

PROPOSED SALES TAX: HOW MUCH?

HOW MUCH REVENUE WILL THE PROPOSED TAX RAISE?

On February 10, city staff members presented a document to the council that showed the 2010 revenue from the tax as \$12 million, rising to \$13.893 million in 2019, for a total over the ten years of \$131.65 million.

In the February 27 Capital-Journal, city finance director Jim Langford reported that the city's one cent sales tax brought in \$28,000,000 last year. This jibes fairly closely with the \$28,340,280 that the Kansas Department of Revenue reports it paid to Topeka in sales and use tax in calendar year 2008.

A half-cent sales tax would have brought in an estimated \$14,000,000. Using \$14,000,000 for 2010, and assuming 3% inflation per year, this would rise to \$18.267 million in 2019, for a total over ten years of \$160.49 million.

TOTAL REVENUE RAISED BY THE TAX INCREASE = \$160.5 MILLION

HOW MUCH WILL IT COST TO CATCH UP ON STREET MAINTENANCE?

On February 10, city staff members presented a document to the council that showed, for the following items, the complete projected ten-year costs (2010 through 2019) including current expenditures and inflation for the following items (these are the items approved by the council for the proposed tax increase):

Street maintenance (mill and overlay)	\$65.92 million
Sidewalks, curbs, gutters and medians	\$ 9.74 million
Traffic control and street lights	\$11.46 million
50/50 program and ADA ramps (sidewalks)...	\$ 5.73 million
Alley maintenance.....	<u>\$ 5.73 million</u>
TOTAL PROJECTED EXPENDITURES	\$98.58 million

NOTE THAT THIS FIGURE INCLUDES BOTH "CATCH-UP COSTS" AND NORMAL ANNUAL EXPENSES.

How much is "catch-up costs" and how much is normal annual expenses?

In 2007, the city staff estimated that Topeka needed \$30.3 million in "catch-up" money for the above items. Only materials expenses, mainly asphalt, concrete, and steel, have varied much since that time. Labor and equipment expenses were very predictable. Since early 2007, asphalt prices have increased 32%, steel rebar prices have declined 11%, and cement prices have increased 4%.

For today, March of 2009, the \$30.3 million figure should be increased to \$34 million to account for these cost increases.

Using another method, the February 10 document shows \$11.22 million being spent for streets, sidewalks, curbs, gutters, medians, street lights, and alleys in 2019. The following year, in 2020, that figure drops by \$4 million to \$7.26 million, presumably because the “catch-up” has been completed as planned. Backing out 3% inflation on \$4 million from 2020 back to 2010, the “catch-up costs” were \$34.1 million, almost exactly the amount as computed by the other method.

The other \$64.5 million, then, represents normal annual expenses for these items.

***TOTAL “CATCH-UP COSTS” TO BE PAID BY THE TAX INCREASE = \$34
MILLION***

***TOTAL ORDINARY BUDGET COSTS TO BE PAID BY THE TAX INCREASE =
\$64.5 MILLION***

OTHER COMMENTS

TIBA contends that ordinary, ongoing expenses belong in the city budget where they will have to take their place among other ordinary obligations.

Since the Chamber’s economic development sales tax was first voted in (November 2000), Topeka has lost 5,700 private jobs (87,900 down to 82,200).

Topeka’s sales tax “pull factor”, the measure of how much outside business we are attracting, has fallen from 1.65 in 1995 to 1.55 in 2003 to 1.47 in 2007.