



Street Improvement Plan

Residential/Local Reconstruction

Funding Options – Part 2



Council Presentation
July 21, 2015



Overview of Update



- Paving Assessments
- Public Improvement Districts
- Industrial District Revenue
- Repurposing Sales Tax
 - Type A Economic Development
- Legislative Issues
 - Gas Tax
 - Vehicle Registration
 - Restore Act
 - Municipal Management Districts
- Ad Valorem Tax Rate Increase



Paving Assessments



- City Charter Article X, Section 1 and the Transportation Code give the authority to levy assessments for street improvements and allot a portion of the cost to the abutting property owner.
- The City's policy on assessments is set forth in in Section 49-21 of the City's Code of Ordinances.
- Corpus Christi has used paving assessments since the 1920's.
- Assessments in Corpus Christi have been on a *voluntary* basis whereby 50% or more of the true owners of property abutting a given street would file a petition to have their street reconstructed under what the City calls the "Voluntary Paving Assessment Program" (VPAP).



Paving Assessments



- Typically, a certain amount of bond funds would be allocated under the street proposition of a given bond ordinance to assist in providing the funding necessary to cover the City's share of the cost of the street improvements under the VPAP.
- The City of Corpus Christi has historically used paving assessments for reconstruction of residential streets and not for street maintenance – overlays and seal coats.
- Under the City's current ordinance, residents pay 100% of cost of curb and gutters; 90% of cost of pavement; 80% of cost of sidewalk; and 8% of cost of construction for engineering. Corpus Christi City Code (CCCC) Section 49-21
- The amount of the assessment cannot exceed the special benefit that the property will receive in enhanced land value as a result of the improvements made.



Paving Assessments



PRO's

- Already have City ordinance
- Does not need a vote from the residents. The City can initiate process through involuntary assessments.
- Paving liens are senior to mortgage liens.
- Collection rate for the City's most recent assessment was 95% for Catcay improvements.



CON's

- Establishing assessments is a cumbersome, multi-step process (ex. Bond 2008 assessments).
- Does not go through the Tax Office and is not as efficient as levying a tax.
- Cannot foreclose for non-payment on homesteads. Attorney General Opinion JC-0386 (2001)
- Foreclosure process is judicial and very cumbersome.
- Collection rate has been historically low.
- Paving assessments can sit on the City's books for decades.
- Value of assessments during initial appraisal process is difficult to determine.
- Issuing debt for the improvements consumes the City's debt capacity.



Public Improvement Districts



- The Public Improvement District Assessment Act in Chapter 372 of the Local Government Code allows any city to levy and collect special assessments on property that is within the city or within the city's extraterritorial jurisdiction (ETJ).
- A public improvement district (PID) may be formed for improvements to street and sidewalks; water, wastewater, health and sanitation or drainage improvements.
- Petition for creation of a PID must be made by over 50% of the true property owners in that area.
- The amount of the assessment is capped at the amount of benefit the property will receive as a result of the improvements made.
- There are currently no City policies established at this time addressing PID's.



Public Improvement Districts



PRO's

- The Public Improvement District can pay for all improvements via revenue bonds and then assesses the residents in that district or on a pay-as-you-go basis.
- Can go through the Tax Office by contract to add the assessment on the tax bill.
- Texas public improvement liens are senior to mortgage liens.
- The City's debt capacity is not affected.
- Residents could pay 100% of the cost of the improvements.

CON's

- PID's must be petitioned by over 50% of property owners.
- Value of assessments during initial appraisal process is difficult to determine.
- Cannot foreclose for non-payment on homesteads. Attorney General Opinion JC-0386 (2001)
- Foreclosure process is judicial and very cumbersome.
- The PID's revenue bonds could have a higher interest rate than that of the City's general obligation bonds.
- PID revenues are considered City funds and must follow all State restrictions applicable to municipal funds.



Industrial District Revenue



- Renegotiation of the City's industrial district agreements is anticipated to generate an additional \$4,500,000 of payments in lieu of taxes beginning in Fiscal Year 2016 – from \$6,100,000 of revenue to \$10,600,000.
- Out of the \$4,500,000 additional projected industrial district revenue generated from the “new” industrial district contracts, current City policy allocates \$1,060,000 million for streets and the remaining \$3,440,000 for additional General Fund needs.



Industrial District Revenue



- Sections 6 and 7 of the Fiscal Year 2015 Financial Budgetary Policy adopted by Resolution #030265 on August 26, 2014 address the funding level from the General Fund for Street Maintenance (Section 6) and for Residential/Local Street Capital Improvement Projects (Section 7).

