

**MINUTES OF THE SPECIAL MEETING OF THE
CITY COUNCIL OF THE CITY OF MOUNTAIN BROOK
JUNE 8, 2023**

[As a convenience, members of the public were invited to listen and observe in the public meeting by Internet video conference. There were 2 virtual attendees at the meeting.]

The City Council of the City of Mountain Brook, Alabama met informally in-person at 1:00 p.m. on the 8th day of June, 2023 (others were allowed to listen to the meeting by way of Internet video conference-2 virtual attendees). Council President Pro Tempore Pritchard called the pre-meeting to order and the roll was called with the following results:

Present: William S. Pritchard III, Council President Pro Tempore
Lloyd C. Shelton
Gerald A. Garner
Graham L. Smith
Stewart Welch III, Mayor

Absent: Virginia C. Smith, Council President

Also present were City Attorney Whit Colvin, City Manager Sam Gaston, and City Clerk Heather Richards.

The Council President Pro Tempore Pritchard stated that a quorum was present and that the meeting was open for the transaction of business

1. CONSIDERATION: ORDINANCE AMENDING CHAPTER 26 OF THE CITY CODE WITH RESPECT TO SALES TAX

Steve Boone-Finance Director

- Alabama Legislature passed a bill that will become effective upon the signature of the governor
- The legislation has a revision that will restrict cities on the tax rate (for groceries/food) that is in effect as of the date the bill is signed
- There are no other cities in Jefferson County that has a composite rate of 9% (everyone else is at 10%)
- Mountain Brook has had a composite rate of 9% since 1995
- Does not want to see Mountain Brook prohibited from increasing sales tax (for groceries/food) at a future date
- Mountain Brook has reached a point (financially) to where sales tax increases will need to be considered
- The city has embarked on a lot of capital projects over the last 5-10 years
- The capital reserves are at a point where it is sitting around 28 million
- Contracts underway (and commitments for contracts) that will be performed over the next few years could lower capital reserves to 14 million
- If the capital reserves are lowered to 14 million, this would be the lowest it has been in 20 years
- The only way to change this trend is to either 1) suspend or curtail capitol projects 2) increase revenue or 3) cut operating expenses and divert that savings to capitol
- The capital fund has no source of revenue, can only construct what the city can afford to fund through annual operating string or prepared to issue debt
- Concern is the reserves are getting low enough to rethink the level of capital outlay or increasing revenue

- This discussion would have occurred in the next few weeks; however, this is being accelerated due to the legislation
- Here today to discuss if now is the time to preserve the ability to increase the tax on groceries
- The increase in sales tax would generate around 1 million

Lloyd Shelton-Council Member

- The city funds OPEB and Overfund RSA which is around 1 million
- These funds could be suspended (if needed)

Steve Boone

- Those are discretionary funds that could be “turned off”

Lloyd Shelton

- Inquired if the city could increase taxes to 10% (for example) then suspend it when the governor signs the bill

Whit Colvin-City Attorney

- The language in the bill talks about a levy of the sales tax
- A levy of a tax means you intend to collect it
- Passing a tax that the City does not intend to collect (now) could open up the City to lawsuits down the line if the city decided to start collecting the tax at a later date
- Would not suggest increasing the sales tax, unless the city plans to levy (collect) the tax

Gerald Garner-Council Member

- Does not support raising taxes
- Feels that acting hastily in response to the legislation is not being prudent

Lloyd Shelton-Council Member

- Is not comfortable in making a quick decision regarding increasing the sales tax
- Thinks more discussion is needed

Billy Pritchard-Council President Pro Tempore

- Is in agreement with Council Member Garner and Shelton
- The whole reason this legislation was crafted was to not allow cities to get that portion of the sales tax
- If Mountain Brook increased the food sales tax, even if the City has a need to do so, may be construed as the city being greedy

Steve Boone

- Feels Mountain Brook should not be penalized for being good stewards of the taxpayers money
- Feels Mountain Brook should increase the food sales tax (while we can) because there is a long-term need
- Mountain Brook has more demands than we can set aside

Steward Welch-Mayor

- One way to look at it: If the council feels that within a 5 year window they would likely raise the sales tax by 1%, then the city should make the decision to increase the grocery/food sales tax by 1% now

Steve Boone

- Would not be discussing the grocery/food sales tax increase if it wasn't for the legislation

- The discussion to increase sales tax would have been discussed during the upcoming budget year and the next budget year
- Feels the sales tax will need to be increased within 5 years

Graham Smith-Council Member

- There was a reason this legislation was passed
- Grocery/food sales tax is a regressive tax that the state is trying to do away with
- Taxing groceries is not a good thing
- Alabama is only one of three states that still taxes groceries
- Does not want to increase the grocery/food tax when the state is trying to get rid of the old fashioned tax

Council Member Gerald Garner made a motion to NOT increase the grocery/food tax by 1%. The motion was seconded by Council Member Graham Smith. Thereupon, Council President Pro Tempore Pritchard called for vote with the following results:

Ayes: William S. ("Billy") Pritchard III
Gerald A. Garner
Graham L. Smith
Lloyd C. Shelton

Nays: None

Council President Pro Tempore Pritchard declared that the grocery/food tax will NOT be increased by a vote of 4-0.

2. COMMENTS FROM RESIDENCES AND ATTENDEES

(There were no public comments)

3. ANNOUNCEMENT

Council President Pro Tempore announced the next regular meeting of the City Council is June 12, 2023, 7:00p.m.

4. ADJOURNMENT

There being no further business to come before the City Council, Council President Virginia Smith adjourned the meeting at approximately 1:35 p.m.

5. CERTIFICATION

I, Heather Richards, City Clerk of the City of Mountain Brook, Alabama, certify the above is a true and correct transcript of the regular meeting of the City Council of the City of Mountain Brook, Alabama held at City Hall, Pre-Council (Room A-106) on June 8, 2023, and that the meeting was duly called and held in all respects in accordance with the laws of the State of Alabama and bylaws of the City and that a quorum was present.

City Clerk Approved by
City Council July 24, 2023