education, health services, corrections, economic security, and more,¹⁷ This reduction raises equity trade-offs at the statewide level, particularly if the reallocation impacts vulnerable populations relying on General Fund-supported programs. However, since this option is reallocation and not an increase in taxes, there would be no increase in the tax burden for households or individuals.

Public Acceptance

TIFs are seen as a valuable mechanism to revitalize blighted or underdeveloped areas by using future tax revenue increases to fund infrastructure. However, there are concerns that TIFs divert funds from essential services like schools and public safety by redirecting tax growth to specific projects.

Based on a discussion during MetroPlan's May 1, 2025, Executive Board meeting, the members determined that establishing a TIF is a heavy lift and very complicated. They decided that it could be a funding mechanism in the future, but not at this time.

¹⁵ City of Flagstaff. (2024). Annual Comprehensive Financial Report. <https://www.flagstaff.az.gov/DocumentCenter/View/87887/ACFR---FY-23-24-website>.

¹⁶ City of Flagstaff. (2025). Notice of Proposed Tax Levy Increase: Primary Property Taxes. <https://www.flagstaff.az.gov/CivicAlerts.aspx?AID=2085&ARC=3858#:~:text=The%20City%20of%20Flagstaff%20assesses,April%2024%2D25%2C%202025>.

¹⁷ The Arizona Center for Economic Progress. State Budget 101. <https://azeconcenter.org/state-budget-101/>.

Highway User Revenue Fund

Purpose

Arizona collects a variety of taxes and fees relating to the registration and operation of motor vehicles on the public highways of the state. These revenues are deposited into the HURF and then distributed to the cities, towns, and counties and to the State Highway Fund. This fund is primarily intended to support the construction, maintenance, and improvement of public roadways.¹⁸

Revenue sources include:

- Motor vehicle fuel tax
- Motor carrier tax
- Motor vehicle license tax (VLT)
- Vehicle registration fees
- Cannabis tax revenue
- Rental vehicle surcharge

Table 4: HURF Revenue Distribution

Entity	Approx. % of HURF
State Highway Fund	50.5%
Counties	19%
Cities and Towns, less than 300,000	27.5%
Cities and Towns, more than 300,000	3%

Cities and towns over 300,000 in population receive a direct share of the HURF based on population. For cities and towns under 300,000, 50 percent of the HURF is distributed equally among all incorporated cities and towns. The other 50 percent is distributed based on population.

Currently, the HURF can only fund improvements of public roadways, not transit operations or capital projects.

Benefits

- Provides long-term, predictable revenue sources to all cities and towns in Arizona for roadway improvements.
- The Arizona Department of Transportation (ADOT) created a program to allow for the HURF (state funds) in exchange for federal surface transportation funds.

Considerations

- The Arizona State Constitution explicitly says that the HURF can only be used for highway and street purposes. Road and highway maintenance and street purposes are not defined, which could provide openings for interpretations that allow transit to access HURF.

Additional Information

Highway User Revenue Fund Exchange Program

- Created by the Arizona Legislature in 1997, the program authorizes ADOT to provide the HURF to eligible entities in exchange for federal Surface Transportation Block Grant Program (STBGP) funds. The STBGP is federal funds and has federal requirements, while the HURF is state funds. STBGP funds can already be used for public transportation.
- Eligible for Arizona cities, towns, and counties with populations of 200,000 or less.

¹⁸ ADOT. HURF. <https://azdot.gov/about/financial-management-services/transportation-funding/highway-user-revenue-fund-hurf>.

- The entity can exchange federal aid with ADOT and receive 90 percent of the amount exchanged in the HURF for the project.
 - The HURF has far fewer restrictions and requirements, resulting in a less expensive project that is completed more quickly.
- Must have MPO/COG approval and be in the respective Transportation Improvement Program.

Legal Framework

The HURF is established under [A.R.S. §28-6533](#), and funds shall only be spent for the purposes prescribed the Arizona State Constitution [Article 9, Section 14](#), which funds:

- The cost of administering fees and taxes deposited in the fund.
- Payment of principal and interest on highway and street bonds and obligations. State cost of construction, reconstruction, maintenance, and repair of public highways and bridges.
- The cost of state enforcement of traffic laws.
- The cost of publication and distribution of *Arizona Highways Magazine*.
- Distribution to counties, incorporated cities, and towns to be used solely for highway and street purposes, including the construction, reconstruction, maintenance, repair, and roadside development of county, city, and town roads, streets, and bridges.

Barriers

- Arizona State Constitution [Article 9, Section 14](#) does not allow revenues from fees, excises, or license taxes relating to registration, operation, or use of vehicles to be used for transit capital or transit operations. The revenue can only be used for highway and street purposes.

Proposed Changes

- A legal interpretation can be considered to further define road and highway maintenance and street purposes, which could provide openings for interpretations that allow transit to access the HURF.
- Modify language in Article 9, Section 14 for revenues from fees and license taxes to be used to fund transit capital and transit operations.

Section 14. No moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on the public highways or streets or to fuels or any other energy source used for the propulsion of vehicles on the public highways or streets, shall be expended for other than highway and street purposes including the cost...

...for distribution to counties, incorporated cities and towns to be used by them solely for highway and street purposes...
- In addition, consider creating a Highway Trust Fund with the revenues from fees and taxes relating to vehicle operation and registration. This federal accounting mechanism would provide a dedicated source of funding for certain federal surface transportation programs. The Highway Trust Fund has two accounts: the highway account and the mass transit account. Congress established the mass transit account in 1982 to fund capital expenditures.¹⁹
- Colorado has created a Transportation Trust Fund, which includes a mass transit fund. Colorado utilizes a mix of revenue sources including fuel taxes, vehicle registration fees, and multimodal grants.²⁰

¹⁹ Lohman, Ali E. The Highway Trust Fund's Highway Account. Congress.Gov. <https://www.congress.gov/crs-product/R48472>.

²⁰ Colorado Department of the Treasury. (n.d.). HUTF distributions. Colorado State Government. <https://treasury.colorado.gov/hutf-distributions>.

Revenue
The City of Flagstaff uses its HURF to support a range of transportation-related expenditures across departments, including General Administration, Management Services, Public Works, Non-Departmental, and City Engineering. The Management Services and Non-Departmental departments had the smallest expenditure, estimated at approximately \$82,000 and \$183,000, respectively, in FY 2023 to 2024.²¹ If the Arizona State Constitution were amended to allow the HURF to fund transit, the city could potentially reallocate a comparable amount (\$82,000 to \$183,000) to what is currently spent on Management Services and Non-Departmental expenses. This amount would not be a large allotment relative to other divisions—budgeted expenditures for FY 2024 to 2025 from the HURF on Public Works alone are \$12.2 million. For City Engineering, this amount is \$10.3 million.
Impacts on Equity and Affordability
This mechanism would not increase the tax burden on individuals or households, since it involves reallocating existing revenues rather than introducing a new fee or tax. However, it does carry opportunity costs. Redirecting HURF dollars from general street-related services (like roadway maintenance or administrative support) to transit could mean fewer resources for car-dependent infrastructure. This trade-off may impact residents in areas not served by transit, particularly lower-income households on the outskirts of Flagstaff who rely on private vehicles and may already face cost burdens related to car ownership. This reallocation is unlikely to increase the cost of car ownership, but it may decrease the quality of user experience on roads.
Public Acceptance
In general, cities and towns rely heavily on HURF for street maintenance. There is concern that if the HURF can be used to fund transit, there would not be enough money for road repairs and maintenance. General public awareness of the HURF is low, which can lead to confusion during budget debates or ballot initiatives. Based on a discussion during MetroPlan’s May 1, 2025, Executive Board meeting, the members agreed that there were concerns about changing the formula and there needs to be a solution to supplement the HURF. The state should figure out how to tax EVs to increase the HURF.

²¹ City of Flagstaff. Official Budget Forms: City of Flagstaff Fiscal Year 2024-2025. <https://www.flagstaff.az.gov/DocumentCenter/View/79128/FY-2024-2025-Final-Budget-Book>.

Vehicle Registration Fee

Purpose

In Arizona, vehicle registration fees include the VLT, a registration fee, an air quality fee, an emission test fee, a plate fee, and a title fee. The types of fees, the amount collected, and how the revenues are distributed are presented below:

Table 5: Vehicle Registration Fee Type of Fee

Type of Fee	Amount	Revenues Distributed
VLT	60% of the vehicle's Manufacturer's Suggested Retail Price and depreciates annually by 16.25% for each year since the vehicle was first registered. The rate is calculated based on the assessed value—\$2.80 per \$100 of assessed value for new vehicles and \$2.89 per \$100 for used vehicles.	See Table 6
Registration Fee	\$8.00 per registration period	HURF
Air Quality Fee	\$1.50 fixed fee	Air Quality Fund, which is administered by the Arizona Department of Environmental Quality (ADEQ).
Emission Test Fee*	\$12 – \$25	ADEQ
Plate Fee	\$5.00 for new or replacement plates	HURF
Title Fee	\$4.00	Primarily funds the Motor Vehicle Division and its operations.

*Required for some vehicles and can vary by location. Not required if the city/town meets air quality standards for congestion mitigation and air quality.

The revenues from VLT are distributed to the categories listed in the below table.

Table 6: Vehicle Registration Fee Revenue Distribution

Entity	Percentage
HURF	22.72%
County Roads	14.38%
City/Town Roads	13.72%
County General Fund	24.59%
City/Town General Fund	24.59%

Currently, vehicle registration fees can only fund improvements of public roadways, not transit operations or capital projects. A portion goes to the ADEQ, which primarily funds air quality, water, and waste programs.

Benefits

- Relatively simple to collect once legislation is changed.
- Consistent form of revenue since car owners pay for vehicle registration fees for the life of a vehicle.

Considerations

- Revenues cannot be used for transit operations or capital under current law.

- Local governments cannot impose additional registration fees without state authorization.
- The ADEQ manages the Air Quality Fund, which does not have an explicit restriction on funding transit, but primarily funds air quality, water programs, and waste programs, so coordination with ADOT will be required.

Additional Information

Alternative Fuel Vehicle License Tax

Arizona also has a specific formula for calculating the VLT for alternative fuel vehicles (AFVs), which is determined by when the vehicle was initially registered. In accordance with A.R.S §28-5805, AFV registered after 2023 are subject to the regular VLT rate of \$2.80 per \$100 of assessed value.

New Annual Registration Fee for Alternative Fuel Vehicles

Arizona lawmakers are considering a new annual \$135 registration fee for AFVs through [HB 2866](#). However, as of February 29, 2024, this bill failed in the Arizona House on the third reading.

Legal Framework

- Arizona State Constitution [Article 9, Section 14](#) states that any fees, excises, or license taxes related to the registration, operation, or use of vehicles on highways and streets must only be used on public highways, streets, or bridges.
- [A.R.S. §28-5808](#) states how the VLT is distributed.
- [A.R.S §49-551](#) explains how the air quality fee is used and that the ADEQ administers the Air Quality Fund. This statute is permitted because the funds collected under this statute are specifically directed towards air quality programs that are considered related to the operation of vehicles.

Barriers

- Arizona State Constitution [Article 9, Section 14](#) does not allow revenues from fees, excises, or license taxes relating to registration, operation, or use of vehicles to be used for transit capital or transit operations. The revenues can only be used for highway and street purposes. This legislation is the same barrier identified for the HURF. All fees collected under the vehicle registration fee, except the air quality fee, can only be used for roadways. The Air Quality Fee has a separate statute (A.R.S [§49-551](#)) to define that funding.
- [A.R.S. §49-551](#) has a barrier that funding can only go to developing and implementing programs for counties with a population of more than 400,000 people. The only counties with more than 400,000 people are Maricopa County, Pima County, and Pinal County.²²
- The ADEQ plays a role in regulating and promoting clean transportation, but the primary responsibility for transportation infrastructure and public transit grant programs in Arizona is with ADOT, so any changes to the Air Quality Fund will require coordination between the ADEQ and ADOT.

Proposed Changes

- Modify language in Article 9, Section 14 for revenues from fees and license taxes to be used to fund transit capital and transit operations.

Section 14. No moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on the public highways or streets or to fuels or any other energy source used for the propulsion of vehicles on the public highways or

²² Kristen Carney. *Arizona Counties by Population (2025)*. Arizona Demographics. https://www.arizona-demographics.com/counties_by_population

streets, shall be expended for other than highway and street purposes including the cost...

- Suggest changing [A.R.S. §49-551](#) to lower the population threshold to benefit more of the state.
*2. Monitoring visible air pollution and developing and implementing programs to reduce emissions of pollutants that contribute to visible air pollution in **counties with a population of four hundred thousand persons or more.***

Revenue

As vehicle registration fees contribute to the HURF, the same conclusions outlined above apply. A potential new source of revenue to Flagstaff could come from the state's vehicle air quality fees, currently pooled into the Arizona Air Quality Fund, which is administered by the ADEQ. However, these revenues are not currently allocated to smaller-population areas like Flagstaff, meaning statutory or programmatic changes would be necessary for eligibility.

