



ST. CHARLES
SINCE 1834

AGENDA ITEM EXECUTIVE SUMMARY

Title:	Presentation of Proposal to Implement a 10% Reduction to Funding Amounts for Outside Groups in Response to the State's Proposed Reductions to the Local Governmental Distributive Fund (LGDF)
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Presenter:	Mark Koenen and Chris Minick
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Please check appropriate box:

X	Government Operations (05/18/2015)		Government Services
	Planning & Development		City Council
	Public Hearing		

Estimated Cost:	Savings of: \$98,283	Budgeted:	YES	X	NO	
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If NO, please explain how item will be funded:

N/A

Executive Summary:

Earlier this year, Governor Rauner proposed one likely solution to maximize state utilization of current tax collections was to reduce the percentage of tax revenue the state shares with municipalities from the LGDF (State Income Tax). The Governor has proposed a 50% reduction which equates to \$1.6 million for the City.

During the recent Metro West Legislative Springfield Drive Down Day, Mayor Rogina and Mark Koenen learned that the likelihood of a LGDF reduction was real. Because of the probability of a reduction in the LGDF and the need for Council to consider the annual cycle of funding requests and presentations from local groups, we decided to seek input for a uniform 10% reduction in funding levels for local groups effective fiscal year 2015-2016.

A 10% reduction would amount to \$98,223.

Staff has re-drafted the section of the Municipal Code that deals with funding several groups from a portion of the hotel/motel tax. As the Committee will recall, the Code specifies funding levels for these groups. Actual funding levels were adjusted during the recession as a cost reduction measure and currently the Code provisions are not reflective of the actual funding levels. The proposed Code amendment would update the Code to reflect current funding practice incorporating the additional 10% cut that is contemplated.

For your information, the Downtown St Charles Partnership (DSCP) funding source is from SSA-1B and not included in the Municipal Code. Staff is recommending the funding for the DSCP also be reduced 10%, like other groups noted in the body of the Code.

Attachments: *(please list)*

- Potential Reductions and Allocations Summary
- Current Municipal Code and Proposed Changes to Municipal Code to Reflect 10% Reduction
- May 12, 2015 letter to leadership of impacted groups

Recommendation / Suggested Action *(briefly explain):*

Seeking direction to implement a 10% reduction to funding amounts for downtown agencies in response to the State's proposed reductions to the Local Governmental Distributive Fund.

For office use only:

Agenda Item Number: 5a

City of St Charles
Funding Reductions to Outside Organizations
Potential Reductions and Allocations
May, 2015

	FY 2016 Budget	10% Potential Reduction	FY 2016 Net Funding Amount	Code Allocation Percentage	FY 2015 Funding per Code Allocation	Actual Funding	Variance
Special Service Area 1B Distributions:							
Downtown St Charles Partnership	\$ 242,825	\$ 24,283	\$ 218,543	N/A	N/A	\$ 250,500	\$ -
Hotel Motel Tax Distributions:							
Net Estimated Hotel/Motel Tax Proceeds			\$ 1,090,981		\$ 1,074,532		
CVB	\$ 585,000	\$ 58,500	\$ 526,500	51.73%	\$ 555,856	\$ 585,000	\$ 29,144
Cultural Commission	\$ 89,400	\$ 8,940	\$ 80,460	7.27%	\$ 78,118	\$ 90,000	\$ 11,882
STC History Center	\$ 35,000	\$ 3,500	\$ 31,500	0.00%	\$ -	\$ 35,000	\$ 35,000
Pride of the Fox Riverfest	\$ 30,000	\$ 3,000	\$ 27,000	1.70%	\$ 18,267	\$ 30,000	\$ 11,733
City General Fund Allocation	\$ 351,581	\$ (73,940)	\$ 425,521	39.30%	\$ 422,291	\$ 334,532	\$ (87,759)
Total Hotel Tax Distributions	\$ 1,090,981	\$ -	\$ 1,090,981	100.00%	\$ 1,074,532	\$ 1,074,532	\$ -
Total Reduction to Outside Organizations:	\$	\$ 98,223					

Notes:

Special Service Area 1B Distributions are not specified by code. The proceeds from the SSA 1B levy may be allocated at City Council discretion annually as long as the purposes of the expenditure allocations match the "special services" defined in the Ordinance Establishing SSA 1B (Ordinance 1993-M-63).

Section 3.32.075 of the City of St Charles' Municipal Code specifies the allocation and distribution for the net Hotel/Motel tax proceeds. During the recent economic downturn, the allocations to the individual groups were adjusted as a cost cutting measure; the groups were reduced by 10%. As the net Hotel/Motel revenues have fluctuated and groups have made funding requests, the distributions to the individual groups have not matched the allocations called out in City Code. In order to facilitate a relatively consistent funding level to the individual groups, the City has focused on the amount of the annual distribution rather than the percentage allocation over the past several fiscal years.

