

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

 X Resolution or Ordinance (Blue) *Waiver of First Requested*
 Recommendations of Boards, Commissions & Committees (Green)
 Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: Scott Niehaus, Village Manager

DATE: July 11, 2016 (COW)(B of T) July 21, 2016

TITLE: Ordinance Amending Title IX, Chapter 98, Section 98.1(B)(1) of the Lombard Village Code in Regard to the Tax on the Gross Receipts of Places for Eating

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

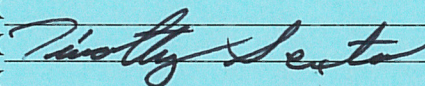
The Village's Finance and Administration Committee, which is made up of 8 Lombard residents, held meetings to study how to close the budget deficit without negatively impacting quality core services. See attached memo for additional information.

A 1% increase to the Places for Eating Tax was proposed by the Finance and Administration Committee, to be implemented on January 1, 2017. The Finance and Administration Committee also recommended expense reductions related to non-core services such as the phase out of the Senior Taxi Cab Program, the Sewer Rodding Reimbursement Program and a reduction in Village banners and decorations, among other reductions.

On March 21, 2016, as part of the Long Range Plan, the Finance and Administration Committee unanimously voted to recommend that the Village Board increase the Places for Eating Tax increase a full 1% with ½% to be used for the General Fund and ½% would be held in a separate account to reserve for future needs. It is anticipated that this additional ½% will be needed by 2018. The Finance and Administration Committee and Village Board held a Joint Long Range Planning workshop on April 25, 2016 and concurred with the Long Range Plan as recommended by the Finance and Administration Committee.

In order for the increase to be effective on January 1, 2017, the Village Board would need to approve the attached ordinance amending the existing 1% Place for Eating tax to 2%.

Review (as necessary):

Village Attorney X	_____	Date	_____
Finance Director X		Date	7/11/16
Village Manager X	_____	Date	_____



MEMORANDUM

To: Board of Trustees

From: Tim Sexton, Director of Finance

Date: July 11, 2016

Subject: Proposed 1% Places for Eating Tax Increase

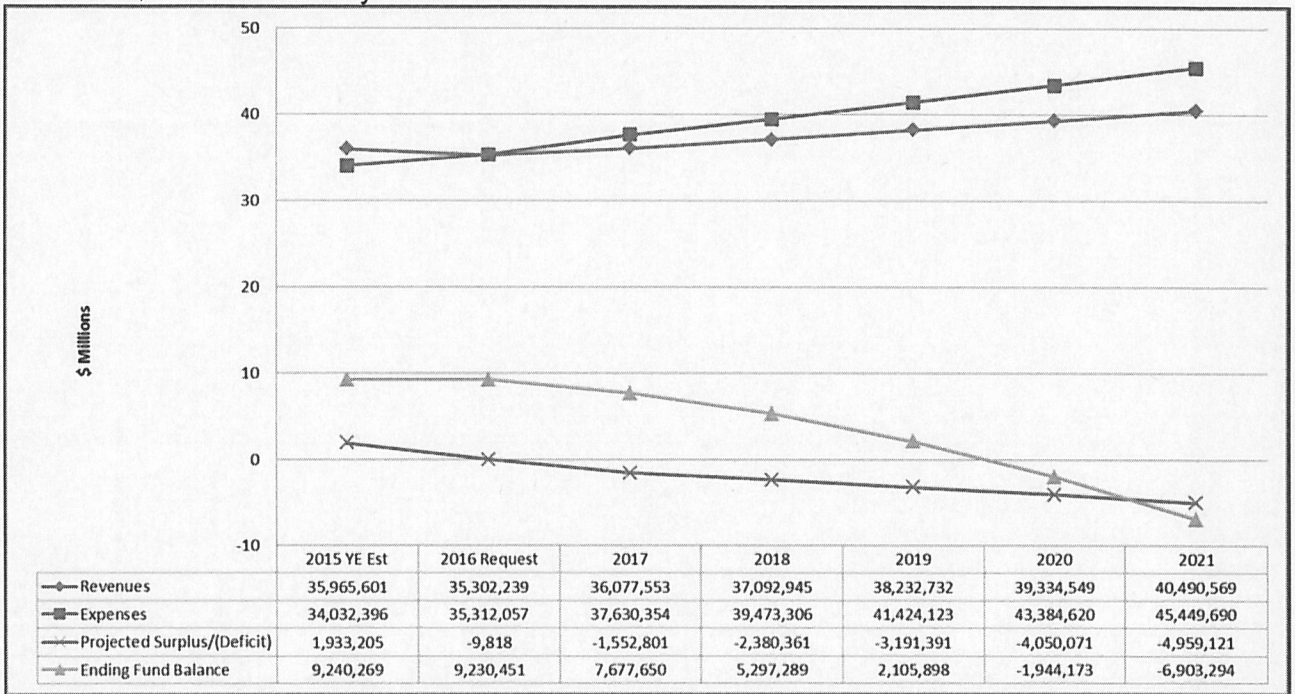
In an effort to be proactive the Village of Lombard developed a Long Range Plan, with strategies to address the rising costs of non-discretionary (required) expenses. The Long Range Budget Plan focuses on fiscal responsibility, prudent planning, and the implementation of resident recommendations via Village Committees. On June 16, 2016, the Village Board approved a resolution to formally accept the Long Range Plan as presented on April 25, 2016 at the Joint Village Board and Finance and Administration Committee Workshop.