Many of ADEQ's activities are not transit oriented, but one relevant program is the Zero-Emission Heavy-Duty Eight-Ton Program, which is presently in a pilot phase with a \$1 million budget for FY 2025.²³ This program primarily focuses on replacing diesel-fueled heavy-duty trucks with zero-emission vehicles, but it could potentially be expanded in the future to include electric transit buses.

If lower-population areas like Flagstaff were made eligible and the program was extended or expanded, MetroPlan or Mountain Line could apply for a competitive, likely one-time, award. Realistically, any funding received under the current structure would likely be modest and capped near the \$1 million pilot budget.

Impacts on Equity and Affordability

This option would be a reallocation and would therefore not increase the tax burden on individuals or households since it would rely on existing fee revenues or new eligibility within an existing program.

Additionally, if expanded to include smaller jurisdictions, programs like the ADEQ's could help with equitable access to clean transportation technologies across rural and mid-sized communities, not just in high-density urban areas, helping to reduce exposure to air pollution and improve long-term health outcomes.

Public Acceptance

Since the majority of vehicle registration fees go to the HURF, there are similar concerns that there is not enough funding in the HURF to support existing road repairs and maintenance. In general, there is little awareness of the air quality fee and how it is used, so through advocacy, there might be opportunity fund some transit programs with that funding, which might have little opposition.

²³ Department of Environmental Quality. (2025). FY 2025 Appropriations Report. <https://www.azilbc.gov/25AR/deq.pdf>.

Rental Vehicle Surcharge

Purpose There are both state-level and county rental car surcharges in Arizona. The state-level surcharges apply to the entire state, while there are additional county surcharges in Maricopa and Pima County. State-level Rental Car Surcharge: Rental car companies are required to collect, at the time the vehicle is rented, a surcharge of 5 percent on each contract that is for 180 days or fewer. These fees are used to reimburse VLT paid on the vehicle. If a rental car company collects more than the VLT, the excess is remitted to ADOT and goes into the HURF.²⁴ In the Appendix, the Rental Car Excise Taxes by State table details the rental car tax, from highest to lowest, for each state. County Rental Car Surcharges: Both Maricopa County and Pima County have a surcharge, in addition to the state's 5 percent: • Maricopa County collects a 3.25 percent surcharge (or \$2.50, whichever is greater) on the rental car contract to fund Arizona Sports and Tourism Authority and the Maricopa County Stadium District. • Pima County imposes a flat \$3.50 fee per rental transaction to fund Pima County Stadium District. Currently, the HURF can only fund improvements of public roadways, not transit operations or capital projects.
Benefits • A reliable source of funding and funding already goes into the HURF. • Opportunity for an additional Coconino County-specific tax.
Considerations • Both Maricopa County and Pima County have had several lawsuits between rental car companies and the state regarding whether these funds can go to other funding sources, like paying off stadium debt, or if the revenue should just go to roads.²⁵
Additional Information There has been a surcharge on car rentals in Arizona since 1991. The purpose of this tax is to reimburse rental car companies for the VLT. In 2000, Maricopa County went to the voter to create a specific county rental car surcharge. The proceeds go to the Arizona Sports and Tourism Authority to pay off debt from the construction of the Cardinals football stadium. The authority receives about \$14 million annually from the surcharge, which is one of several revenue sources used to pay off the stadium debt. Pima County initiated a similar rental car surcharge, the revenues from which go to the Pima County Stadium District to repay the constructure debt for the Kino Sports Complex.
Legal Framework • A.R.S §28-5810 details the rental vehicle surcharges, stating that they should be used for the reimbursement of the VLT and that excess funds go to ADOT into the HURF.
Barriers Similar to the barriers with the HURF, Arizona State Constitution Article 9, Section 14 allows revenues from fees, excises, or license taxes relating to registration, operation, or use of vehicles to be used for highway and street purposes.

²⁴ ADOT. Rental Vehicle Surcharge. <https://azdot.gov/mvd/services/professional-services/commercial-services/rental-vehicle-surcharge>.

²⁵ Holiday Moore. U.S. Supreme Court Rejects Attempt To Redirect AZ Car Rental Tax. KJZZ Phoenix. <https://www.kjzz.org/2019-10-08/content-1214106-us-supreme-court-rejects-attempt-redirect-az-car-rental-tax>.

Proposed Changes

- Modify language in Article 9, Section 14 for revenues from fees and license taxes to be used to fund transit capital and transit operations.
Section 14. No moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on the public highways or streets or to fuels or any other energy source used for the propulsion of vehicles on the public highways or streets, shall be expended for other than highway and street purposes including the cost...
- Alternately, Coconino County may develop their own separate tax like Maricopa County or Pima County to fund transit operations and capital programs.

Revenue

Maricopa County collects a 3.25 percent rental vehicle surcharge (or \$2.50, whichever is greater), which generated \$6.6 million in 2022 and \$7.7 million in 2023.²⁶ According to publicly listed business registrations and corporate websites, Enterprise Rent-A-Car alone operates at least 17 locations in the Phoenix metropolitan area. In comparison, Flagstaff has two Enterprise rental locations.

Including other national chains such as Hertz, Budget, and Avis, there are approximately less than ten rental car outlets in Coconino County, while Maricopa County supports 40 to 60 outlets, including multiple high-volume airport and downtown facilities.

In addition to having a greater number of locations, rental agencies in Maricopa County tend to operate larger vehicle fleets, serving a much higher volume of visitors and residents. If Coconino County rented out approximately 10 percent as many vehicles as Maricopa County and enacted an equal 3.25 percent rental vehicle surcharge, they could draw about \$715,000 in revenue annually based on proportional application of Maricopa's 2022 and 2023 revenues.

Impacts on Equity and Affordability

Rental vehicle surcharges are short-term, use-based fees that primarily target tourists and non-residents who rent vehicles during their stay. As such, they do not increase the tax burden on local individuals or households, making the surcharge a potentially equitable and politically viable option for raising transportation-related revenue in areas with a strong visitor economy like Flagstaff.

Public Acceptance

In general, a rental car tax is favored by the public since it does not target local residents. However, several rental car agencies led lawsuits against Maricopa County, arguing the additional rental car tax violated state and federal commerce laws because it discriminated against tourists, who rented more cars than state residents. However, the courts rejected these claims, and the rental car tax in Maricopa County remains.²⁷

26 Office of Budget and Finance. (2023). Stadium District Financial Statements: A Component Unit of Maricopa County, Arizona. Maricopa County. <https://www.maricopa.gov/DocumentCenter/View/88068/FY2023-MCSD-Financial-Statements-PDF>.

27 Ryan Randazzo, Russ Wiles. Rental-car tax that supports sports facilities is legal, Arizona Supreme Court says. *The Republic*. <https://www.azcentral.com/story/news/politics/arizona/2019/02/25/rental-car-tax-support-sports-facilities-legal-arizona-supreme-court-says/2980418002/>.

Short-Term Rental Tax

Purpose Short-term rentals in Arizona are defined as reservations of less than 30 days. Arizona imposes a TPT, commonly known as sales tax, on income from short-term rentals. Short-term rentals are taxed under the transient lodging classification at the rate of 5.5 percent. The Arizona Department of Revenue is responsible for collecting and accounting for these revenues (A.R.S. §42-5070, 2025). TPT revenues are shared with Arizona’s counties and cities through a complex system of formulas established in A.R.S. §42-5029. Revenues from the transient lodging classification are distributed as follows:²⁸ • 50 percent goes to the distribution base, which includes the following breakdown: ○ 25 percent is paid to the cities in proportion to their population based on most recent annual population estimates by the U.S. Census Bureau. ○ 40.51 percent is paid to the counties. ○ 34.49 percent is allocated to various purposes as provided by A.R.S. §42-5029(D)(4), including expansion of the Phoenix Convention Center; school capital finance; multipurpose facilities; construction of bridges and highway improvements at resorts, retail centers, or sports entertainment facilities; the Tourism and Sports Authority; and certain public infrastructure improvements related to a manufacturing facility. • 50 percent goes to the State’s General Fund. The short-term rental tax has the potential to fund transit and transportation with changes to state and local legislation.
Benefits • Can be a reliable source of funding contingent on the health of the tourism economy. • Mostly visitors would pay the tax, not locals.
Considerations • The fee that Coconino County has in place cannot be increased. The Bed, Board, and Beverage (BBB) tax in Flagstaff can be increased or existing funds can be reallocated to different recipients. • There is currently not a separate statewide, short-term rental tax; short-term rentals are included in the transient lodging classification for TPT revenue.
Additional Information Counties and municipalities may levy their own taxes. For example, Flagstaff has a BBB tax of 2 percent, which is applied on top of the state TPT and includes short-term rentals. The revenues generated from the BBB are earmarked to parks and recreation (33 percent), tourism (30 percent), beautification (20 percent), economic development (9.5 percent), and arts and sciences (7.5 percent).²⁹ Coconino County has recently adopted ordinance 2023-22, which requires short-term rental hosts in unincorporated areas to obtain an annual permit of \$250. The \$250 fee is the maximum amount allowed under Arizona law. It is intended to cover the administrative costs of processing and managing the permits; it is not intended as a revenue source.³⁰ Flagstaff also has a short-term rental fee of \$180 to obtain a TPT license. Similar to Coconino County, this fee is intended to cover the administrative costs of processing and managing the license and not for revenue generation.³¹

²⁸ State of Arizona. 2022 Tax Handbook. Joint Legislative Budget Committee. <https://www.azilbc.gov/revenues/22taxbk.pdf>.

²⁹ City of Flagstaff. Tax Rate Charts. <https://www.flagstaff.az.gov/53/Tax-Rate-Chart>.

³⁰ Coconino County. Short Term Rental Information. <https://www.coconino.az.gov/3052/Short-Term-Rental-Information?utm>.

³¹ City of Flagstaff. Short-Term Rental. <https://www.flagstaff.az.gov/4535/Short-Term-Rentals>.

Legal Framework

- [A.R.S. §42-5070](#) details that short-term rentals are under this tax code.
- [A.R.S. §42-5029\(D\)\(4\)](#) details how the transient lodging tax revenues are dispersed to cities and towns.
- Flagstaff local ordinance—BBB tax.³²

Barriers

- No direct allocation to public transportation investments.
- BBB tax has specific revenue earmarks, and transit or transportation is not included.

Proposed Changes

- In [A.R.S. §42-5029\(D\)\(4\)](#), add a clause allowing a portion to be redirected to transit systems.
After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund.
- Alternatively, Flagstaff BBB tax allocations will need to be updated to include transit or transportation. An alternative, while not further analyzed, is for Coconino County to impose a similar BBB tax rather than adjusting the city's BBB tax. This additional tax may have low public support since it would be a supplemental tax.

Revenue

This proposed change supports the reallocation of funds to transit from the state's tax revenues allocated to cities and counties and/or from Flagstaff's BBB tax. Flagstaff collected about \$2.1 million in short-term rental tax revenues (from the General Fund, not the BBB tax) from June 2024 to May 2025. Based on the approximately \$175,000 monthly average in revenue, the city is on track to bring in over \$2 million by the end of the FY25, which is in line with the prior year's revenue of nearly \$2.2 million. If 10 percent could go to transit, that would amount to approximately \$200,000 annually.

Table 7: Flagstaff Tax and Fee Revenues

2024 – 2025	General Fund Revenues from Transient Lodging
June	\$221,834
July	\$200,508
August	\$204,065
September	\$192,667
October	\$189,071
November	\$203,201
December	\$141,473
January	\$172,571
February	\$122,943
March	\$127,397
April	\$174,325
May	\$159,549
Total	\$2,109,604
Average	\$175,800

Source: City of Flagstaff, Monthly Sales Tax Statistics, 2024 to 2025

³² City of Flagstaff. Tax Rate Charts. <https://www.flagstaff.az.gov/53/Tax-Rate-Chart>.

The revenues generated from the BBB are earmarked to parks and recreation (33 percent), tourism (30 percent), beautification (20 percent), economic development (9.5 percent), and arts and sciences (7.5 percent). The BBB tax generated \$12.1 million in actual revenue during FY 2022 to 2023 and is estimated to have generated almost \$12.3 million during FY 2023 to 2024. For the tourism fund alone, these amounts were \$3.6 million and \$3.7 million, respectively.³³ If transit could be allocated the same proportion as arts and sciences (7.5 percent) from the tourism sector, for example, that would amount to about \$915,000 annually, based on FY 2022 to 2023 and 2023 to 2024.

Impacts on Equity and Affordability

Short-term rental taxes generally target visitors to the region, although they may, at times, capture locals who are between housing. This proposition would be a reallocation of tax revenues, not an increase in the rental tax imposed. Therefore, it would not increase the tax burden on individuals or households. However, the reallocation would impact city departments whose funding is lessened.

