

CITY OF LAREDO
CITY COUNCIL
AIRPORT ADVISORY BOARD
CONVENTION AND VISITORS BUREAU
WORKSHOP ON ECONOMIC DEVELOPMENT SALES TAX

MAIN LIBRARY MULTI-PURPOSE ROOM
1120 E. CALTON ROAD
LAREDO, TEXAS
11:30 A.M. - 2:00 P.M.

MINUTES

M-98-W-06

FEBRUARY 11, 1998

I. CALL TO ORDER

With a quorum present Cm. Alfonso I. "Poncho" Casso called the meeting to order.

II. PLEDGE OF ALLEGIANCE

Cm. Casso led in the Pledge of Allegiance.

III. ROLL CALL

IN ATTENDANCE:

JOSE R. PEREZ, JR.,	COUNCILMEMBER,	DISTRICT I	(arrived 11:40)
LOUIS H. BRUNI,	"	DISTRICT II	
ALFONSO I. "PONCHO" CASSO,	"	DISTRICT III	
CECILIA MAY MORENO,	"	DISTRICT IV	(arrived 11:40)
JOE A. GUERRA,	"	DISTRICT VI	
MARIO G. ALVARADO,	"	DISTRICT VII	
CONSUELO "CHELO" MONTALVO,	"	DISTRICT VIII	
FLORENCIO PENA, III,	CITY MANAGER		
JAIME L. FLORES,	CITY ATTORNEY		

ABSENCES:

ELISEO VALDEZ, COUNCILMEMBER, DISTRICT V
GUSTAVO GUEVARA, JR., CITY SECRETARY

IV. DISCUSSION REGARDING JET SERVICE FOR THE CITY OF LAREDO TO INCLUDE A BRIEFING ON THE PROPOSALS PUT FORWARD BY AMERICAN AIRLINES AND CONTINENTAL AIRLINES.

Jose Luis Flores, Airport Director, made the presentation and gave an overview of jet service initiative, a comparison of two

proposals, that will fit the city's needs, a prospectus of future eventualities under the provisions of each proposal, and a presented a listing of the support of jet service in the community.

He said that they received concrete proposals form both American and Continental Airlines and have spent considerable time and effort comparing the two, to determine the best alternative for the City.

They believed they have found the partner they want in Continental Airlines.

Through exploration of the issues inherent with the two proposals, one fact stood out in a sharp relief - jet service at reasonable air fares will be an expensive enterprise for the city to undertake.

The reason is simple, domestic airlines are currently enjoying a period of unprecedented success and profitability. The demand for jet aircraft is high, as is witnessed by the record high load factors on all routes flown by the major airlines.

Continental Airlines' 1997 profits rose 15 percent compared to 1996, making 1997 the third consecutive year that Continental set a record for profitability.

What all that means to Laredo is this: No airline will take a jet off a successful route and put it on the unproved Laredo route without a guarantee they will receive at least as much revenue as they would have previously.

Depending on the proposal and assuming a worst-case-scenario, it could cost between \$1 million and \$3.2 million dollars a year to underwrite a minimum level of jet service.

Assuming the best-case-scenario, the city would not pay a cent.

The question is, can we afford to do otherwise? The City of Brownsville faced the same question five years ago, and said no. Brownsville spent nearly \$2 million over three years, and now has two jet flights daily at not cost to the city.

When Brownsville secured jet service, Laredo was left as the only large metropolitan center on the Texas-Mexico border without jet service. Can Laredo afford jet service?

Continental has offered a one year contract for one 129 seat Boeing 737 flight daily except Sunday, to take the place of one of the five flights currently offered by Continental Express. They suggest the flight to be the last one in the evening and the first one in the morning, with the jet remaining in Laredo overnight. He briefed council on schedules, fares at their current level for the duration of the contract, securing the Boeing 737, etc. vs. American Airlines, and comparison of proposals.

V. DISCUSSION REGARDING SECTION 4b OF THE DEVELOPMENT CORPORATION ACT OF 1979, TO INCLUDE PURPOSE AND LIMITATIONS OF THE ACT, THE PROCESS FOR THE APPOINTMENT OF THE DEVELOPMENT CORPORATION'S BOARD AND THE TYPES OF PROJECTS THAT CAN BE FUNDED THRU THE ECONOMIC DEVELOPMENT SALES AND USE TAX.

