



EUNICE NEW MEXICO

PROPOSED GROSS RECEIPT TAX INCREASE

February 24, 2020



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Eunice Gross Receipt Tax History

GRT Rate in Second Half of 2015 = 6.8125%

Election in March 2016 to Increase GRT for Road Repair:

Ordinance No. 505 = 0.25%

Ordinance No. 506 = 0.125%

Ordinance No. 507 = 0.125%

TOTAL INCREASE = 0.50%

GRT Rate in July 2016 = 6.8125% + 0.50% = 7.3125%

Proposed GRT Increase to go into effect July 2020

Ordinance No. 547 = 0.325%

PROPOSED GRT STARTING IN JULY 2020 = 7.3125% + 0.375% = 7.6875%



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Why is the 2016 Election Mentioned with the Proposed Increase?

This has confused many people including staff and after multiple conversations with the attorneys and bonding agents the easiest way to explain it is:

In 2019 New Mexico State Law changed and allows municipalities to increase their GRT rate to a maximum of 2.50% if they have had a recent election. The election in 2016 counts as our recent election.

Without the 2016 election the municipality would be capped at 2.05%. This is not enough of an increase to fund the projects needed for the Youth.

Without the 2016 Election, max increase would be $0.2375\% \approx \frac{15}{64}$

Since we had the 2016 Election, the max increase is $0.6875\% = \frac{44}{64}$

We need $\frac{24}{64}$



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Eunice will have the Highest GRT Around!

Lea County New Mexico

1. Eunice = 7.6875%
2. Jal = 7.4375%
3. Lovington = 7.250%
4. Hobbs = 6.8125%
5. Tatum = 6.8125%

South East New Mexico

1. Artesia = 7.8958%
2. Roswell = 7.8333%
3. Eunice = 7.6875%
4. Carlsbad = 7.6458%
5. Jal = 7.4375%

Texas

- Sales Tax Rate of 8.25%
 - 6.25% State Tax
 - 2.00% City Tax
- All cities in Texas have the option of using 0.25% for Capital Improvement Funds or Economic Development.

State Average = 7.3740%

Highest in the State (Taos) = 9.250%



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What About the People on Fixed Incomes?

- The City of Eunice **WILL NOT PASS** the GRT increase on to any resident or commercial customer by raising water/sewer rates or sanitation charges to cover the GRT Increase.
 - The increase will amount to \$0.38 per \$100 spent in town
 - A majority of the residents purchase their groceries and other larger purchases out of town already so this will not affect them.
 - If we assume the average purchase in town was \$30 the increase would amount to an increase of \$0.11 on their purchase raising it from \$32.19 to \$32.30.
 - Making it more relevant a Large Pizza from Big Cheese cost \$18.99 at the current tax rate the total would be \$20.38, with the increase the total would be \$20.45.
 - A \$0.07 increase to the customer
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This will Drive Businesses out of Town!

This statement is not true and can't be backed up by any viable research relating to tax increases and businesses leaving on a local level. When you see businesses leaving areas it is due to an increase in state taxes and corporate taxes not a sales tax that is passed on to the customer.

Using Cardinal Hardware as an example:

- Company purchases \$750.00 in supplies at the current tax rate the total purchase would be \$804.84.
- The proposed tax increase would raise the purchase up to \$807.66
- Increase of \$2.82.

Same Purchase going to Hobbs:

- Company purchases \$750.00 in supplies at the current tax rate the total purchase would be \$801.10.
- Wear and tear on vehicle = \$24.20
- Employee Time for 2 hours = \$65.00
- Total cost to pay less GRT = \$890.30

If businesses lose business over the increase in GRT it is due to them not being competitive in the market.



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If Most People Leave Town to Purchase Items Who Will Pay for the Bond?

- It is estimated that around 80% of all residents do their larger shopping such as grocery shopping out of town.
 - Most residents in town only make small purchases in town usually less than \$100.00 at a time
 - This would only increase their purchase by \$0.38.
 - Most residents eat locally at an average cost of \$18.00 per person.
 - This would be an increase of \$0.07 per person.
 - Most larger purchases in town are made by the oil field companies and their employees that are temporarily staying in Eunice.
 - These employees that are temporarily staying in town cannot be counted on our censuses therefore we receive no state or federal money to offset the cost or expense they pose to the city.
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What About the Drainage Issues at Marshall Park?

Marshall Park is in a flood plain according to Federal Emergency Management Administration maps. Flood plains are great places for parks and cemeteries. They have little infrastructure that can be damaged by the water and all buildings built are designed to be out of the flood plain or can withstand a flood.

- The City is requesting legislative money to extend Avenue O to 6th Street to help with the flooding problem. We have also applied for a NMDOT Grant to help pay for the road extension.*
 - Most cities use flood plain property for parks and recreational facilities. Prime example of this is the soccer complex in south Hobbs. That area floods with heavy rains and is designed to not damage anything.*
 - Flood plain property cannot be used for any other purpose if it is considered a flood way which part of Marshall Park is considered.*
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How does the City Plan on Maintaining the Park?