Revenue Source	Years											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TOTAL	
Property Tax		5% growth	4% growth	4% growth	3½% growth	3½% growth	3% growth	3% growth	3% growth	3% growth	3% growth	
Sales Tax		3% growth	3% growth	3% growth	3% growth	3% growth	3½% growth	3% growth	3% growth	3% growth	3% growth	
General Fund Transfer	\$1,000,000	\$1,000,000	\$1,000,000	\$ -	\$ -	\$ -	\$ 875,000	\$1,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$ 11,275,000
5% of Industrial District Revenue	\$ -	\$ 530,000	\$ 551,200	\$ 573,248	\$ 593,312	\$ 614,078	\$ 632,500	\$ 651,475	\$ 671,019	\$ 691,150	\$ 691,150	\$ 5,507,981
Total	\$1,000,000	\$1,530,000	\$1,551,200	\$ 573,248	\$ 593,312	\$ 614,078	\$1,507,500	\$2,451,475	\$3,471,019	\$3,491,150	\$3,491,150	\$ 16,782,981



Repurposing Sales Tax



- April 1, 2018 * - Expiration of Economic Development 1/8 cent Type A sales tax used for the Baseball Stadium, Economic Incentives, and Affordable Housing

- August 15, 2016 - Last day to place an item on the November 2016 ballot

- November 7, 2016 - Election to renew or repurpose sales tax
 - * Sales tax (\$2,500,000 for the Baseball Stadium) could be repurposed to Type B sales tax for economic development. Could fund arterials and collectors but not most residential streets.

 - * Sales tax could also be repurposed into a street maintenance sales tax for residential streets but would require renewal every four years.



Legislative Issues



- Gas tax
 - Not yet legally available with this legislative session.

- Vehicle Registration Fee
 - Not yet legally available with this legislative session.

- Restore Act
 - BP Environmental Damage Fund from Deepwater Horizon.
 - Distributed by the State of Texas Office of the Governor.
 - Infrastructure projects are eligible for some of the funding.

- Municipal Management Districts



Legislative Issues (cont'd)



- Legislatively-created **Municipal Management District(s)** (MMD's)
 - Based on Tex. Local Gov't Code 375.001, et. seq., with legislative changes
 - Have assessment and taxing authority
 - Can be created by TCEQ, but only one created in TCEQ's history because of statutory limitations on TCEQ-created MMD's
 - Statutory limitations of Ch 375 to be modified by legislation
 - Appointment of Directors from slate provided by MMD-board
 - Inability to tax or assess residential property without election of voters (TLGC 375.161)
 - Almost exclusively created by special act of Legislature
 - Legislative MMD's are often used as basis for downtown development districts
 - City control of board possible with special legislation
 - Still a separate governmental unit
- Bracketed change to Tex. Local Gov't Code 375 to allow neighborhood MMD's
 - TCEQ may disapprove applications under current Chapter 375



Ad Valorem Tax Increase



- Options 1-4 below pertain to street funding only and do not include any utility costs.
- Option 5 includes utility costs.

Scenario	Proposed Bond Proposition	TOTAL Funding from Ad Valorem Taxes	Debt Funded		Cash Funded	
			Impact on Ad Valorem Tax Rate	Total Ad Valorem Tax Rate	Impact on Ad Valorem Tax Rate	Total Ad Valorem Tax Rate
1	\$150 million	\$15 million for 10 years	+ \$0.046	\$0.652717	+ \$0.088	\$0.694264
2	\$200 million	\$20 million for 10 years	+ \$0.054	\$0.660423	+ \$0.118	\$0.724264
3	\$300 million	\$30 million for 10 years	+ \$0.076	\$0.681925	+ \$0.176	\$0.782264
4	\$800 million	\$25 million for 32 years	+ \$0.062	\$0.668197	+ \$0.147	\$0.753264
5	\$1.6 billion	\$50 million for 32 years	+ \$0.142	\$0.748610	+ \$0.294	\$0.900264 *

* - capped at \$0.870264



Cash Funding Available



- Maintain General Fund contribution outlined in Financial and Budgetary Policy
- Maintain Industrial District Revenue outlined in Financial and Budgetary Policy
- Repurpose the baseball stadium portion of the 1/8 cent Type A sales tax in April 2018

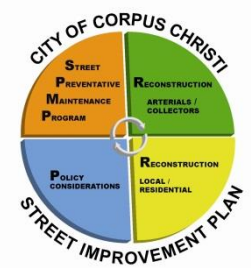
Revenue Source	Years					TOTAL
	2015	2016	2017	2018	2019	
General Fund Transfer	\$1,000,000	\$1,000,000	\$1,000,000	\$ -	\$ -	\$ 3,000,000
5% of Industrial District Revenue	\$ -	\$ 530,000	\$ 530,000	\$ 530,000	\$ 530,000	\$ 2,120,000
Repurpose of Type A Sales Tax	\$ -	\$ -	\$ -	\$ 1,250,000	\$ 2,500,000	\$ 3,750,000
GRAND TOTAL	\$1,000,000	\$1,530,000	\$1,530,000	\$ 1,780,000	\$ 3,030,000	\$ 8,870,000

Funding Options - Part 2

Residential/Local Reconstruction



Discussion



Extending the life of our streets.