

**ORDINANCE NO. 2006-02-01**

**AN ORDINANCE TO AMEND ORDINANCE NO. 595 AND SECTION 6-81 OF  
THE CODE OF ORDINANCES OF THE CITY OF LEEDS, ALABAMA  
LEVYING A LODGING TAX**

BE IT ORDAINED by the City Council of the City of Leeds, Alabama (the "City), that Ordinance No. 595, adopted November 20, 1989, and codified as Section 6-81 of *The Code of Ordinances of the City of Leeds, Alabama*, is hereby amended to read as follows:

**Section 1.** That Section 1 of Ordinance No. 595, adopted November 20, 1989, and codified as Section 6-81 of *The Code of Ordinances of the City of Leeds, Alabama*, is hereby amended to read as follows:

For the privilege of engaging or continuing within the City in the business activities hereinafter referred to, there is hereby levied, in addition to all other taxes of every kind now imposed by law, and shall be collected as herein provided, a privilege or license tax against the person on account of the business activities and in the amounts to be determined by the application of rates against gross receipts as follows:


- (1) There is hereby levied and imposed in addition to all other taxes of every kind now imposed by law, a privilege or license tax upon every person, firm, or corporation engaging in the business of renting or furnishing any room or rooms, lodgings, or accommodations, to transients in any hotel, motel, inn, tourist camp, tourist cabin or any other place in which rooms, lodgings, or accommodations are regularly furnished to transients for a consideration, in an amount to be determined by the application of the rate of six percent (6%) of the charge for such room, rooms, lodgings, or accommodations, including the charge for use or rental of personal property and services furnished in such room. Provided, however, there is exempted from the tax levied under the provisions of this article any rentals or services taxed under the provisions of Ordinance No. 357, adopted September 21, 1970, [Ordinance No. 592, adopted November 6, 1989,] levying the City privilege or license tax. The tax levied herein shall not apply to rooms, lodgings, or accommodations supplied for a period of thirty (30) continuous days or more in any place.

**Section 2.** That all other provisions of Ordinance No. 595 and codified as Sections 6-82, 6-83, 6-84, 6-85, 6-86, 6-87, 6-88, and 6-89 of *The Code of Ordinances of the City of Leeds, Alabama*, previously adopted on November 20, 1989, are to remain unchanged in full force and effect and shall not be affected by this amendment.

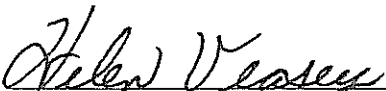
**Section 3.** This ordinance shall become effective as provided by law after passage, approval and publication.

DONE and ORDAINED this the 20th. day of February, 2006.

THE CITY OF LEEDS, ALABAMA

  
James Whitfield, Mayor

Attest:

  
Helen Veasey, Acting City Clerk

hours or even if they wanted temporary appointments and if it works out and the District comes about, and we need them ...they could easily be converted to full-time.

Mayor Whitfield said even if we work out the Cooperative type approach we will still need to hire dispatchers at any rate. Mayor Whitfield said he wanted to clarify something that even when the City has to switch over to St. Clair County, the City still has to send a Leeds Dispatcher to St. Clair County to answer the Leeds calls on a radio they have for them there. Councilmember Drake said Bell South has to be contacted also and they have to reroute our calls to St. Clair County and this can usually be done in about an hour.

Councilmember Drake said a Committee has already been appointed to study the 911 system and is it more appropriate to have the Finance Committee review the Dispatch situation. It was agreed that the information on the 911 District and the Dispatchers be shared and communicated with each Committee. The Meeting would be scheduled after the pertinent information was obtained. A twenty four hour notice is required for a Special Called Meeting and an hour or as soon as possible for an Emergency Called Meeting.

**F. Mayor Whitfield- Action to Accept Bid Proposals for Ground Maintenance/Grass Cutting at Cedar Grove Cemetery-Set Bid Opening -March 10, 2006 at 1:00 P.M.-**

Councilmember Kennedy moved the motion that bids be accepted and opened on March 10, 2006 at 1:00 P.M. at the Leeds City Hall and Councilmember Drake seconded the motion. After no discussion, all Councilmember's voted Aye. The motion so passed by unanimous vote.