The goal for the Youth Sport Complex at Marshall Park is to make it low to no maintenance. This will allow our current staffing levels to maintain it and if needed revenue from the park can help offset the cost of seasonal workers. The low maintenance items will include:

- Baseball/Softball fields will be set up as softball fields with dirt infields.*
 - Turf for the outfields on all baseball/softball fields (initial cost increase of 15% but will be made up in 3 years through maintenance cost)*
 - Portable mounds to allow easy moving and setting up for games*
 - All irrigation will use reclaimed water as to not put any strain on our current water system.*
 - All landscaping will use native plants and grasses so they will require little to no water and can survive the weather in Southeastern New Mexico.*
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Who will Own & Run the Complex?

The City of Eunice will own and maintain the complex once it is completed. This in part will help the city offset any possible maintenance and operating cost associated with the park.

- City would lease the park to the Youth Sport leagues for each season at a low to no cost.*
 - City would run the concession stand with the help of local kids to bring in revenue to the park to cover cost. (In other cities tournaments have brought in \$5,000 in one weekend)*
 - If needed to get the groups up and going the recreation department could take over youth sports to make it cheaper for parents. The cities umbrella insurance covers all the activities and is the most expensive part of any league.*
 - The City could sell the naming rights for each field for a period of time to help with the operation and maintenance cost of the facility.*
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Current Misconceptions Regarding the Proposed Increase

- ***"What the City of Eunice is trying to do is illegal!"***
 - This is not true in any way. The original road bonding company and the lawyers have been involved with this process from the beginning. When looking at funding sources this idea was brought up by them.
 - ***"The City of Eunice is trying to change the GRT Tax increase that was voted on by citizens in 2016 from road repair to another project and in doing so go against the voters' wishes."***
 - The new GRT Tax increase has no part of the 2016 Road Bond GRT Increase. The two are mentioned together because in 2019 State of New Mexico Law changed regarding cities and GRT increases. The new law passed in 2019 states that cities may not raise its GRT above 2.05% without an election. Since the City of Eunice held the Road Bond Election in 2016 the City of Eunice is now allowed to raise the GRT to 2.50% without an election. Currently the City of Eunice is sitting at 1.9375% with the road bond increase and the proposed increase will raise the rate to 2.3125%
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Current Misconceptions Regarding the Proposed Increase

- ***"The new GRT tax increase will take money away from the 2016 Road Bond GRT increase!"***
 - The new GRT Tax increase has no part of the 2016 Road Bond GRT Increase. The two are mentioned together because in 2019 State of New Mexico Law changed regarding cities and GRT increases. The new law passed in 2019 states that cities may not raise its GRT above 2.05% without an election. Since the City of Eunice held the Road Bond Election in 2016 the City of Eunice is now allowed to raise the GRT to 2.50% without an election. The City of Eunice has received roughly \$6,000,000.00 in road bond money since it has been enacted.
 - ***"The new GRT Tax increase will go to build a new Rodeo Arena."***
 - The City of Eunice is working with the State and County for funding for the new Rodeo Arena and the new GRT Tax increase will go to build a Youth Sport Complex at Marshall Park. The City of Eunice has currently been allocated \$950,000.00 for the Rodeo Arena from the State and County.
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Current Misconceptions Regarding the Proposed Increase

- ***"After Marshall Park is paid for the city will just waste the money!"***
 - This is not true in any way. It is written into the ordinance that this bond money can only be used for "projects that improve the quality of life for residents". This bond can be rolled every couple of years to pay for projects the community feels are needed. These can include but not limited to; New Youth Activity Center, New Golf Course Club House, New Community Center, etc.... The City of Eunice is going after Legislative Funds to pay for New Fire Station, New Police Building, New City Hall.
 - ***"The City of Eunice is maxing out their GRT with this increase. What happens if we have an emergency and need to fund something?"***
 - The City of Eunice is only utilizing 3/8 of our remaining GRT increments. This will leave us 5/8 remaining in case of emergency and need to fund a project. Most emergencies are water or sewer related and are paid by a different fund not the GRT.
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The City of Eunice has Plenty of Money Why Not Just Pay Cash for It?

This statement is false, yes, the city has money in a rainy-day fund in case of an economic downturn. This money will be used to offset the cost of city services, so they are not cut in bad economic times.

Current Savings Account Balances

Account Type	Balance
General Fund	\$2,015,028.35
Road GRT	\$1,394,622.93
Water	\$299,635.60
Sewer	\$621,625.68
Solid Waste	\$655,542.35
TOTAL:	\$4,986,454.91

