

Request for City Council Action

Date: March 24, 2015

Agenda Section: General Business No. 6	Originating Departments: Finance and City Manager
Item: Ordinance Amending Title Seven (7) of the Carbondale Revised Code Imposing an Additional One-Fourth of One Percent (1/4%) Home Rule Municipal Retailers' Occupation and Service Occupational Tax No. 6.4	Approved:

Background:

During the January 20th, February 10th and March 3th City Council meetings, an extensive discussion was held concerning the revenue projections for the FY2016 budget. Revenues were estimated to fall short of expenditures by nearly \$300,000. This is due to relatively flat home rule sales tax revenue projections and increased basic operational expenses. Basic operational expenses include existing labor contract wage increases, increased pension costs, increased insurance and workman's compensation premiums, utilities and other non-controllable expenses.

City staff has:

- reduced their proposed FY2016 operational line code 200's for the third consecutive year,
- moved necessary purchases from FY2016 into FY2015, when it was determined sufficient funds existed to do so,
- eliminated certain purchases from FY2015 and FY2016,
- reviewed all major revenue sources to determine if the projections for FY2016 are attainable,
- delayed filling and left existing open positions vacant which will result in savings in FY2015 and FY2016, and will continue to review positions that will come open in FY2016 to determine whether those positions need filled or can be left vacant.

Based on the discussion held by the City Council on March 3rd, Staff was directed to prepare an ordinance to increase the home rule sales tax by one-fourth of one percent (1/4%), effective July 1, 2015. The City Council also indicated that only 50% of the new revenues generated by the increased sales tax would be allowed to be used for General Fund purposes and the remaining 50% would be used for "special projects" to be determined during the fiscal year.

Engineering Approval Obtained	Finance Approval Obtained	Legal Approval Obtained	Approval Obtained	Manager's Approval Obtained
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Council Action: Motion by: _____ 2nd by _____ To: _____

Based on FY2015 sales tax revenues, it is estimated that a ¼% increase will generate an additional \$1.04M per year, however since the new rate would not take effect until July 1, 2015, the City would only realize an increase in sales tax revenue of \$860,000 during FY2016 of which \$430,000 would be used for General Fund purposes.

The proposed FY2016 budget has been prepared with the assumption there will be a ¼% increase in the home rule sales tax. Based on information available through the Illinois Municipal League, the City staff has decreased the State shared LGDF income by 15% which is believed to be the amount the legislature may truly pull from the local governments.

These changes together with the expenditure reductions mentioned earlier have resulted in a projected surplus of \$9,469 for FY2016. This surplus remains after the funds for the Downtown Master Plan consultant, the funds for the new financial management software, and the funds for a “comprehensive staffing review” were included into the proposed budget.

With the implementation of the increase to the home rule sales tax, the City will have a balanced budget for FY2016, however staff will continue a constant review of revenues and expenditures and adjustments to expenditures may be necessary during the next 12 months, especially if the amount of LGDF reduction exceeds that planned for in the budget.

City Council members received the proposed budget on Wednesday, March 18th for review and it was placed for public review on March 23rd. A public hearing on the proposed budget will be held during the April 14th City Council meeting and the City Council is scheduled to approve the final budget on April 28, 2015.

Recommended Action:

It is recommended that the City Council approve an ordinance amending Title Seven (7) of the Carbondale Revised Code imposing an additional one-fourth of one percent (¼%) Home Rule Municipal Retailers' Occupational and Service Occupational Tax.

CITY OF CARBONDALE, ILLINOIS

ORDINANCE NO. 2015- ____

**AN ORDINANCE AMENDING TITLE 7 OF THE CARBONDALE REVISED
CODE IMPOSING AN ADDITIONAL ONE-FOURTH OF ONE PERCENT (1/4%)
HOME RULE MUNICIPAL RETAILERS' OCCUPATION AND SERVICE
OCCUPATIONAL TAX**

ADOPTED BY THE CITY COUNCIL

OF THE CITY OF CARBONDALE, ILLINOIS

THE 24TH DAY OF MARCH, 2015

**Published in pamphlet form by authority of the City Council of the City of Carbondale,
Jackson County, Illinois, this 25th day of March, 2015.**

CERTIFICATE OF PUBLICATION

**I, Jennifer R. Sorrell, the duly qualified City Clerk of the City of Carbondale,
Illinois, and the official custodian of the records of said City, do hereby certify that this
ordinance was published in pamphlet form by authority of the City Council on the 25th day
of March, 2015.**

Jennifer R. Sorrell, City Clerk

ORDINANCE NO. 2015-____

**AN ORDINANCE AMENDING TITLE 7 OF THE CARBONDALE REVISED
CODE IMPOSING AN ADDITIONAL ONE-FOURTH OF ONE PERCENT (1/4%)
HOME RULE MUNICIPAL RETAILERS' OCCUPATION AND SERVICE
OCCUPATIONAL TAX**

WHEREAS, the City of Carbondale, Illinois, is a home rule unit of local government under the Illinois Constitution, 1970, Article VII, Section 6; and

WHEREAS, pursuant to Article VII, Section 6(a), of the Illinois Constitution, 1970, the City of Carbondale may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; and

WHEREAS, the current Retailer's Occupation Tax imposed by the State of Illinois upon all retailers within Illinois, except for retailers of unprepared food and medicine, is six and one-fourth percent (6.25%), of which the city receives one percent (1.0%). In addition, the State of Illinois imposes a one percent (1%) tax on all retailers of food and medicine, of which the City of Carbondale receives the entire one percent; and

