



## CITY COUNCIL AGENDA ITEMS

**To:** Mayor and City Council  
**From:** Dean Rich, Director of Finance  
Walter Denton, City Administrator  
**Date:** June 1 2006  
**Subject:** Ordinance Providing for 1% Food and Beverage Tax

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

**Background:** The Food and Beverage Tax ordinance failed on May 2, 2006, but a motion to reconsider was approved at the May 15 City Council meeting and sent back to committee. After contacting all aldermen individually, the prevailing consensus was that the City Council was reluctant to approve a new tax without a detailed use for the revenue. Staff recognizes this requirement and agrees that placing the ordinance on May 2 was ill-advised. While staff was aware of the project proposed for the Food and Beverage Tax, the developer was not ready to disclose the details.

Since the May 15 City Council meeting, staff had numerous meetings with the developers and aldermen to finalize the details for an economic development project that would be funded through Food and Beverage Tax. The funds received from this tax will be used to fund a \$6,000,000 bond. The bond proceeds will be used in an economic development project at the Shoppes at Greenmount. Council has received a proposed plan to develop the area with a Hilton Gardens Hotel, a 25,000 Square Foot Conference Center, up to 5 Up-Scale Restaurants, A Retail center and a Bank. At the end of 20 years, the City of O'Fallon will own the Conference Center. The money received from this tax will pay off the bond and any additional funds generated beyond the bond payment will be used for economic development or as directed by the council.

The Food and Beverage tax will be one percent (1%) of the selling price of food and/or beverage prepared for immediate consumption by taverns, bars and food service establishments with a St. Clair County Food Service Sanitation Permit F-1 or F-4. It does not include ice cream parlors, catering, small businesses doing under \$5,000 in food or beverage, farm produce stands and tax exempt/non-profits. The City of O'Fallon's Food & Beverage Tax form is filled out from information already on the Illinois Department of Revenue form all qualifying businesses must file monthly with the State.

**Legal Considerations, if any:** Attorney Kurt Froehlich has reviewed the proposal and reports this is a common way to finance a project of this magnitude and is workable. He will represent the city in finalizing the development agreement to protect the tax exempt status of the bonds.

**Budget Impact:** This project will function as a stand alone economic development project and will be funded by a \$6,000,000 tax exempt bond. Revenue from the 1% Food and Beverage Tax will cover the bond payments.

**Staff recommendation:** This project is vital to the successful development of the Shoppes at Greenmount. Staff recommends approval of a 1% Food and Beverage Tax.