

ORDINANCE NO. 2056

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

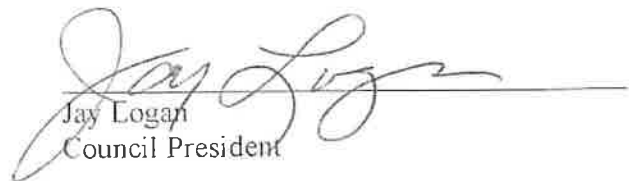
These three categories are explained in more detail and examples are given in the power point presentation, a copy of which is attached as Exhibit "A" and is incorporated herein as fully set forth in this Ordinance.

- 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:

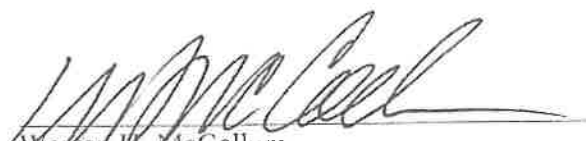
1. To change the 50% maximum amount in the last two categories.
 2. To stop the automatic renewal of this 1 cent Sales/Use Tax increase every 10 years.
 3. To add a new category or eliminate an existing category.
- j. The following actions require a majority vote of the City Council to modify this Ordinance:
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.
- l. 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 5th day of October 2020.


**CITY COUNCIL OF THE
CITY OF NORTHPORT**


Jay Logan
Council President

ATTESTED:

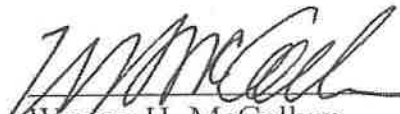

Warren H. McCollum
Interim City Administrator/Clerk

APPROVED this the 5th day of October 2020.



Donna Aaron, Mayor

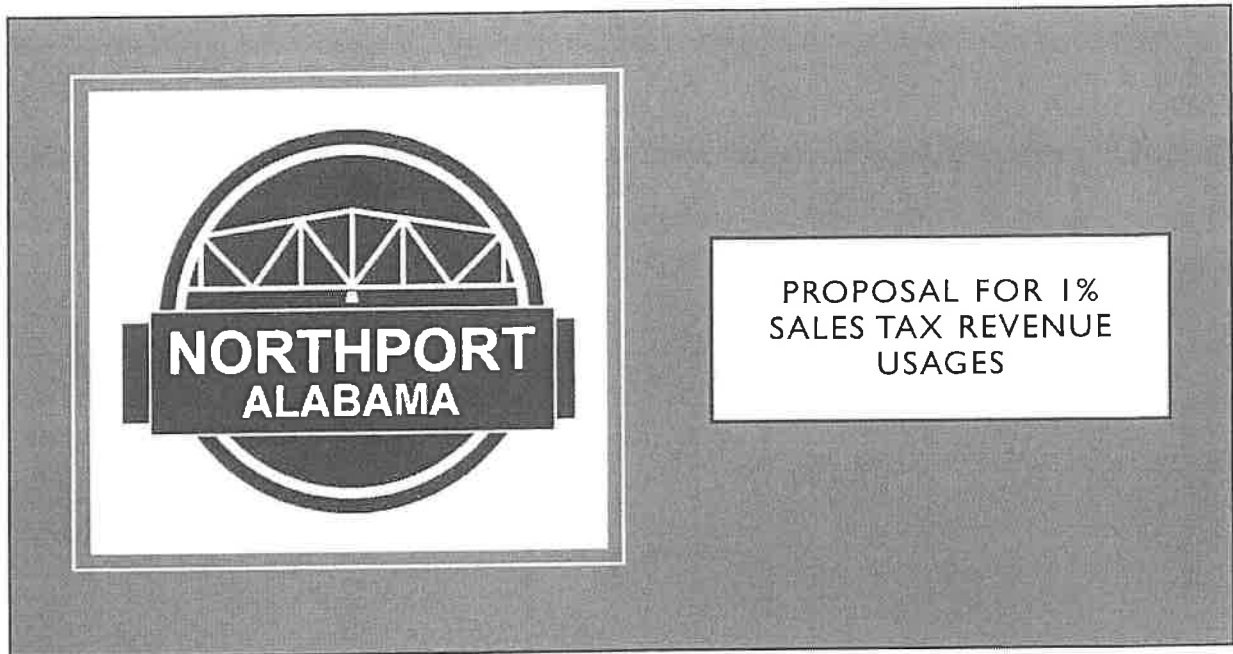
I hereby certify that the above and foregoing Ordinance was published on October 14, 2020 in the Northport Gazette, a newspaper of general circulation published in the City of Northport.



