

Legislation Text

File #: 24-574, **Version:** 1

PRESENTER:

Jared Werner, Assistant City Manager

SUBJECT:

Discuss and consider approval of an interlocal agreement between the City of New Braunfels and the Comal County Water Improvement District No. 3, which encompass the Mayfair 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. 3 included a Strategic Partnership Agreement (SPA). The SPA establishes the process of collecting City sales and use taxes in certain portions of the Mayfair development as well as the methodology for sharing such taxes with the District.

The City sales and use taxes collected within the Mayfair 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. The limited purpose annexation areas will remain in effect until the Mayfair 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 Mayfair 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 Mayfair 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.

Mayfair 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 Mayfair 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 Mayfair development in recognition of the City's previously approved ILA between the City and ESD7.

RECOMMENDATION:

Staff recommends approval.