

# WILLIAMSON COUNTY ESD #3 SALES AND USE TAX ELECTION

## FACTS AND FREQUENTLY ASKED QUESTIONS

1. What is the Emergency Services District #3 (ESD), also known as Hutto Fire Rescue?

An ESD is a local government agency created by a vote of the public to provide fire protection in specific areas. The governing statute for an ESD is Chapter 775 of the Texas Health and Safety Code. It is a separate entity from the City municipal government. The ESD#3 was formed in 1999. The ESD is governed by a board of directors appointed by the Williamson County Commissioners' Court.

2. How is the Emergency Services District funded?

Property owners within the ESD boundary, including Hutto residents, currently pay a \$0.10 property tax that supports the ESD, which is the maximum property tax they may levy by law. In addition, the City provides \$105,435 annually to assist with staffing costs of the ESD. The total FY16 Budget of the ESD#3 is \$2,150,834.

3. Does the Emergency Services District provide EMS services?

No. EMS service is provided in Hutto by Williamson County EMS.

4. What is sales and use tax?

Sales and use tax is a tax placed on all retail sales, leases and rentals of most goods, as well as taxable services. The maximum sales tax that can be assessed is 8.25%. Of that amount, 6.25% goes to the State of Texas leaving 2% available at the local level. Inside the City of Hutto limits, the full 8.25% is collected with 6.25% going to the State, 1.5% going to the City of Hutto, and 0.5% going to the Hutto Economic Development Corporation (HEDC).

5. How much sales tax can the ESD collect?

If approved by the voters, the ESD will collect the full local 2% that is allowed by state law. As the City grows and expands its limits, the sales tax will continue to go to the ESD and not to the City or Hutto Economic Development Corporation. ESD officials estimate that the tax will generate approximately \$100,000 in annual revenue initially. This amount is expected to grow as new developments occur and the community expands. City officials estimate that the 2,892 acres of land labeled as "Commercial" on the City's future land use map could conservatively generate \$86 million annually in sales tax collections based on the local 2% rate.

6. Can City of Hutto residents vote in the election?

No. Residents residing in the City limits are not eligible to vote in the election as the full 2% local sales tax is already collected in the City limits. The sales and use tax will only apply in areas outside of the current city limits and within the ESD's boundary. Only residents within the ESD's boundary and outside the city limits may vote.

7. How much sales tax does the City currently collect?

The City of Hutto collects approximately \$2.4 million in sales tax annually. This equates to about 22% of the general fund that pays for things like police, streets, code enforcement, and parks.

8. How does the sales tax election impact the City of Hutto?

If the ESD sales tax election is passed, the City will not collect sales tax in growth areas as the City annexes and grows. The sales tax will already be maxed out and collected by the ESD in perpetuity in those future growth areas.

Sales tax revenue makes up 22% of the City's general fund revenues. Sales tax revenue is used to support general government services such as police protection, roads and drainage, administration, planning, and parks and recreation. The City of Hutto is approximately 8 square miles in size today. However, the City has the potential to grow to over 50 square miles in the coming years. The Future Land Use Map table below represents the amount of land currently in the city limits compared to land in the city's growth area and its intended use. Only 9.72% of the city's planned commercial property is currently in the city limits. The majority of the city's commercial growth area is still outside the city's limits as it is current vacant ag-exempt land. Commercial use property is where sales tax is most commonly collected. Mixed-use Residential and Mixed-use Retail may also generate sales tax as it is intended to be a blend of residential and commercial uses.

The City of Hutto currently has 100.45 developed acres of commercial property in Hutto. That land generates approximately \$30,000 in annual sales tax per acre of developed commercial property. Of the 3,204 acres planned for commercial use, 2,892 acres are outside of the current City of Hutto limits but within the City's growth area. The ESD's sales tax would apply on this acreage if the election is passed by voters. This 2,892 acres could conservatively generate approximately \$86 million annually in sales tax at full build-out based on today's sales tax collections.

FUTURE LAND USE MAP TABLE

	Total Acres	% of Land	In City %	Out of City %
Business Park	2,466	7.48%	1.44	98.56
Commercial	3,204	9.72%	15.81	84.19
Historical Overlay District	208	0.63%	100.00	0.00
Institutional	1,117	3.39%	28.70	71.30
Low Density Residential	12,758	38.70%	0.99	99.01
Mid Density Residential	5,689	17.26%	42.90	57.10
Mixed Use Residential	2,070	6.28%	13.78	86.22
Mixed Use Retail	1,854	5.62%	41.15	58.85
Recreation and Floodplain	3,598	10.92%	15.38	84.62

9. How does the sales tax election impact economic development in Hutto?

Sales tax revenue is used as an economic development tool of the community. ½ a percent of the local 2% sales tax generated in the City is used to create primary jobs through the Hutto Economic Development Corporation (HEDC), a non-profit subsidiary of the City of Hutto.

The City also uses sales tax as an economic incentive tool to attract retail businesses to Hutto through sales tax rebate agreements. The City has agreements like this in place for the Townwest Commons development located at the northwest corner of Ed Schmidt Blvd. and US Hwy 79, the Carmel Creek development located on FM 685, and the Star Ranch commercial development where the new HEB Plus store is under construction.

10. Can the ESD share sales and use tax with the City if the election passes?

Yes. The Texas Health and Safety Code states that a "municipality and the district may, before or after the annexation, agree on an allocation between the municipality and the district of revenue from the sales and use tax imposed in the annexed area." No such agreement currently exists between the City and ESD#3.

11. If the election passes, will a fire station be built on the south side of Hutto?

ESD officials estimate that the sales tax election will generate \$100,000 annually based on current business operations. However, the estimated cost to construct a new first station is between \$4 – 6 million.

12. What are other options to fund fire protection services?

The City of Hutto is actively evaluating its options to provide the best value of fire protection services for its citizens. Fire protection services in the City of Hutto are currently provided by ESD#3. The City is currently studying the pros and cons of creating its own fire department to meet the long term fire protection needs of the community.