



AGENDA ITEM NO.

COUNCIL MEETING 06/3/2008

APPROVED BY

DEPARTMENT DIRECTOR

CITY MANAGER

June 3, 2008

FROM: KAREN M. BRADLEY, Interim City Controller  
Finance Department

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

**RECOMMENDATION**

Staff recommends that Council give consideration to and direct staff to move forward with the process necessary for the adoption of the attached amendment to the Sales and Use Tax Ordinance which will reduce the City's shared allocation of the existing Sales and Use Tax pursuant to the City's MOU with the County of Fresno.

**EXECUTIVE SUMMARY**

A Memorandum of Understanding (the "2003 MOU") between the County of Fresno and the City of Fresno requires the City to reduce its proportionate share of the local sales and use tax from .9473 percent to .9472 percent effective July 1, 2008, without revising the amount of sales tax that is charged to consumers. This is accomplished by reducing the City's share, and increasing the County's share of the statutory one percent designated to local governments. This amendment will reduce the City's allocation share of the existing Sales and Use Tax pursuant to the City's MOU with the County of Fresno which states that if the sales tax revenue of the City meets certain criteria under a specified formula, the City will increase/decrease its share of sales tax and receive an increased/reduced percentage of the taxes the next fiscal year. The reduced percentage for fiscal year 2009 is .0001 percent. According to the Charter, an ordinance must be introduced but cannot be adopted by Council on the day of its introduction, nor within five days of its introduction. Upon Council's consideration of this resolution and direction to Staff, the Ordinance will be presented for adoption at the next scheduled Council meeting.

**BACKGROUND**

On January 6, 2003, the City Council approved an Amended and Restated Memorandum of Understanding (the "2003 MOU") with the County of Fresno which provides for an allocation formula of Sales and Use Tax rates by the two agencies over the life of the agreement. The distribution of Sales and Use Tax between the City and County is currently .9473 percent for the City and .0527 percent for the County. The 2003 MOU requires the City to reduce its share of sales tax and receive .0001 percent less for fiscal year 2009.

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 introduction and consideration is the proposed amendment to the Sales and Use Tax Ordinance, Fresno Municipal Code Chapter 7, Article 5, which changes the City's shared rate to .9472 percent, effective July 1, 2008.

**FISCAL IMPACT**

This amendment will result in a reduction in the General Fund revenues of approximately \$15,500 in fiscal year 2009.

Attachment: Resolution

ORDINANCE OF THE COUNCIL OF THE CITY OF FRESNO  
PROPOSED AND INITIATED BY \_\_\_\_\_  
MOVED BY \_\_\_\_\_ SECONDED BY \_\_\_\_\_

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, ~~2007~~ [2008], 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 ~~0.9473~~ [0.9472] 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 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 ~~0.9473~~ [0.9472] percent of the sales price of the property from and after July 1, ~~2007~~ [2008]. 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.

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