

**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: IIA4

Title:

Seeking direction and a Recommendation on the implementation of a Local Fuel Tax (LFT) at the rate of \$.02 per gallon, and discussion, direction, and recommendations on other alternate revenue sources.

Presenter:

Chris Minick, Finance Director

Meeting: City Council

Date: July 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(s) to finance various projects planned over the next several years. As discussed during budget presentations earlier this spring, the current revenue structure is not sufficient to provide for anticipated infrastructure investment over the next 3 -5 years. During the budget process, the City Council requested additional analysis and discussion of a Local Fuel Tax (LFT) and potential changes to the property tax levy as two specific options to lessen the shortfall. Staff was requested specifically to provide a proposed LFT implementation ordinance for discussion and consideration of approval.

Staff will briefly review current budgeted projections for the next 3 fiscal years and then more detail will be discussed regarding the LFT and property tax levy options. A draft Ordinance to implement a Local Fuel Tax is enclosed in the packet in accordance with discussion and direction from prior meetings. Additionally, staff recently performed a basic survey of 49 area communities with regard to a Local Fuel Tax Option. 43 responses were received; 33 are from home rule communities and the responses will be summarized during the discussion. It is important to note that only a home rule community can impose a Local Fuel Tax.

The ordinance enclosed contemplates implementation of a tax of \$.02 per gallon of fuel sold within City limits, however there is flexibility as to the tax rate. Preliminary estimates reflect that a \$.02 rate would likely generate approximately \$400,000 annually – each \$.01 of tax is estimated to bring in approximately \$200,000. Please note that these are preliminary estimates.

In addition to the LFT, Staff was directed to quantify the amount of revenue that could be generated by additional property tax revenue in the event that the City wished to change its practice of maintaining a frozen property tax levy of \$12,055,000 (approximately) per year as has been maintained for the past 9 years. Staff will discuss those potential options and impacts.

Staff will also review other potential additional revenue sources during the discussion to provide additional choices for consideration.

***This was presented at the June 18, 2018 Government Operations Committee meeting where it received a vote of 4-3 against this item.***

**Attachments (please list):**

- Survey data and results (2 pages)
- Proposed Ordinance
- Other Revenue Options Slide
- Property Tax Information (2 slides)

**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, and discussion, direction, and recommendations on other alternate revenue sources.

City of St Charles  
Communities Surveyed for Local Fuel Tax Information  
June, 2018

- |                       |                       |
|-----------------------|-----------------------|
| 1. Algonquin          | 26. Naperville        |
| 2. Aurora             | 27. New Lenox         |
| 3. Arlington Heights  | 28. North Aurora      |
| 4. Barrington         | 29. Northbrook        |
| 5. Bartlett           | 30. Oak Brook         |
| 6. Batavia            | 31. Oak Brook Terrace |
| 7. Bloomingdale       | 32. Oswego            |
| 8. Buffalo Grove      | 33. Palatine          |
| 9. Carol Stream       | 34. Plainfield        |
| 10. DeKalb            | 35. Rolling Meadows   |
| 11. Downers Grove     | 36. Roselle           |
| 12. Elgin             | 37. Rosemont          |
| 13. Elk Grove Village | 38. Schaumburg        |
| 14. Elmhurst          | 39. South Elgin       |
| 15. Geneva            | 40. Streamwood        |
| 16. Glen Ellyn        | 41. Sugar Grove       |
| 17. Hanover Park      | 42. Warrenville       |
| 18. Hoffman Estates   | 43. West Chicago      |
| 19. Itasca            | 44. Wheaton           |
| 20. Joliet            | 45. Wheeling          |
| 21. Lincolnshire      | 46. Winnetka          |
| 22. Lisle             | 47. Wood Dale         |
| 23. Lombard           | 48. Woodridge         |
| 24. Montgomery        | 49. Yorkville         |
| 25. Mount Prospect    |                       |

