



Legislation Text

File #: 18-242, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Waive the first reading and pass an ordinance amending Title 3, Chapter 1, Section 9 of the Naperville Municipal Code pertaining to the distribution of collected food and beverage taxes for the Special Events and Cultural Amenities (SECA) Grant Program reinstating an annual escalator component (six positive votes required)

DEPARTMENT: City Clerk's Office

SUBMITTED BY: Pam Gallahue, PhD, Director-City Clerk

BOARD/COMMISSION REVIEW:

Presented by the SECA Commission as Recommendation #3 at the February 2018 City Council workshop.

BACKGROUND:

In 2004, the City enacted a 1% citywide Food and Beverage tax and passed an ordinance creating the Culture Fund (today's SECA Grant Fund). The Culture Fund was created to fund City services necessary to support social and artistic events, and entities, who provide cultural experiences for Naperville and its visitors. Revenues generated from the citywide Food and Beverage tax funded the Cultural Fund at 100%.

The Food and Beverage Fund and the SECA Grant Fund Program are regularly reviewed and have been refined almost annually since 2013.

Most recently in February 2018, the City Council hosted a workshop with the SECA Commission to consider several recommendations to the application process and use of grant monies. The recommendation to reinstate the annual 2% escalator and apply it, or the Consumer Price Index (CPI), whichever is lower, to the SECA Grant Fund allocation was approved.

DISCUSSION:

Food and Beverage Tax - Revenue Application

Revenues from the Food and Beverage have grown significantly since 2013. Due to its positive performance, the tax now funds SECA at 75% (capped at \$1.9 million) and supports additional programs such as Social Services Grants (SSG), pension payments, and debt service with the remaining 25%. Specifically, revenues generated are dispersed to five sequential functions:

- Administrative Expenses
Revenues from the tax are first allocated to cover personnel costs associated with collection of the tax.

- **Special Events and Cultural Amenities (SECA)**
After administrative expenses are applied, the first 75% of tax revenues are earmarked for SECA with an annual cap of \$1.9 million.
- **Public Safety Pension Funds**
Additional revenues are split equally for payments into the Police Pension Fund and the Naperville Firefighters Pension Fund, up to a maximum of 25% of the total revenue.
- **Social Services Grant Program**
The Social Services Grant Program receives additional revenues following fulfillment of the first three obligations with a \$500,000 maximum.
- **Debt Service Fund**
Any remaining revenues are used for payments on the City's long-term debt obligations

2% Escalator

An annual 2% escalator was instituted in 2013, awarded to the Park District for renovations to Sportsman's Park in 2014, and then eliminated in 2015. Also in 2015, City Council reduced the SECA Grant Fund cap from \$2 million to \$1.9 million annually.

Over the years the cost of city services (the original intent of the tax) has increased 25%, the annual funding amount has been inconsistent, and the overall grant program has been used to pay for additional items since 2010. In order to continue the original mission of the SECA Grant fund, and to maintain commensurate growth with salaries, providing support for additional events, and approving the expansion of existing events, reinstating an annual escalator component is appropriate.

Proposed Text Amendment

First, the proposed amendment reinstitutes an annual increase to the SECA's \$1.9 million cap. The escalator would begin in CY2019, increasing the cap by either a flat 2% rate or the Chicago-Naperville-Elgin, Ill.-Ind.-Wis. Consumer Price Index (CPI), whichever is lower.

Second, the proposed amendment seeks to clarify requirements for filing returns. Current language is vague in determining which vendors must file sworn returns and pay taxes on the last day of participating at an event. The text amendment will clarify the language and allow City Council to direct which vendors and events will meet this requirement.

FISCAL IMPACT:

This amendment will have no impact on the current budget. Future SECA Grant Fund Program budgets will be set in accordance with the approved escalator.