



City of Cleveland
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NEWS RELEASE

Enclosed is a brochure that we have prepared for the general public regarding the March 10th referendum election for the local option sales tax. As of now, the local rate stands at 2.25%, where it has remained since 1983. Raising the sales tax by one-half cent would generate an additional \$4.5 million, which would greatly improve the city's financial condition, as the budget for the current fiscal year has already been slashed repeatedly due to the current economic climate.

If passed, monies raised from the ½ % sales tax would be divided, with the City of Cleveland receiving 2/3 and the City school system receiving the remaining 1/3. The City has agreed to share revenues with the school system by choice; no state law requires city-only sales tax increases to fund public education. However, in November 2008, the Mayor and City Council passed an ordinance guaranteeing that 1/3 of the revenues from the increase would be dedicated to Cleveland City Schools.

The revenue from the one-half cent increase would be restricted to allocation on capital expenditures, meaning only long-term projects that cost more than \$5,000 will be funded. Projects that could be funded from this increase include street paving, new sidewalks, construction of a new fire hall, replacement of police cars, new leaf and bulk collection trucks, technology in schools, industrial access roads for prospective investors, school buses, and a science wing for Cleveland High School. No salaries or routine city operation costs will be supported by this increase.

We would greatly appreciate your support in getting this information out to the public. We believe that, by receiving accurate information regarding the local sales tax, the citizens of Cleveland will understand the positive impact that this proposal will have on our community.

If you have any questions or requests for more information, please do not hesitate to contact us.

Thank you for your assistance.

Office of the City Manager
January 30, 2009

**The Mayor and City Council
passed an ordinance in
November giving voters the
option of whether or not to
increase the local sales tax by 1/2
cent.**

*Here are the answers to some questions you
might have:*

WHAT IS THE TAX?

The City of Cleveland currently collects sales tax at a rate of 2.25%. The state of Tennessee collects sales taxes at a rate of 7.0%. To increase the City's rate to 2.75%, the voters must approve it.

WHERE DOES THE CITY GET ITS MONEY?

The biggest source of revenue is the property tax that makes up 41% of the general fund in the budget. The sales tax generates 21%, while another 12% comes from the state and federal governments. The rest is generated from a combination of licenses, permits, and fees.

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THE LOCAL OPTION SALES TAX

**An information packet for
the
March 10, 2009
referendum election**



Cleveland, TN

WHY SHOULD I VOTE ON THE ½% SALES TAX?

For years, the City of Cleveland has operated efficiently on a budget made up of revenues from one of the lowest city tax rates in the state. However, bad economic conditions and the prospect of losing future state-shared tax monies have left the City in a difficult financial position. The City strives to provide the same excellent services that our residents expect and deserve, but can no longer maintain these services as well as fund pressing capital infrastructure needs. Cleveland cannot continue to thrive and attract new industries and residents if we are not able to maintain and improve our city's resources. The sales tax revenue will benefit everyone.

WHERE WILL THIS MONEY GO?

If enacted, the City of Cleveland anticipates receiving an additional \$4.5 million annually. By city ordinance, this money will be divided, with 2/3 going into the City's capital investment fund, and 1/3 going to city schools' capital projects. This money will be spent only on capital projects, meaning only long-term projects or items that cost more than \$5,000 will be funded. No salaries or routine operation costs will be supported by this increase.

WHAT WILL I GET FOR THIS ½ CENT?

Money generated from the ½ cent sales tax will go to fund projects such as street paving, new sidewalks, intersection improvements, construction of a new fire hall, replacement of police cars, leaf and bulk collection trucks, technology in schools, industrial access roads for prospective investors, school buses, and a science wing for Cleveland High School.

WHO PAYS THIS TAX?

Everyone that shops in Cleveland, including county residents, regional shoppers, and tourists, pays this tax.

WHAT WILL IT COST ME?

If you spend \$100 a week on groceries, clothes, or other taxable goods, it will cost you 50 cents per week. In a year, it will cost \$26. By law, local sales tax collections are capped at single purchases of \$1,600.

HOW CAN I HOLD CLEVELAND ACCOUNTABLE FOR MY ½ CENT?

Both the City and the school system have pledged to publish a public record of expenditures of all monies raised from the ½% sales tax. These records would be found on the City's website, as well as in the newspaper.

WHAT HAS THE CITY OF CLEVELAND DONE IN AN EFFORT TO STRETCH CURRENT TAX REVENUE FURTHER?

The city has maintained every effort to operate efficiently and effectively with the resources it has. The financial budget for the current year has already been slashed twice, resulting in a freeze on vacant city employee positions, salaries, and benefits, an elimination of capital expenditures, and no street paving, among other measures. These conditions will remain effective during the next year if economic conditions do not improve. Although the state has increased its sales tax repeatedly in the past several decades, the local sales tax in Cleveland has remained at the same level since 1983.

WHEN DO I VOTE?

You must be registered to vote by February 9. Early voting begins February 18 and runs through March 5. The election will be held on March 10.

WHO CAN I CONTACT FOR MORE INFORMATION?

You can call the city manager, Janice Casteel, at 472-4551, or visit the Municipal Building between the hours of 8:00 a.m. and 5:00 p.m. The street address is 190 Church Street. We welcome your questions.