

Questions and answers on sales tax issue

- **1. When would the election be? Why does it have to be so early?**

A special election would be held on Tuesday, Aug. 12, 2014. State law specifies that ordinarily special elections should be held on the second Tuesday of a month. School elections are scheduled for the second Tuesday of September. Having elections close together defeats the purpose of a special election, which is to allow voters to focus on the issue.

- **2. Why not have the election at the same time as the school election or general election?**

We were advised by the city attorney and county Election Commission that it's impractical to have a special city election at the same time as the school election because of the different precinct boundaries. Waiting until the general election would not allow time for the 2015 budgets to be prepared by Jan. 1.

- **3. How much will a special election cost? Who pays the cost?**

According to Craighead County Clerk Kade Holliday, the cost would be between \$15,000 and \$20,000, and the city would pay the cost.

- **4. What's the strategy for what you're proposing to do?**

In 2010, when we went to the voters and asked them to pass a temporary sales tax for public safety, we promised to look at the issue again in four years. Meanwhile, the city had proceeded to "catch up" on internal infrastructure needs, including fire stations, the police station, the Municipal Building and the Public Works facility for Streets and Sanitation departments. Now we see an opportunity to give some tax relief while maintaining adequate revenues for operations and maintenance.

- **5. Isn't it easier to pass the continuation of an existing tax than to pass a new tax?**

Possibly so, but we'd have to decide whether to seek a temporary or permanent extension. Generally, a temporary tax should be used to fund temporary needs, but public safety is a continuing need. Passing a permanent extension might be more difficult.

- **6. Is this a short-term strategy to allow time for a long-term solution?**

Yes, if the temporary half-cent tax expires on Dec. 31 without another funding mechanism, the city would have to make severe cuts in personnel and other

spending for all departments, beginning Jan. 1. Resolving this issue by removing the restriction on the half-cent capital improvements tax would allow the city to later consider other long-term needs, such as a water park, eastern bypass or other major projects. To finance such projects would require additional funding, probably revenue bonds, and a temporary sales tax would be a logical solution. The voters could decide whether they want to pay for such "project specific proposals."

- **7. Are you aiming a bit too low on this? The city needs the money. Why not just go for a permanent extension of the Public Safety Tax?**

Jonesboro residents currently pay a fairly low sales tax rate, compared to other first-class cities in Arkansas. While the city could certainly find uses for the revenue raised by extending the additional half-cent sales tax, the city has resolved most of its facilities problems with the capital improvements revenue. Changing the tax structure at this point allows the city to consider long-term needs and financing.

- **8. The temporary Public Safety Tax was passed easily four years ago. What makes you think an extension would be harder to pass this time?**

A special committee comprised of Mayor Perrin, Chief Financial Officer Ben Barylske, Police Chief Michael Yates, Fire Chief Kevin Miller, Chief of Staff L.M. Duncan, former Jonesboro Sun Editor Roy Ockert and former city Chief of Staff Gary Harpole discussed the issue at length and reached a consensus that the political climate has changed to the point that passing an extension would be at best a 50-50 risk. Other cities have failed to pass new sales tax proposals and extensions during the past year. The commission concluded that the risk was too great, considering that there is an easy solution.

- **9. Who would oppose an extension of the Public Safety Tax?**

Some local Tea Party members have signaled an indication that they would oppose an extension, as has the current editor of The Sun, which supported the tax in 2010. However, in our focus groups with community leaders, we also found strong support. The fact that there would be some opposition was not an overriding consideration. Our committee's primary concern was what's best for the city.

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- **10. What happens if you put this proposal forward and it fails? Would you try again to extend the Public Safety Tax? If so, when?**

One reason for have a special election in August is that city officials will need the extra time to deal with the consequences, whether it passes or fails. If the proposal fails, the city could possibly put a proposal on the general election ballot to extend the public safety tax in some form, but the timing would be difficult. An ordinance would have to be prepared and passed, probably in the second City Council meeting of August to meet the 60-day deadline to make the ballot. Another special election could be called by the end of the year, but that would complicate budgeting, in part because there would be a gap in collections.

- **11. If you don't try to extend the Public Safety Tax and this fails, how soon would you see an impact to the budget and how big would the impact be?**

Since sales tax distributions are made to the city two months after collections, the city will receive revenue from the Public Safety Tax through February. CFO Baryske estimates that the impact in 2015 will be roughly \$6.5 million in lost revenues, then \$7.5 million each year following. Collections run about 20 percent of the city's operating revenues, he said, so the city could use reserves to prevent layoffs immediately but would have to plan for layoffs through the latter part of next year.

- **12. Why don't you put this proposal on the ballot as well as a proposal to extend the Public Safety Tax?**

That would require asking two questions, one on each of the two city sales taxes, and it would probably confuse many people. When voters are confused by tax proposals, they tend to vote no. If both passed, the city would still not be addressing long-term needs and would need a plan for spending the capital improvements revenue.

- **13. If you put this proposal on the ballot and it fails, what happens to the permanent 1-cent sales tax?**

The permanent 1-cent sales tax would continue as originally formulated and approved, which includes a restriction that one-half of the revenue raised can be spent only on capital improvements.