Public Acceptance

Redistribution of sales tax revenue from short-term rentals is generally accepted since there is not a tax increase. However, changing the allocations of Flagstaff's BBB tax may receive some opposition, since it would require removing funding from one sector to transit. Public acceptance would require an educational campaign and early buy-in and acceptance from the City of Flagstaff. An increase of BBB is also not favorable since Flagstaff already faces affordability issues.

³³ Office of Budget and Finance. (2023). Stadium District Financial Statements: A Component Unit of Maricopa County, Arizona. Maricopa County. <https://www.maricopa.gov/DocumentCenter/View/88068/FY2023-MCSD-Financial-Statements-PDF>.

State Infrastructure Bank

Purpose
SIB is a revolving infrastructure investment fund for transportation that is established and administered by states. SIBs operate much like banks, providing financial assistance in the form of loans or credit enhancement for highway construction projects (Title 23), transit capital projects (Title 49), and railroad projects (Title 59, section V). As borrowers repay principal and interest on loans, the bank is replenished, and monies can be reloaned so that the SIB becomes a self-sustaining mechanism to fund critical transportation projects. ³⁴ SIB can fund large transit capital projects, not for operations.
Benefits
• Can help make projects viable since SIB loans can supplement public or private funds. For example, private partners may be eligible for low-cost SIB loans that may be subordinate to other debt issued. • Increase the speed with which projects may be completed since by using SIB assistance to pay for part of a large project costs, a federal agency can complete construction earlier and be less impacted by future escalation costs. • There are benefits to shifting the time of payment out into the future and accelerating the expenditure without additional inflation. • Can permanently increase a state's financing capacity since by definition, a SIB is a revolving loan fund and recycles funds. A SIB can borrow against its capitalization funds by issuing bonds, directly multiplying funds immediately available to assist projects.
Considerations
• SIB financing is not really a new source of funding; the project owners or sponsors must have a source of funds to repay the loans. • Risk of default—will diminish fund. • SIB programs are generally managed to provide credit assistance to as many different types of projects as possible. • SIBs generally develop an array of loan terms and features to ensure that their credit products are attractive. Interest rates are set at or below market.
Additional Information
In 1998, the Arizona Legislature established a SIB called Highway Expansion and Extension Loan Program (HELP) as a comprehensive loan and financial assistance program for eligible highway projects in Arizona. The minimum loan amount is \$250,000, and loans must be repaid typically within 5 years. HELP does not provide grants.³⁵ Greater Arizona Develop Authority (GADA) is another example of a SIB in Arizona. This SIB focused on connecting rural and tribal communities to affordable financing options for critical infrastructure projects. Between 1997 and 2014, GADA supported 84 projects statewide by issuing over \$574 million in bonds, leveraging up and cycling out its original \$20 million allocation. Borrowers would use GADA's lower interest rate for lower borrowing costs and reduced closing costs fees.³⁶ In August 2024, Governor Hobbs announced the reactivation of GADA with a new round of financial assistance, which

³⁴ USDOT. State Infrastructure Banks. Center for Innovative Finance Support.

https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_credit_assistance/sibs/.

³⁵ ADOT. Highway Expansion and Extension Loan Program. <https://azdot.gov/about/financial-management-services/transportation-funding/highway-expansion-and-extension-loan>.

³⁶ Arizona Finance Authority. Connecting Rural and Tribal Communities to Affordable Financing for Critical Infrastructure Projects. Greater Arizona Development Authority. <https://oeo.az.gov/afa/greater-arizona-development-authority>.

opened August 1, 2024.³⁷ GADA supports infrastructure needs and broadly defines infrastructure. It does not specifically state capital needs for transit, but it does fund road widening, roadway improvements, and facility and building construction. The infrastructure must be owned and maintained by the applicant, and third-party agreements are allowed.

Legal Framework

- [Title 23 U.S. Code §610](#) defines SIBs into law and defines parameters for highways, transit, rail, rural projects, and capital grants.
- A.R.S [§41-2251](#) and [§41-2261](#) established GADA, which defines infrastructure, loan, and repayment terms.

Barriers

- There are no existing legal barriers; however, there are requirements in the code for fund balances and repayments.
- To create a new SIB, state legislation is needed to define terms and parameters of the SIB.

Proposed Changes

- No proposed changes to transit infrastructure and facilities in the public right-of-way could be funded by GADA.
- A new SIB could be implemented to support large multimodal infrastructure projects if there is enough demand in the state to start a SIB.

Revenue

GADA provides low-interest infrastructure financing to public entities, with a bonding capacity between \$120 million and \$140 million. However, borrowers classified as Category I may be eligible to borrow amounts beyond the typical cap, subject to credit evaluation. Category I eligibility is based on a credit rating issued by Moody's Investors Service, a major global credit rating agency that assesses the creditworthiness of public and private institutions. To qualify as Category I, borrowers must have a Moody's rating of A3 or higher, indicating low credit risk and strong capacity to repay debt.³⁸

While Moody's has not issued public ratings for the City of Flagstaff or Coconino County, it has assigned an Aaa rating (the highest possible) to the Coconino County Unified School District as of 2021.³⁸ Additionally, the City of Flagstaff currently holds an AA+ rating from Fitch Ratings, another respected credit rating agency, which similarly indicates very strong creditworthiness.³⁹

Although GADA—or a potential new SIB—could provide access to substantial upfront financing, it is important to recognize that these funds are provided as loans. Therefore, any financing received would need to be repaid over time, with a loan term not to exceed 30 years,⁴⁰ typically with interest, and would require a reliable revenue source to support repayment. The borrowing entity is obligating future revenues, thereby decreasing its financial capacity.

³⁷ Arizona Office of the Governor. Arizona Reactivates Greater Arizona Development Authority, Unlocking Millions in Infrastructure Financing for Rural and Tribal Communities. Office of the Governor Katie Hobbs. <https://azgovernor.gov/office-arizona-governor/news/2024/08/arizona-reactivates-greater-arizona-development-authority>.

³⁸ Moody's. (2021). Coconino County U.S.D. 1 (Flagstaff), AZ -- Moody's assigns Aaa to Coconino County USD 1 (Flagstaff), AZ's 2021 GO bonds. Yahoo Finance. <https://finance.yahoo.com/news/coconino-county-u-d-1-213706901.html?guccounter=1/>.

³⁹ Fitch Ratings. (2024). Fitch Upgrades Flagstaff, Arizona's IDR to 'AA+', COPs to 'AA' on Criteria Change; Outlook Stable. <https://www.fitchratings.com/research/us-public-finance/fitch-upgrades-flagstaff-arizona-idr-to-aa-cops-to-aa-on-criteria-change-outlook-stable-28-05-2024>.

⁴⁰ National Association of Home Builders. (2007). Infrastructure Solutions: Best Practices from Results-Oriented States. <https://www.nahb.org/-/media/NAHB/advocacy/docs/industry-issues/land-use-101/infrastructure/infrastructure-solutions-best-practices.pdf?rev=122926926cba4ffeb0aed8d99ae2bd36>.

Impacts on Equity and Affordability
The equity and affordability implications of borrowing from GADA or a new SIB would depend entirely on how the loan is repaid. If repayment comes from general city tax revenues, there could be a broad impact across city services. If repaid through targeted user fees (e.g., farebox recovery, special assessments), the burden may fall more heavily on specific populations. To ensure equitable outcomes, it would be essential to identify repayment sources that do not disproportionately burden low-income households and to align debt-financed investments with projects that provide broad public benefit, especially for underserved communities.
Public Acceptance
Public acceptance of SIBs in Arizona have been positive, especially among local governments. They do not require any additional taxes or fees. GADA has helped construct various infrastructure projects around the state. HELP loans have also been positive for enabling faster project delivery and lower borrowing costs.

State Match Advantage for Rural Transportation Fund

About

The AZ SMART Fund was established by the Arizona Legislature in 2022 to assist government entities in providing local match for federal discretionary surface transportation grants. The fund is administered by ADOT, and all awards must be approved by the State Transportation Board (STB). Projects eligible for AZ SMART are surface transportation projects that have been awarded or will be submitted for a federal discretionary grant. Surface transportation projects include road, bridge, transit, rail, related facilities such as bicycle and pedestrian paths, and surface transportation elements of multimodal projects.⁴¹

The funds are allocated by [A.R.S §28-339](#) to population-based funding categories.

Table 8: AZ SMART Fund Allocation

Population	Percent of funds allocated
Counties with more than 100,000 people	20% for projects
Counties with fewer than 100,000 people	20% for projects
Cities and towns with more than 10,000 people	20% for projects
Cities and towns with less than 10,000 people	20% for projects
ADOT	20%

Eligible applicants include counties in Arizona, incorporated cities and towns, regional transit authorities, MPOs, Tribes, ADOT, other political subdivisions of the state, COGs, and private nonprofits. However, ADOT may not use its share for projects located in an urbanized area of a county with a population of more than 1 million people.

The AZ SMART Fund can be used as local match for transit capital projects with federal discretionary funds, but not federal pass-through funds, including 5307, 5339, 5310 and 5311 money provided to Arizona that ADOT distributes through its own competitive programs.

Benefits

- Existing local match source for federal discretionary grants.
- The application process is open on a rolling basis, so agencies can apply throughout the year.

Considerations

- There is a competitive application and approval process by the STB, so local match funds are not guaranteed.
- Cannot be used for ADOT competitive applications, such Transportation Alternatives, Section 5311 or 5310.

Additional Information

The AZ SMART Fund received an initial Legislative Appropriation of \$50 million in state FY 2023 and an additional \$12.5 million in FY 2024. These funds are invested by the state treasurer and earn interest to help sustain the fund. Significant amendments were made to the program in 2024, which broadened the applicant pool and the authority of ADOT and the STB.

Legal Framework

- [A.R.S §28-339](#) defines the AZ SMART Fund and allocation of money. Section Q1 describes a “federal grant” as a grant program administered by any federal agency.

⁴¹ ADOT. AZ Smart Fund. <https://azdot.gov/planning/grant-coordination/az-smart-fund>

Barriers
- The AZ SMART Fund can only be used to match discretionary federal grants, not discretionary grants from the state. This restriction hinders rural transit providers from using this funding since they are not a direct recipient of Federal Transit Administration (FTA) funds and therefore cannot apply for discretionary funds from the FTA. For example, Section 5311 (rural transit), Section 5310 (coordinated mobility), and ADOT’s competitive Section 5339 (bus and bus facilities) programs are not eligible to use the AZ SMART Fund for match. - Requires the state to recapitalize the fund with an appropriation when the fund has a low balance.
Proposed Changes
- Modify A.R.S §28-339 language in Section 2 and Q.1 defining the discretionary grant program. Add language for state discretionary funds as well. <i>2. To provide match or reimbursement of a match for a federal grant.</i> <i>Q. For the purposes of this section:</i> <i>1. "Federal grant" means a federal discretionary grant program administered by any federal agency for surface transportation purposes.</i>
Revenue
It is recommended that the AZ SMART Fund be made eligible as a local match for state discretionary transit grant programs, which are federal pass-through funds. This availability will expand funding flexibility for all Section 5311 rural transit providers and transit programs receiving ADOT-administered pass-through grants, such as Section 5307/5339 competitive funds. In FY 2024, Mountain Line reported a budget in which approximately 48 percent—or 8 million⁴²—came from discretionary federal grant funding. If AZ SMART funds were allowed to match both federal and state-level discretionary awards, and Mountain Line successfully applied, a local match opportunity might approach \$0.75 to \$1 million annually, depending on project size and grant structure.
Impacts on Equity and Affordability
As this would be a reallocation of AZ SMART funds, there would be no additional tax burden on individuals or households. Allowing SMART funds to serve as local match would also help smaller and rural transit providers—who may lack access to large local revenue sources—to compete for and benefit from state and federal discretionary grants, improving funding equity across the state.
Public Acceptance
The AZ SMART Fund has good public acceptance since it is not an additional tax or fee put on the public or a specific group. Overall, it has been generally positive among local governments and planning organizations, especially in rural areas since there is a dedicated pot of funding for counties and cities/towns with lower populations.

⁴² Mountain Line. (2024). Fiscal Year 2024 Annual Report: July 2023 – June 2024. City of Flagstaff. <https://mountainline.az.gov/wp-content/uploads/2025/02/NAIPTA-Annual-Report-2024.pdf>.

Pros & Cons Matrix

Table 9 represents five categories for easy comparison of each funding mechanism. These categories include identifying who the responsible party is for paying the identified funding mechanism, revenue generation, feasibility, resiliency, and public acceptance.

There are scores associated for each category to help prioritize the funding mechanisms for future implementation. There is a higher weight for revenue generation and feasibility to show the scale of potential revenue generation from these sources and the impact of any legal barriers or challenges. Having higher weights on revenue generation and feasibility can help with future decision-making to understand which funding mechanisms will have the greatest impact in providing new local match sources and which ones are more feasible compared to others.