Can't use only for roads

Can't use only for water

Can't use only for sewer

Solid Waste Money already accrued

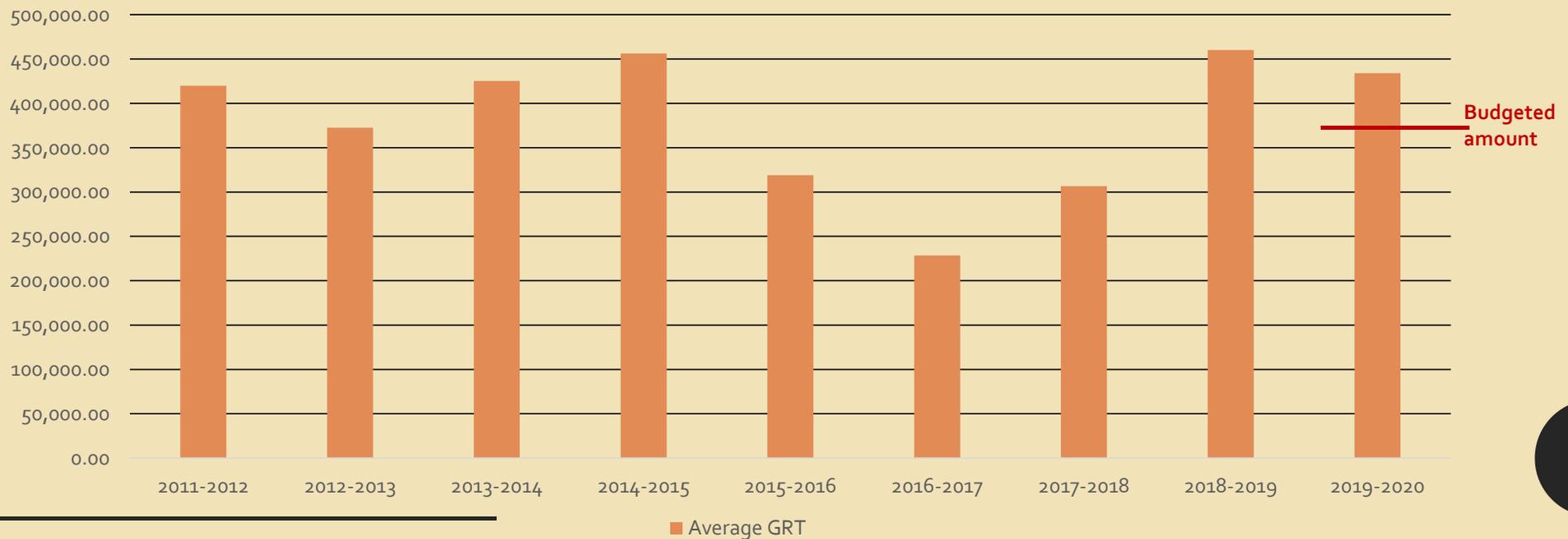
\$2,015,028.35 True balance for a rainy day



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City's GRTs Are Coming In Higher Than Normal, Why the Increase?

Average GRT





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Where is the City's Money Going?

The City of Eunice has a tight budget already and over the past seven months we have cut a lot out of the budget to lower our operating cost. Major expenses are listed below along with money spent on the Youth and Seniors in the community.

- *Employee Cost run the city around 45%*
 - *Majority of this is Health Insurance*
 - *The other is the PERA obligation from the State. This fluctuates yearly depending on the State's budget.*
 - *Recreation Budget to include Cemetery, Parks, Youth, Pool and Activity Center = \$570,142.00*
 - *Golf Course = \$380,039.00*
 - *Senior Center = \$260,052.16*
 - *Total Money Spent on Seniors and the Youth is \$1,210,233.16*
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Other Funding Sources

The City has looked at other funding sources for this project. These sources include;

- **Maddox Foundation** – Declined to help due to a change in philosophy of the foundation.
 - **Donations from Local Businesses** – This would take many years to complete and is not feasible for this project.
 - **State Representatives** – Our State Representatives agree with the project and have given at the minimum of \$850,000.00 for the new Rodeo Arena to allow the improvement of Marshall Park
 - **County Officials** – County Commissioner agrees with the project and has given \$100,000.00 for the new Rodeo Arena to allow the improvement of Marshall Park.
 - **Property Tax Bond** – This would put a larger burden on the fixed income residents of Eunice.
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Why do we need it? Why now?

- This project has been in the works since 2012, but funding was never there for the projects.
 - This project has been brought to the fore front with the building of the new Caton Middle School. The location of the school will take the current practice/game fields away from the Youth Sport Groups.
 - Other options were looked at to save money but there is no available land in the city limits to accommodate the facility needed.
 - Moving the Youth Sports Complex to Stephens Lake is not feasible since most kids walk or ride their bike to practice and games.
 - Cities that have activities available for Youth have lower juvenile crime rates.
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How will this Project Help Eunice?

- When companies look for communities to open in, they look at what facilities are offered for their employees to live there.
 - Baseball/Softball tournaments will bring in additional travelers Eunice which will spend money in town helping local businesses. The average tournament will have roughly 400 people involved.
 - Rodeo events will bring in a lot of outside revenue to the city and local businesses. Most events are three days long.
 - These two venues will open the door for Eunice allowing us to bring in additional events and revenue long after the oil production slows down. Diversifying our GRT revenue sources to ensure the city never dies.
 - Every town that follows the “if you build it, they will come” method has shown increase in revenue from their investments.
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*The phrase that will kill any company, city or organization is
“This is the way we have always done it”.*

If there are any questions or concerns, please feel free to come by and see me at City Hall during normal operating hours.

Monday – Thursday 7:30-5:30

Friday 7:30 – 11:30
