

Executive Summary and Background – Revenue Enhancement Options

There have been a variety of discussions on alternative revenue sources in the past few months. Staff would like to take the opportunity to present a comparison of the different options that have been discussed, including projected revenue and pros and cons of the alternatives. Attached is a spreadsheet showing the projected revenue based on the information that we have at this time (in some cases it is very limited information). A summary of the options follows:

	Option 1			Option 2	
	1A HR Sales Tax - .5% Tele. Tax - 1%	1B HR Sales Tax - .25%	1C HR Sales Tax - .5%	2A HR Sales Tax - .25% Food & Bev. - 1% Local MFT - \$/.02/gal Tele. Tax - 1%	2B HR Sales Tax - .25% Liquor Tax - 4% Local MFT - \$.04/gal Tele. Tax - 1%
Full year projection	895,000	421,500	843,000	703,035	733,372
Streets	843,000	421,500	843,000	651,035	681,372
Tele. Tax	52,000	-	-	52,000	52,000
	895,000	421,500	843,000	703,035	733,372
For Budget 18-19	745,833	351,250	702,500	585,863	611,143
Streets	702,500	351,250	702,500	542,529	567,810
Tele Tax	43,333	-	-	43,333	43,333
	745,833	351,250	702,500	585,863	611,143

Intergovernmental Revenue Increase Only (Option 1)

- Administered by the State - no local administrative time or costs
- Guaranteed, stable source of revenue
- Greatest potential revenue
- Only have to increase one or possibly two taxes
- Additional .5% HR Sales Tax still keeps Washington competitive with the region (see attached)
- Help to mitigate future property tax increases by having stable General Fund revenue source

Combination of Intergovernmental Revenue and Local Revenue Increase (Option 2)

- Minimizes sales tax increase on general merchandise
- Increased overall sales tax for eating in a restaurant
- Requires four different tax increases, including at least two new ones
- Local tax revenue potential largely unknown
- Additional costs for outsourcing of billing and collection, as well as staff time for coordination
- Potential for uncollectible accounts as has been experienced with Hotel/Motel tax

Staff Recommendation

Based on the ease of administration, the greater potential for revenue and the fact that only one tax would be increased rather than four, including two new ones that we are uncertain as to the revenue potential, **Staff recommends that the City Council consider increasing the Home Rule Sales Tax by .5%.** This will provide over \$700,000 in new revenue for Street infrastructure in FY 18-19 with a projected total revenue of at least \$843,000 in subsequent years.

Comparison of Revenue Enhancement Options

	Option 1			Option 2	
	1A HR Sales Tax - .5% Tele. Tax - 1%	1B HR Sales Tax - .25%	1C HR Sales Tax - .5%	2A HR Sales Tax - .25% Food & Bev. - 1% Local MFT - \$/.02/gal Tele. Tax - 1%	2B HR Sales Tax - .25% Liquor Tax - 4% Local MFT - \$.04/gal Tele. Tax - 1%
HR Sales Tax	843,000	421,500	843,000	421,500	421,500
Food & Bev. Tax Less: 25% margin of error				239,000 (59,750)	
Local MFT Less: 25% margin of error				100,500 (25,125)	218,000 (54,500)
Liquor Less: 25% margin of error					155,000 (38,750)
Tele. Tax	52,000			52,000	52,000
Outsourced Admin. ((\$550/mo for 1 tax; \$800/mo for 2 taxes)				(9,600)	(9,600)
Staff Support 5 hrs/mo - MFT 5 hrs/mo - Liquor 9 hrs/mo - Food & Bev.				(1,264) (2,276)	(1,264) (1,264)
Uncollectibles Food & Bev. @ 5% Local MFT Liquor @ 5%				(11,950)	- (7,750)

Full year projection	895,000	421,500	843,000	703,035	733,372
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Streets	843,000	421,500	843,000	651,035	681,372
Tele. Tax	52,000	-	-	52,000	52,000
	895,000	421,500	843,000	703,035	733,372

For Budget 18-19	745,833	351,250	702,500	585,863	611,143
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Streets	702,500	351,250	702,500	542,529	567,810
Tele Tax	43,333	-	-	43,333	43,333
	745,833	351,250	702,500	585,863	611,143