The challenges faced by the Village are associated with maintaining excellent core service levels to residents and business owners, while expenses continue to increase faster than revenues, due mainly to State mandates beyond the Village's control. The strategy approved in the Long Range Plan commits the Village to matching dollar for dollar (50/50) revenue increases and expenditure reductions, in order to maintain a balanced General Fund operating budget.

The Village's Finance and Administration Committee, which is made up of 8 Lombard residents, held meetings to study how to close the budget deficit without negatively impacting quality core services. A 1% increase to the Places for Eating Tax was proposed by the Finance and Administration Committee, to be implemented on January 1, 2017. The Finance and Administration Committee also recommended expense reductions related to non-core services such as the phase out of the Senior Taxi Cab Program, the Sewer Rodding Reimbursement Program and a reduction in Village banners and decorations, among other reductions.

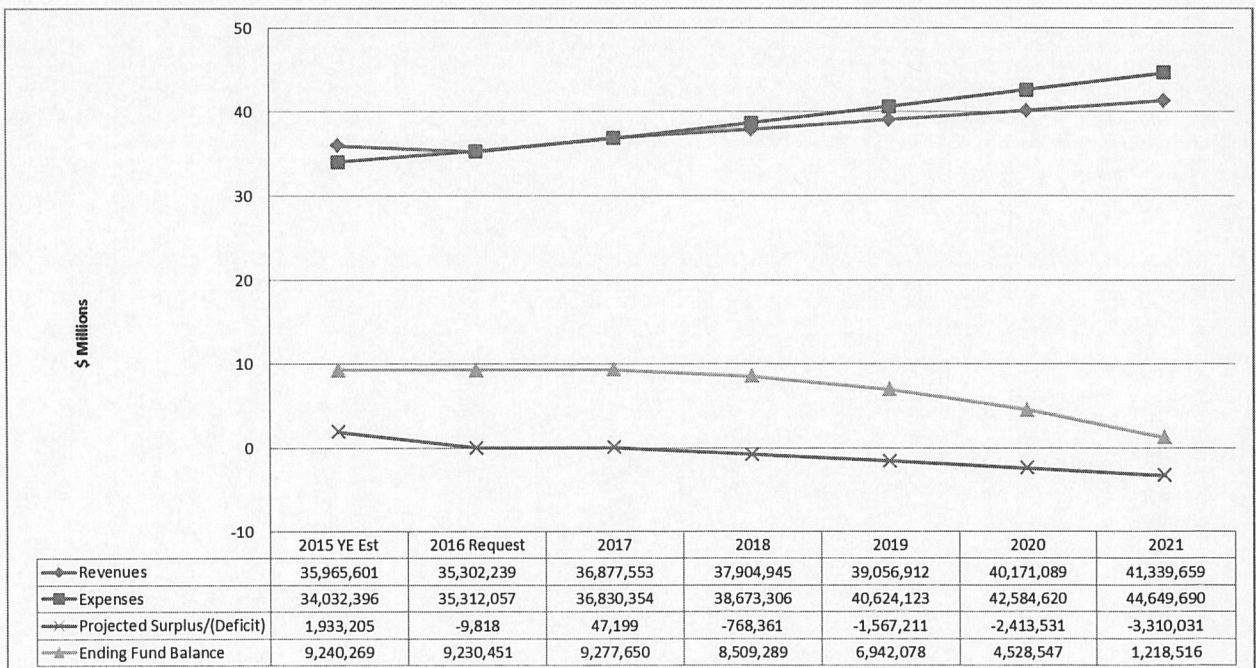
Prior to Any Changes for 2017

The chart below shows the 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$1.6M for fiscal year 2017.



