

# City of Salina Sales Tax Initiative

## 2016 to 2036

### Questions & Answers

**Q: Why is the City requesting a sales tax increase now?**

**A:** The need is now! Over the last few years, our residents, business owners and visitors continue to tell us that more work on our streets is needed. This is particularly true of our “neighborhood streets”. We agree! That is why streets will be the single, largest project investment for the sales tax. If the new sales tax is approved by the voters, the City will commit to at least \$2 million more per year for neighborhood streets. This means increasing the sales tax street budget from approximately \$1.6 million to **at least** \$3.6 million per year. If the tax is approved, we can start doing more street work next year.

**Q: What is the ballot question for the proposed sales tax?**

**A:** The ballot question will read as follows:

*Shall the following be adopted?*

*Shall the City of Salina, Kansas be authorized to repeal its current 0.40 percent (.40%) special purpose retailers’ sales tax scheduled to expire March 3, 2019, and replace it with a 0.75 percent (p.75%) general purpose retailers’ sales tax, the proceeds of which shall be used to pay the cost of:*

- *Improving neighborhood streets and drainage;*
- *preserving a stable property tax rate;*
- *ensuring a quality park system;*
- *constructing and maintaining capital improvements;*
- *funding equipment;*
- *funding bonded debt issued for capital improvements; and*
- *continuing to support a fund managed by the City to attract quality jobs.*

**Q: If approved, what will the new sales tax rate be?**

**A:** If approved, a portion of the City sales tax will change from an increment of .4% to an increment of .75%. This will cause the total community sales to change from 8.4% to 8.75%. The total change is about 4%, which is fairly in line with our annual inflation rate.

**Q: If approved, how much revenue will the new sales tax create?**

**A:** The new sales tax increment will generate approximately \$4.3 million per year in new revenue for community needs such as “neighborhood streets”, preserving a stable property tax, park improvements, storm drainage and creating an environment for quality job growth.

(Source: City of Salina Finance Department)

**Q: How will the new sales tax impact my wallet?**

**A:** On average, consumers will spend about 4% more with the new tax. The increase equals 35 cents per \$100 spent. We do not believe this moderate incremental change will have a significant financial impact to people, even those with a limited income.

**Q: Why is the request for a term of 20 years instead of 10 years?**

**A:** A term of 20 years will also allow us to finance large projects over 20 years, but still provide for a reasonable sunset of the tax. Financing larger projects at low interest rates over this term increases the available resources needed for year-to-year community needs.

**Q: Why use a sales tax instead of another type of tax?**

**A:** Each person has to determine for themselves the level of taxes they wish to pay for the community they wish to have. We agree there is no such thing as a perfect tax. A sales tax is as fair as any tax and much better than a property tax. It is based on spending rather than owning. A small increment can go a long way and it allows people from outside of our town help pay for key community needs. Based on Salina’s retail market strength, approximately one-third (1/3<sup>rd</sup>) of the sales tax will be generated by those from outside of our community!

(Source: A Study of Retail Trade In Cities Across Kansas – 2015, Kansas Dept. of Revenue Office of Policy and Research)

**Q: How does the public know that future spending commitments will be met?**

**A:** First, the ballot language legally limits the use of funds to what is specified. That keeps the dollars from being used for other things. The City made a similar use of funds commitment in 2008 and has followed it very closely.

**Q: How has the City used the proceeds of the current sales tax since 2008?**

**A:** In 2008, we committed to using the current sales tax for similar needs, including streets, property tax stabilization, job growth and the Kenwood Cove water park. Since 2009, this sales tax has been used to fund the following list of community needs:

<u>Use</u>	<u>Amount (in millions)</u>
Street and Related Improvements	\$10.50
Kenwood Cove Water Park	\$8.80
Property Tax Stabilization	\$4.90
Job Growth	\$3.50
Maintenance Vehicles & Equipment	\$3.10
Flood Protection	\$ .95
Facility Maintenance	\$ .88
Human Services	\$ .24
<u>Other Project Costs</u>	<u>\$1.30</u>
<b>TOTAL COMMUNITY INVESTMENT</b>	<b>\$34.2 million</b>

(Source: City of Salina Finance Department)

**Q: Why isn't the current sales tax enough?**

**A:** The current sales tax will expire in early 2019. It has allowed us to address many of our primary streets, renovate buildings like the Bicentennial Center and Fire Station No. 1, pay for the Kenwood Cove water park and have limited resources for local job growth. However, the current sales tax just isn't enough to address our many miles of "neighborhood streets" and it doesn't provide enough resources to prepare local development sites for quality jobs, preserve and enhance our parks or restore an ailing Smoky Hill River, while at the same time keeping our local property tax rate low.

