

To: Nicki Junkins, President LWVVC

From: Mary Anne Connors on behalf of the Growth Management Team

Re: Half Cent Sales Tax

The Growth Management Team presents to the Board the following analysis and recommendation regarding the proposed half cent sales tax. Teams members have followed the proposal throughout its development by attending meetings of various local governments, the Mayors' Roundtable and public forums hosted by the News Journal. We have also considered the public commentary at these meetings and in the media.

The problems with roads and concerns regarding water quality are not disputed. The associated infrastructure is a problem of age, absence or inadequate function to meet current demands, even without new development. Older areas often do not have the stormwater management systems needed to prevent flooding and pollutant discharge. Septic systems continue to serve areas where they would not be permitted today. Roads and utility lines deteriorate with age and upgrades are limited by resources. While growth may contribute to traffic congestion, it is not the only factor leading to our infrastructure problems.

The common characteristic for all infrastructure is that it is expensive. Construction costs have risen at a significantly faster rate than funding resources. Taxes and fees tend to rise in small increments if they rise at all. Capital funding competes with operating expenses. Some sales tax projects, like septic conversion, have no dedicated funding. Capital costs volatile and respond to the competition for materials, labor and land. They have escalated in the current growth market and can be expected to continue that trend.

The local sales tax option is neither new nor uncommon in Florida. Sixty-one counties are already at seven percent. Volusia already has a half cent for school projects. What is new with the current initiative is the commitment of local governments to act in unison. Sixteen cities and the county have agreed on purpose and process. Only road and water quality projects are allowed; no Sunrail, no shelters. Allocation of funds follows the state formula. Each jurisdiction developed its project list to reflect local needs. The balance between roads and water quality projects varies by jurisdiction. Stormwater management is common but septic conversions are

specific to certain areas. It is notable that the County expects all water quality on its project list to receive priority funding.

The reason local sales taxes are common is the amount of money produced and the contribution of tourists. Of the estimated \$42 million per year anticipated in Volusia, about \$14 million will come from tourists. The infusion of significant local funds also allows leveraging with state and federal funds for major projects and bonding capacity not otherwise available. The impact to individuals will vary with spending. Though sales taxes are often considered regressive, the exclusion of groceries and medicines removes two major categories of non-discretionary spending. Annual expenditure of \$10,000 in taxable items yields a \$50 new tax impact.

Local sales taxes may only be spent in Volusia County vs. allocation by the state. Each jurisdiction will manage its program or contribute to a project in cooperation with another city, the county or the state. In addition to the oversight of local officials, a citizen oversight committee will be established with one representative from each city and the county. The citizen committee will provide an additional layer for transparency of project implementation and expenditure consistent with stated purposes.

Public information regarding the half cent proposal has been provided through a variety of means. Project information is available online and has been presented at several county and city meetings, supplemented by a series of New-Journal panel discussions. The FAQ's cluster around impact fees, growth management and government distrust due to the ballot process or general spending. Some of these questions have been addressed. Others relate to larger governmental concerns, some suggesting a denial of funding as a weapon against growth.

As noted above, growth is not the basis for aging, absent or inadequate infrastructure. Road impact fees have been adjusted and set at the recommended levels based on the calculation formula and what is legally defensible. Local regulations can craft better development but not prohibit the legal development of private property. Neither will a lack of infrastructure investment control growth that is market driven. Roads are usually an incentive to business growth. Water quality is a factor only when it fails. The recent conditions on Florida's west coast caused significant economic as well as environmental damage.

The mail ballot process reflects an effort to catch up to the timing originally planned for this vote which was the last election. Waiting for another general election not only defers revenue but risks the effective loss of a local option through state initiated changes to make passage more difficult. The process itself seems relatively simple. Registered voters will receive a ballot with a postage paid return envelope. For those uncomfortable with mail service, ballot boxes will be available at city halls and the elections office for hand delivery. The cost of a mail ballot is estimated at \$400 - \$500 thousand dollars. That expense should be weighed against the revenue lost by delay to a general election cycle.

In summary, the factors that recommend League support for the half cent sales tax are:

- Infrastructure needs that are evident and cannot be met by existing resources

- Defined project lists to address both roads and water quality

- Local leadership commitment

- A revenue stream that offers substantial funding offset by tourist dollars and opportunities for cooperative and leveraged project funding

- Local control and management of the capital program

- Provision for citizen oversight