

CITY COMMISSION AGENDA MEMO
July 16, 2020

FROM: Jason Hilgers, Deputy City Manager

MEETING: July 21, 2020

SUBJECT: 2023 Sales Tax – Ballot Question and Policy Resolution

PRESENTER: Jason Hilgers, Deputy City Manager

BACKGROUND

At the July 14, 2020, City Commission work session, the Commission provided direction and feedback in support of pursuing a sales tax question for the November 2020 ballot.

DISCUSSION

The draft ballot question would implement a city sales tax of 0.5% that would be effective January 1, 2023, and would generate an estimated \$6.5 million per year. Today, the City receives approximately \$3 million annually from the County’s 0.5% sales tax. This disparity in revenue is substantial when it comes to funding future debt, public infrastructure, and economic development initiatives in Manhattan for the next decade. This is a difference of \$35 million (\$65 million with a City only versus \$30 million with County) over the 10 year period of time.

	City Tax	City portion of County Tax
0.5%	\$6.5 million	\$3 million
10 YR Total	\$65 million	\$30 million

There are two specific actions associated with the City placing the question on the ballot and administering the funds. The first is a resolution the City Commission must pass and the City Clerk’s Office deliver to the County Clerk prior to September 1, 2020, to make the November ballot. This resolution must identify the question exactly as it would be considered by the voter in November. The second action is a resolution regarding the intent of how the funds would be used, distributed and utilized in the community.

Based on feedback from the July 14, 2020, work session, City Administration has drafted the following question for review and discussion:

“Shall the City of Manhattan Kansas be authorized to levy an additional one-half of one percent (0.50%) special purpose citywide retailers’ sales tax within the city limits of Manhattan, Kansas; the revenue from the additional tax shall be used for the purposes of stimulating recovery from the COVID-19 pandemic; reducing the ad valorem property tax burden on City taxpayers; paying for outstanding city debt or the cost of public infrastructure, and paying for economic development initiatives or workforce housing initiatives intended to recruit, retain and grow jobs or to enhance the City’s economic development, with the means and methods to accomplish said purposes to be determined in the sole discretion of the Governing Body of the City; such additional tax, levied pursuant to K.S.A. 12-187, if approved by a majority of the electors voting thereon, to take effect January 1, 2023, or as soon as thereafter as permitted by law and notice requirements allow, and to expire ten years from the date the tax is first collected?”

City Administration recognizes that a policy resolution is discretionary on the part of the City Commission. It is not required. In the past it has assisted in the definition of “Economic Development” which was part of the Riley County question. Now that the City is considering a special question on their own, the policy resolution is at the pleasure of the Commission. While it does help with the education and further defines the intent of the tax, the City has passed several sales tax questions that didn’t have a policy resolution accompanying the ballot question.

Based on feedback from the July 14th work session, there appears to be support for a split comprised of 20% (\$1.3 million annually) to be dedicated to debt thereby relieving the property tax payer of this burden; 20% (\$1.3 million annually) would be placed into the City’s Economic Development Fund and a portion would either be distributed to the City’s economic development agent (i.e. the Chamber of Commerce) the annual operation of economic development to fund “the plan” for talent, entrepreneurship, and diversify the economy, or a portion kept with the City to finance workforce housing initiatives; and 60% (\$3.9 million annually) would be dedicated to future debt of the City for public infrastructure that would improve the quality of place and built environment in Manhattan.

The above strategy would dedicate \$65 million over the next 10 years to debt relief (\$13 million), economic development to foster job creation and workforce housing (\$13 million) and debt related to public infrastructure to enhance the quality of place in Manhattan (\$39 million).

Proposed annual distribution of funds options:

2023 Tax: Option	20/20/60
Debt	\$1.3M (20%)
Eco Devo / Housing – Chamber/City	\$1.3M (20%)
Infrastructure	\$3.9M (60%)

A timeline of events and actions is below that would be necessary to move this question to this November's ballot.