Warren H. McCollum,
Interim City Administrator

1st Reading: September 14, 2020
Motion By: Logan
2nd Reading: October 5, 2020
Motion By: Hinton
Second By: Bobo
Publication: October 14, 2020

EXHIBIT "A"




1

The image shows a presentation slide with a dark grey background. On the left, there is a large grey circle with the word "BACKGROUND" inside. To the right of the circle is a white rectangular box containing a bulleted list of points.

- Proposed \$.01 Sales Tax Increase by the City of Northport to increase city revenue
- Change Northport total sales tax from 9% total to 10% total
- City portion of sales tax increases from 2% to 3%
- Historically Northport has underperformed in revenue generation versus cost of city operations
- Sales tax makes up \$9M in revenue for the city – 60% of which is from grocery sales
- The State of Alabama leave few other options regarding revenue generation by municipal bodies


2



FISCALLY RESPONSIBLE USE OF ADDITIONAL TAX FUNDS

- Responsible use of additional tax monies is required in order to demonstrate management of assets, allow targeted growth objectives, fill citizen needs, and protect operations
- Unreasonable or earmarked ideas could strain the flexibility needed in managing the city budget, commitment and assets
- General fund deposit of additional monies leaves open the ability to simply raise the spend limit without addressing any of the current or future city needs
- Therefore it is necessary to specifically identify budgetary "buckets" that money generated from this specific tax increase would be added

3




BUDGETARY CATEGORIES

- Three Budgetary categories for use of additional monies generated from sales tax increase. Categories would be a generic percentage
 - Use of minimum or maximum amount is encouraged
 - Set a maximum category value that prevents excess fund accumulation
 - Automatic Council review of percentage the first full budget after election year to ensure common sense allocation occur
 - Automatic tax renewal each 10 years unless super majority vote to revoke the \$.01 increase

CATEGORIES

- Responsible
- Economic and Community Enhancement
- Enjoyment


4



RESPONSIBLE

- Responsible category is meant to address specific shortfalls in budget areas
- There is no limit on the amount of the \$.01 yearly sales revenue increase
- Responsible elements permissible are:
 - Debt Service – permissible to use funds to accelerate repayment of existing obligations in order to free up future monies and/or decrease interest. This covers internal or external debt.
 - City Reserves – as long as the city reserve is either below mandated levels or city goals, monies can be used to increase city reserves to those mandated levels
 - Specific Infrastructure – minimum of 1.0 to 1.0 match of gas tax generated road paving budget. In the event of unusual event or circumstances, a maximum of 2.0 to 1.0 match of gas tax can be added to the road paving budget
 - In the event of a drastic change in revenue generation, ie economic downturn, funds can be used to maintain critical city functions and operations

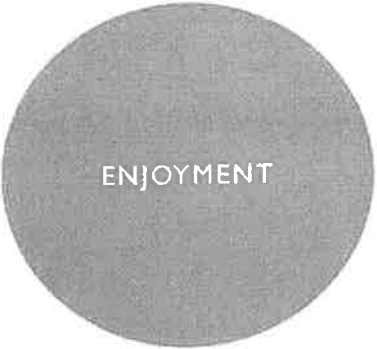
5



ECONOMIC &
COMMUNITY
ENHANCEMENT

- Economic and Community Enhancement category is meant to address the changing face of city growth and improve a Northport identity
- Maximum 50% allocation of the \$.01 yearly sales revenue increase
- Economic and Community Enhancement elements permissible are:
 - Façade Improvement Program
 - Recycling and Waste Reduction Programs
 - Streetscape Projects
 - Education and Entrepreneurial Programs
 - Downtown/Riverfront Redevelopment Projects
 - Sidewalk Installation and Maintenance
 - Signage and Wayfinding Projects
 - Marketing Campaigns
 - Property Acquisition
 - Preserving Cultural and Historical Assets
 - Blight Removal
 - Tree Giveaway/Arbor Day Programs

6



- Enjoyment category is meant to address the outdoor activity element of city living
- Maximum 50% allocation of the \$.01 yearly sales revenue increase
- Promotes preservation of natural/green spaces
- Outdoor Activity elements permissible are:
 - Outdoor recreational areas inclusive of parks, sporting fields/venue, nature park/trails, green spaces, bike paths etc
 - Cost of cooperative agreements with outside agencies can be included
 - Cost of acquiring/leasing property for the sole purpose of items listed above
 - Extraordinary maintenance items arising from specialty nature of an outdoor activity element can be considered
 - Relocation of historic/civic structure to an area designate for outdoor activity can be considered