



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council
From: Dean Rich, Director of Finance
Walter Denton, City Administrator
Date: November 17, 2008
Subject: Schmitt Economic Development assistance request (reformatted)

List of committees that have reviewed: Finance and Administration recommends approval.

Background: Under the Economic Incentive Policy, the City would rebate up to \$250,000 per dealership over 10 years on a 50/50 share of sales tax receipts. The new car lines are Suzuki and Mahindra. In addition there was some confusion over the length of the original \$300,000 agreement which is being extended for 2 years or until \$300,000 is paid whichever ever comes first. The original 1998 PGAV documents that resulted in Ordinance 1957 contained conflicting lengths of time running for 5 years to 8 years and all subsequent information indicated a 10 year amount. The agreement has been changed to reflect \$300,000 or Sept 2011 whichever ever comes first. This is not additional money just a recognition of the disruption of the closing of Oldsmobile and the construction of the new Cadillac building.

These combined sales should produce approximately the same income as was lost when the Oldsmobile line was discontinued by GM and should return sufficient income for Mr. Schmitt to expand the Cadillac operation to GM standards. This is a win/win situation for O'Fallon and Mr. Schmitt as he will be able to extend this O'Fallon operation in a difficult economic environment and the City will retain one of its prestige car dealerships and receive more sales tax income.

Legal Considerations, if any: As requested by the City Council, Attorney Dale Funk has thoroughly reviewed and reformatted the agreement to incorporate the additions as presented last council.

Budget Impact: The city should be able to retain current Cadillac sales tax receipts and add further sales tax revenue from the new car lines. There is no risk to the City because no sales tax is rebated until they sell new cars. It is unknown how much new revenue the new car dealerships will provide to the City budget, but it has been determined that the dealerships would not locate here without the incentive.

Staff recommendation: Approval