**City of St Charles**  
**Local Fuel Tax Survey**  
**May-18**

	<u>MUNICIPALITY</u>	<u>HOME RULE</u>	<u>FUEL TAX</u>	<u>FUEL TAX RATE</u>
1	Plainfield	Yes	Yes	\$ 0.060
2	DeKalb	Yes	Yes	\$ 0.055
3	Aurora	Yes	Yes	\$ 0.040
4	Batavia	Yes	Yes	\$ 0.040
5	Carol Stream	Yes	Yes	\$ 0.040
6	Elgin	Yes	Yes	\$ 0.040
7	Naperville	Yes	Yes	\$ 0.040
8	Oswego	Yes	Yes	\$ 0.040
9	Warrenville	Yes	Yes	\$ 0.040
10	Woodridge	Yes	Yes	\$ 0.040
11	Rolling Meadows	Yes	Yes	\$ 0.040
12	Schaumburg	Yes	Yes	\$ 0.030
13	Hoffman Estates	Yes	Yes	\$ 0.025
	<b>St Charles As Discussed</b>	Yes	Yes	\$ 0.020
14	Bloomingtondale	Yes	Yes	\$ 0.020
15	Hanover Park	Yes	Yes	\$ 0.020
16	Downers Grove	Yes	Yes	\$ 0.015
17	Elmhurst	Yes	Yes	\$ 0.015
18	Joliet	Yes	Yes	\$ 0.010
19	Algonquin	Yes	No	\$ -
20	Arlington Heights	Yes	No	\$ -
21	Bartlett	Yes	No	\$ -
22	Buffalo Grove	Yes	No	\$ -
23	Elk Grove Village	Yes	No	\$ -
24	Glen Ellyn	Yes	No	\$ -
25	Lincolnshire	Yes	No	\$ -
26	Lisle	Yes	No	\$ -
27	New Lenox	Yes	No	\$ -
28	NorthBrook	Yes	No	\$ -
29	Palatine	Yes	No	\$ -
30	Streamwood	Yes	No	\$ -
31	West Chicago	Yes	No	\$ -
32	Wheaton	Yes	No	\$ -
33	Wheeling	Yes	No	\$ -

*(Only home rule communities surveyed are listed - a non home rule community cannot impose a local fuel tax)*

49 Communities surveyed

43 Responses

33 Home Rule Communities

18 Have imposed a local fuel tax

**City of St. Charles, Illinois**  
**Ordinance No. \_\_\_\_\_**

**AN ORDINANCE AMENDING TITLE 3 "REVENUE AND FINANCE" OF THE ST. CHARLES MUNICIPAL CODE – ADDING A NEW CHAPTER 3.54 "LOCAL FUEL TAX"**

**BE IT ORDAINED** BY THE CITY COUNCIL OF THE CITY OF ST. CHARLES, KANE AND DUPAGE COUNTIES, ILLINOIS, AS FOLLOWS:

**SECTION ONE:** That Title 3, “Revenue and Finance”, of the St. Charles Municipal Code be and is hereby amended by adding a new Chapter 3.54 entitled "Local Fuel Tax", as follows:

**“Chapter 3.54”**

**LOCAL FUEL TAX**

Sections:

3.54.010	Title.
3.54.020	Definitions.
3.54.030	Imposition of tax.
3.54.040	Liability for payment.
3.54.050	Collection.
3.54.060	Notices.
3.54.070	Rules and regulations.
3.54.080	Filing of return; payment of tax.
3.54.090	Late payment and/or filing; failure to pay and/or file.
3.54.100	Schedule of certain rates.
3.54.110	Records.
3.54.120	Exemptions.
3.54.130	Suspension of revocation of licenses for failure to pay tax; hearing.
3.54.140	Disposition of proceeds.
3.54.150	Notice of tax liability; demand for payment of tax; period of limitations; suit.
3.54.160	Hearings.
3.54.170	Preparation; service of citations.

**3.54.010 Title.**

This chapter shall be known and cited as the "St. Charles Local Fuel Tax Ordinance". The tax imposed in this chapter shall be known and cited as the "St. Charles Local Fuel Tax".

**3.54.020 Definitions.**

For the purposes of this chapter whenever any of the following words, terms or phrases are used, they shall have the meaning ascribed to them in this section.

