



# City of Grand Island

Thursday, August 11, 2011  
Special Meeting

## Item F1

**#9315 - Consideration of Amending Chapter 23 of the Grand Island City Code Relative to Food and Beverage Occupation Tax**

Staff Contact: Mary Lou Brown

# Council Agenda Memo

**From:** Mary Lou Brown, City Administrator

**Meeting:** August 11, 2011

**Subject:** Food and Beverage Taxes

**Item #'s:** F-1

**Presenter(s):** Mary Lou Brown, City Administrator

## Background

This memo concerns the City of Grand Island's Food Services, Drinking Places, and Restaurant Tax (Food and Beverage Tax) as codified in Article VII of Chapter 23 of the Grand Island City Code.

The Food and Beverage Tax was enacted in 2008 to fund the construction of the fieldhouse built in conjunction with the Nebraska State Fair moving to Grand Island. In 2009, an amendment was enacted by the Council that allowed revenue from the tax to also be used to pay for Recreational Field development.

The Food and Beverage Tax has been one of the few bright spots in the City's revenue picture as it consistently exceeds predictions. Consequently, questions have arisen and discussion has taken place as to how to allocate surplus revenues from this tax.

## Discussion

After listening to public feedback, Administration is proposing the consideration of the allocation of \$350,000 of food and beverage receipts to fund the State Fair Lottery Match. The proposal is that the current food and beverage receipts be used for the annual debt payment, then funding for the State Fair Lottery Match payment and remaining receipts be used for additional debt payment.

Ordinance No. 9315 does not alter the Food and Beverage Tax rate of one and one-half percent; it designates how the revenue from the tax shall be appropriated. The Ordinance directs that revenue shall be appropriated in the following order:

1. To make the City's required debt payments on the fieldhouse and the Recreational Field development. If any surplus remains after meeting these

obligations then that surplus shall be designated;

2. To make the City's quarterly payments to the Nebraska State Fair Support and Improvement Fund as required by Neb Rev. Stat. §§2-108-110. If any surplus remains after meeting these obligations then that surplus shall be designated;
3. To make any additional voluntary payments on the City's debt as the Council shall so designate.

This Ordinance maintains the sunset provision that currently exists. The attached spreadsheet shows how this proposal would work.

§23-65 remains unchanged for paragraphs (A) and (B). Paragraph (C) is added to make the change noted above.

### **Alternatives**

It appears the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the Ordinance.
2. Refer the issue to a Committee.
3. Postpone the issue to a future date.
4. Take no action on the issue.

### **Recommendation**

City Administration recommends the Council formally approve Ordinance No. 9315 before it amending Grand Island City Code, Chapter 23, Article VII – Food Services, Drinking Places, and Restaurant Tax.

### **Sample Motion**

Move to approve Ordinance No. 9315 amending Grand Island City Code, Chapter 23, Article VII – Food Services, Drinking Places, and Restaurant Tax.

City of Grand Island  
 Food & Drink Tax Restricted Cash  
 Analysis assuming 3% increase in revenues per year  
 Tax began December 2008

|                  | Beg Bal | Revenue    | Bldg<br>Bond | Athletic<br>Complex | Lottery<br>Match | Additional<br>Debt | Ending Bal |
|------------------|---------|------------|--------------|---------------------|------------------|--------------------|------------|
| Fiscal Year 2009 | -       | 827,520    |              |                     |                  |                    | 827,520    |
| FY 2010          | 827,520 | 1,194,148  | 753,112      | 1,206,337           |                  |                    | 62,219     |
| FY 2011          | 62,219  | 1,244,647  | 753,112      | 393,663             |                  |                    | 160,091    |
| FY 2012          | 160,091 | 1,288,210  | 753,112      |                     | 350,000          | 250,000            | 95,190     |
| FY 2013          | 95,190  | 1,326,856  | 753,112      |                     | 350,000          | 250,000            | 68,935     |
| FY 2014          | 68,935  | 1,366,662  | 753,112      |                     | 350,000          | 250,000            | 82,485     |
| FY 2015          | 82,485  | 1,407,662  | 753,112      |                     | 350,000          | 3,112              | 383,923    |
| FY 2016          | 383,923 | 1,449,892  | 753,112      |                     | 350,000          |                    | 730,703    |
|                  |         | 10,105,597 | 5,271,782    | 1,600,000           |                  | 753,112            |            |

ORDINANCE NO. 9315

An Ordinance to amend Grand Island City Code, Article VII, the Food Services, Drinking Places, and Restaurant Tax; to repeal any ordinance or parts of ordinances in conflict herewith; and to provide for publication and the effective date of this ordinance.

WHEREAS, the City of Grand Island finds it necessary to amend Grand Island City Code §23-65 to further clarify and delineate the intent and purpose of Article VII, the Food Services, Drinking Places, and Restaurant Tax, with regard to the use of revenue derived from said tax,

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA:

I. That Grand Island City Code §23-65 be amended to read as follows:

§23-65 Intent and Purpose of Article

(A) The City Council determines and declares that persons engaging in, carrying on, or pursuing any food services, drinking places business, or restaurant are directly or indirectly benefited from tourism, that places unique demands on the City's resources, but which is an activity that should be promoted and encouraged. Further, people who patronize a business for food and drinking places purposes within the City and the areas within the corporate limits of the same are exercising a privilege and generating revenue subject to taxation.

(B) Pursuant to the authority of Nebraska Revised Statute R.R.S. 1943, Section 16-205, the City Council finds, determines and declares that it is appropriate that a tax be imposed on all food services, drinking places businesses, and restaurants as herein defined for the purpose of raising revenues. The foregoing determination is made with due consideration of business in the City and the relation of business to the municipal welfare, together with relation thereof, to expenditures required by the City, and with consideration of just, proper and equitable distribution of the tax burdens within the City and other properly associated matters.

(C) That revenue derived from Grand Island City Code, Article VII - the Food Services, Drinking Places, and Restaurant Tax shall be designated for use in the following order:

(i) To make the City's required debt payments on the fieldhouse and the Recreational Field development as required by Grand Island City Code §23-79(A) and (B). If any surplus remains after meeting these obligations then that surplus shall be designated;

ORDINANCE NO. 9315 (Cont.)

(ii) To make the City's quarterly payments to the Nebraska State Fair Support and Improvement Fund as required by Neb Rev. Stat. §§2-108-110. If any surplus remains after meeting the obligations as stated in Grand Island City Code §23-65(C)(i) and (ii) then that surplus shall be designated;

(iii) To make any additional voluntary payments on the City's debt as the Council shall so designate.

II. Any ordinances or parts of ordinances in conflict are hereby repealed.

III. The Sunset Provision for the Food Services, Drinking Places, and Restaurant Tax as codified in Grand Island City Code §23-79 is not affected by this Ordinance and remains in full force and effect.

IV. This ordinance shall be in full force and will take effect from and after its passage and publication on October 1, 2011.

Enacted: August 11, 2011.

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Jay Vavricek, Mayor

ATTEST:

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RaNae Edwards, City Clerk