- All categories are rated on a scale of:
 - High (5 points),
 - Medium (3 points)
 - Low (1 point)
- Revenue generation has a scale of low: \$0 – \$199,999, medium: \$200,000 – \$400,000 , and high: \$400,000+.
- For feasibility, if there were multiple legal barriers associated with this funding mechanism, it received a lower score.
- Resiliency is qualitative and is based on its capacity to withstand disruptions or challenges during financial downturn, such as a recession. Funding mechanisms that scored low to medium relied on new development, growth, or tourism.
- Public acceptance is a qualitative evaluation, includes the impact on equity and affordability, and is based on the public acceptance category on each funding mechanism factsheet.

The total scores have three different colors associated to help visually compare the funding mechanisms:

- Green: 60+ points
- Blue: 40 – 59 points
- Yellow: below 40 points

Funding mechanisms that are highlighted green have the highest number of points, so they may have high to medium revenue generation, high to medium feasibility, high to medium resiliency, and high to medium public acceptance. Funding mechanisms that are highlighted blue are scored in the middle. Funding mechanisms that are highlighted in yellow have medium to low revenue generation and medium to low feasibility. The evaluation is further described in the following section.

Table 9: Pros & Cons Matrix

	Responsible Party for Payment	Revenue Generation	Feasibility	Resiliency	Public Acceptance	Total
<i>Weight</i>		5	5	3	3	
Local Transportation Assistance Fund II	People buying lottery tickets	Medium	Medium	Medium	High	54
Development Impact Fee	Developer or property owner	High	Medium	Low	Medium	52
Transportation Utility Fee	Populations impacted by the fee	High	High	High	Medium	74
Tax Increment Financing/ Transportation Reinvestment Zone	Populations in the specific area in the form of sales tax or property tax revenues	Medium	Low	Low	Medium	32
Highway User Revenue Fund	General public, in the form of taxes and fees related to the operation of the vehicle	Low	Medium	High	Low	53
Vehicle Registration Fee	General public, in the form of taxes and fees related to the operation of the vehicle	Low	Low	High	Medium	34
Rental Vehicle Surcharge	Person renting the vehicle	High	Low	Medium	Medium	48
Short-Term Rental Tax	Persons renting the short-term rental, in the form of sales tax	Medium	Medium	Medium	Medium	48
State Infrastructure Bank	Private financing	High, must be repaid	High	Medium	High	74
AZ SMART Fund	General public— Arizona general fund	High	Medium	Medium	High	64

Revenue Generation

Table 10 below summarizes the potential revenue generation and impacts on equity and the affordability of the funding mechanisms discussed in greater detail in their respective sections above. Each mechanism was assessed not only for its fiscal potential but also for how fairly it distributes costs across individuals and communities. Revenue generation is categorized as Low = \$0 – \$199,999, Medium = \$200,000 – \$400,000, and High = more than \$400,000.

Table 10: Revenue Generation Comparison

Funding Mechanism	Potential Revenue Generation	Impact on Equity and Affordability
Local Transportation Assistance Fund and AZ Lottery Revenue Redistribution II	Medium	Low
Development Impact Fee	High	Medium
Transportation Utility Fee	High	Low
Tax Increment Financing/Transportation Reinvestment Zone	Property tax revenue: Medium TIF district sales tax: High	Medium
Highway User Revenue Fund	Low	Low
Vehicle Registration Fee	Low	Low
Rental Vehicle Surcharge	High	Low
Short-Term Rental Tax	State: Medium City BBB: High	Low
State Infrastructure Bank	High, but must be repaid	Unknown
State Match Advantage for Rural Transportation Fund	High	Low

Mountain Line Budget Discussion

Based on **Table 9**, the funding mechanisms that scored “High” in revenue generation are the DIF, TUF, rental vehicle surcharge, SIB, and AZ SMART Fund. However, some of these mechanisms scored “medium to low” in the feasibility category, since there are several legal barriers for implementation.

DIFs can be used by Mountain Line to fund necessary public transit infrastructure in the city’s right-of-way. This funding mechanism cannot fund ongoing operations and maintenance, but the initial capital investment of bus stops, bus pullouts, bus-only lanes, and any signage within the City of Flagstaff’s right-of-way is allowed. Feasibility was scored “Medium” since there are few legal barriers to use DIFs for transit infrastructure; however, Mountain Line would need to coordinate closely with the City of Flagstaff to incorporate transit into the existing DIF program. The capital transit improvements need to be identified in the city’s IIP, which includes public facilities and public facility expenditures on the city’s Capital Improvement Plan (CIP), and a fee structure would need to be developed to determine the cost of development-related capital improvements and allocating those costs equitably to various types of development. There are no legal barriers in the state statute that prohibits the use of a DIF to fund necessary transit capital infrastructure. Revenue generation was estimated to be “High;” however, the revenue collected is based on the size of the development. Fees must be proportionate to the impact of the development and based on a service unit calculation (e.g., per dwelling unit or square foot).

TUFs can be used by Mountain Line to fund ongoing transit operations, capital, and maintenance. There are no Arizona state laws that explicitly authorize or prohibit TUFs at the municipal level. If Flagstaff wanted to implement a TUF, they could do so by creating an ordinance and seeking city council approval. The City of Phoenix has a TUF for roadway maintenance. Feasibility scored “High” since there are no

legal barriers at the state level, but creating a TUF would still require approval at the local level. Revenue generation is estimated to be “High” but would be based on the fee that was approved. The benefit of a TUF is that they are levied on all property occupants, not just property owners, so resiliency tends to be higher than other funding mechanisms that rely on sales tax revenue or fees based on tourism, like a rental vehicle surcharge.

Rental vehicle surcharge could be used by Mountain Line to fund transit operations and capital projects, but there are multiple challenges for this to be feasible. For example, the revenues of the state vehicle surcharge go to the HURF, which currently can only fund highway and street improvements. This stipulation is embedded in the Arizona State Constitution. Flagstaff could consider creating an additional tax for Coconino County, like Maricopa County and Pima County have; however, there have been ongoing lawsuits between rental car companies and the state regarding whether these funds can go to other funding sources or if the revenues should just go to roads.

A SIB can finance capital transit projects. Arizona has a SIB called GADA that focuses on providing affordable financing options for infrastructure projects in rural and tribal communities. However, a SIB is not an ongoing funding source but a loan program, so this type of financing can help with initial funding or funding gaps for large capital projects. Mountain Line or other cities and towns in Arizona can currently utilize the GADA program for infrastructure projects. The state can consider developing a new SIB specifically focused on large-scale multimodal projects if there are enough projects in the state to start a SIB. Therefore, this funding mechanism scored “High” feasibility, and a SIB can also finance millions of dollars, so it scores “High” in revenue generation as well.

The AZ SMART Fund can fund local match for transit capital projects with federal discretionary funds, but not with state discretionary funds. This omits several competitive grant programs administered by ADOT that benefit rural transit providers throughout the state. It is recommended that Mountain Line and the 5311 Rural Transit providers around the state advocate for AZ SMART funds to be allowed to match state discretionary funds. This match will open AZ SMART Fund opportunities for Section 5311 (rural transit funding), Section 5310 (coordinated mobility program), Transportation Alternatives, and pass-through competitive Section 5307/5339 funding. The revenue generation is estimated to be “High” but ultimately depends on the amount of AZ SMART funds that are applied for by the agency and awarded by ADOT.

Implementation Toolkit

This section presents the implementation steps for the ten proposed funding mechanisms. Each plan begins with a summary of stakeholder and agency coordination, highlighting the importance of early, inclusive engagement; a clearly defined legal pathway guides the implementation process, tailored to the specific requirements of each mechanism. Where applicable, this section also incorporates strategies for public transparency, community education, and the establishment of governance and oversight structures.

Local Transportation Assistance Fund II

This section provides a guide for how to reinstate LTAF II using state lottery revenues. In order to reinstate LTAF II, it is recommended to amend [A.R.S. §5-572\(G\)](#) to allocate a fixed amount of the state Lottery Fund's revenues (General Fund – Part 3) to LTAF II. This amendment would be made through the normal legislative process.

Stakeholder and Agency Coordination

1. *Project-Based Legislative Engagement*

- Coordinate with key organizations, including the Arizona Transit Association (AzTA), Rural Transportation Advocacy Council (RTAC), League of Arizona Cities and Towns (League), County Supervisors Association of Arizona (CSA), COGs and MPOs around the state, and transit agencies in Arizona.
- Develop a unified message emphasizing that reinstating LTAF II is not a zero-sum game—it leverages local dollars to attract federal and private investment, multiplying community benefits with the economic benefits of improved transit, equity in rural and urban transit access, and environmental and congestion mitigation impacts.
- Engage the Arizona Lottery Commission with the goal of securing their letter of support and public statement of neutrality to reduce opposition during legislative hearings.
- Highlight a flagship transit project in Flagstaff (e.g., route expansion, electric fleet expansion), including its cost-benefit analysis, visual renderings, and economic impact summaries, as a tangible example of regional investment that justifies LTAF II reinstatement.

2. *Public Engagement Advocacy*

- Launch a public education campaign highlighting the importance of transit for economic mobility, sustainability, and equity, as well as specific local needs (e.g., Flagstaff's growing population, tourism demands, and climate goals).
- Use storytelling, infographics, and testimonials to humanize the impact of transit investment.

Legislative Amendment Strategy

1. *Draft the Proposed Amendment:*

- Coordinate with a legislative attorney or the Arizona Legislative Council to draft amendment language mirroring the 2005 statute ([A.R.S. §5-572](#)) that capped LTAF II funding at \$18 million and specifies that this allocation does not reduce existing beneficiaries' shares, minimizing opposition.
- Submit the draft to the Arizona Legislative Council for legal and fiscal review.

- Prepare a policy brief outlining the historical role and impact of LTAF II, the need for dedicated transit funding, and how the amendment aligns with state transportation, equity, and climate goals.

2. *Bill Introduction*

- Secure bipartisan sponsors in both the House and Senate, ideally from transportation, rural, and municipal affairs committees.
- Submit the bill for formal introduction during the legislative session.
- Obtain letters of support from stakeholders and agencies.
- Develop a communications toolkit, such as factsheets and infographics, to support legislative outreach and media engagement.

3. *Approval Process*

- Be prepared for committee hearings and minor amendments.
- Work with sponsors to ensure the bill is scheduled for floor debate and vote in both chambers.
- Once passed in both chambers, ensure the bill is enrolled and sent to the governor.
- Coordinate advocacy efforts to encourage the governor's support and signature.
- Begin the preparation of administrative implementation of the fund once the bill becomes law.

Monitoring and Reporting

- Develop a performance dashboard to track outcomes (e.g., ridership, emissions reduction, job creation).
- Require annual reporting from recipients to maintain legislative and public trust.

Development Impact Fee

This section provides a guidance on expanding DIFs for new transit capital infrastructure through legislative amendment for [A.R.S. §9-463.05](#) and updates on Flagstaff [Ordinance No. 2008-28](#).

Stakeholder and Agency Coordination

- Collaborate with AzTA, RTAC, the League, and CSA to advocate expanding the definition of “necessary public services” and the use of DIF in [A.R.S. §9-463.05](#) (see details under the Legal Framework subsection of the **Development Impact Fee** section).
- Identify key stakeholders and appoint an infrastructure improvements advisory committee as required by [A.R.S. §9-463.05\(D\)](#) that ensures transparency and stakeholder input.
- Develop educational materials to explain how transit DIFs can promote sustainable urban growth. At least 50 percent of the members must be representatives of the real estate development or building industries. At least one member must be from the home-building industry. Members must not be employees or officials of the municipality.
- Host workshops and public forums with developers, city planners, and residents to build consensus and gather input.
- Work with neighboring jurisdictions (e.g., Sedona, Prescott Valley) to align DIF structures and avoid creating competitive disadvantages for development.

Legislative Amendment Strategy

1. *Draft the proposed Amendment for A.R.S §9-463.05*

- Coordinate with a legislative attorney or the Arizona Legislative Council to draft amendment language for [A.R.S. §9-463.05](#) that expands the definition of “necessary public services” and allow DIFs to fund transit operations and maintenance.
- Identify a legislative sponsor in the Arizona State Legislature.
- Prepare the IIP and Development Fee Study as required by [A.R.S. §9-463.05](#) (A) and (B). The IIP must include projections of future development, estimates of necessary public services, and capital costs for infrastructure improvements. The Development Fee Study must calculate the proportional impact of new development and justify the fee amounts based on service units and level of service standards. The IIP and Development Fee Study must be reviewed by the advisory committee.
- Submit the drafted amendment as a bill during the legislative session.
- Participate in committee hearings (e.g., Government, Transportation) to provide testimony and supporting data.
- Engage stakeholders and the public to advocate for the bill’s passage.
- Track the bill through House and Senate votes.
- If passed, the bill is sent to the governor for signature and becomes law.

