



Legislation Text

File #: 18-342, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Waive the first reading and pass an ordinance amending Title 3, Chapter 1, Section 9 the Naperville Municipal Code reducing the Downtown Food and Beverage Tax to 0.75% (six positive votes required)

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The Downtown Food and Beverage Tax was originally established on October 7, 2008. In an effort to address a growing need for additional parking and maintenance, Council approved the Downtown Food and Beverage Tax at a rate of one and one-half percent (1.5%) for a 25-year period. The tax was in addition to the one-percent (1%) Citywide Food and Beverage Tax and applicable for a one-square mile area located between Franklin Avenue, Ellsworth Street, Aurora Avenue and Eagle Street. The tax received three-fourths approval from the operators and businesses within the area and commenced November 1, 2008.

As part of the approval of the ordinance, there was language included that stated the rate would be adjusted commensurately in the event of the City enacting a Citywide "Home Rule Sales Tax" imposed for the purpose of financing parking facilities. Since it is foreseeable that the Home Rule Sales Tax would be used for future parking deck facility construction or maintenance, staff's opinion is that it was Council's intent that the combined Downtown Food and Beverage Tax and Home Rules Sales Tax rate would not exceed 1.50%. If this is still the intent of Council, then the Downtown Food and Beverage Tax would need to be reduced by 0.25% (from 1.00% to 0.75%) to offset the 0.25% increase in the Home Rule Sales Tax.

DISCUSSION:

On September 1, 2015, the City approved an ordinance (15-160) establishing a Home Rule Sales Tax at the rate of 0.50%, specifying proceeds of the tax would be restricted for use in increasing the City's cash reserves and reducing the City's debt. At that same time, the Downtown Food and Beverage Tax was decreased by 0.50% (from 1.50% to 1.00%) to offset the enactment of a 0.50% Home Rule Sales Tax.

On March 6, 2018, City Council approved increasing the Home Rule Sales Tax by 0.25% for a total rate of 0.75%. However, at that meeting Council's motion was "to increase the Home Rule Sale Tax

to 0.75% and maintain the **Citywide** Food and Beverage tax at 1.00% with no additional revenue restrictions.” As a result, Council, inadvertently maintained the 1.00% **Downtown** Food and Beverage Tax.

This agenda item seeks to resolve that omission and provide Council the opportunity to decrease the **Downtown** Food and Beverage Tax by 0.25% (from 1.00% to 0.75%) to offset the 0.25% increase in the Home Rule Sales Tax in accordance with the original intent of the ordinance. This clean-up item will ensure that the total combined rate of the Home Rule Sales Tax and the Downtown Food and Beverage Tax will not exceed 1.50%.

FISCAL IMPACT:

Each 0.25% of Downtown Food and Beverage is valued at \$231,250 annually. Reducing this rate from 1.00% to 0.75% will reduce projected receipts from \$925,000 to \$693,750. This reduction will be offset by the transfer of Home Rule Sales Tax receipts to the Downtown Parking Fund.