



CITY OF WASHINGTON, ILLINOIS

City Council Agenda Communication

Meeting Date: March 7, 2022

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Agenda Item: First Reading Ordinance – 0.5% Home Rule Sales Tax Increase

Explanation: The City Council approved a citywide stormwater study in 2021. During those discussions, the Council made it apparent that it did not want this to be a plan to sit on a shelf and to collect dust. In October 2021, Council indicated its interest in pursuing a stormwater funding mechanism and asked staff to bring forward options on potential sources.

While the stormwater study is not complete, the project designers have offered staff a rough cost for the anticipated findings. Expectations are that the total cost of projects will exceed \$10 million and future issues will continue to arise as storm sewer infrastructure ages. It should be noted that each of our street reconstruction projects also has a stormwater component that could be funded with this mechanism in the future.

Two funding options were discussed at the January Committee of the Whole meeting. Of those, there was consensus to increase the home rule sales tax by 0.5% to add to the current rate of 8.5%. Attached is a comparison of sales tax rates for other regional cities as of January 1, 2022. The City currently receives 1.75% of the 8.5% total rate, with the State of Illinois having a base rate of 6.25% and a Tazewell County Public Safety rate of 0.5% making up the remainder. Increasing the home rule sales tax is the simplest and most efficient option to raise revenue to tackle the expected abundance of potential stormwater projects. It would not require agreements with other utility companies and would also allow for some of the burden to be paid by non-residents who are shopping in the city limits. The rate would continue to be lower than both downtown Peoria and the Levee District in East Peoria. The small increase would largely be negligible, as it would only increase a \$100 purchase by \$0.50, but raise meaningful revenue.

Additionally, attached is a summary from bond managers, Mesirow, to show what the approximate debt service would be for 10-, 15-, and 20-year bond repayments should there be a desire to borrow against part of the anticipated \$1.1 million in new annual home rule sales tax revenue. For example, a bond of \$11.3 million with a 20-year repayment and an estimated interest rate of 2.8% would have an annual debt service of about \$750,000.

Fiscal Impact: A 0.5% home rule sales tax increase would be estimated to generate about \$1.1 million annually given the current revenue trends. This would be devoted entirely towards stormwater management-related expenses. If desired by the Council, the increase could be voided at such time when all major stormwater improvements projects have been completed.

Recommendation/

Committee Discussion Summary: Staff recommends approval of the ordinance. The Committee of the Whole offered direction in January to proceed with the home rule sales tax increase to be utilized towards stormwater improvement projects.

Action Requested: Approval of the attached ordinance. A first reading ordinance is scheduled for the March 7 City Council meeting with a second reading to be scheduled for the March 21 meeting. Sales tax increases need to be filed with the Illinois Department of Revenue by April 1 in order to become effective on July 1.

ORDINANCE NO. _____

Synopsis: Adoption of this ordinance increases the home rule portion of sales tax from 1.75% to 2.25% of gross receipts from eligible sales and shall be used for stormwater management-related expenses.

**AN ORDINANCE AMENDING CHAPTER 35 OF THE CODE OF ORDINANCES OF
THE CITY OF WASHINGTON, TAZEWEILL COUNTY, ILLINOIS, ENTITLED
"TAXATION" TO INCREASE THE HOME RULE MUNICIPAL RETAILERS'
OCCUPATION TAX AND THE HOME RULE MUNICIPAL SERVICE OCCUPATION
TAX BY ONE-HALF OF ONE PERCENT**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WASHINGTON, TAZEWEILL COUNTY, ILLINOIS, that Chapter 35 of the Code of Ordinances of the City of Washington, Tazewell County, Illinois be, and the same hereby is, amended as follows:

Section 1. That §35.20 and §35.21 of Chapter 35 of the Code of Ordinances of the City of Washington, Tazewell County, Illinois, be, and the same hereby are, amended by deleting §35.20 and §35.21 in their entirety and substituting in lieu thereof the following as §35.20 and §35.21:

"§ 35.20 IMPOSITION OF TAX

A tax is imposed upon all persons engaged in the business of selling property, other than an item of tangible personal property titled or registered, and other than food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption) and prescription and non-prescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics, at the rate of 2.25% of the gross receipts from such sales made in the course of such business while this division is in effect.