**Q: If approved, how will I see proposed sales tax at work in the community?**

**A:** If approved, the City should start to collect the additional sales tax increment toward the end of 2016. This means that we can start applying it to meet the committed community needs as early as next year!

**Q: What will the proposed sales tax be used for and does it emphasize our community's basic needs?**

**A:** The ballot question limits the use of the tax to the items mentioned in a previous question. We continue to hear our residents ask for neighborhood street improvements more than anything else. That is why the City is committing to spend at least \$2 million more per year (from \$1.6 million annually to at least \$3.6 million) just for neighborhood streets. Other needs we intend to address include bridges, sidewalks, trails, quality jobs, a stable property tax, parks, basic maintenance equipment, and applying a slimmed down approach to restoring a deteriorated Smoky Hill River.

**Q: How will the proposed sales tax spending items be determined?**

**A:** Spending items are truly a culmination of a great deal of public input over the years. We know that addressing neighborhood streets is a top priority for our community. We continue to hear about the need to address our park system and come up with a reasonable and slimmed down approach to restoring the river channel. Also, we hear people asking for quality jobs in our community. Finally, we know that our resident and business owners do not wish to see their property taxes increase in the future. Our approach can accomplish all of these things.

**Q: Why is the City using a mail-in ballot instead of a traditional election?**

**A:** The City is using the mail-in ballot for a couple of reasons. First, it is incredibly convenient for voters since the ballot is mailed to the residence of registered voters. Voters will have from April 20<sup>th</sup> to May 10<sup>th</sup> to complete the ballot and send it back. Because of this convenience, the return rate for the mail-in ballot election is expected to be over 50%. This is a very strong exercise of democracy!

**Q: How do we make sure the votes are counted correctly?**

**A:** State law requires that all elections be conducted by the Saline County Clerk's Office. Coordinating elections is one of their specialties. They are an objective entity with full public accountability and also have recent experience conducting a mail-in ballot election.

**Q: What difference will the sales tax make for our community?**

**A:** Salina is a very nice community and serves as the market trade area for north central Kansas. Most people wish for Salina to grow and improve services and quality of life offerings in the future. We believe the sales tax will help ensure Salina’s regional viability to retain and grown our resident base, businesses and visitors for the next 20 years.

**Q: What will the City do if the proposed sales tax does not pass?**

**A:** If the proposed sales tax does not pass, we will continue to focus our current resources on the basic infrastructure items as we have in the past. However, certain community needs will not be met or will have to be deferred well into the future.

**Q: Why is a river project being considered now when a few years ago the voters did not pass a tax increase specifically for that project?**

**A:** The last time the Smoky Hill River was looked at, we were going through the worst recession since the great depression. That was certainly a difficult economic environment for all of us. We know for certain that our river channel cannot be filled in and must be maintained and preserved. The reason is that it serves as the primary storm drainage basin for a large part of our community. Without the internal Smoky Hill River Channel, the core of our community will experience flooding. Even cleaning it out now requires federal agency oversight and is very expensive. We believe that we can clean out the river, restore some flow, provide enjoyable public access to it and allow our residents to fully experience it with a slimmed down approach. If the sales tax is approved, the annual increment to pay off Kenwood Cove (approximately \$1.35 million per year) can be reallocated to the river renewal with a “between the banks” focus.

**Q: Why not carve out the big items like the river restoration and streets?**

**A:** All items, big and small, are considered capital improvements. The intent of the sales tax is to address all of our community’s capital improvement needs. Certainly, items can be carved out. However, we know that not everyone in our community will agree on every project. With ongoing community conversations, we feel very comfortable that our elected officials will be able to understand our community’s preferences as we annually establish our capital improvement plan. That annual approach gives us a better chance of being on target for everyone!