**G. Councilmember Cary Kennedy-Bill Weathington-Discussion/Action on Ordinance 2006-02-01 to Raise Additional Revenue by Increasing Tax Rates on Lodging Tax from 3% to 6%- and other Revenue Tax Increases-**

Councilmember Kennedy said he wanted to start with a little history and that Leeds has been in a pattern of spending a little too much money every year and borrowing money short term every year and then rolling it into a long term debt about every three years. He said it has now caught up with us and we are at the point that the City cannot borrow any more money and that is the reason for the cut-backs. Councilmember Kennedy said he has been on the Finance Committee about a month and they have been working on the City's finances about three days each week and we are at the point we do not have any options. He said there has been a proposal for an occupational tax and discussion about a one per cent sales tax increase and at this time, I think we will have to implement both and earmark all the money to the Debt Service. He said we have about four million owed in short term debt that is due and I think we have no other choice...and this is not to hire employee's...we have made cuts, and we just can not cut deep enough to bridge the gap.

Councilmember Kennedy then moved the motion that we implement occupational tax, which would be spent for the first six months in the City General Fund to just catch up and maintain just what we have and after the six month period every dime would go into an account to pay existing debt-not future debt- and the same way for the one percent sales tax increase. Councilmember Kennedy said the revenues from the one percent sales tax increase would go into a separate fund, not the General Fund and it will be earmarked for existing debt. He said this is a tough decision and it is an uncomfortable decision to be in, but we are there. Councilmember Kennedy said there will be a portion of the once percent sales tax increase that will go to the Leeds City School System the way our TIF District is set up. He said this small portion will go to the Leeds City School System but the rest will go toward Debt Service. Councilmember Kennedy asked Bill Weathington to read the Ordinance. Councilmember Kennedy said the Ordinance is very strong, there are no gaps with what we can do with the money, it can not be spent in the General Fund, it can not spent to hire anybody, it cannot be spent on anything but paying off the debt. He said at some point the City has to pay its debt and he said it is just like operating at home, if you over spend you have to make cuts and that is just what we have done-we have cut every where-like paper, lights off, heat down, cut employees and we are not thru...we probably will have to cut more...there will be deeper cuts. Councilmember

Kennedy said with all this, we are still going to have to pass a tax and we are proposing to run this for nineteen months and after this, we will revisit the issue then. Councilmember Kennedy said "Bill I think you can explain that if enough money is collected in the nineteen months, the tax will automatically rescind, right." Bill Weathington responded "Yes", that is correct.

Bill Weathington said he wanted to clarify a couple of points. He said on the agenda it is listed as one ordinance and it is designed to be three different Ordinances. He said there is a sales tax increase of one percent, like Councilmember Kennedy said, there is an occupational tax and there is also an Ordinance to increase the Lodging Tax. He said we currently have a Lodging Tax and we have an Ordinance tonight that will increase the Lodging Tax from three to six percent, and these will be three separate items.

Bill Weathington said the Lodging Tax in Section 6-81 is currently codified, the only change is in the rate, otherwise it is exactly the same as the Ordinance the City passed in 1989.

Mr. Weathington started with the Occupation Tax Ordinance and said for all intents and purposes this is almost the same Ordinance that Councilmember Drake introduced several months ago with some key changes. He said first of all the Occupational Tax Ordinance as presented before you provide that revenues generated from the tax will be paid to the General Fund for a period of six months. He said the purpose of that is to provide some additional funding for the City to make up for some deficits that prevents the Council and Finance Committee from completing some things they are struggling to fill. He said after that six month period, all of the money then generated by this tax will be used to pay existing debt and that would be existing debt, existing debt as of February 20, 2006. He said the Ordinance has an expiration date which would expire on December 31, 2007 unless this tax is renewed or extended by a vote of the Council. Mr. Weathington said obviously the intent is to provide some additional revenue with which to use during the first six months...which will relieve some of the budget deficits and after that it will go to reduce the City's current debt and then it will expire.