The imposition of the Home Rule Municipal Retailers' Occupation Tax is in accordance with the provisions of §8-11-1 of the Illinois Municipal Code (65 ILCS 5/8- 11-1). The provisions and definitions of that section are hereby incorporated into this Division for reference thereto.

§35.21 COLLECTION OF TAX

The Tax hereby imposed, and all civil penalties that may be assessed as an incident thereto, shall be collected and enforced by the Illinois Department of Revenue. The Illinois Department of Revenue shall have full power to administer and enforce the provisions of this Division."

Section 2. That §35.35 and §35.36 of Chapter 35 of the Code of Ordinances of the City of Washington, Tazewell County, Illinois, be, and the same hereby are, amended by deleting §35.35 and §35.36 in their entirety and substituting in lieu thereof the following as §35.35 and §35.36:

"35.35 IMPOSITION OF TAX

A tax is imposed upon all persons engaged in the business of sales and service, other than food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption) and prescription and non-prescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics, at the rate of 2.25% of the selling price of all

tangible personal property transferred by such servicemen either in the form of tangible personal property or in the form of real estate as an incident to a sale or service while this division is in effect.

The imposition of this Home Rule Municipal Service Occupation Tax is in accordance with the provisions of §8-11-5 of the Illinois Municipal Code (65 ILCS 5/8- 11-5). The provisions and definitions of that section are hereby incorporated into this Division by reference thereto.

§35.36 COLLECTION OF TAX

The Tax hereby imposed, and all civil penalties that may be assessed as an incident thereto, shall be collected and enforced by the Illinois Department of Revenue. The Illinois Department of Revenue shall have full power to administer and enforce the provisions of this Division."

Section 3. That all ordinances or parts thereof in conflict herewith are hereby expressly repealed.

Section 4. That this ordinance shall be in full force and effect from and after its passage, approval, and publication as provided by law.

Section 5. That the revenue raised by this one half of one percent increase of the Home Rule Municipal Retailers' Occupation Tax and the Home Rule Municipal Service Occupation Tax shall be used for stormwater management-related expenses.

Section 6. That the City Clerk shall cause a certified copy of this ordinance to be filed with the Illinois Department of Revenue on or before the first day of April 2022 whereupon the Illinois Department of Revenue shall proceed to administer and enforce the provisions of this ordinance as of the first day of July 2022.

PASSED AND APPROVED this _____ day of _____ 2022.

AYES: _____

NAYS: _____

ATTEST:

CITY CLERK

MAYOR

Sales Tax Rates for Other Regional Cities:

Rates as of 1/1/22

Washington	Base Rate	8.5%
	City Share of tax rate	1.75%
Bartonville	Base Rate	8.5%
	City Share of tax rate	1.25%
Canton	Base Rate	8.75%
	City Share of tax rate	1%
Chillicothe	Base Rate	7.75%
	City Share of tax rate	0.5%
East Peoria	Base Rate	8.5%
	Farm Creek Area BD	
	(Altorfer, Bass Pro, Camp, N. Main, Riverside - 257 properties)	9.5%
	Costco Area BD	
	(Center, Commercial, Edmund, Richland, W. Washington - 282 properties)	9%
	Target Area BD	
	(Altorfer, W. Camp, Clock Tower, Spinder, W. Washington - 335 properties)	9.5%
Eureka	City share of tax rate	1.75-2.75%
Eureka	Base Rate	8.25%
	City Share of tax rate	0%
Germantown Hills	Base Rate	8.25%
	Germantown Crossing BDD	
	(18 properties)	9.25%
Germantown Hills	City Share of tax rate	0-1%
Metamora	Base Rate	8.25%
	City Share of tax rate	0%
Morton	Base Rate	6.75%
	Morton BD	
	(76 streets - 974 properties)	7%
Morton	City share of tax rate	0-0.25%
Pekin	Base Rate	8.5%
	Pekin BD	9.5%
	City share of tax rate	1.75-2.75%
Peoria	Base Rate	9%
	Hospitality Improvement Zone BD	
	(Fulton, Hamilton, Kumpf, Main, Adams, Jefferson, Madison, Monroe, 4th, Garrett - 52 properties)	10%
	City share of tax rate	1.75-2.75%
Peoria Heights	Base Rate	8.75%
	Inside PH BDD No. 1	