Current Code Provisions

3.32.075 Proceeds.

All proceeds resulting from the imposition of the tax under this chapter, including interest and fines, shall be paid into the treasury of the City of St. Charles and shall be credited to and deposited in the general fund of the City. These funds shall be distributed as follows:

- A. 51.73% of the total receipts for Municipal Hotel Operator's Occupation Tax, excluding Arthur Anderson, d/b/a the Q-Center, shall be distributed to the St. Charles Convention and Visitors Bureau.
- B. 1.7% of the total receipts for Municipal Hotel Operator's Occupation Tax, excluding Arthur Anderson, d/b/a the Q-Center, shall be distributed to the Pride of the Fox Festival Committee.
- C. 7.27% of the total receipts for Municipal Hotel Operator's Occupation Tax, excluding Arthur Anderson, d/b/a the Q-Center, shall be distributed to the St. Charles Cultural Commission.
- D. The balance of the receipts for Municipal Hotel Operator's Occupation Tax, including Arthur Anderson, d/b/a the Q-Center, shall be deposited in the general fund of the City.

(Ord. 2004-M-48 § 1; Ord. 2003-M-46 § 1; Ord. 2002-M-22 § 2; Ord. 2000-M-9 § 2; Ord. 1995-M-19 § 1.)

Proposed Code Changes

3.32.075 Proceeds.

All proceeds resulting from the imposition of the tax under this chapter, including interest and fines, shall be paid into the treasury of the City of St. Charles and shall be credited to and deposited in the general fund of the City. These funds shall be distributed as follows:

- A. \$526,500 of the total receipts for Municipal Hotel Operator's Occupation Tax shall be distributed to the St. Charles Convention and Visitors Bureau.
- B. \$27,000 of the total receipts for Municipal Hotel Operator's Occupation Tax shall be distributed to the Pride of the Fox Festival Committee.
- C. \$80,460 of the total receipts for Municipal Hotel Operator's Occupation Tax shall be distributed to the St. Charles Cultural Commission.
- D. \$31,500 of the total receipts for Municipal Hotel Operator's Occupation Tax shall be distributed to the St. Charles History Center.
- E. The balance of the receipts for Municipal Hotel Operator's Occupation Tax shall be deposited in the general fund of the City.

The allocations identified above shall be effective annually for each fiscal year beginning May 1, 2015.



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May 12, 2015

Downtown St. Charles Partnership – Lynne Schwartz
St. Charles Heritage Center – Alison Costanzo
Pride of the Fox Riverfest – Julie Farris
St. Charles Convention & Visitors Center – Amy Egolf
Visitors Cultural Commission – Anne Becker

RE: The City's Response to Proposed Cuts to State Funding

On April 29, Mayor Rogina and I had occasion to participate in the Metro West Council of Government's Legislative Drive Down Day. The purpose of this event is to drive down to Springfield to meet with area legislators and discuss legislation and other items of interest to municipalities.

One of the items Mayor Rogina and I discussed at length with various legislators was proposed changes to the state's Local Governmental Distributive Fund (LGDF). The LGDF represents the share of certain state revenues that the state shares with municipalities, specifically the income tax. As you are likely aware, during a recent speech Governor Rauner proposed a significant 50% cut to the portion of the LGDF that the state currently shares with municipalities. These proposed cuts are intended to assist in addressing revenue deficits within the state budget. This level of reduction would result in a loss of revenue of approximately \$1.6 million to the City's General Fund. Many of the legislators we met with on April 29 and 30 were of the opinion that some level of reduction to the LGDF would become a reality for the state's fiscal year that begins July 1, 2015.

Due to the likelihood of this reduction and the timing of the cycle of funding that the City provides to civic organizations such as yours, it is important that the City prepare and implement a response to the corresponding loss of revenue from the LGDF. In furtherance of this goal, a proposed reduction of 10% of the funding that the City provides to outside civic organizations will be discussed during the May 18th Government Operations Committee meeting. The Government Operations Committee meeting will occur immediately following the City Council meeting scheduled to begin at 7:00 p.m. at City Hall. Civic organizations are welcome to attend and participate in the discussion, a key part of the public process.

RAYMOND P. ROGINA *Mayor*
MARK KOENEN, P.E. *City Administrator*

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The City recognizes and truly values the contributions made by the civic organizations affected and sincerely regrets having to consider this step in response to the reduction in state revenue. However, the City must assure that it's legally mandated and core services of providing for the public health, safety, and welfare can be maintained with the level resources available at its disposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Koenen", with a stylized flourish at the end.

Mark Koenen
City Administrator

cc: Mayor Raymond P. Rogina
Chris Minick, Finance Director