- A. MOTOR FUEL: All volatile liquids compounded or used for fueling motor vehicles, including gasoline, gasohol, compressed natural gas, propane and diesel fuel.
- B. MOTOR FUEL RETAILER: Any person, firm or corporation engaged in the business of selling Motor Fuel at retail, and not for resale.
- C. Owner means any person having a sufficient proprietary interest in conducting the operation of a Motor Fuel Retailer so as to entitle such a person to all or a portion of the net receipts thereof.
- D. Person means any natural person, receiver, administrator, executor, conservator, assignee, trust in perpetuity, trust, estate, firm, copartnership, joint venture, club, company, business trust, domestic or foreign corporation, association, syndicate, society or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit or otherwise; whenever the term "person" is used in any clause prescribing and imposing a penalty, the term as applied to associations means the owners or part-owners thereof, and as applied to corporations, the officers thereof.

**3.54.030 Imposition of tax.**

- A. Commencing on November 1, 2018, there is levied and imposed upon the privilege of purchasing Motor Fuel at retail at any Motor Fuel Retailer in the city, a tax of two cents per gallon (\$.02/gallon) exclusive of any other tax imposed on such Motor Fuel sales at retail.

**3.54.040 Liability for payment.**

- A. The ultimate incidence of and liability for payment of the tax imposed by this chapter shall be borne by the person who seeks the privilege of purchasing Motor Fuel sold at such Motor Fuel Retailer, such person hereinafter referred to as "consumer."
- B. The tax levied in this chapter shall be paid in addition to any and all other taxes and charges. It shall be the duty of the owner, manager or operator of every Motor Fuel Retailer to collect the tax from the consumer and pay the tax to the City under the rules and regulations prescribed by the Mayor and as otherwise provided in this chapter.

**3.54.050 Collection.**

Every person required to collect the tax levied by this chapter shall collect the tax from the consumer at the time he collects payment for the sale of Motor Fuel at retail.

**3.54.060 Notices.**

Any notice or other written communication from the City regarding the tax imposed by this chapter shall be sent to the owner at the address provided in the Motor Fuel Retailer registration form.

**3.54.070 Rules and regulations.**

The Mayor of the City may promulgate rules and regulations not inconsistent with the provisions of this chapter concerning the enforcement and application of this chapter. The term "rules and regulations" includes, but is not limited to, a case-by-case determination whether or not the tax imposed by this chapter applies.

**3.54.080 Filing of return; payment of tax.**

The owner of each Motor Fuel Retailer within the City shall file tax returns showing tax receipts received during each monthly period on forms prescribed by the Mayor. The returns shall be due on or before the last day of the calendar month next succeeding the end of the monthly filing period.

At the time of filing such returns, the owner shall pay to the City all taxes due for the period to which the tax return applies, less a commission of one percent (1%) of the amount of the tax, which is allowed to reimburse the owner for the expenses incurred in keeping records, billing, preparing and filing returns, remitting the tax and supplying data to the city upon request. No commission may be claimed by an owner for taxes not timely remitted to the city.

**3.54.090 Late payment and/or filing; failure to pay and/or file.**

- A. If for any reason a tax imposed under this chapter is not paid when due, a penalty shall be added and collected. For the first offense, \$50.00 or five percent (5%) on the amount of tax which remains unpaid, whichever is greater; for the second offense, \$100 or five percent (5%) on the amount of tax which remains unpaid, whichever is greater; and for the third and subsequent offenses, \$150.00 or five percent (5%) on the amount of tax which remains unpaid, whichever is greater. Whenever any person shall fail to pay any tax as provided in this chapter, the city attorney upon the request of the finance director shall bring or cause to be brought an action to enforce the payment of the tax on behalf of the city in any court of competent jurisdiction.
- B. If no return is filed or tax paid before the Finance Director issues a notice of tax liability under section 3.54.150, a penalty of twenty-five percent (25%) of the full amount of tax claimed due shall be added thereto. If a penalty is assessed under this subsection, no penalty shall be assessed under subsection A.

**3.54.100 Interest.**

Interest shall accrue on any late payment, underpayment or nonpayment of tax at the rate of one and one-quarter percent (1.25%) added per month to the amount of tax unpaid and uncollected.