2. *Update Flagstaff Ordinance No. 2008-28*

- Contract with a consultant to develop a new and comprehensive transit DIF framework that expands existing DIF categories to include transit capital infrastructure. Conduct a financial study to define the proportionate share for transit improvements and DIF fee structure.
- Update Flagstaff’s LUA and IIP to include a new fee structure and capital transit projects using data-driven cost allocation and proportional benefit analysis.
- Coordinate with legal to ensure that the updated ordinance, IIP, and Development Fee Study meet the legal and procedural requirements of [A.R.S. §9-463.05](#) and [Ordinance No. 2008-28](#).
- Public hearings must be held at Flagstaff City Council meetings before any ordinance or fee schedule changes are adopted.
- Provide at least 60 days’ public notice of the proposed changes; make the draft LUA, IIP, and fee structure available for public review⁴³.
- Conduct a formal public hearing during a scheduled city council meeting.
- Allow public comment and stakeholder input, especially developers’ input on fee structure.
- The city council votes on the adoption of the amended ordinance and fee structure within 60 days of the hearing, as required by [A.R.S. §9-463.05](#) and Flagstaff City Code.⁴⁴
- Establish a review cycle (every 5 years per [A.R.S. §9-463.05](#)) to update the LUA, IIP, and fee schedules based on infrastructure cost changes, development trends, and transit system performance and ridership data

⁴³ Office of Innovative Program Delivery. *Development Impact Fee, Arizona*. FHWA.

https://www.fhwa.dot.gov/ipd/pdfs/value_capture/strategies_in_practice/az_development_impact_fee.pdf.

⁴⁴ City of Flagstaff. (2020). *Division3-11 –1 in General*. <https://www.codepublishing.com/AZ/Flagstaff/html/Flagstaff03/Flagstaff0311001.html>.

Transportation Utility Fee

This section provides guidance on establishing a TUF for Flagstaff for transit operations, similar to Phoenix's [Ordinance 13.28.020](#).

Stakeholder and Agency Coordination

1. *Internal City Coordination*

- Engage departments including Public Works and Community Development to ensure cross-functional alignment.
- Form a TUF Implementation Task Force to oversee ordinance drafting, technical analysis, and outreach.

2. *Regional and Statewide Partners*

- Coordinate with AzTA, RTAC, the League, and CSA for technical guidance and policy alignment.
- Conduct interviews with peer cities, including Phoenix, to learn from their TUF implementation experiences.
- Meet with local business associations, neighborhood groups, and nonprofits to explain the purpose and benefits of a TUF.
- Solicit feedback from equity-focused organizations to ensure the fee structure includes fair exemptions and discounts.

3. *Utility and Billing Partners*

- Similar to the City of Phoenix's practice, coordinate with Flagstaff Water Services or other utility billing entities to explore integration of TUF into existing billing systems, such as coordination on infrastructure projects, establishment of data-sharing protocols and technical integration plans, including TUF as a line item in monthly utility bills.

Legislative Amendment Strategy

1. *Draft the Local Ordinance under Home Rule Authority*

- Determine the fee structure by working with a transportation finance consultant to conduct a trip generation and cost allocation study, determine daily trip-ends by land use type, and develop a monthly fee formula (In the case of the City of Phoenix, monthly fee = number of units × chargeable daily trip-ends × \$0.15). This process should involve public engagement to allow community input.
- Work with a legislative attorney to draft the ordinance based on Phoenix's [Ordinance 13.28.020](#), including:
 - Defining the TUF as a dedicated funding mechanism for transportation-related services.
 - Finalizing the fee structure.
 - Integrating with utility billing systems or property tax rolls.
 - Including provisions for low-income households, non-driving residents, and nonprofits.
 - Specifying allowable uses such as transit operations, street maintenance, bike lanes, and pedestrian improvements.

2. Bill Introduction

- Present the draft ordinance and fee study to the Flagstaff City Council during a scheduled work session.
- Hold at least one public hearing at a city council meeting, with a 15-day public notice.
- Incorporate public feedback and revise the ordinance as needed.

3. Approval Process

- City of Flagstaff Council votes to adopt the ordinance.

Monitoring and Reporting

- Establish a TUF oversight committee or integrate into an existing transportation advisory board.
- Publish annual reports on revenue, expenditures, and outcomes.
- Review and adjust the fee structure periodically based on inflation, growth, and service needs.

Tax Increment Financing/ Transportation Reinvestment Zone

This section provides a guide for establishing a TIF/TRZ District in Flagstaff. This involves an ordinance or resolution enabling process, which requires public hearing and voter approval.

Stakeholder and Agency Coordination

1. Internal City Coordination

- Engage the Flagstaff's City Attorney's Office, Finance Department, Community Development, and City Manager's Office to align on legal, financial, and planning implications.
- Form a District Planning Committee to guide the process from feasibility through to implementation.
- Identify an area in Flagstaff that will experience new growth, such as underdeveloped areas that will experience a lot of growth due to a new development.

2. Regional and State Partners

- Consult with the Arizona Department of Revenue (ADOR) to understand requirements for capturing state-shared sales tax revenues, as well as auditing and reporting.
- Engage with Tucson's Rio Nuevo District leadership to learn from their governance, financing, and reporting models.
- Build support through the regional economic development groups, such as the Economic Collaborative of Northern Arizona.

3. Public Engagement Advocacy

- Conduct early outreach to downtown businesses, property owners, nonprofits, and economic development groups.
- Launch a public education campaign explaining what a TIF/special district is and how it works; how it will benefit Flagstaff (e.g., transit, housing, employment); and safeguards to prevent misuse. This process is recommended to use visuals, town halls, and social media to engage residents.
- Incorporate feedback into the district's design and development agreement framework.

Legislative Amendment Strategy

1. *Draft Enabling Ordinance or Resolution*

- Work with the City Attorney's Office to draft a resolution of intent that identifies the TIF/multifunctional facilities district's geographic boundaries, eligible projects, financing mechanisms, and public benefit findings. In addition, this resolution should focus on planning, visioning, and public support to justify the district based on future growth and infrastructure needs rather than current deterioration (mirroring Tucson's practice).
- The resolution must comply with statutory requirements for notice, findings, and public purpose justification.

2. *Public Hearings and Voter Approval*

- Although TIF/TRZ districts in Arizona only require voter approval in the proposed district by [A.R.S. §48-4237](#) (A), in Tucson's example, the city chose to pursue a general public voter authorization to ensure public backing and legitimacy for the long-term financial commitment. In addition, Flagstaff elects its mayor and council members at-large, meaning there are no wards or districts. So, when voter approval is required, it would likely be citywide. Therefore, the City of Flagstaff should:
 - Draft ballot language clearly stating the purpose, scope, and financial implications of the district.
 - Conduct a public information campaign to educate voters, focusing on economic revitalization and public infrastructure.
 - Determine if the vote will be district specific or citywide. Conduct the general election either district specific or citywide.

Governance and Financing

- Appoint a board of directors for the district, as defined in [A.R.S. §48-4201](#). The board may issue revenue bonds, enter into public-private partnerships, and approve CIPs and redevelopment agreements
- To ensure board representation and transparency, the members should include city council members, business and economic development groups, community and equity stakeholders, finance and legal expertise, and representatives of local residents and business owners.
- Revenues may be used for transit and mobility infrastructure, cultural and civic facilities, and public safety and tourism-related improvements.

Monitoring and Reporting

- Establish a district management plan including annual budgets, performance metrics, and public reporting requirements.
- Start with high-visibility, high-impact projects (e.g., transit hubs, affordable housing, streetscape improvements).
- Leverage TIF funds to attract federal grants and private investment.
- Conduct periodic evaluations of economic and community impacts.
- Publish annual financial reports and project updates using dashboards and open data tools.
- Adjust district boundaries, project priorities, or governance as needed.

Highway User Revenue Fund

This section provides a guide to expanding transit funding through HURF reform. As it proposes Arizona constitutional amendment to Arizona State Constitution [Article 9, Section 14](#), ballot referral, public notice, and voter approval is through an election with simple majority (50% + 1) of voters.

Stakeholder and Agency Coordination

1. *Regional and State Partners*

- Partner with AzTA, RTAC, the League, CSA, and regional transportation agencies to support and advocate for the constitutional amendment.
- Engage urban and rural municipalities, regional transportation planning agencies, and tribal governments to ensure broad geographic representation.
- Collaborate with environmental and equity advocates, chambers of commerce and tourism boards, as well as transit agencies.
- Work with a legislative attorney or the Arizona Legislative Council to ensure constitutional and statutory compliance.
- Identify and secure legislative sponsors to introduce a House Concurrent Resolution (HCR).

Legislative Amendment Strategy

1. *Draft the Proposed Amendment:*

- Work with legislative attorney or Arizona Legislative Council to amend Article 9, Section 14 of the Arizona Constitution to allow revenues from vehicle-related fees and taxes to also fund transit capital and operations. Make clear definitions of eligible transit uses and preserve existing highway funding commitments.

2. *Initiate the Ballot Referral Process*

- Submit the amendment as an HCR to the Arizona Legislature.
- Secure majority approval in both chambers to place the amendment on the statewide ballot.
- Coordinate with legislative champions to sponsor and advocate for the resolution.

3. *Voter Approval and Public Education*

- Launch a statewide public education campaign to inform voters about the benefits of multimodal transportation funding and how the amendment supports local economies and sustainability.
- Prepare for the general election ballot, following Arizona's constitutional amendment procedures. To be adopted, the amendment must be approved by a simple majority (50% + 1) cast by the general public in that election.

In addition, consider establishing a State-Level Transportation Trust Fund

- Once the constitutional language has been changed, consider establishing an Arizona Transportation Trust Fund to define how HURF revenues are distributed to transit.
- Develop legislation to create a Mass Transit Account and define allocation amounts, timeline, and define eligible uses (e.g., vehicle purchases, transit centers, operations) in the Arizona statutes.

- Reference Colorado's Transportation Trust Fund, which includes a mass transit fund as a precedent.

Monitoring and Reporting

- Require annual reporting on fund allocations and outcomes.
- Establish a citizen oversight committee for the Mass Transit Account.

Vehicle Registration Fee

This section provides a guide to leveraging vehicle registration fees for transit in Flagstaff. In addition to constitutional reform, this mechanism also involves statutory amendment that requires bill introduction and the approval of the House and Senate.

Stakeholder and Agency Coordination

- Collaborate with the ADEQ to align air quality monitoring and mitigation programs with local transit planning.
- Partner with Coconino County and local transit agencies to identify transit projects that reduce emissions.
- Engage public health groups, environmental advocates, and clean air coalitions to support the legislative and constitutional changes by emphasizing the public health benefits of transit investments (e.g., electric buses, reduced vehicle miles traveled).

Legislative Amendment Strategy

1. *Complete the Constitution Reform*

- This is the same as the **Highway User Revenue Fund** section's legislative amendment strategy.

2. *Draft the Proposed Statutory Amendment*

- Work with legislative attorney or Arizona Legislative Council to amend [A.R.S §49-551](#) to lower the population threshold from 400,000 to 100,000, or remove it entirely, allowing Coconino County to access funds.
- Position the amendment as a tool to support emissions reduction through transit investments (e.g., electric buses).
- Highlight alignment with state air quality goals and federal clean air standards.

3. *Bill Introduction*

- The bill is introduced during the legislative session and assigned a bill number.
- The bill is assigned to one or more standing committees (e.g., Natural Resources, Transportation) in the Arizona House of Representatives and the Arizona Senate.

4. *Approval Process*

- The bill must pass by a simple majority vote in both the House and Senate.
- Amendments may be proposed and debated during this process.
- Once passed by both chambers, the bill is sent to the governor for approval.
- If signed, the amendment becomes law and is codified in the A.R.S.

Rental Vehicle Surcharge

This section provides a guide on enabling Coconino County to adopt a local rental vehicle surcharge or similar tax to fund transit operations and capital projects as is currently utilized in Maricopa and Pima counties. In addition to the constitution reform, this mechanism involves an enabling legislation process and a county-level voter approval process.

Stakeholder and Agency Coordination

1. *Internal City Coordination*

- Collaborate with the Coconino County Board of Supervisors, City of Flagstaff, and local transit agencies to align goals, revenue needs, and project priorities.
- Form a Transit Funding Working Group to coordinate legislative strategy, public engagement, and implementation planning.

2. *Regional and Statewide Partners*

- If a separate tax in Coconino County will be pursued, work with state legislators representing northern Arizona to sponsor enabling legislation.
- Engage the ADOR and ADOT to ensure administrative feasibility and compliance.
- Partner with the Flagstaff Convention and Visitors Bureau, local rental car agencies, and chambers of commerce to build support and address concerns.
- Emphasize the surcharge's minimal impact on residents and its role in improving visitor mobility and reducing congestion.
- Coordinate with environmental groups, equity advocates, and economic development organizations to support the public campaign.

