



# City of Grand Island

Tuesday, August 23, 2016

Council Session

## Item I-5

**#2016-208 - Consideration of Approving Proposed Ballot Language  
for 1/2 Cent Increase to Sales Tax**

Staff Contact: Marlan Ferguson

# Council Agenda Memo

**From:** Jerry Janulewicz, City Attorney  
**Meeting:** August 23, 2016  
**Subject:** Additional ½ Percent Sales Tax  
**Presenter(s):** Jerry Janulewicz, City Attorney

## Background

Nebraska State Statutes permit cities to impose or increase city sales tax at a rate greater than 1 ½ percent. The tax generated by the rate that exceeds 1 ½ percent must be used for public infrastructure projects and must terminate no later than 10 years from the effective date of the increase unless the revenue generated by the increased rate is pledged for the repayment of the bonds, in which case the increased rate may continue until the bonds are paid. The proposal to increase the tax rate above 1 ½ percent requires adoption of a resolution passed by a vote of at least 70 percent of all the members of the council, and must be approved by majority vote of the electorate at a primary or general election.

In addition to the requirements stated above, as a condition of imposing sales tax at the increased rate, Neb.Rev.Stat. § 77-27,142 requires a city be a party to an interlocal agreement with a political subdivision within the city or the county creating a separate legal or administrative entity relating to a public infrastructure project. Such interlocal agreement must contain provisions, including benchmarks, relating to the long-term development of unified governance of public infrastructure projects with respect to the parties. The separate legal or administrative entity created cannot be one that was in existence for one calendar year preceding the submission of the question of such tax or increase at a primary or general election. City administration is recommending approval of an Interlocal agreement with the Grand Island Community Redevelopment Authority, which will be submitted concurrently as a separate resolution.

Should such a measure be submitted to and approved by the voters, the city will be restricted in its ability to expend the additional revenues unless a proposal to increase the city's budgeted restricted funds is also approved by the electorate.

## Discussion

There exists within the City of Grand Island numerous important infrastructure projects for which funding does not exist and is not projected to exist in amounts sufficient to complete including, but not limited to:

- Public sidewalk construction, reconstruction and rehabilitation and pedestrian safety improvement projects;
- Downtown parking improvements to serve the needs of business owners and the public;
- Flood control and water drainage improvements;
- Street and road paving, construction, and improvements;
- Railroad-street grade separation projects, including rehabilitation of current underpasses;
- Train noise reduction; and
- Public safety capital equipment purchases.

The projects as described above would, if completed, preserve, promote and enhance the health, safety and welfare of Grand Island's citizens and visitors by:

- Improving automobile, freight, bicycle and pedestrian traffic safety;
- Protecting property values through drainage improvements and railroad noise reduction; and
- Promoting a vibrant and economically thriving downtown business district through rehabilitation of public parking lots and, if needed, development of new parking capacity.

Currently, many of the projects described above could only be funded by the City's general fund. The additional revenue generated by the increased sales tax rate would permit such projects to be funded by the additional sales tax thus reducing the need to increase property tax rates in order to pay for needed infrastructure projects.

If a sales tax rate increase is approved, the city's ability to expend the additional revenue on projects would be restricted unless a measure to increase the city's budgeted restricted funds is also approved. Thus, the proposed resolution, if approved by council, would submit the following separate questions to the city electorate at the 2016 general election:

1. Shall the governing body of the City of Grand Island increase the local sales and use tax rate by an additional one-half of one percent (1/2%) from the current rate of one and one-half percent (1 1/2%) to a rate of two percent (2%) and impose a sales and use tax at the increased rate upon the same transactions within such municipality on which the State of Nebraska is authorized to impose a tax, the revenue from such increased rate to be used for public infrastructure projects as allowed pursuant to the Local Option Revenue Act, which increased rate shall terminate no more than ten years after the effective date of the increased sales and use tax or, if bonds are issued and the local option sales and use tax revenue is

pledged for payment of such bonds, upon payment of such bonds and any refunding bonds, whichever date is later?

2. Shall the governing body of the City of Grand Island increase its budgeted restricted funds for fiscal year 2017-2018 by five million five hundred thousand dollars (\$5,500,000), sixteen percent (16%) over the current year's restricted funds?

### **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

### **Recommendation**

City Administration recommends that the Council approve and adopt the resolution.

### **Sample Motion**

Move to approve resolution #2016-208.