**3.54.110 Records.**

- A. Every owner, manager or operator of a Motor Fuel Retailer in the city shall keep books and records for a period of at least forty-eight (48) months, unless otherwise authorized by the city, which at a minimum shall include a report showing:
  - 1. The number of gallons of Motor Fuel sold and the amount of taxes collected for each day of the calendar month.

- B. The Mayor or his designee shall at all reasonable times have full access to such books and records.
- C. To the fullest extent permitted by law, the financial records of any Motor Fuel Retailer submitted pursuant to this chapter or any rule and regulation promulgated thereunder shall not be available for public inspection in order to protect the owners' right to privacy.

**3.54.120 Suspension or revocation of licenses for failure to pay tax; hearing.**

If the mayor or other city official responsible for the issuance of a city license, permit or other approval, including, but not limited to, a liquor license and/or a video gaming license, after hearing held by or for him, shall find that any person has willfully evaded payment or collection and remittance of the tax imposed by this chapter, he may suspend or revoke such city license, permit or other approval held by such tax evader. The person shall have an opportunity to be heard at such hearing to be held not less than seven (7) days after notice is given to him of the time and place of the hearing to be held, addressed to him at his last known place of business. Pending said notice, hearing and finding, any license, permit or other approval issued by the city to the person may be temporarily suspended. No suspension or revocation hereunder shall release or discharge said person from his civil liability for the payment or collection and remittance of the tax, nor from prosecution for such offense. Notwithstanding the foregoing, any suspension or revocation of a liquor license shall follow the procedures set forth in, and otherwise comply with, the provisions of chapter 5.08 of this code. Notwithstanding the foregoing, any suspension or revocation of a video gaming license shall follow the procedures set forth in, and otherwise comply with, the provisions of chapter 5.09 of this code.

**3.54.140 Disposition of proceeds.**

All proceeds resulting from the imposition of the tax under this chapter, including penalties, shall be paid into the treasury of the city, and shall be credited to and deposited in the corporate fund of the city and shall be allocated for roadway improvements and roadway maintenance.

**3.54.150 Preparation; service of citations.**

The Finance Director and his designees are deemed peace officers and may prepare and serve citations personally or by certified mail for violations of this chapter."

**SECTION TWO:** That after the adoption and approval hereof this Ordinance shall be printed or published in book or pamphlet form, published by the authority of the City Council.

**SECTION THREE:** That this Ordinance shall be in full force and effect on November 1, 2018.

**Presented** to the City Council of the City of St. Charles, Illinois this \_\_\_\_ day of \_\_\_\_\_, 2018.

**Passed** by the City Council of the City of St. Charles, Illinois this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

**Approved** by the Mayor of the City of St. Charles, Illinois this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Raymond P. Rogina, Mayor

ATTEST:

\_\_\_\_\_  
CITY CLERK

COUNCIL VOTE:

Ayes:

Nays:

Abstain:

Absent:

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

DATE: \_\_\_\_\_



# Other Revenue Options

<b><u>Description</u></b>	<b><u>Rate</u></b>	<b><u>Impact</u></b>
Storm Water Utility	Lot size	\$ 850,000
0.25% Increase in HR Sales Tax	0.25%	\$ 1,450,000
Prepared Food Tax	1%	\$ 500,000
Increase in Alcohol Tax	1%	\$ 550,000
Real Estate Transfer Tax	\$1/\$1,000	\$ 294,000
Hotel Tax	Add'l 1%	\$ 370,000
Utility Tax	1%	\$ 570,000

# Property Taxes

Levy frozen 9 years at \$12,055,000

Represents 1/3 General Fund Revenue

- No other units have been able to match
- Most maximize levy under tax cap laws (CPI or 5%)
- \$561 savings for \$300,000 property over 9 years

Increasing costs and increasing EAV have eroded amount available for general operations

- Debt and capital costs
- Mental Health Levy

# Property Taxes

Many options if Council would like to adjust levy:

- CPI Adjusted levy since 2009 = \$13,844,450 (14.8% increase)
- One Year CPI Adjustment = \$12,308,275 (2.1%)
- 10% Adjustment = \$13,260,629 (10%)
- Maintain 2016 Levy Rate = \$12,529,313 (3.9% )
- These options would increase City portion of tax bill