

# Revenue Options and Steps to Implement

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# Agenda

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- Current Tax Revenue Collected
  - Type of Revenue
  - Purpose for Revenue
  - Expiration
- Additional Tax Revenue Options
  - Type of Revenue
  - Purpose for Revenue
  - Steps to Implement
- Any change in tax revenue requires voter approval.

# Current Tax Revenue Collected

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This discussion includes four types of tax revenue currently collected

- Type of Tax Revenue
  - Property Tax
  - Sales/Use Tax
  - Franchise Tax
  - License Tax

# Type of Tax Revenue Collected

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## Property Tax

- Property Tax collected on Real and Personal Property
  - General Fund and Parks
    - Used for operations
    - No expiration – changes with assessed value changes and is limited to basically collect the same revenue year-to-year --- “revenue neutral”
- Debt Service Property Tax
  - General Fund
    - Used to pay debt issued for Fire Equipment purchase and Street Improvements
    - Expires when the debt is paid in full – currently scheduled to retire 2027

# Type of Tax Revenue Collected

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## Sales/Use Tax

- Sales/Use Tax collected on goods purchased locally and some internet sale
- Use tax revenue is currently limited to nexus in the State (building/distribution)
  - General Fund 1% - 1cent
    - Used for Operations
    - No expiration
  - Parks Fund 3/8% - 3/8 cent
    - Used for Operations and debt service
    - No expiration
  - Capital Improvement 1/2% - 1/2 cent
    - Used for debt payment, purchase of equipment, buildings, construction of infrastructure (roads, storm, sidewalk, etc.)
    - Expiration in 2025 – debt scheduled until 2029

# Type of Tax Revenue Collected

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## Franchise Tax

- Franchise tax is assessed at 5% on electric, natural gas, cable, telephone, and water gross receipts
  - General Fund revenue
    - Used for Operations
    - No expiration

## License Tax

- License Tax is collected as a Business, Liquor, Dog, Cigarette License
  - General Fund revenue
    - Used for Operations
    - No expiration
- City has little control over these taxes. Franchise Tax was set at a 5% maximum by State Legislation. License Tax is also defined in State Statute.

# Questions on Current Tax Revenue

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# Additional Tax Revenue Options

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There are several additional tax revenue options available

- Property Tax Levy Increase
- Debt Service Property Tax Levy
- General Sales Tax Increase adding a maximum of 1%
- Renew Capital Improvement Sales Tax maximum  $\frac{1}{2}\%$
- Transportation Sales Tax maximum  $\frac{1}{2}\%$
- Public Safety Sales Tax (Fire and/or Law Enforcement) maximum  $\frac{1}{2}\%$

# Type of Additional Tax Revenue and Purpose

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- Property Tax Levy Increase Both Real and Personal Property
  - Maximum increase of \$1 per \$100 assessed value
  - General Fund Revenue Current levy of \$0.3608
    - Used for Operations Increase of \$0.6392 to the maximum limit of \$1
    - No Expiration generates approximately an additional \$1,435,000 in revenue
- Debt Service Property Tax Levy Currently Real Property – could be both Real and Personal Property
  - Requires issuance of General Obligation Bonds to implement
  - Purpose for Revenue is solely to pay debt
  - Steps to Implement requires voter approval to issue the debt that sets the levy based on the annual debt payment
  - Requires a specific project or projects to issue debt – such as construction of Fire Station 3
- Both these taxes are paid solely by Warrensburg residents



# Type of Additional Tax Revenue and Purpose

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- $\frac{1}{2}$  Cent Transportation Sales/Use Tax
  - New tax – specifically for transportation purposes
  - Used to construct roads, storm, sidewalk, and pay debt related to such construction
  - Projected to generate an average of \$1.5 million annually
- $\frac{1}{2}$  Cent Public Safety Sales/Use Tax
  - Used in General Fund to pay equipment, city employee salaries and benefits, and facilities for police, fire and emergency medical providers
  - Requires State Legislative action to authorize ballot to citizens
  - Projected to generate an average of \$1.5 million annually
- Sales taxes are paid by everyone who purchase products in Warrensburg, not just Warrensburg residents

# Timeline for ballot and collection of the additional tax revenue outlined



# Timeline for ballot and revenue collection

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- Sales Tax options
- Additional Sales Tax Option
  - April 2021 election results in collection to begin October 1, 2021 by the retailers.
  - First City receipts will be December 2021.
- Renew existing Sales Tax
  - April 2021 election results in collection to begin July 1, 2021 by the retailers
  - City receipts begin September 2021
- Ballot Certification by Council for April 2021 election required by January 26, 2021
- Property Tax options
  - April 2021 election results in collection to begin with the 2021 Property tax bills sent in November 2021

# Questions

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