Legislative Amendment Strategy

1. *Complete the Constitution Reform*

- This is the same as the **Highway User Revenue Fund** section's described amendment.

2. *Alternatively, Develop a Separate County-Wide Rental Car Tax*

- Work with legislative attorneys and Coconino County officials to draft ballot language to bring a Coconino County-wide rental car surcharge through the general election process.
- Present the proposed proposition at a Coconino County Board of Supervisors public meeting.
- Conduct a public hearing to gather public input.
- Conduct a Board of Supervisors vote to get the proposition on the ballot.

3. *Ballot Referral and Election Preparation*

- Draft ballot language in compliance with Arizona election law.
- Submit the measure to the Coconino County Elections Office for inclusion in the next general or special election.
- Prepare informational materials, including voter pamphlet language, fiscal impact statements, and explanatory statements

- Launch a nonpartisan public education campaign to inform voters about the purpose of the rental car surcharge, how the revenues will be used, and how it will benefit transit and the community.
- Host public forums, distribute flyers, and use digital outreach.

4. *Public Voter Approval*

- Hold the election during the general election cycle.
- If a majority of voters approve the measure, the proposition passes.

Short-Term Rental Tax

This section outlines how the City of Flagstaff can leverage the BBB tax to fund public transit initiatives. Since the BBB tax was originally approved by voters and is codified in city ordinance, any changes to its rate or allocation must also receive general public voter approval, in addition to any statutory amendments.

Option #1: BBB Tax Ordinance Update

1. *Internal City Coordination*

- Convene a working group with Flagstaff departments: Finance, Legal, Sustainability, Beautification and Public Art Commission, and Discover Flagstaff.
- Align the reform with the City's climate action and carbon neutrality goals.

2. *Draft the Proposed Ordinance Update*

- Work with city finance and legal staff to assess current BBB allocations and identify potential reallocation opportunities or the need for a tax rate increase.
- Amend the BBB tax ordinance to include transit or transportation as an eligible funding category or increase the BBB tax rate to fund the new category without reducing others.

3. *City Council Review and Approval*

- Present the amendment to the Flagstaff City Council in a public working session.
- Host a formal city council meeting to introduce the ordinance.
- Conduct a public hearing to gather public input.
- Vote on whether to refer the ordinance amendment to the ballot.

4. *Ballot Referral and Election Preparation*

- Draft ballot language in compliance with Arizona election law.
- Submit the measure to the Coconino County Elections Office for inclusion in the next general or special election.
- Prepare informational materials, including voter pamphlet language, fiscal impact statements, and explanatory statements
- Launch a nonpartisan public education campaign to inform voters about the purpose of the amendment, how BBB funds are currently used, and how the proposed change would benefit transit and the community.
- Host public forums, distribute flyers, and use digital outreach.

5. *Public Voter Approval*

- Hold the election during the general election cycle.
- If a majority of voters approve the measure, the ordinance is amended accordingly.

Option #2: MetroPlan can pursue a statutory amendment for A.R.S § 42-5029(D)(4)

1. *Regional and Statewide Partners*

- Coordinate with local transit agencies and the City of Flagstaff to define regional transit needs.
- Ensure proposed funding mechanisms align with regional transportation plans.
- Collaborate with AzTA, RTAC, the League, and CSA for policy support.

2. *Public Engagement Advocacy*

- Host listening sessions with tourism boards, short-term rental tax operators, and hospitality and lodging associations, as well as environmental and transit advocacy groups.

3. *Draft the Proposed Statutory Amendment*

- Work with a legislative attorney or the Arizona Legislative Council to draft an amendment for [A.R.S. §42-5029\(D\)\(4\)](#) that allows for a portion of state-collected short-term rental tax revenue to be redirected to local transit systems.
- Emphasize that short-term rentals increase visitor traffic and strain local infrastructure.
- Show how transit investment supports tourism, reduces congestion, and improves air quality.

4. *Bill Introduction*

- Identify and secure a legislative sponsor in the Arizona House or Senate.
- Prepare a fact sheet and talking points for the sponsor to use during committee hearings.
- Submit the bill during the legislative session.
- Monitor its assignment to relevant committees (e.g., Ways and Means, Transportation).
- The bill is reviewed, debated, and may be amended in committee.

5. *Approval Process*

- If passed by the committee, the bill goes to the full chamber (House or Senate) for a vote.
- If approved, it moves to the other chamber for the same process.
- If passed, support the governor's office with briefing materials to encourage signature.

State Infrastructure Bank

No legislative changes are currently proposed. Transit infrastructure is eligible for funding through GADA. Additionally, a SIB could be reactivated to support large-scale multimodal transportation projects, provided there is sufficient statewide demand to justify its creation.

Greater Arizona Develop Authority Application

- Convene early coordination meetings with City of Flagstaff departments (e.g., Public Works, Community Development, Sustainability), local transit agencies, and Coconino County to identify eligible projects aligned with regional transportation plans.
- Document stakeholder input and consensus in the project narrative.

- Prepare documents required by GADA application, including narrative, estimated project cost breakdown, funding source identification, and operational impact assessment, and determine if voter approval is required.
- Submit the application.

(If Applicable) State Infrastructure Bank Creation

If sufficient statewide demand can justify the creation of a new SIB, Arizona may create it under [23 U.S. Code § 610](#). As a municipality, the City of Flagstaff can participate in the following ways:

- Advocate for the creation by working with ADOT and state legislators to prioritize reactivating Arizona's SIB with eligibility for rural transit projects.
- Participate in governance design by collaborating with ADOT to ensure rural and municipal needs are reflected in the SIB's governance and project eligibility criteria.
- Apply for SIB loans.

Once created, the City of Flagstaff could apply as an eligible borrower for low-interest loans or credit assistance for transit capital projects.

State Match Advantage for Rural Transportation Fund

This implementation plan modifies [A.R.S §28-339](#) language in Section 2 and Q.1 defining the discretionary grant program to add language for state discretionary funds.

Stakeholder and Agency Coordination

- Discuss the existing challenges among COGs, MPOs, and ADOT during statewide planning sessions.
- Gain consensus among COGs, MPOs, ADOT, cities, and counties to include state discretionary funds as an eligible grant program.

Legislative Amendment Strategy

1. *Draft the Proposed Amendment*

- Coordinate with a legislative attorney or the Arizona Legislative Council to draft the bill language to modify [A.R.S §28-339](#), Section 2 and Q.1 to add language for state discretionary funds.
- Engage with legislative sponsors from transportation and municipal advocacy groups, such as AzTA and RTAC, to lobby for legislative support and technical assistance.

2. *Bill introduction*

- The bill is introduced during the legislative session and assigned a bill number.
- It is then referred to one or more committees (e.g., Transportation, Judiciary).
- The bill is reviewed, debated, and may be amended in committee.

3. *Approval process*

- If passed by committee, the bill goes to the full chamber (House or Senate) for a vote.
- If approved, it moves to the other chamber for the same process.
- If both chambers pass the bill, it is sent to the governor for signature.

Update Request for Grant Applications and Agreement

- Update the Request for Grant Applications and Agreement based on the statute updates to include state discretionary funds as eligible grant programs.
- Seek STB approval.

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Appendix

Rental Car Excise Taxes by State

Table A-1

Rank	State	Effective Car Rental Excise Tax Rate
1	Minnesota	14.2%
2	Maryland	11.5%
3 (tie)	Nevada	10.0%
3 (tie)	Texas	10.0%
3 (tie)	Arkansas	10.0%
3 (tie)	New Jersey	10.0%
3 (tie)	Maine	10.0%
3 (tie)	Alaska	10.0%
9 (tie)	New Mexico	9.0%
9 (tie)	Vermont	9.0%
9 (tie)	New Hampshire	9.0%
12 (tie)	North Carolina	8.0%
12 (tie)	Rhode Island	8.0%
14 (tie)	South Dakota	6.0%
14 (tie)	Oklahoma	6.0%
14 (tie)	Kentucky	6.0%
14 (tie)	Mississippi	6.0%
18 (tie)	Virginia	6.0%
18 (tie)	Michigan	6.0%
18 (tie)	Pennsylvania	6.0%
18 (tie)	New York	6.0%
18 (tie)	Hawaii	6.0%
23	Washington	5.9%
24 (tie)	Arizona	5.0%
24 (tie)	Iowa	5.0%

Rank	State	Effective Car Rental Excise Tax Rate
24 (tie)	Wisconsin	5.0%
24 (tie)	Illinois	5.0%
24 (tie)	South Carolina	5.0%
24 (tie)	Connecticut	5.0%
30 (tie)	Wyoming	4.0%
30 (tie)	Montana	4.0%
30 (tie)	Colorado	4.0%
30 (tie)	Missouri	4.0%
30 (tie)	Florida	4.0%
30 (tie)	Indiana	4.0%
36	Kansas	3.5%
37 (tie)	North Dakota	3.0%
37 (tie)	Tennessee	3.0%
39 (tie)	Utah	2.5%
39 (tie)	Louisiana	2.5%
41 (tie)	West Virginia	2.0%
41 (tie)	Massachusetts	2.0%
41 (tie)	Delaware	2.0%
44	Alabama	1.50%
45 (tie)	Oregon	0.0%
45 (tie)	California	0.0%
45 (tie)	Idaho	0.0%
45 (tie)	Nebraska	0.0%
45 (tie)	Georgia	0.0%
45 (tie)	Ohio	0.0%

Source: York, K. (2019, July 24). By the numbers: Arizona ranks 24th for rental car tax rates. The Center Square. https://www.thecentersquare.com/arizona/article_88b22f1c-ae30-11e9-8e9c-67057e77ac43.html



METROPLAN

GREATER † FLAGSTAFF

STAFF REPORT

REPORT DATE: September 25, 2025

MEETING DATE: October 8, 2025

TO: Honorable Chair and Members of the Executive Board

FROM: Kate Morley, Executive Director

SUBJECT: Consideration and Possible Action on Legislative Agenda

1. RECOMMENDATION:

The Board adopt the proposed legislative agenda.

2. RELATED STRATEGIC WORKPLAN ITEM:

Goal 1: Maximize Funding for Transportation Projects and Programs

Objective 1.3: Coordinate partners' legislative priorities related to transportation.

3. BACKGROUND:

The MetroPlan Executive Board routinely adopts a legislative agenda to identify strategic objectives aimed at improving transportation in the region. The Board often conveys positions of support for federal and state legislation that addresses funding, planning, policy, and safety initiatives. Activities include issuing letters, adopting resolutions, coordinating with similar organizations, and direct communication with legislative delegates and leadership.

Staff have solicited input from partners in the development of the proposed priorities below. This year's proposed agenda is significantly streamlined from FY2025, attached for reference. This is intentional so that clear focus and priorities can be pursued with limited resources and political leverage.

State Priorities:

- Continue to seek long-term funding solutions for insufficient state transportation revenues for all modes, specifically identifying total statewide needs and potential revenue options.
- Educate on the benefits of maintaining and fully funding the AZ SMART fund at \$35 million.
- Seek funding for two key regional projects, US180 and W. Route 66, through the Greater Arizona Funding Initiative (RTAC Bill) collectively and other avenues.



METROPLAN

GREATER † FLAGSTAFF

- Work with ADOT to prioritize US180 improvements in their 5-year construction program through the Planning to Programming (P2P) Process.
- Educate on the need for funding ADOT to ensure project delivery and local needs can be met.

Federal Priorities:

- Support reauthorization of and sustained funding levels in the Infrastructure Investment and Jobs Act (IIJA), including discretionary grant programs. See detailed reauthorization agenda attached.
- Support funding for regional project applications submitted for federal grants and congressionally directed spending.

4. TAC AND MANAGEMENT COMMITTEE DISCUSSION:

The TAC recommended the Board adopt the legislative agenda. The Management Committee did not discuss this item.

5. FISCAL IMPACT:

There is no direct fiscal impact from adopting a legislative agenda. However, a clear and coordinated legislative agenda can result in more funding to the region. MetroPlan has a contracted state lobbyist and budgeted from local funds in the amount of \$21,000 annually.

6. ALTERNATIVES:

- 1) **Recommended:** Adopt the proposed legislative agenda. Adopting a legislative agenda keeps the agency clear and focused on legislative goals.
- 2) **Not Recommended:** Do not adopt the proposed legislative agenda. The Board could provide additional direction and input for consideration.

