

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: May 16, 2017
Subject: Update on Special Election Results for Issuance of Sales Tax

City Council Action Requested:

No Action – Discussion only

Background Information:

In November of 2016, the residents of Richland Hills elected to withdraw from the FWTA. Once a unit of election decides to withdraw from a Transit Authority in Texas, state law allows the transit authority to levy an “exit fee” on the unit of election. As you know, the price of membership in the FWTA is ½ cent of our sales tax here in Richland Hills. The FWTA is legally allowed to continue collecting that sales tax until the established “exit fee” has been satisfied.

It is important to note that when a similar election was held in May of 2016 to determine continued membership in the FWTA, we had been told that the exit fee would have been \$623,703. The City Council and members of the community also noted that future elections could cost much more, as much as \$10 million, in order to exit the FWTA. The driver of that cost was the debt and expenses associated with the TexRail project, which serves several non-member cities that do not contribute their sales tax to the authority, but provided no direct benefit to two of the three member cities, including Richland Hills. At the time this fact was pointed out, the Star Telegram reported the following:

“The claim is that Richland Hills will incur a \$10 million share of transportation authority debt if it does not take advantage of this once-in-a-lifetime opportunity to head for the exit. That’s a scary amount of money. But it’s sheer fantasy. The transportation authority, which has been in operation for more than three decades, has no debt, says Paul Ballard, its president and CEO.”
(April 21, 2016).

It is important to note what our voters were told, which was that exorbitant exit fees, such as the \$10 million figure was “sheer fantasy”. Our voters used that information when they made a decision in the November 2016 election when they elected to withdraw.

Also of major significance is what the state law says about the exit fee. It says that once an election to withdraw from the authority is ordered, the Executive Board of the authority has 180 days to certify the exit fee and send it to the comptroller. The November election was ordered (called) on August 18th, 2016. 180 days from that point was February 14th, 2017. As of February 14th, no number was certified by the FWTA Executive Board. As such, on February 16th, 2017 the City Council ordered an election to reissue the tax that was formerly collected by the FWTA for purposes including: street improvements, park improvements and economic development.

On April 24th, 2017 the Executive Board did approve an exit fee. This was done approximately 69 days after the expiration of their legal ability to certify the number. The number they certified was \$3,774,821.85 (this was after they originally told us that they were going to certify a number of \$8,363,431.13).

Because they certified the number after their statutory ability to do so, the comptroller has been put in a state of flux and will not recognize our recent election to reissue the sales tax for other purposes at this time. As such, the election to reissue sales tax will likely need to be held again at a future date after some of this is resolved, and there is no need to canvass election results at this time.

Board/Citizen Input: N/A

Attachments: N/A

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