**Q: Will Salina lose business if the sales tax goes up?**

**A:** We are very sensitive to concerns that any increase in sales tax could impact retail business activity. Given the sales tax rates of those competing communities in our region, we do not believe the proposed tax rate will be a negative factor. In fact, we believe the community improvements that will result from the use of the sales tax will actually increase our retail draw and help our businesses. For 2015, the total sales tax rate for many of those comparable Kansas cities was as follows:

Junction City	9.75%	McPherson	9.00%
Leavenworth	9.50%	Leawood	8.85%
Pittsburg	9.25%	Overland Park	8.85%

Dodge City	9.15%	Hays	8.75%
Topeka	9.15%	Manhattan	8.75%
Kansas City	9.125%	<b>Salina (proposed)</b>	<b>8.75%</b>
Abilene	9.10%	Garden City	8.65%
Hutchinson	9.10%	<b>Salina (currently)</b>	<b>8.40%</b>
Lenexa	9.10%	Derby	8.00%
Lawrence	9.05%	Wichita	7.50%

(Source: Kansas State & Local Sales Tax Rates – Kansas Department of Revenue)

**Q: What prevents the County or State from adding their own sales tax increase?**

**A:** Legally, either entity could eventually add to the sales tax. However, the public would need to vote on a county-wide sales tax.

**Q: What is a capital improvement?**

**A:** A capital improvement is typically considered to be a physical amenity in a community such as roads, drainage, utilities, buildings and site work. We will often use the term “infrastructure” in the same way for many of these items.

**Q: How much more will be spent on neighborhood streets with the proposed sales tax?**

**A:** We are committing that at least \$2 million more per year will go to neighborhood streets. That will increase our annual sales tax street investment from about \$1.6 million to at least \$3.6 million. This additional investment is sorely needed and cannot occur without an increase in the sales tax.

**Q: How will the City decide what streets will be funded?**

**A:** We rely on a lot on citizen input as our eyes. In addition, we use traffic counts and a tool called a pavement management system to grade the street conditions and help us determine priorities. Finally, we have historically been limited by funding to our primary streets. With additional funding, we can have a huge impact on our neighborhood streets.

**Q: How much does it cost to fully fund all of Salina’s streets?**

**A:** Over the last two years, we have tried to estimate the cost of fully funding streets. While not a perfect science, our engineering estimates this cost to be approximately \$2 million to \$3 million per year over the long-term. This cost includes annual maintenance of all asphalt, concrete and brick streets; structural street upgrades (i.e., surface, signals, curbing, drainage, etc.) to existing, rural design streets and reconstruction of streets determined to be beyond their useful design life. This cost does not include all costs associated with our bridges, which also need to be adequately maintained.

**Q: How will the sales tax money be allocated the first 5 years and beyond?**

**A:** If the proposed sales tax is approved, we will immediately focus on amending our 5-year capital improvement plan. The plan will be changed to include the project types committed by the vote that can be made ready for completion in 2017. Each year, we will

look further out into the future with regard to project needs based on citizen input, use, level of deterioration and complexity.

**Q: What are “neighborhood streets”?**

**A:** There is no formal definition for neighborhood streets. We think of neighborhood streets to include those in front of our homes and those that connect motorists from the larger, busiest streets to their neighborhood.

**Q: What is “property tax stabilization”?**

**A:** Property tax stabilization is a commitment that the City’s property tax rate will remain stable over the next 20 years. This does not mean that it might not change slightly, but property owners can have an expectation that the City will not rely on significant property tax changes to fund municipal operations. The sales tax helps us to do this by providing a direct funding source for capital items that would otherwise be funded with the property tax. Below is a table that shows how Salina’s municipal property tax rate compares to some of our neighbors.

