

City of Scottsbluff, Nebraska

Monday, August 3, 2020

Regular Meeting

Item Reports3

Council to discuss and consider action on incorporating modification of the Economic Development (LB840) Program, to provide additional flexibility in allocating sales tax, to be included on the November ballot.

Staff Contact: Rick Kuckkahn, Interim City Manager

City of Scottsbluff
Possible Sales Tax/Economic Development Modifications

August 3, 2020

1. Current Status:

The current City Sales Tax and funding for the City's Economic Development (LB840) Program sunsets on September 30, 2025, which means that the City is almost half-way through the current 10-year term. Unless changes are desired, there is nothing to be done at this time. However, it is possible to make changes to the remainder of the current term by vote of the registered voters of the City.

2. Current Funding:

a. The City currently allocates $\frac{1}{4}$ of 1% of its Sales Tax receipts to its Economic Development Fund. Another way of stating this is that $\frac{1}{6}$ of the City's 1.5% Sales Tax is available for Economic Development. The City's Audit report for the fiscal year ended September 30, 2019, showed total revenue from sales tax of \$6,085,058, of which \$1,014,176 was allocated to the Economic Development Fund.

b. In 1995, the voters increased the City Sales Tax from 1% to 1.5%, with a portion of the increased sales tax to be allocated to the City's Economic Development (LB 840 fund). In addition, the ballot language limited the property tax that could be levied by the City for General Fund Purposes to \$175,000. The reason for this amount was that at the time of the 1995 election, the last fiscal year General Fund property tax collections were approximately \$1,175,000, and the Council decided to reduce the property tax asking by \$1,000,000, if the additional sales tax was passed.

c. The \$175,000 limit has not been changed since provided for in 1995. The result has been that as long as taxable sales are growing, the City has the potential to collect what it needs from sales tax, with very little reliance on property tax. On the other hand, when sales tax revenues are down, the City generally is short revenue since it can't rely on property tax as a source of General Fund revenue.

3. Potential Changes – for City Council consideration:

In recent years, the City has struggled with the allocation of resources due to the limitations posed by the existing property tax limitation and Economic Development (LB840) Fund allocation. As a result, City Staff is requesting that the Council review the following alternatives:

- a. Eliminate or increase the \$175,000 General Fund property tax limit.
- b. Review whether the current allocation of sales tax to the Economic Development Fund is appropriate, or provide for flexibility (such as an amount to be determined annually by the City Council).

- c. Leave the current situation unchanged.

4. Procedure:

a. If the Council does not want to recommend a change at this time, then nothing needs to be done. However, if the Council is in favor of any change, then a vote of the registered voters would be required. Any proposal would be presented in a manner so that the choice would be between: (i) approving the changes recommended by the City Council, or (ii) retention of the status quo, if the ballot fails. There would likely not be an option to eliminate all or any portion of the sales tax.

b. In order for any recommended changes to be considered at the November general election, the City Council must submit the ballot language to the County Clerk by September 1, 2020. This would mean a public hearing and action at the August 17 Council meeting unless a regular meeting is held on August 31, or a special meeting is called before then.