



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council

From: Dean Rich, Director of Finance
Walter Denton, City Administrator

Date: May 1, 2006

Subject: Reenacting Hotel/Motel Room Tax

List of committees that have reviewed: Finance and Administration and the Tourism Committee.

Background: The IL Secretary of State on April 7, 2006 certified the City of O'Fallon as a Home Rule Unit. Ordinance 1824 is being reenacted under the Home Rule procedures and the rate is increased from 3% to 5%. While the city could have set the tax at 5% before Home Rule it chose not to as the use of the funds was limited to basically advertising and the 3% was providing sufficient funds. The City is developing a Family Sports Park that can be used to attach sports teams from throughout the region and will create an additional demand for our local hotel/motel business and wishes to use part of the hotel/motel money to develop the park. At 5% the O'Fallon Tax is competitive with both Fairview Heights and Belleville.

Legal Considerations, if any: This ordinance has been reviewed by our City Attorney and Bond Counsel.

Budget Impact: Based on recent room occupancy and projections from the 2 motels currently under construction the city estimates this tax will generate approximately \$400,000 per year. This increase along with a 1% Food and Beverage tax will provide a revenue stream for a Capitol Improvement Bond

Staff recommendation: Staff recommends Council approval for these ordinances.