

## CITY OF VICTORIA AMENDED STATEMENT OF POSITION ON OPTIONAL 1/2¢ SALES TAX

The Development Corporation Act allows the City of Victoria to create a corporation to administer the revenues generated by an optional 1/2¢ sales tax. Recent changes (1993) to this act make the adoption of the optional 1/2¢ sales tax much more advantageous to the Victoria community.

The City Council of the City of Victoria believes adopting the optional 1/2¢ sales tax not only would be of great benefit to Victoria as a community, but also would be a positive step toward good, long-term financial planning for the City government, as well. The reasons which support the City Council's position on this issue are straightforward and compelling.

- According to data estimates from the office of John Sharp, State Comptroller, an optional 1/2¢ sales tax could produce as much as \$3.5 million per year, thus reducing the amount of revenue the City would have to raise through local property taxes. It would require a 23¢ property tax rate increase to raise the equivalent amount of revenue.
- An estimated 30-40% of all local sales tax is generated from individuals who live outside Victoria County, thus, it makes good sense to ask these individuals to help pay for the public facilities and public services they use while shopping in Victoria.
- The additional revenue raised from the 1/2¢ sales tax would allow the City to adopt a "pay-as-you-go" approach, rather than use bonded indebtedness to fund infrastructure maintenance needs. Simply put, the City could "pay cash" instead of "borrow", thus avoiding interest costs and debt issuance costs. The sales tax revenue could allow the City to better address the many community development demands being placed on it.
- Also, the additional revenues would provide the City the resources to:
  - 1) maintain a much better program of street maintenance, traffic signal maintenance, and water and sewer line replacement
  - 2) secure and maintain the property to adequately handle Victoria's drainage needs
  - 3) fund pressing needs in other areas such as public safety and Community Center development
- This program could help fund continued development of industrial tax base and support of private sector job growth within Victoria's jurisdiction.
- The sales tax does not apply to purchases of groceries, medicine, doctor services or automobiles.

The City Council plans to call a public election on this issue for Nov. 7th, 1995. That election would be called by ordinance in August or September. Assuming a successful election in November, the tax would be effective on April 1, 1996. The City would first realize revenue from this tax in June 1996. Upon a successful election, the City Council would establish a corporation to administer and budget the revenues produced by this optional 1/2¢ on the dollar sales tax. The Council believes that the Corporation should contract with the City to have the Finance Department perform all accounting, cash management, and investment functions for the Corporation. The seven member corporation board of directors would be appointed by the City Council. This board would be appointed by the City Council and would, by law, conduct its meetings in public within the City's boundary. Members, who would be residents of Victoria, would be appointed to two-year terms. They would not draw any pay for serving on this board.

The City Council believes that it would make good sense to appoint to the seven seats the following persons: 1) The Mayor, 2) two Councilmembers, 3) four citizens who would be nominated by a committee comprised of representatives of the various Victoria area community service clubs, for appointment to the Board by the City Council. A majority vote of those representatives actually present at the nomination meeting for each of the four citizen Board members would be preferred.

The City recognizes that the State law that creates the optional 1/2¢ sales tax allows the City to fund the construction, replacement, and maintenance of major infrastructure in the City. Immediate infrastructure needs in Victoria have been identified with estimated total costs of \$54.2 million. Additional infrastructure needs in the City have been identified with a projected cost of \$100 million. This includes streets, drainage ways, traffic signals, street lights, water and sewer lines, water pump stations, sewer lift stations and public safety facilities, along with the land, buildings, equipment, improvements and maintenance costs associated with such items. Use of the sales tax revenue for these purposes would free up some General Fund revenues for better maintenance efforts on neighborhood residential streets. Proceeds from the 1/2¢ sales tax could be used for promoting private sector job growth in our community.

The Council has increased spending on street maintenance by 25% for the last two years (without raising the property tax rate), to a level of \$650,000, but that is still inadequate. The need is obvious to spend at least three million dollars a year on street maintenance and related items. The approval of the optional 1/2¢ sales tax may not totally eliminate the need for property tax-supported bonds in the future, but it will greatly reduce the need for such. It will also vastly improve the City's ability to replace and maintain all infrastructure.

If this plan is approved, 100% of all funds would be spent directly on community development projects. None of the proceeds would be used to pay for any employee salaries or administrative costs. The Council believes that the Corporation should not be allowed to issue long-term debt, in the form of bonds or other similar instruments. No funds can be spent by the corporation without first publishing notice and holding a public hearing for citizen input. There would be no increase in the size of government. The City Council believes this is a wise financial plan for the future of Victoria.