	(111 properties)	9.75%
	Inside PH BDD No. 2	
	(255 properties)	9.75%
	City share of tax rate	1.5-2.5%
Bloomington	Base Rate	8.75%
	City share of tax rate	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	8.75%
	City share of tax rate	0.5%
Moline	Base Rate	8.5%
	Avenue of the Cities/27th St. BD	9.5%
	Marquis Harbor West BD	9.5%
	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	9.75%
	South Central BD	
	Legacypointe, Lincolnshire, Macarthur - 28 properties)	10.75%
	City share of tax rate	2.5-3.5%
Urbana	Base Rate	9%
	City share of tax rate	1.5%

City of Washington

Estimated long-term funding available for capital projects

- The following table shows hypothetical financing amounts that could be raised today to fund capital, given different debt service requirements and repayment terms. The analysis is based on the following assumptions:
 - Tax-exempt interest rates as of March 2, 2022
 - Issuer credit rating of “AA-” or equivalent and level debt service.
 - Analysis assumes 1x revenue coverage with full leveraging of the indicated revenue stream.
- Mesirow will tailor a specific financing solution for Washington based on the city’s specific needs and objectives. Our goal is always to identify and source the lowest-cost capital for our clients within the constraints of their funding requirements.

	Approximate Annual Debt Service			Estimated Interest Rate
	\$500,000 / Year	\$750,000 / Year	\$1,000,000 / Year	
	Approximate Financing Proceeds			
10-Year Level Repayment	\$4,400,000	\$6,700,000	\$8,900,000	2.10%
15-Year Level Repayment	\$6,100,000	\$9,300,000	\$12,300,000	2.50%
20-Year Level Repayment	\$7,500,000	\$11,300,000	\$15,100,000	2.80%

Results are preliminary and subject to change based on market conditions and other factors.

Mesirow is providing the information contained herein for discussion purposes only in anticipation of serving as underwriter. Mesirow is not acting as an advisor to the municipal entity or any obligated person of the municipal entity (collectively, the “Issuer”). The information provided is not intended to be and should not be construed as “advice” within the meaning of Section 15B of the Securities Exchange Act of 1934. The information should not be construed as recommending an action to the Issuer.

The primary role of Mesirow, as an underwriter, is to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the Issuer and Mesirow. Mesirow is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. Unlike a municipal advisor, Mesirow does not have a fiduciary duty to the Issuer under the federal securities laws and has financial and other interests that differ from those of the Issuer. Mesirow has a duty to deal fairly at all times with the Issuer and to purchase securities from the Issuer at fair and reasonable prices, but must balance that duty with our duty to sell securities to investors at prices that are fair and reasonable. Mesirow’s other business units may be holding or trading bonds issued by Issuer in client or proprietary accounts.

The Issuer should discuss any and all information contained in this communication with any and all internal or external financial and/or municipal, legal, accounting, tax and other advisors, to the extent it deems appropriate. If the Issuer would like a municipal advisor that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity. In accordance with applicable exceptions to the Securities and Exchange Commission’s Municipal Advisor Rule, this analysis is based on general market interest rate levels for comparable transactions, escrow and project fund investments comprising cash and/or currently-available U.S. Treasury State and Local Government Securities, and where applicable, “in-place” refunding structure with approximate uniform savings.