



# THE CITY OF PRATT NEEDS YOUR VOTE!

*Special One-Half of 1% (0.50%) Retailers' Sales Tax Election:*

*Tuesday, August 2, 2022*



## WHAT'S THE QUESTION?

**Should the City of Pratt Use a One-Half of 1% (0.5%) City-Wide Retailers' Sales Tax To Pay Debt Service on a General Obligation Bond to Construct and Maintain a New Pratt Swimming Pool Instead of Property Taxes?**

## THE PROJECT:

The existing Pratt swimming pool facility is almost 90 years old. In 1928, land was acquired for the pool site at a sheriff's sale. In 1931, Pratt citizens approved a bond in the amount of \$35,000 to build a 100 foot by 200 foot pool. This is one of the largest swimming pools in Kansas. A year later, the pool was completed and opened to much fanfare in the City of Pratt. With age, much use, and exposure to the elements year round, this important quality of life facility is now very expensive to operate and maintain. Exposure and deterioration of the pool requires large maintenance expenditures every few years to keep this asset usable. The regular band-aids are becoming more and more expensive. It is time to replace the old pool with a new, modern, more functional pool for community use. The estimated cost of a new swimming pool and support spaces is \$6,000,000. The August vote is not whether to build a new pool facility—the City is committed to such—but how to pay for the bonds that are financing such. The question is either property tax or a limited 0.5% sales tax.

ELIGIBLE PURCHASE:	0.5% SALES TAX IMPACT:
\$13.99 Pizza	\$0.07
\$100 of Groceries	\$0.50
\$300 New Television	\$1.50

## FINANCING - A GENERAL OBLIGATION BOND:

The Pratt City Commission has agreed that this project is necessary and will finance the estimated costs to demolish the existing 90-year old pool and construct a new pool facility with a 10-year General Obligation Bond ("GO Bond"). Tax-exempt GO Bonds offer the lowest interest rate and financing costs for public purpose projects. Traditionally, GO Bonds are repaid through a property tax levy on all taxable property in the City. At an estimated finance rate of 4%, the required mill levy to amortize both principal and interest on the bonds would be 14.81 mills. A mill is \$1 of tax on each \$1,000 of assessed valuation of property. For example, a \$100,000 home (assessed at a value of \$11,500) would see a tax increase of approximately \$170 per year. A \$200,000 home (assessed value of \$23,000) would see added taxes of approximately \$340 per year for the 10-year bond.

## THE FINANCING ALTERNATIVE - A SPECIAL SALES TAX:

Property taxes are core revenue sources for the City, County, School District and Pratt Community College. A sales tax to pay debt service on the GO Bonds, as well as maintenance costs on the swimming pool facility is an alternative that the City Commission would like for Pratt residents to consider rather than additional property taxes. A One-Half (0.50%) City-Wide Retailer's Sales Tax is estimated to generate approximately \$1 million per year. This cash flow would easily pay debt service on the bonds, as well as provide monies to accumulate a maintenance reserve for the swimming pool facility. If more sales taxes are collected than needed for these two purposes, the additional sales tax revenues could be used to retire the GO Bonds earlier than the 10-year maturity. A key benefit to using the sales tax is that approximately 1/3<sup>rd</sup> of sales tax in Pratt is provided by non-Pratt residents—outsiders and traveler's shopping, dining and visiting our City. They would share in the retiring of the bonds. Instead of a property tax increase, the proposed sales tax would add 50 cents to the purchase of a \$100 bag of groceries. The timing is also beneficial as the State of Kansas is eliminating the State's sales tax on groceries from 6.5% state-wide to 0% phased-in over the next 3 years. This will reduce sales tax significantly for all Kansans.

## SHALL THE FOLLOWING BE ADOPTED?

Shall the City of Pratt, Kansas, be authorized to impose a one-half percent (0.50%) City-wide retailers' sales tax, the revenue from which will be used to pay swimming pool improvement costs and swimming pool facility operation and maintenance costs, including debt service on bonds issued for swimming pool improvements, with collection of such sales tax to commence January 1, 2023, or as soon thereafter as is legally permitted, and to terminate after 10 years; all pursuant to the provisions of K.S.A. 12-187 *et seq.*, as amended?

*The August 2nd election requests the authority to IMPLEMENT A 0.5% CITY-WIDE RETAILERS' SALES TAX TO PAY DEBT SERVICE on the Swimming Pool GO Bonds, as well as set aside monies for pool maintenance in the future. For questions or more information, please contact Bruce Pinkall, Pratt City Manager at 620-672-5771.*