RESOLUTION NO. 2016-208

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, PURSUANT TO THE NEBRASKA LOCAL OPTION REVENUE ACT, PROPOSING AND SUBMITTING TO VOTERS AT THE 2016 GENERAL ELECTION AN INCREASE OF THE LOCAL SALES AND USE TAX RATE OF AN ADDITIONAL ONE-HALF OF ONE PERCENT (1/2%) FROM ONE AND ONE-HALF PERCENT (1 1/2%) TO TWO PERCENT (2%) AND PROPOSING AND SUBMITTING TO VOTERS AT THE 2016 GENERAL ELECTION AN INCREASE OF THE BUDGETED RESTRICTED FUNDS.

WHEREAS, the City of Grand Island, Nebraska, local sales and use tax rate currently is one and one-half percent (1 1/2%) pursuant to Neb. Rev. Stat. §77-27,142, and Ordinance No. 8910; and

WHEREAS, pursuant to Neb. Rev. Stat. §77-27,142, upon an affirmative vote of at least seventy percent (70%) of all of the members of the governing body of the City of Grand Island, the City shall submit to voters a proposal to increase the City sales and use tax to a rate greater than one and one-half percent (1 1/2%) at a primary or general election held within the City; and

WHEREAS, the City desires to propose to qualified electors of the City at the 2016 general election to increase the City's sales and use tax rate by an additional one-half of one percent (1/2%) from one and one-half percent (1 1/2%) to two percent (2%); and

WHEREAS, pursuant to Neb.Rev.Stat. §77-27,142, tax proceeds from a sales and use tax rate in excess of one and one-half percent (1 1/2%) shall be used for public infrastructure projects as defined by §77-27,142; and

WHEREAS, there exists within the City of Grand Island numerous important infrastructure projects for which funding does not exist and is not projected to exist in amounts sufficient to complete including, but not limited to:

- Public sidewalk construction, reconstruction and rehabilitation and pedestrian safety improvement projects;
- Downtown parking improvements to serve the needs of business owners and the public;
- Flood control and water drainage improvements;
- Street and road paving, construction, and improvements;
- Railroad-street grade separation projects, including rehabilitation of current underpasses;
- Train noise reduction; and
- Public safety capital equipment purchases; and

Approved as to Form	□ _____
August 19, 2016	□ City Attorney

WHEREAS, projects as described above would, if completed, preserve, promote and enhance the health, safety and welfare of Grand Island's citizens and visitors by:

- Improving automobile, freight, bicycle and pedestrian traffic safety;
- Protecting property values through drainage improvements and railroad noise reduction; and
- Promoting a vibrant and economically thriving downtown business district through rehabilitation of public parking lots and, if needed, development of new parking capacity; and

WHEREAS, the City desires to propose to qualified electors of the City of Grand Island that the City be authorized to increase its budgeted restricted funds for fiscal year 2017-2018 by \$5,500,000, sixteen percent (16%) over the current year's restricted funds, due to the anticipated revenue from an increase in the City's sales and use tax rate by an additional one-half of one percent (1/2%) from one and one-half percent (1 1/2%) to two percent (2%); and

WHEREAS, proposed ballot questions for such purposes is submitted with this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of Grand Island, Nebraska, that all of the following actions are hereby adopted and approved:

- Section 1. The Mayor and City Council hereby propose to increase the City of Grand Island sales and use tax rate by an additional one-half of one percent (1/2%) from one and one-half percent (1 1/2%) to two percent (2%).
- Section 2. The Mayor and City Council hereby recommend and propose to increase the City's budgeted restricted funds for fiscal year 2017-2018 by \$5,500,000, sixteen percent (16%) over the current year's restricted funds.
- Section 3. Said proposal to increase the City of Grand Island sales and use tax rate by an additional one-half of one percent (1/2%) from one and one-half percent (1 1/2%) to two percent (2%) and said proposal to increase its budgeted restricted funds for fiscal year 2017-2018 by \$5,500,000, sixteen percent (16%) over the current year's restricted funds, shall be submitted to a vote of qualified electors of the City of Grand Island at the November 2016 general election.
- Section 4. The question, in form and content presented with this Resolution as Exhibit A--"OFFICIAL BALLOT - CITY OF GRAND ISLAND - PROPOSAL TO INCREASE LOCAL SALES AND USE TAX RATE" and incorporated herein by this reference, is hereby approved and shall appear on the ballot for qualified electors of the City of Grand Island at the November 2016 general election, subject to any modifications the Mayor determines necessary or advisable.