WHEREAS, Illinois Compiled Statutes, Chapter 65, Paragraph 5/8-11-1, authorizes the imposition of a tax by a home rule municipality upon all persons engaged in the business of selling tangible personal property at retail on the gross receipts of such sales; and

WHEREAS, Illinois Compiled Statutes, Chapter 65, Paragraph 5/8-11-5, authorizes the imposition of a tax by a home rule municipality upon all persons engaged in the business of making sales of service at the same rate as authorized under 5/8-11-1; and

WHEREAS, the City of Carbondale, Illinois, is a home rule municipality existing under the laws of the State of Illinois; and

WHEREAS, the City Council of the City of Carbondale, Illinois, has determined and finds that it is in the best interests of the City of Carbondale to exercise its statutory powers and to impose an additional one-fourth of one percent (1/4%) increase in the Home Rule Sales Tax upon all persons engaged in the business of selling tangible personal property and upon all persons engaged in the business of making sales of service within the City of Carbondale for the purpose of maintaining quality city government services and constructing new public safety facilities.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CARBONDALE AS FOLLOWS:

SECTION 1. That Chapter 2 and Chapter 3 of Title 7 of the Revised Code of the City of Carbondale, Illinois, are hereby amended to read as follows:

Chapter 2

Home Rule Municipal Retailers' Occupation Tax

SECTION:

- 7-2-1: Tax Imposed; Rate Of Tax
- 7-2-2: Personal Property Excepted From Tax
- 7-3-3: Collection And Enforcement

7-2-1: **Tax Imposed; Rate of Tax:** A tax is imposed upon all persons engaged in the business of selling tangible personal property at retail in the City of Carbondale. The tax imposed by this Section shall be at the rate of two and ~~one-fourth~~ one-half percent (~~2.25~~50 %) of the gross receipts from such sales made in the course of such business until January 1, 2018, (unless extended by the city prior to that date), at which time the rate shall be two and one-fourth percent (2.025 %) of the gross receipts from sales made, unless the higher tax rate is extended by the city.

7-2-2: **Personal Property Excepted from Tax:** The tax imposed by Section 7-2-1 shall not apply to the sale of an item of tangible property titled or registered with an agency of the government of the State of Illinois and to the sale of food for human consumption which is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food which has been prepared for immediate consumption) and prescription and

non-prescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics.

7-2-3: **Collection and Enforcement:** The tax imposed by Section 7-2-1 and all civil penalties that may be assessed as an incident thereto shall be collected and enforced by the Department of Revenue of the State of Illinois. The Department of Revenue shall have the full power to administer and enforce the provisions of this Article.

Chapter 3

Home Rule Municipal Service Occupation Tax

SECTION:

- 7-3-1: Tax Imposed; Rate Of Tax
- 7-3-2 Personal Property Excepted From Tax
- 7-3-3: Collection And Enforcement

7-3-1: **Tax Imposed/Rate of Tax:** A tax is imposed upon all persons engaged in the business of making sales of service in the City of Carbondale. The tax imposed by this Section shall be at the rate of two and ~~one-fourth~~ one-half percent (2.~~25~~50%) of the selling price of all tangible property transferred by such servicemen either in the form of tangible personal property or in the form of real estate as an incident to a sale of service until January 1, 2018, (unless extended by the city prior to that date), at which time the rate shall be two and one-fourth percent (2.025%) of the gross receipts from sales made, unless the higher tax rate is extended by the city.

7-3-2: **Personal Property Excepted From Tax:** The tax imposed by Section 7-3-1 shall not apply to the sales of food for human consumption which is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food which has been prepared for immediate consumption) and prescription and non-prescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics.

7-3-3: **Collection and Enforcement:** The tax imposed by Section 7-3-1 and all civil penalties that may be assessed as an incident thereto shall be collected and enforced by the Department of Revenue of the State of Illinois. The Department of Revenue shall have the full power to administer and enforce the provisions of this Article.

SECTION 2. The taxes hereby imposed shall be collected and enforced by the

Department of Revenue of the State of Illinois. The Illinois Department of Revenue shall have full power to administer and enforce the provisions of this Ordinance.

SECTION 3. The City Clerk is hereby authorized and directed to file a certified copy of this Ordinance with the Illinois Department of Revenue.

SECTION 4. That all ordinances and parts thereof in conflict herewith are expressly repealed and are of no other force and effect.

SECTION 5. That repeal of any ordinance by this Ordinance shall not affect any rights accrued or liability incurred under said repealed ordinance to the effective date hereof. The provisions of this Ordinance insofar as they are the same or substantially the same as those of any prior ordinance, shall be construed as a continuation of said prior ordinances.

SECTION 6. That it is the intention of the City Council of the City of Carbondale that this Ordinance and every provision thereof shall be considered separable, and the invalidity of any section, clause, or provision of this Ordinance shall not affect the validity of any other portion of this Ordinance.

SECTION 7. That the City Council of the City of Carbondale finds that the subject matter of this Ordinance pertains to the government and affairs of the City of Carbondale and is passed pursuant to authorities granted it by State statutes and the Home Rule powers of the City of Carbondale pursuant to the provisions of Article VII, Section 6(a) of the Illinois Constitution.

SECTION 8. That this Ordinance shall take effect upon its passage, approval, recording, and publication in pamphlet form in accordance with law.

APPROVED: _____
Donald D. Monty, Acting Mayor

ATTEST: _____
Jennifer R. Sorrell, City Clerk

APPROVED AS TO LEGALITY AND FORM:

P. Michael Kimmel, City Attorney