



## CITY COUNCIL AGENDA ITEMS

**To:** Mayor Graham and City Council  
**From:** Dean Rich, Director of Finance  
Walter Denton, City Administrator  
**Date:** April 11, 2005  
**Subject:** ORDINANCE – Telecommunications Tax Rate Change

### List of committees that have reviewed: Finance and Administration

**Background:** In July 2002, the city changed from the municipal infrastructure maintenance fee that had been in place since the 1930's to the new state managed municipal telecommunications tax and the rate remained at the 1930's rate of 1%. The vast majority of cities in the area and throughout the state have set this rate at 5%. The citizens rated parks as their number one issue during the recent citizens' survey. The City is now developing a Family Sports Park to answer a growing need for park facilities. Raising the tax from 1% to 5% will, on the average, cost \$1.38 per citizen per month and will provide an additional \$500,000 per year which will be used for infrastructure (irrigation, bleachers, bathrooms, concession stands, goals, backstops, and walking trails, as examples) for the parks. The City has already invested over \$4,000,000 in the 200 acres. With City Council approval, the City plans to sell hotel/motel receipt tax based bonds for another approximately \$4,000,000 in the spring, which primarily will be used for rough grading, road construction, parking lots, and the first four ball fields.

**Legal Considerations, if any:** None.

**Budget Impact:** There are no additional funds available or projected for park infrastructure. The only other known available source for this amount of money is property tax.

**Staff recommendation:** Raise the telecommunications tax from 1% to 5%. According to the Park Master Plan, the City is behind on park space already. Without additional revenue, the City will be unable to provide the parks, playgrounds, and fields for children now living in O'Fallon, not to mention the incoming residents in new subdivisions. The decision for the City Council is how quickly the City should provide park improvements for O'Fallon residents.