



GOVERNING BOARD AGENDA ITEM
AMPHITHEATER UNIFIED SCHOOL DISTRICT NO. 10

DATE OF MEETING: October 26, 2010

TITLE: Approval of Foreign Trade Zone Agreement with Ventana Medical Systems, Inc., Pima County, Pima County Community College District, Pima County Joint Technical Education District, and Golder Ranch Fire District.

BACKGROUND: Federal law, via the Foreign-Trade Zones Act (19 U.S.C. § 81a-81u), authorizes the formation of foreign-trade zones and subzones ("FTZ") to encourage commercial and industrial businesses to operate in the United States, rather than abroad. State law (A.R.S. § 44-6501) authorizes the State and any county, city, town, and any public or private corporation, to apply to the U.S. Foreign-Trade Zone Board to establish and operate foreign-trade zones and subzones within Arizona.

An Arizona nonprofit corporation, Tucson Regional Economic Opportunities, Inc. ("TREO"), operates in Pima County. TREO has asked public entities within Pima County, including the District, to support its foreign-trade zone/subzone application.

Arizona law provides for a 21% assessed valuation for a manufacturing facility. However, real and personal property located within the area of an activated foreign-trade zone or subzone is classified as Class Six property for purposes of taxation. The assessed valuation for Class Six property is only 5% of the full cash value or limited valuation. This reduction results in significantly lower primary and secondary property taxes for public entities which rely heavily on property tax revenues for their operations. Also impacted would be the amount of state equalization assistance property tax that is levied by the County pursuant to A.R.S. § 15-994 and distributed to school districts throughout the County.

The attached Agreement addresses the taxation disparity. It provides for Payment in Lieu of Tax ("PILOT") that would permanently compensate the District for ALL revenue lost in the FTZ property reclassification.

RECOMMENDATION: The attached Agreement is presented to the Board for its approval, which the administration recommends.

INITIATED BY:

Todd A. Jaeger, Associate to the Superintendent

Date: October 19, 2010

Vicki Balentine, Ph.D., Superintendent