

Office of the City Manager

City of Richland Hills, Texas

Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council
From: Eric Strong, City Manager
Date: January 17th, 2017
Subject: Resolution Regarding Allocation of Future Sales Tax Capacity

Council Action Requested:

Consider Resolution 476-17 declaring intention for future sales tax capacity.

Background Information:

Based on the results of the November 8th, 2016 election, there will be ½ cent sales tax capacity that is eventually able to be reallocated to other purposes. In order for that to occur, there will need to be an election, which will likely be called by the City Council. The attached resolution outlines staff's recommendations for Council and how they might proceed when the time comes to call an election.

The summary is that staff recommends asking voters to consider allocating ¼ to the Economic Development Corporation and ¼ to the General Fund for Transportation, Streets, Sidewalks and other legal uses as deemed necessary by the City Council.

One of the things that Council discussed previously is allocating the ¼ cent to a street maintenance fund in lieu of the general fund. There are a few potential issues with this. First, a street maintenance tax has to be reissued every four years. Second, because of the first point, it is not possible to issue any debt for large capital projects out of a street maintenance fund. Third, since it is a "maintenance" fund, it makes it more difficult to justify using the funds for full replacements of streets (it is probably still possible to do this, but it is a much more bureaucratic process that is required in order to do it).

Finally, while I have mentioned that this must be done through an election, the timing of that election is still in question. There are final obligations that must be paid to the FWTA before we can reissue this tax, and those details are still being worked out.

Board/Citizen Input: N/A

Financial Impact: Increased revenues (approximately \$1.5 million per year at current rates) for city funding of projects.

Staff Contacts:

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Attachments: Resolution

RESOLUTION 476-17

**A RESOLUTION OF THE RICHLAND HILLS CITY
COUNCIL FOR THE PURPOSE DECLARING
INTENTIONS FOR FUTURE SALES TAX CAPACITY**

WHEREAS, In August of 2016 the City Council received a petition from residents which obligated them to place the issue of continued membership in the Fort Worth Transportation Authority (FWTA) on the ballot for a vote of the public; and

WHEREAS, in November of 2016 residents voted to withdraw from the FWTA; and

WHEREAS, one of the results of the residents decision to withdraw from the FWTA is that there will be ½ cent of sales tax capacity available for other uses should residents vote to redirect for other purposes; and

WHEREAS, once the capacity is available, the City Council intends to call an election to allow voters the opportunity to reallocate the sales tax; and

WHEREAS, the voters will be asked to vote on whether or not to allocate ¼ cent to the Type B Economic Development Corporation for park improvements, economic development or any other legal use as deemed necessary by the Economic Development Board of Directors; and

WHEREAS, the voters will also be asked to vote on whether or not to allocate ¼ cent to the General Fund for transportation needs, street or sidewalk repair and reconstruction or any other legal use as deemed necessary to best serve the residents of Richland Hills by the City Council.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF RICHLAND HILLS the Mayor and City Council of Richland Hills encourage all residents to become informed on the issues related to the allocation of the sales tax election and exercise their right to vote their conscience when the time comes.

Passed and approved this _____ day _____, 2017