- **July 21** – City Commission Discussion Item – Draft Sales Tax Question and outline key elements associated with a potential Policy Resolution addressing distribution of funds/use of funds
 - **July 28/Aug 4** – City Commission Work Session – finalize ballot question language and continue to develop policy resolution
 - **August 4/18** – City Commission Legislative Action – Consider Ballot Question Resolution; Deliver to Riley County prior to September 1st
 - **August 18** – City Commission considers Policy Resolution for 2023 Sales Tax – define use and establish the education platform and process for distribution funds for economic development.
 - **September & October** – Educate the Community on 2023 Tax and future use
 - **October 14** – Advance Voting Begins
 - **November 2** – Advance Voting Ends
 - **November 3** – Election Day
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- City Sales Tax of 0.5%
 - Replaces the County Tax of 0.5% on January 1, 2023
 - Local rate in Manhattan (Riley County) stays at 8.95%
 - Local rate in Manhattan (Pottawatomie County) raises to 9.45%
 - City expects \$6.5 million annually starting in the year 2023

A city sales tax question of this magnitude will position Manhattan in the best possible position with respect to the pandemic recovery, financing existing and future debt, pursuing and finishing major public infrastructure improvements (i.e. Aggieville, North Campus Corridor, Airport, etc.), a robust workforce housing program and initiatives, and an effective economic development strategy for the next decade.

RECOMMENDATION

City Administration recommends the City Commission provide direction on the draft 2023 Sales Tax question and policy resolution.

POSSIBLE MOTION

No motion is necessary at this work session.

JH
20049

Enclosure:

1. Draft 2023 Ballot Question Resolution

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING AND PROVIDING FOR THE CALLING OF A SPECIAL QUESTION ELECTION IN THE CITY OF MANHATTAN, KANSAS, FOR THE PURPOSE OF SUBMITTING TO THE QUALIFIED ELECTORS OF THE CITY THE QUESTION OF AUTHORIZING THE IMPOSITION OF A SPECIAL CITYWIDE RETAILERS' SALES TAX, AT THE RATE SET FORTH HEREIN, FOR THE PURPOSES OF STIMULATING RECOVERY FROM THE COVID-19 PANDEMIC; REDUCING THE AD VALOREM PROPERTY TAX BURDEN ON CITY TAXPAYERS; PAYING FOR OUTSTANDING CITY DEBT OR THE COST OF PUBLIC INFRASTRUCTURE; AND PAYING FOR ECONOMIC DEVELOPMENT INITIATIVES OR WORKFORCE HOUSING INITIATIVES INTENDED TO RECRUIT, RETAIN, AND GROW JOBS OR TO ENHANCE THE CITY'S ECONOMIC DEVELOPMENT; WITH THE MEANS AND METHODS TO ACCOMPLISH SUCH PURPOSES TO BE DETERMINED BY THE GOVERNING BODY OF THE CITY; AND PROVIDING FOR THE GIVING OF NOTICE OF THE SPECIAL QUESTION ELECTION.

WHEREAS, K.S.A. 12-187 *et seq.*, as amended, (the "Local Retailers Sales Tax Act") authorizes the Governing Body to call a special question election in the city to be held on November 3, 2020, for the purpose of submitting to the city's qualified electors the question of imposing a citywide separate special retailers' sales tax for the purposes of reducing the ad valorem property tax burden on City taxpayers, paying for outstanding city debt or the cost of public infrastructure, and paying for economic development initiatives intended to recruit, retain and grow jobs or to enhance the City's economic development, with the means and methods to accomplish said purposes to be determined in the sole discretion of the Governing Body of the City; and,

WHEREAS, the collection of such sales tax would begin on January 1, 2023, or as soon thereafter as provided by law, and shall expire ten (10) years after its commencement.

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF MANHATTAN, KANSAS:

SECTION 1. Special Question Election. It is hereby authorized, ordered and directed that a special question election shall be, and is hereby, called to be held in the City, pursuant to K.S.A. 12-187 and K.S.A. 10-120, on November 3, 2020, at which time there shall be submitted to the City's qualified electors the following proposition:

Shall the following be adopted?