Councilmember Drake said this means six months from the day it was enacted...I see a little problem with that because six months from that would put the City in its driest time of the year-revenue wise. He wanted to know if it could be extended longer than that, maybe eight months or to get us into the time of collecting ad valorem taxes or else come August (2006) the cupboard will be bare again. Councilmember Kennedy said I think the cupboards will be bare before that if you want to know the truth. Councilmember Kennedy said we have looked at it and projected the best we could based upon the numbers so far thru this year, I believe six months will do it...I am not opposed to increasing that to eight months if the Council is in agreement with that. Councilmember Kennedy said I would put a stopping point after that and earmark it after that for debt only, but I am not opposed to amending that if the Council is in agreement with that.

Mr. Weathington explained that the Ordinance (s) would have to be published and notices have to be mailed to Businesses and Tax Collection agencies and for all practicable purposes it will take three weeks to forty days. It was determined that the revenues from the new taxes should be received in April 2006.

Councilmember Washington asked the question how much money will this generate in six months. Councilmember Kennedy said we can not give you an exact amount on the sales tax but Councilmember Drake has received estimates on this (occupational tax) and he has projected this will generate over one million dollars...there is no exact science to give an exact number.

Councilmember Washington said we are saying six months, but we have a guessing game with no figures there to say this is going to be enough time...six or eight months. Councilmember Kennedy said you can not start using this money and start counting on this money to cover payroll...the only reason we agreed to put in six or even eight months for the revenue to go into the General Fund is to give the City time to catch up. He said the prior two years have been bad years and this should allow the development to occur or to know which way the development is going in the City.

Councilmember Kennedy said the Ordinance(s) would allow some flexibility and if absolutely necessary, the City could probably manage a short term debt. He said that is why this increase or new revenue has to be earmarked and that is why we have a stop date for funds going into the General Fund and then the revenues will go toward payment on the debt. He said the City is currently paying a large amount annually just on interest on the debt. Councilmember Kennedy said their predictions indicated the City would be short or in the hole about \$200,000.00 and he believed the tax increases will generate over \$200,000.00 in six months.

Councilmember Phillips asked Councilmember Drake if he had checked with Jefferson County on the occupational tax they are collecting for the County. Councilmember Drake said he received an exact amount that Jefferson County collected in 2004 at their half percent rate based upon their collections, and if Leeds passed the Occupational Tax rate at 1%, this would be \$760,000.00 just in the Jefferson County portion and what we would collect in St. Clair County would put the revenues collected at over one million dollars.

Councilmember Kennedy said based upon these figures, the City should take in over \$700,000.00 and this generates enough in six months to get us over the hump. Councilmember Drake said these figures from Jefferson County collections were based on 2004 and the salaries and number of employee's working have increased since 2004.

Mayor Whitfield asked Bill Weathington if we could pencil in eight months for consideration so the Ordinance would not have to be amended later on. Mr. Weathington said "Yes", that was correct-this is in Section Eleven of the Ordinance.

Councilmember Washington asked about the increase in sales tax and he wanted to understand if the occupational tax was combined in the revenue projections and how the City plans on using the sales tax as verses the occupational tax. Councilmember Kennedy said we have four million due now in short term debt and if we pass these taxes and generate the money, this gives us leverage to go and negotiate a two or three year plan out to pay this debt off. He said if we collect two million dollars a year, it should take two or three years to pay this off and we can revisit this at that time. He said I just do not see any other options... our first priority is to pay the debt, cut the City back...we owe it to the taxpayers and to the people working in the City to be as frugal as we can with the money.

Councilmember Kennedy said this upsets me more than anybody here to have to raise taxes...I do not like paying taxes like this...you can not tax your way out of debt...but we are in the position now that this is the only thing we can do...this did not start in the last two years...this has been a twenty year progression...we have gone back and found it, it gets worse every year. He said all a sudden you look at it and it is now in excess of seventeen million dollars in interest alone and I do not like it...no body is going to like it...but if your services are going to be cut... I believe the public will understand that if you struggle for two years and the hours the Library is open has been reduced, but in two or three years time, we should be back on financially sound footing again...I believe this is the only way...we cannot put this money into the General Fund. Councilmember Kennedy said we have an eight million dollar a year business and if we are frugal and conservative we can turn this thing around...we can debate how we do it, how we got here, who got us in this position, we could spend two days doing that and it is time to act, we do not have a lot of time...we can either act on this tonight and make the hard decisions and takes the licks for doing this...I am not happy with this either.