Proposed Long Range Plan Changes for 2017

The chart below shows an assumption of a 1% increase to the PFE tax; with ½% PFE Tax allocated to General Fund and Expenditure Reduction of \$800K in 2017. The 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$768K in 2018, \$1.6M in 2019, 2.4M in 2020, and 3.3M in 2021.



As evidenced during the recent Long Range Planning Workshop, the Village continues to impose aggressive cost containment measures to limit expenditures. It should also be noted that the Village froze various positions as agreed to during the planning discussions and the savings through August 1, 2016 will be \$707,551 with a projected year-end savings of \$767,149. In order to help meet the (50/50) split, staff has decided to eliminate six positions which results in an annual savings of \$143,036 and an additional four positions are currently frozen through December 31, 2016.

In 2015, the Places for Eating tax generated \$1.687 million which was used to pay for operating expenses such as maintaining safe roads and public safety. The 2017 budget proposes to use \$800,000 of the additional 1% generated by the increase and the remaining funds would be placed in reserve. Again, the Village will maintain a 50/50 split of revenues and expenses if additional funds are needed to eliminate future year deficits.

The Places for Eating tax applies to all premises located within the corporate limits of the Village of Lombard where prepared food is sold at retail for immediate consumption, with seating provided for consumption of said prepared food on the premises, whether consumed on premises or not, and whether or not such *places for eating* use is conducted along with any other use(s) in a common premise or business establishment. Places for eating or place for eating includes, but is not limited to, those establishments commonly called a restaurant, eating place, drive-in restaurant, buffet, bakery, banquet facility, cafeteria, café, lunch counter, fast food outlet, catering service, coffee shop, diner, sandwich shop, soda fountain, bar, cocktail lounge, soft drink parlor, ice cream parlor, tea room, delicatessen, hotel, motel, or club, or any other establishment which sells at retail prepared food for immediate consumption.

In order to communicate this increase to both Lombard restaurants and residents, staff has also compiled the attached is a list of Frequently Asked Questions (FAQs) with information on the Long Range Plan and the proposed increase to the Places for Eating Tax. There will also be a Lombard restaurant owner open house on August 1, 2016 to discuss any questions and concerns and present restaurant related information about services provided by the Village and tips regarding fire safety, security, construction and ordinances. Finally, staff will ask those businesses that sell prepared food and are not collecting to recertify that they do not provide seating for consumption of prepared food on premise.

On March 21, 2016, as part of the Long Range Plan, the Finance and Administration Committee unanimously voted to recommended that the Village Board increase the Places for Eating Tax increase a full 1% with ½% to be used for the General Fund and ½% would be held in a separate account to reserve for future needs. It is anticipated that this additional ½% will be needed by 2018. The Finance and Administration Committee and Village Board held a Joint Long Range Planning workshop on April 25, 2016 and concurred with the Long Range Plan as recommended by the Finance and Administration Committee. In order for the increase to be effective on January 1, 2017, the Village Board would need to approve the attached ordinance amending the existing 1% Place for Eating tax to 2%.

ORDINANCE NO. _____

**AN ORDINANCE
AMENDING TITLE IX, CHAPTER 98, SECTION 98.111(B)(1)
OF THE LOMBARD VILLAGE CODE IN REGARD TO THE
TAX ON THE GROSS RECEIPTS OF PLACES FOR EATING**

BE IT ORDAINED by the President and Board of Trustees of the Village of Lombard, DuPage County, Illinois, as follows:

SECTION 1: That Title IX, Chapter 98, Section 98.111(B)(1) of the Lombard Village Code is amended to read in its entirety as follows:

“(1) There is hereby levied and imposed upon owners of places for eating a tax at the rate of one percent (1%) of gross receipts received for prepared food sold at retail by the owner from June 1, 2003 through and including December 31, 2016. There is hereby levied and imposed upon owners of places for eating a tax at the rate of two percent (2%) of gross receipts received for prepared food sold at retail by the owner on or after January 1, 2017.”

SECTION 2: That this Ordinance shall be in full force and effect from and after its passage, approval and publication in pamphlet form, as provided by law.

Passed on first reading this _____ day of _____, 2016.

First reading waived by action of the Board of Trustees this ____ day of _____, 2016.

Passed on second reading this ____ day of _____, 2016.

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED this ____ day of _____, 2016.

Keith Giagnorio, Village President

ATTEST:

Sharon Kuderna, Deputy Village Clerk

Published by me in pamphlet form this ____ day of _____, 2016.

Sharon Kuderna, Deputy Village Clerk