- **14. If you put this proposal on the ballot and it fails, what happens to the temporary half-cent Public Safety Tax?**

This proposal does not affect that tax. It is set to expire on Dec. 31, 2014, regardless of the outcome of this proposed special election. To continue it in any form and for any length of time would require an ordinance setting a special election no earlier than 120 days before that election and no later than 60 days before that election. No action has been taken toward that end.

- **15. Are you undoing the existing tax or just amending?**

This proposal, subject to the approval of the voters, would simply amend Ordinance 3221, approved by the voters on May 15, 2000. The only change would be to remove the restriction that one-half of the permanent 1-cent sales tax must be used for financing capital improvements of a public nature. The full 1-cent tax could then be used for general operations or capital improvements.

- **16. How much money are you spending each year on streets? Isn't that about the same as five or six years ago? Isn't more needed for streets?**

The past three years the city spent an average of \$1.7 million to \$1.9 million on Transportation (streets, sidewalks, overlays and repairs). CFO Baryske said the city could legitimately spend \$5 million a year on street project, and possibly not get caught up. That is part of the the long-term planning needed.

- **17. How much is your capital improvements budget? This proposal would certainly cut into it. Won't that hurt the city's chances of upgrading parks and keeping up with street maintenance needs?**

Over the last three years capital improvement budget has averaged around \$10.5 million. CFO Baryske advises that this number is inflated because the city borrowed \$10.5 million over the last three years to complete its building needs. During the 13 years prior to 2011, the city had spent as little as \$3.1 million to as much as \$15.8 million. In making this proposal, we are not suggesting that the City of Jonesboro has no need for additional capital improvements now or in the future. We are asking the voters to address an urgent need — that is, to ensure that the city has enough operating revenue to continue all services at current levels for the foreseeable future. This plan will allow as much as \$4.5 million of the revenue from the existing capital improvements tax to continue to be used for capital improvements. In the long term, we suggest a

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comprehensive study to determine major future needs, which could include additional parks and/or streets.

- **18. What if the city wants to do a major project like a water park? Won't this eliminate any chance of doing that?**

Absolutely not. A project such as a water park could not be done without a vote of the people anyway because revenue bonds would probably be required to finance it. A temporary sales tax then would be a better financing mechanism because payment would be short-term.

- **19. What specifically will the proposed ordinance say? Will it ask more than one question? Will it say anything about the Public Safety Tax?**

The proposed ordinance can be found on the city's Web site. It does not address the Public Safety Tax.

- **20. How will you educate the public on this?**

The ordinance process will require three meetings of the City Council, which are always open to the public. Both during and after that process, city officials will address local civic and service groups. Information will be posted on the city Web site and made available to local news organizations. If interest is sufficient, the city could host one or more public forums.

- **21. What kind of reserves does the city have?**

As of May 15, 2014, the balance in the Capital Improvements fund was around \$7 million, and CFO Baryske estimates that at the end of the year the fund will contain about \$4.5 million. A City Council resolution requires that the city administration keep minimum financial reserves in the General, Street, Cemetery and E-911 Funds of at least 15 percent of budgeted expenditures — around \$27 million.

- **22. How much debt does the city have?**

The city has a note with Integrity 1st Bank that had a balance is \$5,311,241.10 as of May 15, 2014. Legacy Landfill balance was \$400,000, bringing the total of debt obligations to \$5,711,241.

- **23. Is this going to be enough to meet future needs?**

Probably not. Assuming that the city's population continues to grow, collections from the permanent city and sales taxes should also grow. Whether that will be enough to finance a parallel growth in city services depends on many factors beyond our control, including the availability of federal and state funding. It also depends on what the citizens of Jonesboro want

from their local government. We do expect the city will need to address major capital improvements needs in the near future, which is one reason that we are adopting a philosophy that such needs can best be addressed through short-term financing.

- **24. Can you show the correlation between population growth and income growth?**

Two charts in the sales tax presentation show population growth and growth of sales tax collections. A third chart puts the two together.

- **25. What happens to this policy and plan if the mayor suddenly leaves office?**

The plan, if approved by the voters, would go forward. Policies for city administration are set by each mayor and City Council and are subject to change when the incumbents of those offices change.

- **26. The Public Safety Tax is earmarked for certain needs, just like the capital improvements tax. Isn't that a good idea because the people know where the money is going?**

The Public Safety Tax was devised to meet an immediate need created by quality of life concerns that involved previous upgrades to police and fire stations. The Public Safety Tax was not used on any of the buildings but rather to fund maintenance and operations of public safety departments. The citizens of Jonesboro, we believe, are happy with those upgrades, and we consider this proposal a means of continuing the progress. The city's budgeting process each year involves extensive conversations between the mayor and the various department heads, committee meetings, City Council meetings and other public discussions. Public input is invited. The proposed budget is published on the city's Web site. Line items show specific uses for all revenue and expenses. In the end the budget must be approved by the elected representatives of the people.