



**DEKALB CITY COUNCIL AGENDA  
MARCH 26, 2020  
6:00 P.M.**

DeKalb Municipal Building  
City Council Chambers  
Second Floor  
200 S. Fourth Street  
DeKalb, Illinois 60115

**AMENDED**

**SPECIAL MEETING OF THE CITY COUNCIL**

- A. CALL TO ORDER AND ROLL CALL**
- C. APPROVAL OF THE AGENDA**
- D. PUBLIC PARTICIPATION**
- E. NEW BUSINESS**
  - 1. Ordinance 2020-022 Amending Chapter 55 “Hotels and Motels”, Section 55.04 “Transmittal of Tax Revenue”, and Chapter 60 “Restaurant, Bar and Package Liquor Tax”, Section 60.08 “Failure to File Return and Pay Tax” to Provide Economic Relief Related to COVID-19.**
  - 2. Consideration of Further Action by the Liquor Commissioner.**
- F. ADJOURNMENT**

Notice of a Special Meeting of the City Council for March 26, 2020 at 6:00 p.m., called pursuant to Chapter 2 “City Council”, Section 2.05 “Special Meetings”, of the Municipal Code of the City of DeKalb, Illinois.

**RUTH A. SCOTT**, Executive Assistant

Assistive services available upon request.

Hearing assistance devices are available in the Information & Technology Office, which is located to the right, just before entering Council Chambers.



**DEKALB CITY COUNCIL AGENDA  
MARCH 26, 2020  
6:00 P.M.**

DeKalb Municipal Building  
City Council Chambers  
Second Floor  
200 S. Fourth Street  
DeKalb, Illinois 60115

**SPECIAL MEETING OF THE CITY COUNCIL**

**Notice of a Special Meeting of the City Council for March 26, 2020 at 6:00 p.m., called pursuant to Chapter 2 “City Council”, Section 2.05 “Special Meetings,” of the Municipal Code of the City of DeKalb, Illinois.**

**A. CALL TO ORDER AND ROLL CALL**

**C. APPROVAL OF THE AGENDA**

**D. PUBLIC PARTICIPATION**

**E. NEW BUSINESS**

- 1. Ordinance 2020-022 Amending Chapter 55 “Hotels and Motels”, Section 55.04 “Transmittal of Tax Revenue”, and Chapter 60 “Restaurant, Bar and Package Liquor Tax”, Section 60.08 “Failure to File Return and Pay Tax” to Provide Economic Relief Related To COVID-19.**

City Manager’s Summary: At the regular City Council meeting on March 23, the Council took the following steps to provide economic relief to the local bars and restaurants closed by gubernatorial actions over the past two weeks:

- Restaurants that already carry state and local liquor licenses but do not carry package liquor licenses are allowed to sell beer and wine only with carry-out meals through June 30, upon the approval of the DeKalb Liquor Commissioner; and
- Liquor license renewal fees can be made in three installments through December 31, 2020.

At the suggestion of Council member Bill Finucane, the Council also called a special meeting for Thursday, March 26, at 6:00 p.m. to consider staff

Assistive services available upon request.

Hearing assistance devices are available in the Information & Technology Office, which is located to the right, just before entering Council Chambers.

proposals regarding potential temporary suspensions of either (a) the City's restaurant/bar tax; (b) the City's hotel/motel tax; or (c) both.

By way of background, the following facts are offered for the Council's review:

**a) Restaurant/Bar Taxes:**

- The City collects a 2% tax on prepared food and beverages as well as package liquor sales.
- The tax is administered at the local level.
- The FY2020 Budget includes \$1.95 million in R&B revenue.
- The most recent restaurant/bar receipts are for February, collected from January sales. One hundred twenty-six (126) businesses reported receipts totaling \$148,566. The average monthly receipt from all payers was \$1,179.09 and the median was \$731.75.
- There is a wide variance from the bottom to the top of the spread of restaurant/bar taxpayers. We have roughly broken the spread into three tiers for easier understanding:

Bottom Tier.	Under \$1,000 a month 73 payers 58% of receipts Average payment: \$348.29
Middle Tier.	1,000 to \$2,500 a month 36 payers 29% of receipts Average payment: \$1,633.15
Top Tier.	Over \$2,500 a month 17 payers 13% of receipts Average payment: \$3,668.57

The attached ordinance has the following features:

- Effective April 1, the businesses ("tax collectors") retain 100% of the restaurant/bar tax collected through December 31, 2020, up to a total of \$3,000. Any amount collected beyond the \$3,000 threshold will be remitted to the City. In this scenario, the small establishments have a longer period of forgiveness. The businesses still file a tax return, but only remit taxes in excess of the \$3,000 in taxes collected from actual sales.

It is also worth noting that other northern Illinois communities are considering or have taken action to mitigate the economic impacts on the hospitality industry. The City of Rockford recently voted to defer (but not suspend) the collection of the city's food and beverage tax ([attachment](#)).

**The estimated impact of the proposed restaurant/bar tax suspension is about \$378,000 through December 31, based on the assumptions that (a) even the smallest average monthly payer will reach the threshold of \$3,000 in R&B taxes collected over the next nine months; and (b) the total number of paying businesses will remain the same.**

#### **b) Hotel/Motel Taxes**

- The City imposes a 7.5% tax on the use of hotel/motel rooms within the City limits. Of this 7.5%, 1% (actually \$49,000) is directed to the Debt Service Fund (Fund 300). The remaining 6.5% is counted as General Fund Revenue, projected to be \$300,000 in FY2020.
- There are six contributing businesses.
- The total monthly collection in February for January 2020 was \$20,926.77.
- The average monthly receipt (all payers) was \$3,487.80.
- The median monthly receipt was \$1,870.96.
- The top producing business in 2019 was the Hampton Inn.

