



AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item number: 7d

Title:	Seeking Direction and a Recommendation on the Implementation of a Locally Administered Gasoline Tax at the rate of \$.02 per Gallon
Presenter:	Chris Minick, Finance Director

Meeting: Government Operations Committee

Date: April 2, 2018

Proposed Cost: \$ -0-

Budgeted Amount: TBD

Not Budgeted:

Executive Summary *(if not budgeted please explain):*

In accordance with recent discussions and Council direction, staff is presenting information and seeking feedback on the concept of implementing a new revenue source. Our focus is the local municipal gasoline tax to fund local roadway and transportation system capital projects. Staff will be making a brief presentation of the concept and particulars of the proposed tax and seeking input as to the acceptability of implementation of a local gasoline tax. If the concept is acceptable, staff would gather more data, refine the analysis, and present those results at a June Committee meeting.

As has been discussed at several recent Council retreat meetings and during the budget discussions, the City needs to increase its resources for funding capital maintenance and construction projects. Roadway improvements compete with other capital needs of the City and many projects have been bonded or deferred in response to other City capital needs. A recent presentation at a Government Services Committee highlighted the deficiency in the City's maintenance and capital spending on its roadways. Implementation of a gasoline tax would provide an additional, dedicated source of revenue for roadway maintenance and construction to begin to close that funding gap.

Staff has analyzed a potential implementation of a tax of \$.02 per gallon of fuel sold within City limits. It is estimated that this level of tax could generate as much as \$425,000 each year – each \$.01 of tax is estimated to bring in approximately \$212,000 annually. Please note that these are preliminary estimates and more analysis is necessary. It is not possible to know precisely how much will be generated as the Department of Revenue does not track and cannot provide the total number of gallons of gasoline sold within STC city limits.

Impact of this user tax is expected to be minimal. If a person purchases 20 gallons of gasoline to fuel a vehicle per week, the impact would be an additional 40 cents for the cost of the fill up. This would translate to \$20.80 per year. The tax would also apply to non-residents of the community as well if they purchase fuel within the City limits. Many neighboring communities and communities throughout the Chicago metropolitan area and Illinois have implemented this type of tax. A listing of several area communities imposing a local fuel tax is attached.

If the concept of a local fuel tax is acceptable, staff is recommending to come back in front of the Committee in June with a more formalized presentation and analysis. The City would also need to enact an ordinance that establishes this new revenue source and Staff is preliminarily targeting November 1, 2018 for implementation. This time frame would allow adequate time for the City and local fueling stations to develop and implement the proper tax returns and processing procedures to allow for precise tracking and payment of the tax. If directed to proceed, Staff would anticipate presentation of the Ordinance at the June Committee Meeting.

Attachments *(please list):*

- Listing of communities with local fuel tax and applicable rates
- Analysis of anticipated revenue

Recommendation/Suggested Action *(briefly explain):*

Seeking Direction and a Recommendation on the Implementation of a Locally Administered Gasoline Tax at the rate of \$.02 per Gallon

**City of St Charles
Local Gas Tax Analysis
June 1, 2017**

Batavia Analysis:

Average Monthly Revenue in Batavia	\$	35,000.00
Number of stations in Batavia		7
Average Local Fuel Tax Revenue generated per station in Batavia	\$	5,000.00
Tax Rate per Gallon in Batavia	\$	<u>0.02</u>
 Average Gallons sold monthly per station in Batavia		 <u><u>250,000</u></u>

St. Charles Analysis:

Number of stations in STC		9
Number of gallons pumped in STC monthly based on above		2,250,000
Potential rate per gallon in STC	\$	<u>0.01</u>
 Potential monthly revenue in STC	\$	 22,500
 Potential Annual Revenue per \$.01/gallon	\$	 <u><u>270,000</u></u>

Notes:

1. Analysis is intended to be a "range of magnitude" estimate of the potential revenue that the City of STC could realize from the imposition of a locally administered motor fuel tax .

2. The amounts applicable to Batavia were obtained as a result of a telephone conversation with Batavia Finance Director Peggy Colby. Batavia's rate was \$0.02 per gallon of fuel sold in the City limits until February of 2017 when it was increased to \$0.03 per gallon. The rate was subsequently increased to \$.04 per gallon as of January 1, 2018. Amounts above were based on the time frame when the tax was \$.02 per gallon. Amounts are reflective of City of Batavia's experience. It is possible that the amounts applicable to STC could vary significantly from those amounts reflected herein.

3. For illustrative purposes and ease of amending calculations, staff has assumed a hypothetical tax rate of \$0.01 per gallon of gasoline sold within the City of STC. Staff is not recommending the imposition of the tax nor recommending a specific tax rate.

4. While we acknowledge that there is the potential for the fuel tax to generate \$270,000 per \$.01 of tax imposed, Finance staff in other municipalities have reported anecdotally that they did not receive all of the revenue that they projected. For conservatism's sake and because we do not know how much fuel STC stations sell as compared to stations in Batavia, we have chosen to reflect potential budgeted revenue at \$212,500 (approximately 80% of the amount projected above) per \$.01 of tax. The actual revenue generated will depend upon the number of gallons of fuel actually sold at the stations within the City limits.

City of St Charles
Municipalities with Local Gasoline/Fuel Taxes and the Rates
March, 2018

City of St Charles Suggested	2.00	cents per gallon
Naperville	4.00	cents per gallon
Elgin	4.00	cents per gallon
Aurora	4.00	cents per gallon
Batavia	4.00	cents per gallon
Warrenville	4.00	cents per gallon
Plainfield	4.00	cents per gallon
Oswego	4.00	cents per gallon
Rolling Meadows	4.00	cents per gallon
Mount Prospect	4.00	cents per gallon
Schaumburg	3.00	cents per gallon
Hoffman Estates	2.50	cents per gallon
Bloomingtondale	2.00	cents per gallon
Elmhurst	1.50	cents per gallon
Downers Grove	1.50	cents per gallon