<u>Property Tax (mills)</u>	
McPherson	51.330
Dodge City	50.883
Junction City	47.666
Abilene	45.538
Manhattan	43.963
Hutchinson	43.226
Topeka	39.733
Wichita	32.291
Garden City	31.822
Salina	27.080
Hays	25.007

(Source: Kansas Tax Rate & Fiscal Data Book 2015 – League of Kansas Municipalities)

**Q: What portion of the proposed sales tax will go to “quality jobs” and how will it be used?**

**A:** We don’t believe that a municipal government can “create” jobs. However, we do have the ability to address land, utilities, roads, drainage, training and relocation costs, and other things that make Salina more competitive. Our intent is to keep this type of support tied to items that stay with our community and cannot be taken away. Right now, we budget approximately \$320,000 per year for job growth. A community partnership to strengthen Salina’s ability to attract jobs has begun through formation of the Salina Community Economic Development Organization. To be successful, we believe that at least \$500,000 will be needed to create an environment for quality and premier job growth in Salina.

**Q: What is a “quality job”?**

**A:** You will hear us refer to both quality jobs and premier jobs. Both terms are about better wages and benefits for any local investment in job growth. Quality jobs are intended to address jobs with wages that are at least 120% of the overall Saline County wage, while also meeting the Kansas Department of Commerce’s (KDOC) Promoting Employment Across Kansas (PEAK) program. This program ensures good benefits are attached to the jobs. Premier jobs must meet the quality job requirements, but also requires the wage to be at least 110% of the county wage for the same job type or be at least \$40,000 per year. This number is adjusted annually.

**Q: What is the scope of the river project this time?**

**A:** A few years ago, the City adopted a Smoky Hill River Renewal Master Plan. This plan focused on the river renewal project, but also included significant information about other community development associated with it. Our approach is to focus on the basic stream area only. This means getting the sediment out, reshaping the river channel where needed, providing people with a nice bike/hike path to access it and giving all of us some space to hang out along the downtown stretch. This slimmed scope of project will serve Salina well for many years.

**Q: Will the new sales tax help fund the downtown redevelopment project?**

**A:** The tax investment in the downtown redevelopment project is intended to be self-supported by using the increased building value and related taxation of new development projects to fund costs that would otherwise be funded by the general budget. As a result, it is not our intention to initially use the new sales tax to fund downtown improvements. With that in mind, we do realize that the downtown scope and needs could change in time. One benefit of the proposed sales tax is that it could be used to cover a funding gap for a desired improvement such as the streetscape or address a future need not known today. In the end, it simply gives us complete flexibility and a reliable backstop if we should need it.

**Q: How can we expect the City to manage the sales tax project fund?**

**A:** Our primary focus is accountability. This is why the sales tax ballot language lists specific categories for how the funds can be used. These categories are legal limitations. From a budgeting and accounting perspective, the sales tax fund will be separated from our General Fund and all other accounts so there is never confusion or concern about the use of funds. The annual allocation of funds for projects will be approved by the governing body during a series of open meetings intended to address our annual capital improvement planning. This allows for full transparency and the public’s eye on the use of funds. Finally, this special fund will be included in the City’s annual financial statements, which are audited. The audit is always conducted by a third-party auditing firm.

**Q: Why doesn't the City focus more on efficiency improvements so a sales tax is not needed?**

**A:** That is a great suggestion. The City of Salina takes operational efficiencies seriously and is considered a leader of efficiency improvements for local governments. We call our program Continuous Process Improvement (CPI). We are now applying private sector Lean Six Sigma (LSS) concepts across the organization. Lean is an approach to allow employees at all levels of the organization to review their processes, eliminate various forms of waste and be more efficient. We train and certify our employees for these tasks. We have reduced City operating costs by \$1.4 million dollars with CPI. In addition, our full-time staffing has been reduced from 511 in 2008 to 473 today through efficiencies and without layoffs.

(Source: City of Salina Continuous Process Improvement Program Data)

The City of Salina is the only organization in the entire state of Kansas that is taking process efficiency to this level. We have presented on our program at the annual Continuous Improvement and Innovation Conference held at Kansas Wesleyan University (KWU) and the Kansas League of Municipalities (LKM) Conference. In addition, our program has been recognized by the International Association of City/County Managers (ICMA). While this effort has also helped to keep our property tax rate low, it is not enough to stabilize our operational costs AND fund all of our community's capital needs.