



AGENDA MEMO

Business of the City Council

City of Sweeny, Texas

Meeting Date	04.23.2024	Agenda Item	
Approved by City Manager	Yes	Presenter(s)	Lindsay Koskiniemi, City Manager Charlie Stevenson, City Attorney
Reviewed by City Attorney	Yes	Department	Administration / Finance – Sales and Use Tax
Subject	Discussion and possible action on an agenda item request from Council Member Tim Pettigrew – Position 5, to discuss the creation of a roadway maintenance and repair fund, funded by sales and use tax, pursuant to Chapter 327 of Texas Tax Code.		
Attachments	<ul style="list-style-type: none"> • Agenda item request form completed by Tim Pettigrew • Sales and Use Tax collection spreadsheet 2013 - 2024 • Texas Tax Code – Chapter 327, Municipal Sales and Use Tax for Street Maintenance • Industrial Park loan payment schedule • Streets, Drainage, Sidewalks Project portion of adopted CIP with 2023 Road Condition Survey. 		
Financial Information	Expenditure Required:	N/A	
	Amount Budgeted:	N/A	
	Account Number:		
	Additional Appropriation Required:		
	Additional Account Number:		

Executive Summary

City staff have been tasked with finding solutions that address major infrastructure repair and replacement at the least impact to property taxpayers. One proposed idea would address maintenance, repair, and replacement of streets and sidewalks funded by sales and use tax already collected at all points of sales and delivery of online sales orders in Sweeny.

In order to adopt a sales tax allocation district, a ballot item must be voted on by a majority of voters. Sales tax allocation districts can only be approved in one-eighth percentage increments, and the total of sales tax allocation cannot exceed half of one percent.

With the 2023 voter approval of the creation of the new Crime Control and Prevention District, the City's sales and use tax is now allocated as:

- 6.25% - State of Texas – can not be changed.
- 1% - City of Sweeny – can not be changed.
- 0.5% - Brazoria County (supports interlocal road maintenance agreement, city responsible for cost of materials) – can not be changed.
- 0.375% - Sweeny Economic Development Corporation – can be changed by vote.
- 0.125% - Crime Control & Prevention District – can be changed by vote.

Currently, there is no road repair and maintenance fund, however, pursuant to Chapter 327 of the Texas Tax Code, a municipality can vote to allocate a percentage of sales tax to the repair, maintenance, and replacement of streets and sidewalks. Funding road replacement with sales and use tax would help keep the capital costs for roadway work out of the City's annual operational budget which is funded by property taxes.



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Because the total of sales tax allocation groups can only equal half of one percent, and half of one percent does not divide by three to support three different sales tax allocation groups, two groups to be funded would need to be decided by the voters, should City Council act to move forward with putting this item on the ballot or if a petition of 20% or more of registered voters petition the action ahead of December 2024 to be on the May 2025 ballot.

If a Road Maintenance and Repair fund paid for by sales tax was voted on, the implication is that one sales tax allocation group would take a reduction in current sales tax allocation, therefore it is important that the City Council prioritize the needs of the residents of Sweeny. Furthermore, funding a road repair and maintenance fund could take several years to achieve. For example, if the Council was favorable to terminating the Sweeny Economic Development Corporation, as the law reads, any outstanding debt would need to be satisfied by sales and use tax before terminating / dissolving the corporation. Currently, the SEDC has an outstanding loan for \$1,497,789, of which, \$49,926 has been applied to principal and interest. Applying a cash fund balance \$368,000 and future allocations in full toward the debt, it may be at least 6 years to satisfy the Industrial Park loan. Methods to pay faster would require legal review.

This has been presented for Council's consideration, as Chapter 327 affords home rule cities with the option to pay for road and sidewalk repair and maintenance with sales and use tax.

The City of Sweeny has a biennial interlocal agreement with Brazoria County that allows the City to utilize county resources to replace up to two miles of contiguous road way with asphalt overlay for only the cost of materials. In August 2022, the City was unable to exercise the interlocal agreement, as the cost of materials for approximately 4300 linear feet of asphalt overlay of \$149,422 was not in the budget, and there was no road repair savings on hand.

If a road repair and maintenance fund were to be funded with a ¼% of sales tax, it is reasonable to estimate the annual allocation would be approximately \$100,000 per year. A chart of all sales tax and use collected and allocated since 2013 is included for reference.

Recommended Action

Staff recommends Council consider the creation of road repair and maintenance fund paid for by sales and use tax for the repair, maintenance, and replacement of roadways and sidewalks in Sweeny as a solution to address aged roadway infrastructure.