

**DEPARTMENTAL SUMMARY OF REQUESTED ACTION  
THE NORTHPORT CITY COUNCIL AGENDA**

**AGENDA ITEM NO. 8 (a) 1**

**MEETING DATE: September 14, 2020**

**SUBJECT: 1st Reading, Revised Ordinance for 1% Sales Tax Revenue Usages**

Consent Agenda	Action Agenda <b>X</b>	Public Hearing
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First Reading <b>X</b>	Second Reading	Other
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<b>Prepared By: K. Braughton</b>	<b>Approved By: R. Davis</b>
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**Summary:** Several months ago the City passed Ordinance No. 2010 setting forth usages for the 1 cent Sales Tax increase. This Ordinance set forth four categories in which this additional 1 cent sales tax could be spent. This revised Ordinance repeals Ordinance 2010 and replaces it with a new ordinance with three categories rather than four categories; 1) Responsible, 2) Economic and Community Enhancement, 3) Enjoyment.

It also allows the Council to earmark monies for particular projects that may extend into another budget year and sets up a separate account for these monies to be placed until they are used for the designated purpose.

**Alternatives:** Reject

**Recommendation:** That you adopt the attached Ordinance

**Fiscal Impact:** No change

**Motion for Consideration:** I move the adoption of the Ordinance setting forth usages for the additional revenue collected as the result of the 1% Sales and Use Tax increase beginning in FY-2021.

**ORDINANCE NO.**

**ORDINANCE FOR THE 1% SALES TAX REVENUE USAGES**

**WHEREAS**, the City previously collected 2 cents of the 9% Sales and Use Tax within the City of Northport; and

**WHEREAS**, the City is of the opinion that the increase of 1 cent to 10 cents (3 cents to the City of Northport) is in the best interest of the City and its residents; and

**WHEREAS**, the City wishes to be accountable to its citizens for the use of this additional revenue.

**IT IS HEREBY ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTHPORT, ALABAMA AS FOLLOWS:**

1. The City Council hereby repeals Ordinance No. 2010 applicable for FY-2020 and replaces it with the following ordinance which:

- a. will change the four categories to three categories beginning in FY-2021.
- b. will allow the earmarking of funds for a project and if not spent, to be placed in a separate account by the Finance Department to prevent comingling of funds and keep these funds available to complete this project even if it is paid for in the following fiscal year.

2. Chapter 66, Article II of the Northport City Code shall be amended by adding Section 66-78 as follows:

**Sec. 66-78 Allowed Uses for the additional 1 cent Sales and Use Tax.**

- a. The City shall segregate the additional revenue collected each year from the 1 cent Sales/Use Tax increase into three different categories or “buckets”.
- b. The three categories are:
  - i. Responsible
  - ii. Economic and Community Enhancement

iii. Enjoyment

These three categories are explained in more detail and examples are given in the power point presentation, a copy of which is attached as Exhibit “A” and is incorporated herein as fully set forth in this Ordinance.

- c. The amount allocated to the last two categories shall not exceed 50% of the additional monies collected under this 1 cent Sales/Use Tax annual income. There is no maximum amount that may be allocated to the first category (Responsibility).
- d. These percentages should be reviewed during the first year after an election year and adjusted by the City Council in the first full budget after the election year to ensure that the allocations meet the current needs of the City. In addition, the percentages may be adjusted each year by the City Council with the adoption of the annual budget.
- e. In the event of a drastic downturn in revenue income by the City, to the extent that what revenue is being collected in the general fund is projected to be at least \$4 million dollars less than what was received in the prior budget year, in this event, these funds may be used to maintain critical city functions and operations.
- f. The balance of unused funds in each category at the end of the fiscal year shall be placed into a separate account and not comingled with the General Fund. These funds shall only be spent as allowed in this code section.
- g. This 1 cent Sales/Use Tax increase shall remain in place for a period of ten years and shall automatically renew each ten years thereafter unless two-thirds of the Council members vote, (four of five Council members) to repeal this 1 cent Sales/Use Tax increase at the time of its automatic ten year renewal.
- h. Certain provisions of this Ordinance, including Exhibit “A”, may be modified by a **Majority vote** of the City Council (**three of five** Council Members voting “yes”) and certain provisions must be modified by a **“Super Majority” vote**, that is, by two-thirds vote of the City Council (**four of five** Council Members voting “yes”). The Mayor may veto any modification to this Ordinance or of Exhibit “A” but this veto may be overridden by a vote of four Council Members by the procedures set out in the Alabama Code, Section 11-45-4.
- i. The following actions require a “Super Majority” vote of the City Council to modify this Ordinance:

1. To change the 50% maximum amount in the first two categories.
  2. To stop the automatic renewal of this 1 cent Sales/Use Tax increase every 10 years.
  3. To add a new category or eliminate an existing category.
- j. The following actions require a majority vote of the City Council to modify this Ordinance:
1. To change the percentages, not to exceed the maximum percentage, for each of the three categories, for each budget year.
  2. To change the list of which expenditures are appropriate for each of the three categories if the change does not drastically change the intent of that specific category.
  3. All other modifications to this code section, not enumerated above.
- k. The City Administrator and/or Finance Director shall provide an annual report to the Mayor and Council each December as to how these additional funds from the 1% Sales/Use Tax Increase were utilized by the City in these three categories during the prior budget year and any funds earmarked and set aside for payment as noted in subsection (f) above.
1. This Ordinance shall become effective for the FY-2021 budget year. Ordinance No. 2010 shall apply only to the FY-2020 budget year.

**ORDAINED this the \_\_\_\_ day of October 2020.**

**CITY COUNCIL OF THE  
CITY OF NORTHPORT**

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Jay Logan  
Council President

**ATTESTED:**

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Warren H. McCollum  
Interim City Administrator/Clerk

**APPROVED** this the \_\_\_\_\_ day of October 2020.

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Donna Aaron, Mayor

I hereby certify that the above and foregoing Ordinance was published on \_\_\_\_\_ in the Northport Gazette, a newspaper of general circulation published in the City of Northport.

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Warren H. McCollum,  
Interim City Administrator

1st Reading: September 14, 2020  
Motion By:  
2nd Reading:  
Motion By:  
Second By:  
Publication:

# **EXHIBIT “A”**