“Shall the City of Manhattan Kansas be authorized to levy an additional one-half of one percent (0.50%) special purpose citywide retailers’ sales tax within the city limits of Manhattan, Kansas; the revenue from the additional tax shall be used for the purposes of stimulating recovery from the COVID-19 pandemic; reducing the ad

valorem property tax burden on City taxpayers; paying for outstanding city debt or the cost of public infrastructure, and paying for economic development initiatives or workforce housing initiatives intended to recruit, retain and grow jobs or to enhance the City's economic development, with the means and methods to accomplish said purposes to be determined in the sole discretion of the Governing Body of the City; such additional tax, levied pursuant to K.S.A. 12-187, if approved by a majority of the electors voting thereon, to take effect January 1, 2023, or as soon as thereafter as permitted by law and notice requirements allow, and to expire ten years from the date the tax is first collected?"

SECTION 2. Special Question Election Procedures. The City Clerk shall cause the County Clerk of Riley County, Kansas to give notice of the election as provided by law by publishing a Notice of Special Question Election in substantially the form attached hereto as *Exhibit A*, once each week for two (2) consecutive weeks in a newspaper of general circulation in the city, with the first publication to be not less than twenty-one (21) days prior to the date of the election, and the last publication being not more than ninety (90) days prior to the date of the election.

SECTION 3. Effective Date. This Resolution shall be effective from and after its adoption by the Governing Body.

ADOPTED by the governing body of the City of Manhattan, Kansas, on the _____ day of _____, 2020.

(SEAL)

ATTEST:

Brenda K. Wolf, CMC, City Clerk

Usha Reddi, Mayor

EXHIBIT A

(First published in *The Manhattan Mercury* on _____, 2020 and subsequently on _____, 2020.)

NOTICE OF SPECIAL QUESTION ELECTION

CITY OF MANHATTAN, KANSAS

The governing body (the "Governing Body") of the City of Manhattan, Kansas (the "City"), has heretofore, pursuant to resolution duly adopted, declared it advisable to impose a Citywide separate special retailers' sales tax for the purposes of reducing the ad valorem property tax burden on City taxpayers, paying for outstanding city debt or the cost of public infrastructure, and paying for economic development initiatives intended to recruit, retain and grow jobs or to enhance the City's economic development. Notice is hereby given to the qualified electors of the City that a special question election has been called and will be held pursuant to K.S.A. 12-187 *et seq.*, on November 3, 2020, for the purpose of submitting to the qualified electors of the City the following proposition:

Shall the following be adopted?

“Shall the City of Manhattan Kansas be authorized to levy an additional one-half of one percent (0.50%) special purpose citywide retailers’ sales tax within the city limits of Manhattan, Kansas; the revenue from the additional tax shall be used for the purposes of stimulating recovery from the COVID-19 pandemic; reducing the ad valorem property tax burden on City taxpayers; paying for outstanding city debt or the cost of public infrastructure, and paying for economic development initiatives or workforce housing initiatives intended to recruit, retain and grow jobs or to enhance the City’s economic development, with the means and methods to accomplish said purposes to be determined in the sole discretion of the Governing Body of the City; such additional tax, levied pursuant to K.S.A. 12-187, if approved by a majority of the electors voting thereon, to take effect January 1, 2023, or as soon as thereafter as permitted by law and notice requirements allow, and to expire ten years from the date the tax is first collected?”

To vote in favor of this question darken the oval to the left of the word "Yes." To vote against it, darken the oval to the left of the word "No."



YES



NO

The election officer conducting the election will be the County Clerk of Riley County, Kansas, whose address is Riley County Courthouse, 110 Courthouse Plaza, Manhattan, KS 66502.

DATED _____.

(Seal)

Rich Vargo, County Clerk
Riley County, Kansas