



Board Agenda Item 17

DATE: June 6, 2017

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Amendment to County Sales and Use Tax Ordinance (County Wide)
FY 2017-18

RECOMMENDED ACTION(S):

- 1. Conduct first hearing on ordinance amending Fresno County Ordinance Code Section 4.16.090 concerning the allocation of sales and use tax revenues, amending it as to the City of Fresno as to its sales tax distribution rate, and amending the dates to which all cities within the County must adhere to the stated rates, changing the effective dates of the adjusted rates to be from July 1, 2017 to June 30, 2018, waive the reading of the ordinance in its entirety, and set a second hearing for June 20, 2017.**
- 2. Designate County Counsel to prepare a fair and adequate summary of the proposed ordinance, and direct the Clerk to the Board to post and publish the required summary in accordance with Government Code Section 25124(b)(1).**

This item comes before the Board pursuant to the Memorandum of Understanding (MOU) between the County and the cities within the County which provides for an annual adjustment to the sales and use tax sharing ratio between the County and the cities within the County (see Exhibit A). The proposed ordinance will change the sales and use tax ratio of the one-percent Sales and Use Tax returned to the County and the cities from the State Board of Equalization for the City of Fresno from 0.9468 to 0.9469. The proposed ordinance will also change the dates to which all cities within the County must adhere to the stated rates from July 1, 2017 to July 1, 2018. The recommended action would result in the first hearing of the ordinance and set a second hearing for June 20, 2017.

ALTERNATIVE ACTION(S):

Not approving the proposed sales and use tax rate changes would result in the County not receiving in FY 2017-18, an additional \$5,475.77 over the last year's amount of \$265,108.39 based upon the adjusted Consumer Price Index (CPI) from Michael Automotive that was annexed to the City of Fresno in 1992 based on the City of Fresno's sales tax revenue in FY 2015-16.

FISCAL IMPACT:

Currently the City of Fresno receives a 0.9468 percent share of the sales and use tax returned to the County and the cities from the State Board of Equalization (SBOE). The City of Fresno's sales tax rate sharing has changed from 0.9468 percent to 0.9469 percent which will allow the City to receive additional revenue due to increased sales tax in FY 2015-2016, but still allows the County to receive \$5,475.77 in estimated additional revenue with regards to the adjusted CPI from Michael Automotive in compliance with terms of the MOU between the City of Fresno and the County.

DISCUSSION:

Fresno County has entered into MOUs with cities in the County which address land use and property and sales tax allocations. As provided in the MOUs, based on information provided by the SBOE and the State Department of Finance, adjustments in the distribution rate of sales and use tax revenues between the County and the cities may be required effective July 1st of each year.

The County/City of Fresno MOU went into effect on January 6, 2003, and is valid for 15 years (2018). This MOU has a formula that requires an annual adjustment based on growth in revenue documented by the SBOE. The City of Fresno's reported sales tax increased from \$84,112,376.58 in FY 2014-15 to \$87,509,327.06 in FY 2015-16. The proposed ordinance would change the City of Fresno's share of local sales and use tax distribution rate from 0.9468 to 0.9469 percent effective July 1, 2017. The adjustment is necessary for the County to continue receiving its California Consumer Price Index (CPI) adjusted share of a substantial sale tax generator (Michael Automotive) since the developed commercial property was annexed in 1992. The amount that the County will receive in FY 2017-18 is estimated to be \$270,584.16 which is \$5,475.77 over last year's amount of \$265,108.39 based on actual receipts for sales tax revenues in FY 2015-16 and inflation-adjusted dollars.

Staff would like to note that the Cities of Huron, Orange Cove, Parlier and San Joaquin receive their entire share of the sales and use tax returned to the County because they do not meet the criteria which triggers adjustment in their distribution rate (see Exhibit B). The Cities of Clovis, Coalinga, Firebaugh, Fowler, Kerman, Kingsburg, Reedley, Sanger and Selma have already reached their maximum rate of five percent that is due to the County for the duration of their MOUs.

The City of Fresno was notified on April 27, 2017 of the proposed adjustment from 0.9468 percent to 0.9469 percent which is necessary for the County to continue receiving its CPI adjusted share of a substantial sale tax generator (Michael Automotive).

The County's Ordinance, once approved by the Board, automatically levies the full amount of sales and use tax but gives credit to each city within the County up to the negotiated amount of the sales and use tax. Today's action would adjust the amounts of sales tax distributed to the cities in Fresno County according to the terms negotiated in each of the MOUs for FY 2017- 2018. The SBOE requests that Ordinance amendments be adopted as soon as possible to assure that the correct apportionments can be made beginning July 1, 2017. County staff will advance this information to the SBOE to make sure this change is implemented effective July 1, 2017.

OTHER REVIEWING AGENCIES:

A copy of this Agenda item has been sent to the City of Fresno.

REFERENCE MATERIAL:

BAI #2, January 6, 2003
BAI #32, May 21, 2013
BAI #38, May 20, 2014
BAI #46, May 19, 2015
BAI #62, May 24, 2016

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibits A - B
Ordinance

CAO ANALYST:

John Hays