



AGENDA ITEM NO. 2E

COUNCIL MEETING 05/9/2013

APPROVED BY

DEPARTMENT DIRECTOR

CITY MANAGER

May 9, 2013

FROM:

KAREN M. BRADLEY, Assistant City Controller
Finance Department

SUBJECT: BILL FOR INTRODUCTION AND ADOPTION OF ANNUAL AMENDMENT TO SUBSECTION (a) of SECTIONS 7-504 AND 7-505 OF THE FRESNO MUNICIPAL CODE RELATING TO LOCAL SALES AND USE TAXES, PURSUANT TO THE MEMORANDUM OF UNDERSTANDING (MOU) WITH FRESNO COUNTY

RECOMMENDATION

Staff recommends that Council give consideration to adopting the attached amendment to the Sales and Use Tax Ordinance, implementing an already agreed upon provision of a Memorandum of Understanding between the City of Fresno and the County of Fresno (the "2003 MOU"). Approval of the amendment will increase the City's allocation of the existing Sales and Use Tax revenues generated within the City limits by 0.0003 percent of gross receipts. The Ordinance is being introduced May 9, 2013 and will return on May 23, 2013 for Council adoption as mandated in the City Charter.

EXECUTIVE SUMMARY

State law allocates one percent of Sales and Use tax revenues to local governments. The 2003 MOU requires the City to annually adjust its proportional share of the one percent allocation pursuant to an agreed upon formula. For fiscal year 2013, the City's share of Sales and Use Tax revenue generated within the City limits will increase from 0.9463 percent to 0.9466 percent of gross receipts, effective July 1, 2013. The amount of sales tax that is charged to consumers remains unchanged. This is accomplished by increasing the City's share, and decreasing the County's share of the statutory one percent designated to local governments.

BACKGROUND

On January 6, 2003, the City Council approved a 2003 MOU, which, among other things, provides an allocation formula for Sales and Use Tax rates by the two agencies over the life of the agreement, which expires December 31, 2017. Currently, Sales and Use Tax revenue generated within the City limits is allocated by providing 0.9463 percent of gross receipts to the City and 0.0537 percent of gross receipts to the County. The 2003 MOU requires the City to increase its share by 0.0003 percent for fiscal year 2014.

Only the distribution of the existing Sales and Use Tax rate has changed. There is no change in the overall tax rate paid by the consumer. Attached for Council Action is an amendment to the Sales and Use Tax Ordinance, Fresno Municipal Code Chapter 7, Article 5, which changes the City's rate to 0.9466 percent of gross receipts, effective July 1, 2013.

It should be noted that while this allocation adjustment is normally made annually, the adjustment for fiscal year 2013, effective as of July 1, 2012, was mutually waived by both the City and the County due to the anticipated immaterial dollar amount involved and due to the County's loss of key staff that normally provided the necessary underlying calculations and documents needed to prepare the legal and administrative paperwork required for the process.

FISCAL IMPACT

This amendment will result in an increase in the General Fund revenues of approximately \$20,527 in fiscal year 2014.

Attachment: Resolution

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BILL NO. _____

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF FRESNO, CALIFORNIA,
AMENDING SUBSECTION (a) OF SECTION 7-504, AND
SUBSECTION (a) OF SECTION 7-505 OF THE FRESNO
MUNICIPAL CODE, RELATING TO LOCAL SALES AND
USE TAXES.

THE COUNCIL OF THE CITY OF FRESNO DOES ORDAIN AS FOLLOWS:

SECTION 1. Subsection (a) of Section 7-504 of the Fresno Municipal Code is amended to read:

SECTION 7-504. SALES TAX.

(a) (1) Effective July 1, ~~2011~~ [2013], for the privilege of selling tangible personal property at retail a tax is hereby imposed on all retailers in the City at the rate of ~~0.9463~~ [0.9466] percent of the gross receipts of the retailer from the sale of all tangible personal property sold at retail in the City.

(2) For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state designation or to a common carrier for delivery to an out-of-state designation. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the state or has more than one place of business, the place or places at which the retail sales are consummated

Date Adopted:

Date Approved

Effective Date:

City Attorney Approval:



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Ordinance amending subsection (a)
of section 7-504 and subsection (a)
of section 7-505 of the FMC,
relating to local sales and use taxes

Ordinance No.

shall be determined under rules and regulations to be prescribed and adopted by the Board of Equalization.

SECTION 2. Subsections (a) of Section 7-505 of the Fresno Municipal Code is amended to read:

SECTION 7-505. USE TAX.

(a) An excise tax is hereby imposed on the storage, use or other consumption in the City of tangible personal property purchased from any retailer on or after the operative date of this article for storage, use or other consumption in the City at the rate of ~~0.9463~~ [0.9466] percent of the sales price of the property from and after July 1, ~~2011~~ [2013]. The sales price shall include delivery charges when such charges are subject to State sales or use tax, regardless of the place to which delivery is made.

SECTION 3. This ordinance shall become effective and in full force and effect upon its final passage.

* * * * *

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing ordinance was adopted by the Council of the City of Fresno, at a regular meeting held on the _____ day of _____, 2013.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2013
Mayor Approval/No Return: _____, 2013
Mayor Veto: _____, 2013
Council Override Vote: _____, 2013

YVONNE SPENCE, CMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY: _____
Raj Singh Badhesha, Deputy

RSB:ns [61735ns/ord] 4/30/13

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