



City of Grand Island

Tuesday, August 16, 2016

Study Session

Item -1

Discussion Concerning 1/2 Cent Sales Tax Ballot Language

Staff Contact: Marlan Ferguson

Sales Tax

Let's Keep Grand Island Growing

What do we know?

State Statute 77-27,142 allows incorporated municipalities to impose a sales and use tax of up to $\frac{1}{2}\%$ above the allowed $1\frac{1}{2}\%$

- Must be approved by 70% of the City Council to allow for a vote
- Must be voted on at a primary or general election
- Proceeds shall be used for public infrastructure projects

What do we know? (cont.)

- Shall terminate no more than 10 years after its effective date, or if bonds are issued and the sales tax revenue is used for payment of bonds.
- An interlocal agreement must be established with a political subdivision within the City/County. Cannot be one that was in existence for 1-year preceding the election.
- If vote fails, cannot be voted on again for at least 23 months.

History

November, 1989 – Voters approved sales & use tax of 1% for property tax relief.

May, 2004 – Voters approved sales & use tax of an additional ½% for property tax relief & for capital improvements.

Each allowed for projects/improvements in our community.

Goal

Our goal is to put before the voters an additional ½% sales tax on all purchases made in Grand Island. The additional ½% would begin in April, 2017.

THE VOTE: November 8, 2016

We believe that the increase, shared by Grand Islanders and all who visit, will provide the City the additional financial resources needed to make continued infrastructure improvements.

Primary differences between the current sales tax & the proposed:

-The ballot language (according to the State Statute) states that the new, additional revenue, can only be used for public infrastructure projects. The 1989 & 2004 language did not have such restriction.

- 13 other Nebraska communities have adopted an additional sales tax (greater than 1 ½%)

-Interlocal Agreement

Interlocal Agreement with Community Redevelopment Authority

- State Statute requirement
- Cannot be one that was in existence for 1-year preceding the election
- Not required to use funds for the purpose of the agreement

Proposed Ballot Language Summary

Shall the governing body of the incorporated municipality - 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 and shall 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?

_____ Yes

_____ No

The additional revenue would be used to fund infrastructure projects 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;

The additional revenue would be used to fund infrastructure projects including, but not limited to (cont.):

- Railroad-street grade separation projects, including rehabilitation of current underpasses;
- Train noise reduction; and
- Public safety capital equipment purchases.

The additional revenue would be used to fund projects that preserve, promote & enhance the health, safety & welfare of our citizens & visitors:

- Improve automobile, freight, bicycle and pedestrian traffic safety;
- Protect property values through drainage improvements and railroad noise reduction; and

The additional revenue would be used to fund projects that preserve, promote & enhance the health, safety & welfare of our citizens & visitors (cont.):

- Promote a vibrant and economically thriving downtown business district through rehabilitation of public parking lots and, if needed, development of new parking capacity.