7. ATTACHMENTS:

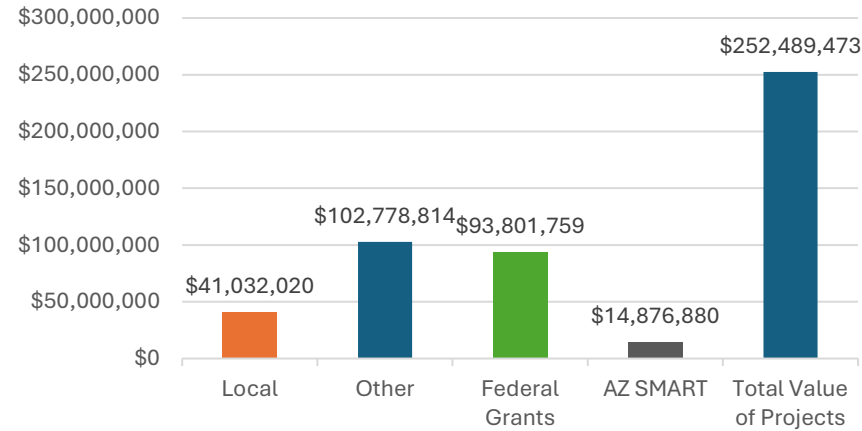
AZ SMART funding graphic

Federal Reauthorization prioritizes

FY2025 Legislative Agenda

AZ SMART Fund: State match assistance for federal transportation grants.

SMART Fund awards in greater Flagstaff
2023-2025



- On track to be **exhausted in FY2026**
- \$35 million** needed to continue to leverage federal funds
- Crucial to Rural AZ**, lacks match funds to compete for federal grants

The BIL and the AZ SMART fund have leveraged **\$252,489,473** in transportation projects for the Greater Flagstaff region that:

- ✓ **Strengthen our local economy**
- ✓ **Keep our communities safe**
- ✓ **Support our vital tourism industry**

Executive Board Meeting, October 3, 2025

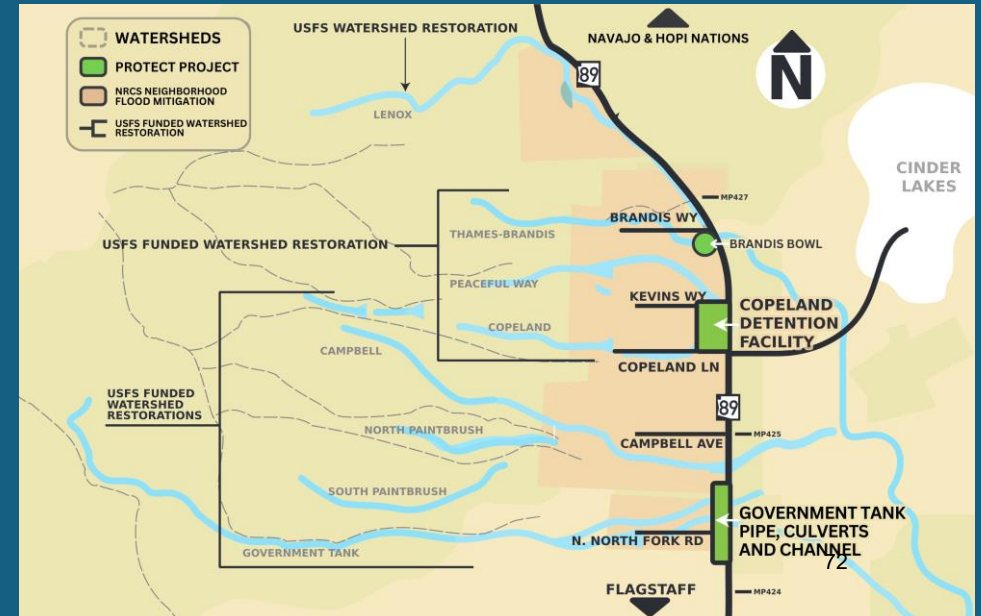
Downtown Mile Safety & Connectivity Improvement Infrastructure for Rebuilding America (INFRA)

- Burlington Northern Santa Fe (BNSF) Rail Alignment
- Florence-Walnut Pedestrian Underpass
- Milton Roadway Improvements
- Milton Bridge Reconstruction/Underpass
- Flagstaff Urban Trail System (FUTS) Underpass
- Burlington Northern Santa Fe (BNSF)/Rio de Flag Drainage Crossing
- Amtrak Platform Improvements*

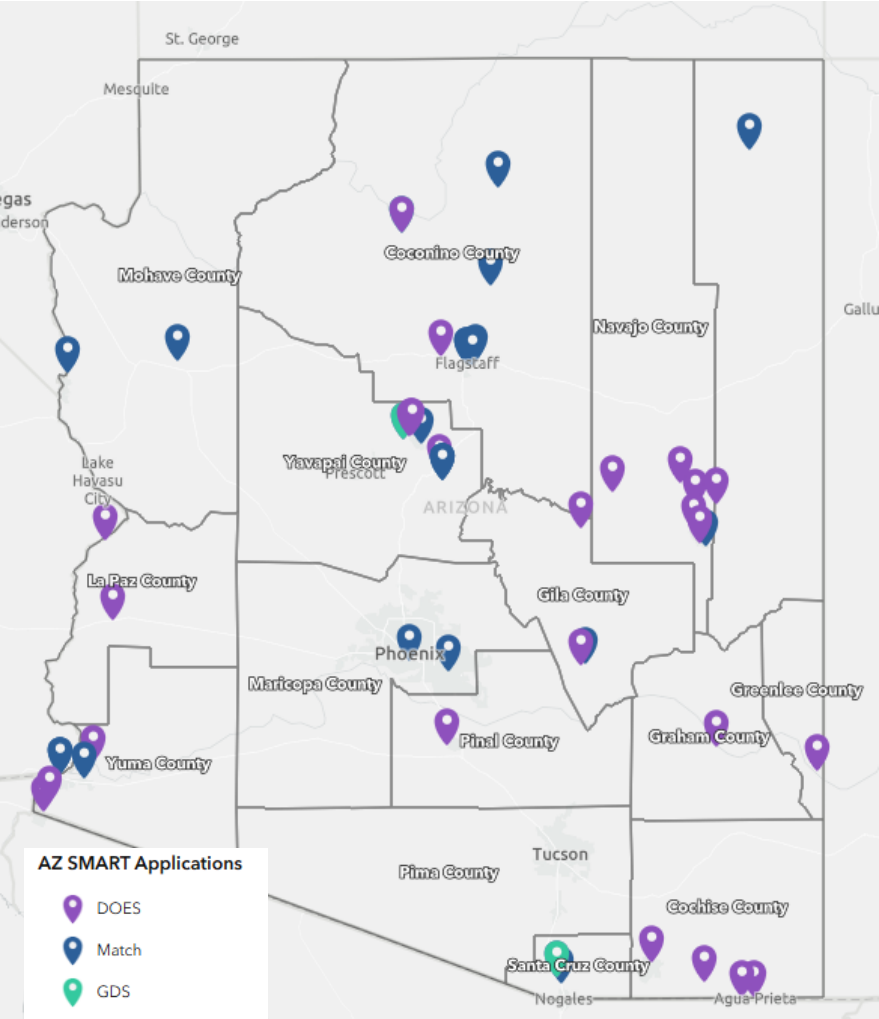


US89 Post Wildfire Flooding Resilience

Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation Program (PROTECT)



Statewide Awards



\$66,019,399 awarded to 54 projects
\$158,243,750 in federal funding received
\$348,222,564 federal pending award notice

Summary Option	# of AZ SMART Awards	AZ SMART \$ Awarded (2)	# of Federal Grant Applications ...	# of Federal Grant Awards...	Total Federal Grant \$ Award...
Apache	2	\$46,000	0	0	\$0
Cochise	4	\$4,608,500	0	0	\$0
Coconino	9	\$17,268,380	5	5	\$93,801,679
Gila	3	\$1,887,043	1	1	\$124,846
Graham	1	\$367,760	0	0	\$0
Greenlee	1	\$595,000	0	0	\$0
La Paz	2	\$3,608,264	0	0	\$0
Maricopa	2	\$437,407	2	1	\$25,000,000
Mohave	3	\$250,000	3	1	\$1,000,000
Navajo	7	\$5,031,200	3	1	\$261,000
Pima	0	\$0	0	0	\$0
Pinal	1	\$0	0	0	\$0
Santa Cruz	3	\$6,550,000	1	1	\$6,600,000
Statewide	4	\$684,667	3	2	\$2,330,000
Yavapai	7	\$2,764,954	2	1	\$250,000
Yuma	6	\$10,934,492	5	5	\$45,234,225

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City of Flagstaff

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Regional Priorities

Below are the region's top priorities for the bill.

Maintain Funding Levels and Flexibility for its Use

The Infrastructure Investment and Jobs Act has brought our region more than \$100 million in federal transportation funding, working to improve safety, reduce congestion, support working families, and economic development. The IJIA has been an amazing tool for our communities with a variety of programs to fit our needs and historic investment, maintaining existing federal funding levels, and ensuring adequate flexibility for its use are the region's top priorities.

Based on the most recent long-range transportation plan from the Arizona Department of Transportation, the revenue-to-needs gap on the state highway system through 2050 is \$111.6B, which averages out to roughly \$4.5B a year every year in under-investment. Other areas where ADOT has some stewardship responsibilities, such as public airports and transit, bring the unfunded needs total to \$162.3B. Comparable shortfalls also exist on local road networks, which comprise roughly 95% of Arizona's roadway lane miles. With the drastic level of unmet needs, we cannot afford to scale back any our federal funding.

A transportation system needs to be built to meet unique community needs, development, geography, etc. It's hard to say what works in one community should work in another. Continue to provide flexibility for funds to be used to meet local needs, and don't eliminate access to funding for any mode.

Ensure Equitable Distribution of Funding

The bulk of federal transportation funding is supposed to be distributed through statutory formula-based allocations to the states based on factors such as population. After 2009, rather than utilizing updated formula data, Congress started to allocate funding, including any increases, based on the proportion of funding that each state received the previous year. This has severely limited the increases of funding for high population growth states such as Arizona despite a surging demand for infrastructure. The Maricopa Association of Governments (MAG), estimates that Arizona lost out on an additional \$198M in federal transportation funding in 2023 due to the lack of appropriate formulaic updating.

Preserve Discretionary Grant Funding

To complement the certainty and impact of formula grant programs, Congress

should continue to provide discretionary funding opportunities that prioritize the needs of regions and local communities. Population-based formulas don't help rural areas build new roads or bridges because the formulas don't provide necessary funding levels. The IJA has had a great mix of formula and discretionary, and we would like to see the existing mix maintained. Additionally, it can take years to set up programs and write new rules. Every change made adds new administration and takes extra time to get projects delivered. We suggest you renew much of the IJA as is, so that funds can keep flowing smoothly.

Congress should also maximize the value of these programs by focusing on efficiencies and simplifying grant requirements that will expedite project delivery. The SS4A application is a great example of an application that can be done without the help of consultants or extensive hours. The region won a \$12M project writing the grant in-house.

Increase Small Transit Intensive Cities Set-aside from 3% to 4%

Increase the Small Transit Intensive Communities (STIC) set aside for cities with populations under 200,000 from 3 percent to 4 percent. The STIC program rewards transit systems that achieve high benchmarks set by medium-sized urban communities between 200,000 to 1 million. Increasing the set-aside does not require additional funding and ensures that authorized funding is distributed to high-performing transit systems that prioritize performance.

Support for Other Requests

Below are other requests being proposed that we support, but our not our main priorities.

Direct More Focus on Rural Safety

43% of roadway fatalities and a disproportionate level of serious accidents occur on rural roads despite being home to only 20% of the population. The importance of transportation safety and the pursuit of zero roadway fatalities cannot be overstated. Although the volume of serious accidents and fatalities remains disproportionately high in rural America, the safety funding directed toward rural communities remains disproportionately low. Providing adequate resources to protect the traveling public's safety in all regions, both rural and urban, should be a top priority. To address this critical area of public safety, more targeted resources should be directed to rural and small metro communities.

Promote Metropolitan and Non-Metropolitan Transportation Planning

To maximize the ability to make the best investment choices with our federal transportation dollars, regional transportation planning organizations should have a

more prominent role in determining how they are best used with more authority over how funding is used.

To improve their capacity, Metropolitan Planning (PL) funding should be increased and a minimum guaranteed funding level of \$300,000 should be provided to each MPO annually. Despite their 50-year plus existence as regional transportation planning organizations, Councils of Government (COGs) have no formal federal status and limited opportunity to receive federal funding. A new federal funding source should be created to also provide regional transportation planning organizations with a minimum annual \$300,000 for planning, comparable to the MPOs.

Create a CDL Category for Transit

The Commercial Driver's License (CDL) requirements were developed for the over-the-road trucking environment, and the requirements are not entirely applicable to the transit operator environment. Public transit agencies do not expect their drivers to perform maintenance duties, and find that completion of the under-the-hood testing requirement does not help document the ability of an individual to safely operate a transit vehicle. The Federal Motor Carrier Safety Administration (FMCSA) should make permanent its existing waiver of "under the hood" CDL testing for school bus drivers and should extend this same waiver to include public transit bus drivers.

Allow Carryover of Funds

Many of our members' projects, such as the Downtown Mile, require extensive coordination and span multiple fiscal years. Oftentimes, these critical efforts do not align neatly with the federal fiscal calendar. Allowing the carryover of federal funds from one fiscal year to the next ensures uninterrupted progress on essential long-term projects, promoting consistent infrastructure improvements that enhance safety, mobility, and economic vitality for residents.



