

City of Minot

TO: Mayor Shaun Sipma
Members of the City Council

FROM: David Lakefield, Finance Director

DATE: July 20, 2020

SUBJECT: **SECOND PENNY SALES TAX**

I. RECOMMENDED ACTION

1. Approve the language for the reinstatement of the second penny sales tax following the anticipated expiration on June 1, 2021.

II. DEPARTMENT CONTACT PERSONS

David Lakefield, Finance Director 701-857-4784

III. DESCRIPTION

A. Background

The second penny sales tax ordinance is scheduled to sunset at midnight on June 1, 2021. The proceeds of the second penny are dedicated to Property Tax Relief (18%), Infrastructure (24%), Community Facilities/Flood Control (18% and Northwest Area Water Supply. The second penny is critical to funding for the NAWS project and it is anticipated that it will require approximately 3-4 years to collect the funding necessary to complete the NAWS project.

There were some minor modifications to the ordinance since the first reading including:

- Changing the language in section 28 1/2-113 to reference this **article** vs this section
- Changing the limit imposed by Sec. 28 1/2-113 and 28 1/2-139 to provide a maximum of \$50 upon any single transaction. This keeps the maximum tax at \$100 but breaks it down to \$50 per penny.
- Confirmed the effective date of June 1.

B. Proposed Project

Continuation of the second penny sales tax will allow for the continued funding for NAWS as well as the Mouse River Enhanced Flood Protection Plan and other infrastructure projects.

C. Consultant Selection

N/A

IV. IMPACT:

A. Strategic Impact:

Funding for these major projects is primarily from sales tax funds. The sales tax funding vehicle has the effect of collecting tax from a broader base than the city limits of Minot. These funds are then used to fund projects that extend outside of the City of Minot.

B. Service/Delivery Impact:

If the tax were to be allowed to expire, additional sources of funding would need to be secured or other items/programs would need to be reduced or eliminated to accommodate the large projects like NAWS and flood control.

C. Fiscal Impact:

Expiration of the second penny would create an impact of \approx \$10 million. The loss of this funding source would have significant budget impacts that could result in the loss of programs or services as well as impacts to the level of service experienced by citizens.

V. ALTERNATIVES

VI. TIME CONSTRAINTS
ASAP

VII. LIST OF ATTACHMENTS

1. Second Penny Sales Tax Ordinance