



Legislation Text

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TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Kristine Tallent, Assistant City Administrator/CFO
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SUBJECT:

Consideration of An Interlocal Agreement (COF Contract No. 2019-0050) With Williamson County, The City Of Franklin, And The Franklin Special School District To Redistribute A Portion Of The Half Of The One-Half Percent Sales And Use Tax Increase That Is Not Allocated For Schools. (02/26/19 WS)

Purpose

The purpose of this memorandum is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning a proposed interlocal agreement between the City of Franklin, The Franklin Special School District, and Williamson County to provide funding to Franklin Special School District for capital improvements and debt service needs.

Background

In February of 2018, Williamson County voters approved a referendum to increase the local option sales tax by one-half of one percent (0.5%). This increased the total local option sales tax to 2.75%. Per state law, half of all local sales tax proceeds go to public education and half is directed to the local government within which the sales transaction occurred. In advance of the vote on the new sales tax, the City of Franklin and other Williamson County cities committed to provide their portion of the new sales tax to schools for school debt purposes to support capital improvements and new construction of schools for a period of three years from the enactment of the new sales tax increment. This agreement was memorialized through an interlocal agreement between Williamson County and the City of Franklin (attached). With voter approval, the additional 0.5% sales tax went into effect on April 1, 2018.

The half of local option sales tax dedicated to public education (both the existing and “new” local option sales tax) is distributed between Williamson County Schools (WCS) and Franklin Special School District (FSSD) based on the average daily attendance (ADA) calculated by the State of Tennessee. Under the current calculation FSSD receives approximately 8% of county-wide local option sales tax collections dedicated to public education. At the time of the parties entered into the Interlocal agreement, there was not a clear understanding regarding how the portion of the “city’s share” of the new 0.5% sales tax would be shared among the two public school districts serving the city of Franklin. This issue was not specifically addressed in

the interlocal agreement. FSSD, Williamson County, and City of Franklin met to resolve this uncertainty. A proposal offered by the City Administrator was to extend duration of the interlocal agreement dedicating the City of Franklin's portion of the additional 0.5% sales tax by six months to provide that FSSD receive its ADA (currently approximately 8%) share of sales tax generated in Franklin. At the October 8th County Commission meeting, the Williamson County Board of Commissioners approved the amended agreement. At the October 9th Board of Mayor and Aldermen meeting, the Board voted against this amended agreement. From the discussion, it seemed that the desire of the Board of Mayor and Aldermen was and is to provide for support of the FSSD but not through an extension and commitment of additional sales tax resources to which the City of Franklin would otherwise be entitled. On October 23, 2018, the Board passed a resolution clarifying the City of Franklin's intent related to the City's portion of the additional sales tax for an allocation of a portion of these funds to the FSSD for debt service and capital needs.

At the January 8, 2019 BOMA work session, Alderman Martin requested that City staff further engage with Williamson County and FSSD on the issue. The three entities met and developed a proposal through which the City of Franklin and Williamson County would fund directly the ADA calculation for the City of Franklin's portion of the newly enacted 0.5% local option sales tax. The amount would be split 50/50 between the City of Franklin and the Williamson County with payments made twice per year. The payments would be based on a calculation of the actual collection of sales taxes in Franklin (its portion of the newly enacted 0.5%) and the FSSD ADA percentage share. Based on the current rate of collections and the FSSD's ADA percentage, this would equate to a total of approximately \$600,000 per year or \$1.8 million over the three-year period. This would mean that the City and County would each contribute approximately \$300,000 per year or \$900,000 over three years through an annual appropriation.

Financial Impact

Per the proposed agreement, the total amount due to the FSSD based on the City's portion of the "new" 0.5% local option sales tax applying the existing ADA share would be approximately \$600,000 per year. The agreement states that Williamson County and the City of Franklin would share this amount equally. At the current rate of sales tax collection this would equate to \$300,000 per year from each the City and County. It is recommended that the City make its payment through the County Facilities Tax Fund. A budget amendment may be necessary to accommodate the two biannual payments totaling approximately \$300,000.

Recommendation

It is recommended that the Board of Mayor and Aldermen approve the proposed Interlocal Agreement with Williamson County and Franklin Special School District to provide additional funding for FSSD capital improvements and debt service purposes.