Florencio Pena, City Manager, made the presentation, he expressed that several cities have adopted a sales tax, several using a 4a and 4B. He said that Section 4a was created to fund expansion of industrial or manufacturing enterprises, and Section 4b was created to fund a wide range of civic and commercial projects, in addition to manufacturing.

He briefed council on the Economic Development sales tax facts, added that 265 cities adopted either 4a or 4b economic development sales tax, such as McAllen, Weslaco, Cotulla, etc. It is created by a majority vote of the electorate and may be dissolved by a resolution of the City Council. All expenditures must be approved by the City Council and all projects are subject to petition by the electorate. He added that Economic Development Corporation gets its funds from a fraction of the sales tax up to half a cent per dollar of retail. A quarter-cent sales tax will generate about \$3 million annually, which can leverage up \$30 million in bonds.

Currently sales tax in Laredo is 8.00 cents per dollar of retail sales. The maximum allowable sales tax is 8.25 per dollar of retail sales. Laredo voters may approve up to .25 cents (a quarter-cent) sales tax for economic development.

He explained the local sales tax breakdown:

- 6.25 cents.....State of Texas for all state Government functions.
- .50 cents.....County of Webb for general purposes.
- .25 cents.....Transit tax
- 1.00 cents.....City of Laredo for general fund

8.00 cents.....Total local sales tax

Mr. Bob Bearden, of the State Comptroller's Office in Austin, and Mr. Mike Kazen of the Laredo Office made the presentation and stated that it is not 265 Texas cities that have adopted either the 4a and 4b economic development sales tax, but 362 cities.

He explained the economic development sales tax process, a report must be filed annually, for a 4b sales tax there must be a public hearing held in advance, and an election must be called.

VI. DISCUSSION ON THE TIME LINE LEADING UP FOR THE ELECTION, PROCEDURES TO FOLLOW ON SELECTION OF PROJECTS OR GOALS PROPOSED (FUNDED BY THE DEVELOPMENT CORPORATION), AND SCHEDULING OF PUBLIC HEARINGS TO GET COMMUNITY'S INPUT.

Cm. Casso was in favor of the Economic Development Sales Tax, thinks it will not pass in 1998, but if they go for it he rather have it in May in terms of the 4a.

Mr. Bearden stated if they chose a 4a they have to get rid of it, by election to repeal it. With a 4b the statute provides if there is no debts and obligations, they notify them and they stop it (depends on obligations). He added if this election is held it needs to pass the first time.

Mr. Pena stated the proposed time frame would be March 23 to pass an ordinance, for an election on May 2nd.

The other would be until August to hold an election, the ordinance must be passed by June 28th, there is a process that they would have to follow.

Cm. Bruni wants to see this item for the May election and that other projects be presented such as a sports complex.

Mr. Guerra of the Airport Advisory Board was concerned about the \$3 million, that it is too much money, and maybe not enough time to educate the voter for May, and that no money will be left for other projects.

Cm. Alvarado agreed to the sales tax election, because jet service is needed, but thinks it should be held in August because May is too soon and thinks it will be defeated.

Cw. Montalvo thinks that May is too soon.

Mr. Jerry Swebel stated they need time, in order to inform the public, because there will be confusion and because two months is not enough.

Cm. Perez stated they need to set up a meeting for February 24th, bring proposed projects and approaches.

Mr. Pena stated they need to act as if it was for May 2nd, bring project and evaluate them, start working in two or three projects and if they are not ready then do it in August.

Mayor Protem Perez wants staff to explore the possibility of a water park.

Louis Shuey member of Convention and Visitors Bureau stated that the issue is selling the sales tax to the public.

Mr. Pena asked whether we want to go specific or do we want to undertake more projects. He said they will post a workshop for February 24th with the same group plus the with the retail group from 11:30 to 2:00 p.m, but before that meeting, meet with the Economic group.

VII. ADJOURNMENT

Motion to adjourn.

Moved : Cm. Bruni
Second: Cm. Casso
For: 5

Against: 0 Abstain: 0

I HEREEBY CERTIFY THAT THE ABOVE THE MINUTES CONTAINED IN PAGES 01 TO 05 ARE TRUE COMPLETE AND CORRECT PROCEEDINGS OF THE WORKSHOP HELD ON THE 11TH DAY OF FEBRUARY, 1998. A CERTIFIED COPY IS ON FILE AT THE CITY SECRETARY'S OFFICE.



GUSTAVO GUEVARA, JR.
CITY SECRETARY

Minutes approved on: March 16, 1998