



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: February 18, 2016

SUBJECT: Ordinance Repealing 2015 Natural Gas Use Tax Ordinance and Amending City Code to Establish New Natural Gas Use Tax

Introduction: Attached is an Ordinance repealing the 2015 Ordinance approving an increase in the natural gas use tax rate. This Ordinance also amends the City Code to increase the natural gas use tax from 3.5 to 5-cents per therm effective April 1, 2016.

Discussion:

Natural Gas Use Tax: As part of the FY2016 budget, the Mayor recommended and the council approved an increase in the natural gas use tax from 3.5 to 5-cents per therm. This tax is applied to large utility customers that purchase natural gas wholesale from out of state suppliers and are not subject to the utility tax. The increase was expected to generate \$142,000 annually. This tax affects approximately a dozen large utility customers and has no impact on a typical resident of the City of Urbana.

Rate Increase Approved in June, 2015: On June 1, the City Council approved an Ordinance increasing the natural gas use tax rate effective August 1, 2016. However, Ameren was not notified of the increase, and therefore, did not collect the increased revenue.

The discrepancy was not immediately apparent from a review of the receipts, since natural gas taxes tend to fluctuate significantly, depending on the weather. When staff discovered the error, they contacted Ameren and were advised that they would need a new Ordinance with an effective date not earlier than April 1, 2016 to allow Ameren time to implement the change. Ameren staff has agreed to expedite implementation of the rate change, which normally requires 45 days.

Recommended Ordinance: The attached Ordinance repeals the original Ordinance No. 2015-06-055, which was never implemented; and amends the City Code to establish a

natural gas use tax of 5-cents per therm effective April 1, 2016. Staff will contact a manager in the Ameren Tax Department to verify that Ameren has been properly notified of the increase, as described in the Ordinance, in late March to ensure that the increased tax is collected.

Fiscal Impact: Unfortunately, the City cannot collect revenues for the period from August 1, 2015 through the end of March. Based on receipts through the month of January and additional receipts expected through March 31 (based on last year's revenue), staff estimates the revenue shortfall at \$101,000. Once implemented, the increase in this tax is expected to generate an additional \$142,000 annually.

Recommendation: Approve the attached Ordinance repealing Ordinance No. 2015-06-055 and approving an increase in the natural gas use tax from 3.5 to 5-cents per therm effective April 1, 2016.

ORDINANCE NO. 2016-02-011

AN ORDINANCE REPEALING ORDINANCE NO. 2015-06-055 AND AMENDING
URBANA CITY CODE CHAPTER 22, SECTION 22-45.1

(Municipal gas use tax / 2016)

WHEREAS, the City of Urbana ("City") is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, including the power to tax; and

WHEREAS, the City Council heretofore did pass Ordinance No. 2015-06-055 to amend Urbana City Code Section 22-45.1 to increase the tax upon the privilege of using or consuming gas in the City that is purchased in a sale at retail ("municipal gas use tax") from a rate of three and one-half cents (\$0.035) per therm to five cents (\$0.05) per therm; and

WHEREAS, such rate increase in the City's municipal gas use tax was not thereafter effectuated; and

WHEREAS, the City Council finds that the fiscal needs of the City continue to require an increase in the rate of the municipal gas use tax from a rate of three and one-half cents (\$0.035) per therm to five cents (\$0.05) per therm; and

WHEREAS, after due and proper consideration, the City Council finds that the best interests of the City are served by repealing Ordinance No. 2015-06-055 and by enacting a new Ordinance in lieu thereof to amend Urbana City Code Section 22-45.1 to levy and impose a tax upon the privilege of using or consuming gas in the City that is purchased in a sale at retail at the rate of five cents (\$0.05) per therm, except as otherwise provided in the Urbana City Code.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1. Ordinance No. 2015-06-055 is hereby repealed upon the effective date of this Ordinance.

Section 2. Urbana City Code Chapter 22, "Taxation," Article IV, "Municipal Utility Tax," Section 22-45.1, "Municipal gas use tax," subsection (c)(1) is hereby amended with the underlined text indicating new language and the strikethrough text indicating deletions as follows:

(c) Tax.

- (1) Except as otherwise provided, a tax is imposed on the privilege of using or consuming gas in the city that is purchased in a sale at retail at the rate of five cents (\$0.05) ~~\$03.5 cent(s)~~ per therm.

Section 3. Those sections, paragraphs, and provisions of the Urbana City Code that are not expressly amended or repealed by this Ordinance are hereby re-enacted, and it is expressly declared to be the intention of this Ordinance not to repeal or amend any portions of the Urbana City Code other than those expressly set forth as amended or repealed in this Ordinance. The invalidity of any section or provision of this Ordinance hereby passed and approved shall not invalidate other sections or provisions thereof.

Section 4. This Ordinance shall not be construed to affect any suit or proceeding pending in any court, or any rights acquired, or a liability incurred, or any cause or causes of action acquired or existing prior to the effective date of this Ordinance; nor shall any right or remedy of any character be lost, impaired, or affected by this Ordinance.

Section 5. The City Clerk is directed to publish this Ordinance in pamphlet form by authority of the corporate authorities.

Section 6. This Ordinance shall be in full force and effect on and after April 1, 2016.

Section 7. Upon approval of this Ordinance, the City Clerk is directed to mail a certified copy and a certificate of publication to Ameren Illinois, CAD, 300 Liberty Street, Peoria, IL 61602.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a meeting of said Council.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Laurel Lunt Prussing, Mayor