



# Fact Sheet: Sales Tax for Capital Projects

The Chickasha City Council voted on Thursday, May 18 to call for a vote of citizens to approve a permanent 1.25% sales tax, to go into effect on January 1, 2024.

- The City's current .75% CIP sales tax is set to expire on December 31, 2023
- Passage of the 1.25% sales tax would result in a net increase of .5%

## What is the cost to shoppers?

Through December 31, 2023, shoppers in Chickasha pay a total of 9% sales tax:

- 4.5% Oklahoma Sales Tax
- 0.75% Grady County Sales Tax
- 3.75% Chickasha sales tax

If passed, the Chickasha sales tax rate would increase to 4.25%, for a total sales tax rate of 9.5%. Nearby cities have total sales tax rates of: Blanchard – 10%; Newcastle – 9%; Tuttle – 9.75%.

Currently, on a \$100 purchase, Chickasha shoppers pay \$9 in total sales tax, for a total of \$109. If the sales tax is passed, as of January 1, 2024, shoppers would pay an additional \$0.50 on a \$100 purchase, making the total bill \$109.50.

## Why is this being considered?

Chickasha's water treatment facility, the sole source of drinking water for the City, is operating past its useful life and is at risk of catastrophic failure, which would leave the City unable to provide water services to its citizens. Our current facility is operating under consent orders from the DEQ to make costly repairs to address these problems. Rather than continuing a cycle of making cost-prohibitive short-term fixes, City leadership is heeding the advice from engineers and studies dating back to 2013 that we need to build a new water treatment facility.



## How will the money be spent?

The sales tax is estimated to generate approximately \$4.67 million in revenue each year, which will be used to build a new water treatment facility and fund other capital projects.

The new water treatment facility is estimated at approximately \$74 million, including engineering, purchasing land, and construction. The City will finance the project using an approximate \$69 million 30-year loan from the Oklahoma Water Resource Board, plus \$5 million in available existing capital outlay funds. The City would use approximately \$3 million per year of sales tax revenue to pay the annual debt payments. The project is estimated to take about 3 years to complete, including engineering and construction. Should the water treatment plant come in under the amount of the Water Resource Board loan, the City is able to use the loan for other water-related projects, including replacing water lines.

City officials have identified several projects and improvements for the remaining \$1.6 million in annual revenue, starting with improvements to existing police and fire facilities, equipping firefighters and police officers with needed tools and equipment to serve citizens, and providing for other capital needs of a growing City. Additional projects include including buying or building a new fire station and making much-needed road, water line and sewer line repairs. Funds will be allocated based on priority and the ability to make the biggest impact.

## Will water rates increase?

During the Thursday, May 18 City Council meeting, Council Members voted to automatically raise water rates on October 1, 2023 if the sales tax fails, in order to pay off the loan needed for the water treatment facility.

If the sales tax proposition fails, a resident who uses 5,000 gallons of water and currently pays \$34.00 per month would see their bill increase by 82%, to approximately \$61.87 per month. The base water rate would increase from \$23.50 to \$42.80. These increased rates would not allow additional funding for other capital expenditures, including fire and police facility and equipment improvements or road repairs.

The water rate increase will not take effect if the sales tax is passed.

## What happens next?

Citizens will vote on the sales tax proposition on Tuesday, August 8.

- If the sales tax passes, shoppers in Chickasha will notice a .5% increase in sales tax beginning January 1, 2024.
- If the sales tax fails to pass, water rates will automatically increase by 82% on October 1, 2023.

### Example of fire truck that could be purchased with funds

