

## Legislation Text

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**File #:** 24-468, **Version:** 1

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**PRESENTER:**

Jared Werner, Assistant City Manager

**SUBJECT:**

Approval of an interlocal agreement between the City of New Braunfels and the Comal County Water Master Improvement District No. 1 and Districts 1A-1F (“Districts”), which encompass the Veramendi development, concerning sales and use tax collection revenue sharing and use of capital improvements for fire and emergency services

**DEPARTMENT:** N/A

**COUNCIL DISTRICTS IMPACTED:** N/A

**BACKGROUND INFORMATION:**

The Development Agreement for the Comal County Water Improvement District No. 1 included a Strategic Partnership Agreement (SPA). The SPA establishes the process of collecting City sales and use taxes in certain portions of the Veramendi development as well as the methodology for sharing such taxes with the District.

The City sales and use taxes collected within the Veramendi development will be limited to both commercial and mixed residential and commercial properties that will be designated through a process called limited purpose annexation as set forth in Texas Local Government Code. The SPA authorizes the City to perform limited purpose annexation on commercial and mixed residential and commercial properties, collect the full 1.5% sales tax levy (1.125% - City and .375% NBEDC), and share the total sales and use taxes collected with the District. Comal County Water Improvement District No. 1 divided into the above-described Master and Districts 1A-1F but the Districts remain subject to the Development Agreement and SPA. The limited purpose annexation areas will remain in effect until the Veramendi Development is fully annexed into the City of New Braunfels.

**Emergency Services District 7 (ESD7) Sales Tax:** In an effort to diversify revenue sources and better serve constituents, ESD7 held an election in November 2021 to levy a 1.5% sales tax within their entire service territory, which includes the Veramendi development. As a reminder, Nbfd provides all fire and emergency services to ESD 7.

While the SPA documents were approved prior to the ESD7 sales tax election, the City local sales and use taxes are no longer collectable as contemplated due to the existing ESD7 sales tax election. To ensure that sales and use taxes would continue to flow through the to the City and Water Districts as the SPA originally intended, The City and ESD7 entered into an interlocal agreement (ILA) on August 14, 2023.

That ILA agreement provides that the commercial and mixed residential and commercial sales and use taxes from the limited purpose annexation areas within Veramendi will be allocated to the City from ESD7 and dedicated specifically to fire and emergency services operating costs. By doing so, it will generate capacity in the General Fund to distribute the sales and use taxes as the SPA originally intended.

**Veramendi Interlocal Agreement:** After the City/ESD7 agreement was executed, this ILA agreement was developed between the City and Districts, which is recommended for City Council consideration. This attached ILA memorializes the new process for which the sales and use taxes in the commercial and mixed commercial area within Veramendi will be collected and distributed until full purpose annexation occurs.

**ISSUE:**

N/A

**FISCAL IMPACT:**

There is no direct fiscal impact from the approval. However, the agreement memorializes the distribution of sales and use taxes as intended by the SPA agreement for the Veramendi development in recognition of the City's previously approved ILA between the City and ESD7.

**RECOMMENDATION:**

Staff recommends approval.