Total Rate Comparison of Options																			
					Option 1A	Option 1B	Option 1C												
				Washington	Increase HR Sales Tax by 0.5% Increase Telecom Tax by 1%	Increase HR Sales Tax by 0.25%	Increase Home Rule Sales Tax 0.5%		Bartonville	Canton	East Peoria	Morton	Pekin	Peoria	Peoria Heights				
				Current	As of 7/1/2018	As of 7/1/2018	As of 7/1/2018		Current	Current	Current	Current	Current	Current	Current				
Full year projection					\$895,000	\$421,500	\$843,000												
Streets					\$843,000	\$421,500	\$843,000												
Tele. Tax					\$52,000	-	-												
					\$895,000	\$421,500	\$843,000												
For Budget 18-19					\$745,833	\$351,250	\$702,500												
Streets					\$702,500	\$351,250	\$702,500												
Tele. Tax					\$43,333	-	-												
					\$745,833	\$351,250	\$702,500												
Eating at a restaurant in Washington																			
State Sales Tax				6.25%	6.25%	6.25%	6.25%		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%				
Home Rule/Non-Home Rule Sales Tax				1.25%	1.75%	1.5%	1.75%		1%	0.5%	1.25-2.25%	0-0.25%	1.75%	1.75-2.75%	1.5-2.5%				
County Public Safety				0.5%	0.5%	0.5%	0.5%		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%				
County School Facility Tax				N/A	N/A	N/A	N/A		0.5%	1%	N/A	N/A	N/A	0.5%	0.5%				
Food & Beverage Tax				N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	2%	2%	2%				
TOTAL				8%	8.5%	8.25%	8.5%		8.25%	8.25%	8-9%	6.75-7%	10.5%	11-12%	10.75-11.75%				
Packaged liquor purchased in Washington																			
State Sales Tax				6.25%	6.25%	6.25%	6.25%		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%				
Home Rule/Non-Home Rule Sales Tax				1.25%	1.75%	1.5%	1.75%		1%	0.5%	1.25-2.25%	0-0.25%	1.75%	1.75-2.75%	1.5-2.5%				
County Public Safety				0.5%	0.5%	0.5%	0.5%		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%				
County School Facility Tax				N/A	N/A	N/A	N/A		0.5%	1%	N/A	N/A	N/A	0.5%	0.5%				
Liquor Tax				N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	2%	N/A	N/A				
TOTAL				8%	8.5%	8.25%	8.5%		8.25%	8.25%	8-9%	6.75-7%	10.5%	9-10%	10.75-11.75%				
General merchandise purchased in Washington																			
State Sales Tax				6.25%	6.25%	6.25%	6.25%		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%				
Home Rule/Non-Home Rule Sales Tax				1.25%	1.75%	1.5%	1.75%		1%	0.5%	1.25-2.25%	0-0.25%	1.75%	1.75-2.75%	1.5-2.5%				
County Public Safety				0.5%	0.5%	0.5%	0.5%		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%				
County School Facility Tax				N/A	N/A	N/A	N/A		0.5%	1%	N/A	N/A	N/A	0.5%	0.5%				
TOTAL				8%	8.5%	8.25%	8.5%		8.25%	8.25%	8-9%	6.75-7%	8.5%	9-10%	8.75-9.75%				
Gasoline purchased in Washington (assumed wholesale price of \$2/gallon)																			
State Sales Tax				6.25%	6.25%	6.25%	6.25%		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%				
Home Rule/Non-Home Rule Sales Tax				1.25%	1.75%	1.5%	1.75%		1%	0.5%	1.25-2.25%	0-0.25%	1.75%	1.75-2.75%	1.5-2.5%				
County Public Safety				0.5%	0.5%	0.5%	0.5%		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%				
County School Facility Tax				N/A	N/A	N/A	N/A		0.5%	1%	N/A	N/A	N/A	0.5%	0.5%				
Federal Motor Fuel Tax (per gallon)				\$0.184	\$0.184	\$0.184	\$0.184		\$0.184	\$0.184	\$0.184	\$0.184	\$0.184	\$0.184	\$0.184				
State Motor Fuel Tax (per gallon)				\$0.19	\$0.19	\$0.19	\$0.19		\$0.19	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19				
Local motor fuel tax (per gallon)				N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	\$0.04	\$0.04	\$0.02				
TOTAL				\$0.534	\$0.544	\$0.539	\$0.554		\$0.539	\$0.539	\$0.534-0.554	\$0.509-0.514	\$0.584	\$0.594-0.614	\$0.565-0.585				
Diesel purchased in Washington (assumed wholesale price of \$2/gallon)																			
State Sales Tax				6.25%	6.25%	6.25%	6.25%		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%				
Home Rule/Non-Home Rule Sales Tax				1.25%	1.75%	1.50%	1.75%		1.0%	0.5%	1.25-2.25%	0-0.25%	1.75%	1.75-2.75%	1.5-2.5%				
County Public Safety				0.5%	0.5%	0.5%	0.5%		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.50%				
County School Facility Tax				N/A	N/A	N/A	N/A		0.5%	1.0%	N/A	N/A	N/A	0.5%	0.50%				
Federal Motor Fuel Tax (per gallon)				\$0.244	\$0.244	\$0.244	\$0.244		\$0.244	\$0.244	\$0.244	\$0.244	\$0.244	\$0.244	\$0.244				
State Motor Fuel Tax (per gallon)				\$0.215	\$0.215	\$0.215	\$0.215		\$0.215	\$0.215	\$0.215	\$0.215	\$0.215	\$0.215	\$0.215				
Local motor fuel tax (per gallon)				N/A	N/A	N/A	N/A		N/A	N/A	N/A	N/A	\$0.04	\$0.04	\$0.02				
TOTAL				\$0.619	\$0.629	\$0.624	\$0.629		\$0.624	\$0.624	\$0.619-0.639	\$0.594-0.599	\$0.669	\$0.679-0.699	\$0.654-0.674				
Grocery purchased in Washington																			
State Sales Tax				1%	1%	1%	1%		1%	1%	1%	1%	1%	1%	1%				
Home Rule/Non-Home Rule Sales Tax				0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%				
TOTAL				1%	1%	1%	1%		1%	1%	1%	1%	1%	1%	1%				
Prescription purchased in Washington																			
State Sales Tax				0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%				
Home Rule/Non-Home Rule Sales Tax				0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%				
TOTAL				0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%				
Vehicle purchased in Washington																			
State Sales Tax				6.25%	6.25%	6.25%	6.25%		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%				
Home Rule/Non-Home Rule Sales Tax				0%	0%	0%	0%		0%	0%	0%	0%	0%	0%	0%				
TOTAL				6.25%	6.25%	6.25%	6.25%		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%				