- Section 5. The question, in form and content presented with this Resolution as Exhibit B--"OFFICIAL BALLOT - CITY OF GRAND ISLAND - PROPOSAL TO INCREASE BUDGETED RESTRICTED FUNDS" and incorporated herein by this reference, is hereby approved and shall appear on the ballot for qualified electors of the City of Grand Island at the November 2016 general election, subject to any modifications the Mayor determines necessary or advisable.
- Section 6. The City Clerk or her designee is authorized, directed, and ordered to submit said questions by attesting to and submitting a certified copy of this Resolution to the Election Commissioner in accordance with applicable law.
- Section 7. The Mayor and City Clerk are hereby authorized and directed to take any other actions as necessary or appropriate to carry out the actions approved in this Resolution, including, without limitation, providing notice of the submission of the question increasing such tax not more than thirty (30) days nor less than ten (10) days previous to the election, by publication one time in one or more newspapers published in or of general circulation in the municipality. Such notice shall be in addition to any other notice required under the general election laws of the state.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA.

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Adopted by the City Council of the City of Grand Island, Nebraska, August 23, 2016.

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Jeremy L. Jensen, Mayor

Attest:

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RaNae Edwards, City Clerk

**EXHIBIT A**

**OFFICIAL BALLOT  
CITY OF GRAND ISLAND  
PROPOSAL TO INCREASE LOCAL SALES AND USE TAX RATE**

Shall the governing body of the City of Grand Island increase the local sales and use tax rate by an additional one-half of one percent (1/2%) from the current rate of one and one-half percent (1 1/2%) to a rate of two percent (2%) and impose a sales and use tax at the increased rate upon the same transactions within such municipality on which the State of Nebraska is authorized to impose a tax, the revenue from such increased rate to be used for public infrastructure projects as allowed pursuant to the Local Option Revenue Act, which increased rate shall terminate no more than ten years after the effective date of the increased sales and use tax or, if bonds are issued and the local option sales and use tax revenue is pledged for payment of such bonds, upon payment of such bonds and any refunding bonds, whichever date is later?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

A "Yes" Vote: If a majority of the votes cast upon such question shall be in favor of increasing such local sales and use tax rate by an additional one-half of one percent (1/2%) to a rate of two percent (2%), then the City of Grand Island shall be empowered as provided by Section 77-27,142 of the Nebraska Revised Statutes and shall forthwith proceed to increase the local sales and use tax rate from one and one-half percent (1 1/2%) to two percent (2%) and impose a sales and use tax at the increased rate upon the same transactions within the City on which the State of Nebraska is authorized to impose a tax, pursuant to the Local Option Revenue Act, the revenue from such increased rate shall be used by the City of Grand Island for public infrastructure projects as allowed by to the Local Option Revenue Act, and which increased rate shall terminate no more than ten years after the effective date of the increased sales and use tax or, if bonds are issued and the local option sales and use tax revenue is pledged for payment of such bonds, upon payment of such bonds and any refunding bonds, whichever date is later.

A "No" Vote: If a majority of those voting on the question shall be opposed to such an increase of the local sales and use tax rate by an additional one-half of one percent (1/2%), then the governing body of the incorporated municipality shall not impose such a tax increase and the local sales and use tax rate will remain unchanged at one and one-half percent (1 1/2%).



**Exhibit B**

**OFFICIAL BALLOT  
CITY OF GRAND ISLAND  
PROPOSAL TO INCREASE BUDGETED RESTRICTED FUNDS**

Shall the governing body of the City of Grand Island increase its budgeted restricted funds for fiscal year 2017-2018 by five million five hundred thousand dollars (\$5,500,000), sixteen percent (16%) over the current year's restricted funds?

A "Yes" Vote: If a majority of the votes cast upon such question shall be in favor of increasing the budgeted restricted funds, then the City of Grand Island shall be empowered to increase its budgeted restricted funds for fiscal year 2017-2018 by five million five hundred thousand dollars (\$5,500,000), sixteen percent (16%) over the current year's restricted funds.

A "No" Vote: If a majority of those voting on the question shall be opposed to such an increase of the budgeted restricted funds, then the City of Grand Island shall not be authorized by this ballot measure to increase its budgeted restricted funds for fiscal year 2017-2018 by five million five hundred thousand dollars (\$5,500,000), sixteen percent (16%) over the current year's restricted funds.