



City Council Agenda Memo

Crest Hill, IL

Meeting Date:	July 5, 2022
Submitter:	Lisa Banovetz, Director of Finance Jim Marino, City Administrator
Department:	Treasurer's Office
Agenda Item:	An Ordinance Establishing a Places for Eating tax in the City of Crest Hill as Chapter 3.20 Tax on the Gross Receipts of Places for Eating of Title 3, Revenue and Finance of the Crest Hill City Code of Ordinances

Summary: Below is the summary of what was discussed at the June 27, 2022, workshop. During the Fiscal Year 2022~2023 budget work sessions, revenue fee increases were discussed along with the implementation of new sources of revenue through the imposition of new taxes.

The Places for Eating Tax is:

- A two (2) percent (%) tax assessed on gross receipts of food and beverages sold at qualifying establishments within the City of Crest Hill.
- This would be a new tax. Attached is a Frequently Asked Questions document related to the PFET. Please see the link to this document below. Information on other municipalities that have this tax is also attached. The budget included \$500,000 for revenue from PFET for Fiscal Year 2022~2023.

It is worth mentioning that the places for eating tax can serve as an economic development tool. We would have the ability to rebate a portion of this tax to attract desirable restaurants. We could also rebate it to existing restaurants that are interested in expanding or renovating their business. This type of incentive would be a smaller version of the sales tax rebate given to Menards and Food 4 Less.

While the PFET is imposed upon the business, the tax does not need to be borne by the business. This tax would be paid by the customer and passed through to the city by the business, no differently than state and the RTA sales taxes.

The revenue that will be generated from the PFET is necessary to diversify the City's revenue sources and will provide the necessary funds for maintaining and enhancing services to the

community. Just like any other business or municipality, the City's costs continually increase, and the city must sustain the revenue needed to cover these costs. The city must maintain reliable and stable sources of revenue to pay for unfunded mandates imposed on municipalities by the state legislature, such as body-worn cameras (estimated at \$300,000), and to offset other revenues that have and may continue to decline, such as the telecommunications tax (this revenue declined from \$435,000 in 2017 to \$269,000 in 2021). The City will incur an ongoing cost for equipment such as body-worn cameras because they will require maintenance, replacement and added staff time to manage the system. If the City does not generate the revenue needed to cover current and impending costs, its community will stagnate and will be forced to play catch up and impose even higher fees and taxes in the future.

Unlike home rule municipalities, the City is extremely limited in its ability to generate revenue. This places the City at a disadvantage to the twelve neighboring municipalities that are home rule. These other communities have more resources at their disposal than the city does to provide high quality and expanded services to its community.

This tax does not impact every resident across the board, unlike property taxes that affect all residents within the community. This tax is discretionary and user-based and will only impact the individuals using the service.

There is a need and desire to provide enriched services to the City's residents, improve their quality of life, and enhance the stature of the city. The only way to attain this vision is to generate the necessary revenue to do so.

Recommended Council Action: Approve an ordinance establishing a 2% Places for Eating tax.

Financial Impact:

Funding Source:

Budgeted Amount: For Fiscal Year 2022~2023, the city has budgeted revenue of \$500,000 from the PFET,

Attachments: Ordinance, FAQ, PFET examples