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FY25 Legislative Agenda, Board Adopted | October 2, 2024

State Priorities:

- Educate on the benefits of maintaining and fully funding the AZ SMART fund at \$35 million (possible increase in future years) with partners.
- Educate on the benefits of the Greater Arizona Funding Initiative (RTAC Bill) collectively and for individual projects:
 - Mountain Line | Match for Maintenance Facility Improvements and new electric buses: \$3,003,363
 - Coconino County | US89 and Burris Roundabout: \$6,500,000
 - City of FLG | Lone Tree Overpass Improvements: \$17,418,353
- Continue to seek long term funding solutions for insufficient state transportation revenues for all modes.
- Work with partners and ADOT to design a more strategic, internal project prioritization process for nomination into the P2P system with the goal of getting Modernization projects in the region funded through ADOT's 5-year Construction Budget.
- Continue to partner with ADOT to collaborate on Dark Skies lighting standards and goals for the region.
- Continue to identify and support funding for wildlife crossings projects.
- Develop LTAF2 (Local Transportation Assistance Fund) strategy to reinstate funds.
- Make the case for the State of Arizona to make available reoccurring funding that can be used by transit across the state to drawdown and keep federal funding in Arizona.
- Advocate for the setting of public agency or non-profit electric rates that will facilitate and support the transition to electric fleets; develop regulations that require electric rates or partnerships to advance transition of transit to electric vehicles.
- Collaborate with other transit agencies across the state to request the Arizona Department of Transportation distributes transit infrastructure funds in a timely fashion with a fair and transparent process.

Federal Priorities:

- Support the reauthorization and sustained funding levels in the Infrastructure Investment and Jobs Act.
- Support the award of funding for regional projects submitted for federal grants.
- Support the effort to modernize car safety ratings to consider vulnerable users.
- Support congressionally directed spending for regional transportation projects.
- Support funding for long-distance Amtrak routes.



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STAFF REPORT

REPORT DATE: September 30, 2025

MEETING DATE: October 8, 2025

TO: Honorable Chair and Members of the Executive Board

FROM: Mandia Gonzales, Transportation Planner

SUBJECT: Consideration and Possible Action Regarding W. Route 66 Operational Assessment (OA)

1. RECOMMENDATION:

The Board adopt the W. Route 66 Operational Assessment.

2. RELATED STRATEGIC WORKPLAN ITEM:

Goal 2: Deliver Plans that Meet Partner and Community Needs

Objective 2.4: Position partners for successful implementation of plans.

3. BACKGROUND:

The purpose of the W. Route 66 Operational Assessment (OA) is to advise the City of Flagstaff on project selection for Proposition 419 funding. Proposition 419 was approved by voters in 2018 and included funding for W. Route 66. The funding is intended for partnerships and is not sufficient for complete corridor improvements. The recommended projects will advance multimodal operations, contribute to final solutions, and not preclude a desired end-state for the corridor. The recommendations were developed in consultation with a multi-jurisdictional Project Advisory Group (PAG).

PROJECT RECOMMENDATIONS

The development of the project selection and recommendations was informed by deliberations within the Project Advisory Group (PAG), which considered a careful examination of available data, modeling, public comments, and anticipated growth within the corridor. Recommendations are provided for a BUILDOUT 2045 (\$32,000,000) and a FISCALLY CONSTRAINED CONCEPT (\$11,700,000) within the final document. The Fiscally Constrained concept is highly recommended to move forward to support both local policies and current and future needs, while being fiscally responsible yet allowing for future investments/expansion as funding or partnerships present themselves.

As a MetroPlan Assessment on behalf of the partners, MetroPlan must follow the adoption process to close out and submit the final assessment. The W. Route 66 Project Advisory Group and the Technical



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Advisory Committee (TAC) recommend that the MetroPlan Executive Board adopt the Operational Assessment as presented. Once adopted, the Assessment will be submitted to the City Engineering Department to guide future conversations and decision-making.

The following section provides the next steps to determine the potential investments recommended by the Operational Assessment. It is acknowledged that many decisions related to priorities will need to be discussed by the City Engineering Division and City Council.

1. *Explore short-term opportunities to include city items with the ADOT 2026 pavement preservation project*

- There are opportunities to partner with ADOT to ensure not only the implementation of existing project recommendations (ATMP) but also to ensure continuity of state facilities like shoulders across the corridor. Given the findings and recommendations from the Operational Assessment, there are clear opportunities to support the recommendations even if not in their entirety.

2. *Engineering Division to discuss with Council short-term recommendations and outline long-term corridor alternatives and funding strategies*

- Short-term recommendations warrant discussion with the City Council. The fiscally constrained option is intended to be a temporary solution until additional funds or partnerships present themselves. The recommendations allow for immediate solutions that respond to publicly identified needs and regional policies. These solutions allow for future expansion of the roadway within the ROW, to build out separated bike lanes as identified in the Active Transportation Master Plan, and to support Mountain Line's expansion of Route 8. Pending further design and analysis, these could be built in a way to transition to the ultimate corridor cross-section: A FUTS trail could be converted to a separated bike lane and sidewalk; signals may prove a better intersection control along the corridor.
- The long-term corridor recommendations for total cost (\$33M) should be reviewed in the context of the overall capital investment plan (CIP). Does this corridor warrant a shift in project prioritization.

3. *If immediate action is desired, the following steps are recommended to help guide the decision-making processes for the phasing of investment and to identify any constructability issues.*

- Pursue AZSMART Funds to conduct up to 30% planning and design of the full corridor once a federal grant has been identified for application. A jurisdiction must be willing to commit to a match to a federal application in this strategy or risk payback if an application is never made.
- If pursuing the fiscally constrained recommendations, public outreach should be conducted to further explore the proposed FUTS trail and its connectivity to downtown, NAU, and existing



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and future developments in the corridor. The PAG was divided on whether a near-term FUTS should be built on the north or south side of the highway.

4. *Lastly, the city could consider deferring the full corridor plan and other recommendations to the future Safe Streets Master Plan (SSMP). Concurrently with this assessment, the scoping phase of the (SSMP) was completed. This master plan will address all roads in the region through a variety of analyses, planning, engineering, and policy. Influences of the SSMP on the future of W. Route 66 may include:*

- The effects of the Woody Mountain Traffic Interchange (TI) on the corridor
- Identify connectivity issues and propose and adopt solutions within the corridor and surrounding network.
- Provide additional guidance on future transit services.
- Needed improvements at the intersection of W. Route 66/Milton.
- Updates to the TIA process may support other funding opportunities.

4. EXECUTIVE BOARD AND MANAGEMENT COMMENT:

The TAC recommended the Board adopt the W. Route 66 Operational Assessment. The Project Advisory Group (PAG) also recommended that the Board adopt the Operational Assessment. Management Committee did not discuss this item.

5. FISCAL IMPACT:

The FY2025 budget included staff time and subrecipient funds for modeling by NAU. FY2026 MetroPlan budget only includes staff time. There is no cost to the members.

6. ALTERNATIVES:

- 1) **Recommended:** Adopt the W. Route 66 Operational Assessment. This ensures timely submission to the City of Flagstaff to coordinate opportunities, partnerships, and fund seeking.
- 2) **Not Recommended:** Do not adopt the W. Route 66 Operational Assessment. This will impact the progress of moving the corridor improvements forward.

7. ATTACHMENTS:

[W. Route 66 Operational Assessment \(FINAL\)](#)



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STAFF REPORT

REPORT DATE: September 30, 2025

MEETING DATE: October 8, 2025

TO: Honorable Chair and Members of the Executive Board

FROM: Mandia Gonzales, Transportation Planner

SUBJECT: Consideration and Possible Action Regarding the 2027-2031 Transportation Improvement Program Adoption Schedule

STAFF RECOMMENDATION:

The Board adopt the schedule for the 2027-2031 Transportation Improvement Program update.

RELATED STRATEGIC WORKPLAN ITEM:

Goal 2: Deliver Plans that Meet Partner and Community Needs.

Objective 2.1: Maintain trust through reliable and transparent project management.

BACKGROUND:

MetroPlan is mandated to produce a Transportation Improvement Program (TIP) to track regional federal transportation spending. The TIP indicates the year that funds will be obligated for a project.

Major updates to the TIP happen annually and require compliance with public participation rules, including a call for projects and a public comment period. Endorsement of the TIP adoption schedule, and subsequent approval by the Board, authorizes staff to submit requisite advertisements and postings, saving time and action.

The proposed FY 2027-2031 TIP adoption schedule is:

- October 2, 2025 - Executive Board approves TIP adoption schedule
- November-December, 2025 – TIP compliance requirements review
- January 28, 2026 – Call for projects to TAC members
- February 24, 2026 – Ad in Daily Sun and web posting: Call for Projects (30 days)
- March 2026 – Draft TIP preparation
- April 12, 2026 - Ad and posting: Call for Comments (45 days)



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- April 22, 2026 – TAC reviews draft
- May 27, 2026 – TAC recommendation to Board for TIP adoption
- June 5, 2026 – Board adoption

TAC AND MANAGEMENT COMMITTEE DISCUSSION:

The TAC recommended that the Board adopt the schedule for the 2027-2031 Transportation Improvement Program update. The Management Committee did not discuss this item.

FISCAL IMPACT:

There will be minor costs associated with advertising in the Arizona Daily Sun.

ALTERNATIVES:

- 1) **Recommended:** Adopt the schedule for the 2027-2031 Transportation Improvement Program update. By adopting the schedule, this will streamline the Board's actions on the development of the TIP while creating a clear timeline for the public.
- 2) **Not recommended:** Do not adopt the schedule for the 2027-2031 Transportation Improvement Program update. Staff can bring individual actions to the Board throughout the calendar year.

ATTACHMENTS:

None.



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STAFF REPORT

REPORT DATE: September 29, 2025

MEETING DATE: October 8, 2025

TO: Honorable Chair and Members of the Technical Advisory Committee

FROM: Mandia Gonzales, Transportation Planner

SUBJECT: Consideration and Possible Action Regarding the Transportation Improvement Program (TIP) Formal Amendment for Transportation Alternative Grants for Mt. Elden Lookout Rd to US-89, Fort Valley Road Mobility Enhancements Scoping, and the Mountain Line 5307 funding program.

1. STAFF RECOMMENDATION:

The Board amend the Transportation Improvement Program to include the projects, Mt. Elden Lookout Rd to US-89, Fort Valley Road Mobility Enhancements, and funding for Mountain's Line 5307 funding program.

2. RELATED STRATEGIC WORKPLAN ITEM:

Goal 2: Deliver Plans that Meet Partner and Community Needs.

Objective 2.1: Maintain trust through reliable and transparent project management.

3. BACKGROUND:

The City of Flagstaff and Coconino County National Forest have been awarded Transportation Alternative (TA) Grants to support project scoping and design. This will be added to the TIP as new projects. MetroPlan staff are requesting the inclusion of both projects in the 2025-2029 Transportation Improvement Program (TIP), allocated to FY2026.

Transportation Alternatives (TA) Awards:

- City of Flagstaff, awarded \$592,439
- Coconino County National Forest, awarded \$485,645

Coconino National Forest	MOP-25-30-30	Mt. Elden Lookout Rd. to US-89 Mt. Elden Lookout Rd. to US-89 Trail connection scoping NA Scoping/Design	TA	\$515,000	\$485,645	\$29,355	\$515,000
City of Flagstaff	MFP-25-29-29	Fort Valley Rd Mobility Enhancements Scoping Fort Valley Rd. (US 180) Missing Sidewalks, Scoping Urban Minor Arterial Scoping/Design	TA	\$628,249	\$592,439	\$35,810	\$628,249



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In addition to the above, Mountain Line has received an apportionment for FY25 for \$4,533,843 and a revised award letter for past funds for \$5,600,000 to be included in the TIP amendment.

4. TAC AND MANAGEMENT COMMITTEE DISCUSSION:

The TAC recommends that the Board amend the TIP to include the projects, Mt. Elden Lookout Rd to US-89, Fort Valley Road Mobility Enhancements, and funding for Mountain's Line 5307 funding program. The Management Committee did not discuss this item.

5. FISCAL IMPACT:

There is no direct fiscal impact to MetroPlan; however, projects must be included in the TIP to obligate funds in the region.

6. ALTERNATIVES:

Recommended: Amend the TIP to include the projects, Mt. Elden Lookout Rd to US-89, Fort Valley Road Mobility Enhancements, and funding for Mountain's Line 5307 program. This action will ensure timely obligations of funds for grants already awarded.

Not recommended: Do not amend the TIP to the projects, Mt. Elden Lookout Rd to US-89, Fort Valley Road Mobility Enhancements, and funding for Mountain's Line 5307 program. This action will cause a delay and possibly revocation of awarded federal funds.

7. ATTACHMENTS:

None.