Sales Tax Rates for Other Regional Cities:

Washington	Base Rate	8.00%
	City Share of tax rate	1.25%
Bartonville	Base Rate	8.25%
	City Share of tax rate	1%
Canton	Base Rate	8.25%
	City Share of tax rate	0.50%
East Peoria	Base Rate	8%
	Farm Creek Area BD	
	(Altorfer, Bass Pro, Camp, N. Main, Riverside - 257 properties)	9%
	Costco Area BD	
	(Center, Commercial, Edmund, Richland, W. Washington - 282 properties)	8.5%
	Target Area BD	
Morton	(Altorfer, W. Camp, Clock Tower, Spinder, W. Washington - 335 properties)	9%
	City share of tax rate	1.25-2.25%
	Base Rate	6.75%
	Morton BD	
Pekin	(76 streets - 974 properties)	7%
	City share of tax rate	0-0.25%
	Base Rate	8.5%
Peoria	City share of tax rate	1.75%
	Base Rate	9.00%
Peoria Heights	Hospitality Improvement Zone BD	
	(Fulton, Hamilton, Kumpf, Main, Adams, Jefferson, Madison, Monroe, 4th, Garrett - 52 properties)	10.00%
	City share of tax rate	1.75-2.75%
	Base Rate	8.75%
Bloomington	Inside PH BDD No. 1	
	(Toledo, Marietta, Seiberling, Sciota, Moneta, Kelly, Lake, Prospect, Voss - 55 properties)	9.75%
	City share of tax rate	1.5-2.5%
Champaign	Base Rate	9%
	City share of tax rate	1.5%
Danville	Base Rate	9.25%
	City Share of tax rate	2.75%
Decatur	Base Rate	9.25%
	City Share of tax rate	1.5%

Galesburg	Base Rate	8.75%
	N. Seminary Street BD (2 properties)	9.75%
	City share of tax rate	1-2%
Lincoln	Base Rate	8.25%
	City share of tax rate	0.50%
Moline	Base Rate	8.50%
	Avenue of the Cities/27th St. BD	9.50%
	City Share of tax rate	1.25-2.25%
Normal	Base Rate	8.75%
	City share of tax rate	2.5%
Pontiac	Base Rate	7.25%
	Vermillion Plaza BD (17 properties)	8.25%
	City Share of tax rate	0-1%
Rock Island	Base Rate	8.5%
	City Share of tax rate	1.25%
Springfield	Base Rate	8.5%
	South Central BD	
	Legacypointe, Lincolnshire, Macarthur - 28 properties)	9.5%
	City share of tax rate	2.25-3.25%
Urbana	Base Rate	9%
	City share of tax rate	1.5%

Regional Food & Beverage Tax				
<u>Municipality</u>	<u>Tax</u>			
Bloomington	2%			
Champaign	1.75%			
Danville	1%			
Decatur	2%			
Galesburg	2%			
Moline	1.5%			
Normal	2%			
Pekin	2%			
Peoria	2%			
Peoria Heights	2%			
Rock Island	1.5%			
Urbana	1.5%			

Regional Package Liquor Tax			
<u>Municipality</u>	<u>Tax</u>		
Bloomington	4%		
Danville	3%		
Normal	4%		
Pekin	2%		
Urbana	1%		

Regional Gas Taxes

<u>Municipality</u>	<u>Rate per Gallon</u>	
Bloomington	4 cents	
Champaign	4 cents	
Danville	8.3 cents	
Decatur	5 cents	
Galesburg	4.5 cents	
Moline	1 cent	
Normal	4 cents	
Pekin	4 cents	
Peoria	4 cents	
Peoria Heights	2 cents	
Rock Island	2 cents	
Urbana	5 cents	

Regional Telecommunications Tax

<u>Municipality</u>	<u>Total Rate</u>			
Washington	12%			
Bartonville	11%			
Canton	12%			
Chillicothe	13%			
Decatur	13%			
East Peoria	13%			
Eureka	8%			
Germantown Hills	7%			
Metamora	10%			
Morton	13%			
Pekin	13%			
Peoria	13%			
Peoria Heights	12%			
Bloomington	13%			
Champaign	13%			
Danville	13%			
Galesburg	12%			
Lincoln	13%			
Moline	13%			
Normal	13%			
Pontiac	13%			
Rock Island	13%			
Springfield	11%			
Urbana	13%			