Councilmember Phillips said theses Ordinances that have been drawn up promises our voters, and our taxpayers of Leeds, the citizens of Leeds, it promises them that this money will not be misspent...it is going toward our debt service. She said we are paying a million dollars a year in interest, which is ludicrous and we will never get out of this ditch if we don't start now and stop the management we have been doing...we have got to get on the right track and this is the only way to do it. She said I really hate for the people of Leeds to have to pay for a debt they did not do or a mistake they did not do...she said we are all in this together...we all live in this wonderful City and we have a bright future ahead of us if we can just get the City on the right track-out of this mud hole we are in and I think every thing will be great...but we have got to do it...we have got to be disciplined and stick to the plan that we have worked up. Councilmember Phillips said

we have worked on this for months, this did not happen over night and getting this debt paid off will not happen over night...if we can get started on this and gets the City going in the right direction...this is what this is all about. Councilmember Phillips said I hope all of you, the Council, the citizens of Leeds...I hope you understand what we are doing and it is for the betterment of the whole community.

Councilmember Kennedy said to Councilmember Washington that when Mr. Drake first brought this up, we have been looking at this for months...we have development looking at us and we have the opportunity to turn this thing around a lot quicker...we have prolonged this as long as we can. He said there is a lot of development that is poised to come to Leeds and I think Mr. Weathington can attest to that and we are doing all we can. Councilmember Kennedy said we may rescind this before then, (expiration date) it may happen...we may be able to say if this type business comes to Leeds...we can rescind this tax before then.

Mayor Whitfield said this puts us in the position to take advantage of creating resources for the future to make the City stronger and the City can be more prosperous. Councilmember Kennedy and Councilmember Phillips said absolutely. Councilmember Kennedy said the more financially sound you are, the better decisions you can make...Mayor Whitfield said this is the approach to this.

Councilmember Washington said we can end this discussion and conversation now on this note and have a special called meeting in the next twenty four hours so I can read this Ordinance and find out which direction this is going in...I just got it and I like to know exactly what I am doing.

Councilmember Kennedy said what if we take a recess for forty five minutes, will that give you enough time to read over the Ordinances. Councilmember Washington said he was not opposed to this. Councilmember Kennedy moved the motion that the Council go into recess for thirty minutes. Mayor Whitfield then stated the Council will go into recess for thirty minutes to allow time for Councilmember Washington to read over the Ordinances and the time is now 7:15 P.M.

Mayor Whitfield then came back to the table at 7:45 P.M. and said the recess will continue for an additional ten minutes to allow more time to read the Ordinances.

Mayor Whitfield then called the meeting back to order at 7:57 P.M. for regular business. He asked Mr. Bill Weathington to come forward and explain the Lodging Tax.

Mr. Weathington said Ordinance 2006-02-01 increases the Lodging Tax from three percent to six percent and this is the only change.

Councilmember Kennedy moved the motion that the rules be suspended and immediate consideration be given Ordinance 2006-02-01 and Councilmember Phillips seconded the motion.

Roll Call Vote: Councilmember Washington voted Aye, Councilmember Drake voted Aye, Mayor Whitfield voted Aye, Councilmember Phillips voted Aye and Councilmember Kennedy voted Aye. Motion to consider passed by unanimous vote.

Councilmember Kennedy moved the motion that Ordinance 2006-02-01 be adopted and Councilmember Drake seconded the motion. There was no additional discussion.

Roll Call Vote: Councilmember Washington Aye, Councilmember Drake Aye, Mayor Whitfield Aye, Councilmember Phillips Aye and Councilmember Kennedy Aye.

Ordinance 2006-02-01-Lodging Tax passed by unanimous vote of the Council.

Mayor Whitfield- Ordinance 2006-02-02- Increasing Sales and Use Tax from 3% to 4%- and other tax revenues as codified -

Councilmember Kennedy moved the motion that the rules be suspended and immediate consideration be given to Ordinance 2006-02-02 and Councilmember Phillips seconded the motion.