DISCUSSION



General Fund Projection

	2017	2018	2019	2020	2021	Comments
Beginning Cash	11,259,408	9,285,409	9,782,076	9,832,892	8,861,344	
Revenue	36,478,727	37,208,301	38,452,467	39,221,516	40,005,947	Assumes a 2% increase each year, with all Debt Service property tax coming to the General Fund in 2019
Transfers In	770,000	770,000	770,000	770,000	770,000	See detail sheet
Total Revenue	37,248,727	37,978,301	39,222,467	39,991,516	40,775,947	
Personnel Services	29,181,400	30,786,377	32,479,628	34,266,007	36,150,638	Assumes a 5.5% increase each year
Operating Expense	5,785,573	5,785,573	5,785,573	5,785,573	5,785,573	No increases
Transfers Out	2,635,000	2,145,000	2,145,000	2,145,000	2,145,000	See detail sheet
Department Equipment	2,299,864	1,450,000	1,450,000	1,450,000	1,450,000	See detail sheet for 2017 and then \$1.45M each year after
Debt Pymts	720,888	714,684	711,450	716,484	710,070	For HEC payment and Fire Truck/Ambulance payments
Total Appropriations	40,622,725	40,881,634	42,571,651	44,363,064	46,241,281	
Unrestricted Cash	7,885,409	6,382,076	6,432,892	5,461,344	3,396,010	
Restricted Cash	-	-	-	-	-	
Ending Cash	7,885,409	6,382,076	6,432,892	5,461,344	3,396,010	
Sales Tax	1,827,771	5,592,978	5,704,837	5,818,934	5,935,313	
Cash Required / (Surplus Cash)	(192,675)	1,663,753	1,985,452	3,350,004	5,829,957	Amount needed/(surplus) to maintain 22% reserves
Unrestricted Cash	9,285,409	9,782,076	9,832,892	8,861,344	6,796,010	
Restricted Cash	-	-	-	-	-	
1/2 Sales Tax Transfer OUT	1,127,771	3,892,978	4,004,837	4,118,934	4,235,313	
1/2 Sales Tax GF Cost Reduction	700,000	1,700,000	1,700,000	1,700,000	1,700,000	
Revised Ending Cash	9,285,409.15	9,782,076	9,832,892	8,861,344	6,796,010	
Current % of Expenses	26.6%	26.7%	25.7%	22.1%	16.2%	

RESOLUTION NO.

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%).

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 compete 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

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, a proposed ballot question for such purpose 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%) and 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.

Section 2. 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 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 3. 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 4. The City Clerk or her designee is authorized, directed, and ordered to submit said question by attesting to and submitting a certified copy of this Resolution to the Election Commissioner or County Clerk in accordance with applicable law.

Section 5. 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 30 days nor less than 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.

Passed and adopted this ____ day of August, 2016.

Jeremy L. Jensen, Mayor

ATTEST:

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 incorporated municipality - 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 and shall 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?

___ 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 governing body of such incorporated municipality - 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 such municipality on which the State of Nebraska is authorized to impose a tax, pursuant to the Local Option Revenue Act, and 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?. The increase in the sales and use tax 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%) and shall not be authorized by this ballot measure to increase its

budgeted restricted funds for fiscal year 2017-2018 over the current year's restricted funds .

Additional Information Regarding Proposed Local Sales and Use Tax Rate Increase:

List of reductions or elimination of other taxes or fees, if any: There is not contemplated at this time to be any elimination of other taxes or fees should a majority of those voting on such question be in favor of increasing the local sales and use tax rate.

Projects to be funded, in whole or in part, from the revenue collected, along with any savings or efficiencies resulting from the projects: Revenues from the increased sales and use tax are to be used for such public infrastructure projects as are allowed pursuant to the Local Option Revenue Act, including, but not limited to, public highways and bridges and municipal roads, streets, bridges, and sidewalks; solid waste management facilities; wastewater, storm water, and water treatment works and systems, water distribution facilities, and water resources projects, including, but not limited to, pumping stations, transmission lines, and mains and their appurtenances; hazardous waste disposal systems; resource recovery systems; airports; port facilities; buildings and capital equipment used in the operation of municipal government; convention and tourism facilities; redevelopment projects as defined in Neb. Rev. Stat. § 18-2103; mass transit and other transportation systems, including parking facilities; and equipment necessary for the provision of municipal services. Savings and efficiencies will be realized through economic development brought about by improvements through such public infrastructure projects.

Years within which the revenue will be collected; payment of bonds: The increase in the sales and use tax 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.

Interlocal Agreement: The City of Grand Island and the City of Grand Island Community Redevelopment Authority have entered into an interlocal agreement that created a separate administrative entity for purposes of the agreement, related to public infrastructure projects. Such interlocal agreement contains provisions relating to the long-term development of unified governance of public infrastructure projects in the City with respect to the parties, including but not limited to any such infrastructure projects as may be funded by revenues from the increased sales and use tax as noted above.

Restricted Fund Increase: The City proposes 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 the additional one-half of one percent (1/2%) tax rate. The increase in budgeted restricted funds is required in order to utilize the additional tax revenue for infrastructure projects.