**The attached ordinance includes the suspension of hotel/motel taxes for the period April 1 through June 30, 2020, with a maximum "credit" of \$6,000 per hotel or motel.** As with the restaurant and bar provisions, the suspension only applies to those businesses open and operating on April 1. The overall City Budget exposure would be \$36,000.

**On the high end, the overall proposed business benefit (and City Budget shortfall) for the combined suspension of R&B and hotel/motel taxes is \$414,000.** It is important to note that local consumers will ultimately drive the final numbers, and it is not certain that eating and travel habits established before March will resume automatically and firmly once routine business hours and practices are restored. Accordingly, the impact and the benefit of the proposed City actions may be measurably less when reviewed from a presumably less volatile distance this Summer.

The premise behind the attached ordinance is that incentives to the local hospitality and travel industries will inspire and financially support many small businesses which are presently struggling to remain solvent, whenever the

present medical crisis passes. We do not know when that will be, or how long it will be until surviving businesses can meet or exceed the sales levels of a month ago, or an average year-on-year trend for the balance of 2020. The Council is aware that our economic and financial projections are speculative, at best, because we have no reliable, similar circumstances to build upon.

Finally, this report does not offer an exhaustive, predictive summary of the impact of the present economic dislocation on the City’s sales tax or home rule tax in fiscal year 2020. The City’s Comprehensive Annual Financial Report (“CAFR”) for each fiscal year has detailed appendices that break down annual municipal revenues by category (e.g. general merchandise, food, drinking and eating places, automobile and filling stations, etc.). We can speculate about the impact of sharp reductions in many of the categories for at least two months this year but, again, we know little about how our residents and businesses will recover from the current deep recession.

The table below lays out a range of possible impacts to General Fund revenues, particularly those that are more economically sensitive, in FY2020. The worst-case scenario, presented as a 20% revenue reduction, is unlikely unless a government mandated “shut down” were to extend for several more months.

<b>Potential General Fund Revenue Impacts</b>						
<b>Account</b>	<b>Description</b>	<b>FY2020 Budget</b>	<b>5% Reduction</b>	<b>10% Reduction</b>	<b>15% Reduction</b>	<b>20% Reduction</b>
100-00-00-31100	State Sales Tax	5,508,000	275,400	550,800	826,200	1,101,600
100-00-00-31200	Home Rule Sales Tax	6,565,000	328,250	656,500	984,750	1,313,000
100-00-00-31400	Hotel/Motel Tax	300,000	15,000	30,000	45,000	60,000
100-00-00-31500	Restaurant/Bar Tax	195,000	9,750	19,500	29,250	39,000
100-00-00-33650	Video Gaming Tax	256,000	12,800	25,600	38,400	51,200
			<b>35% Reduction (Interest Rate Decline)</b>			
100-00-00-37100	Investment Interest	220,000	77,000	77,000	77,000	77,000
			<b>Potential Tax Relief Impact</b>			
100-00-00-31500	Restaurant/Bar Tax Relief		378,000	378,000	378,000	378,000
100-00-00-31400	Hotel/Motel Tax Relief		36,000	36,000	36,000	36,000
<b>Total Potential Budgetary Impact</b>			<b>1,132,200</b>	<b>1,773,400</b>	<b>2,414,600</b>	<b>3,055,800</b>

Are there offsetting increases in other revenues, or reductions in City expenses, which can mitigate the loss of general revenue without reducing essential City services through the end of the present fiscal year? The answer is “Yes,” and in general one or more of the following actions can be considered:

- Deferral in the filling of management or exempt positions.
- Use of General Fund reserves. The FY2020 year-end reserve balance was projected to be \$9,553,385 last December, before anyone dreamed about the dramatic exogenous event which has shaken world markets. The approved

fiscal year-end reserve balance was projected to be more than 25% of the approved FY2020 General Fund expenses (\$38,137,816). This is not likely to be the case now.

- The City's collective bargaining agreements have clauses which open the door to negotiation over potential cost reductions if General Fund revenues are dramatically impacted by unforeseen events.

The City Manager does not recommend increased taxes or the reduction of essential services with only two weeks of experience to weigh, and with most local businesses struggling to sustain their employees and their solvency. At the same time, given the fixed levels of most of the City's general revenue sources, the administration's flexibility in offering options diminishes as the fiscal year progresses. The City Manager will prepare an in-depth summary of impacts and offsetting fiscal measures for the second meeting in May. The merit of such a summary will rise to the extent that the scope and direction of the COVID-19 virus threat can be more clearly understood.

**City Council approval is recommended.** [\(click here for ordinance\)](#)

## **2. Consideration of Further Action by the Liquor Commissioner.**

City Manager's Summary: Additional relief to the hospitality industry will be extended through the authority of the DeKalb Liquor Commissioner (Mayor Smith).

- a) Following Governor Pritzker's executive order of March 16, a "compliance directive" issued by the Illinois Liquor Control Commission permitted local liquor commissioners to allow license holders with the authority to sell liquor for off-premises consumption to conduct home deliveries. Such deliveries are not permitted for brew pubs and distilling pubs that routinely provide on-site sales.
- b) Further, all license renewals due on April 30, 2020 will be deferred to June 30, 2020. They include restaurant liquor licenses, amusement device and facility licenses, hotel/motel licenses, pawnbroker licenses, tow/relocator licenses, taxi/livery licenses and food truck licenses. This action would defer payments until, presumably, more normal business operations have resumed.

**For information only. City Council approval is not required.**

## **F. ADJOURNMENT**

[FULL AGENDA PACKET](#)