

ACTION SHEET
CITY COUNCIL COMMITTEE MEETING OF 06/11/14
ITEM FROM FINANCE COMMITTEE MEETING OF 06/02/14

ISSUE:

25. Request for Approval of a Resolution Relating to Comprehensive Tax Reform for Municipalities; Calling on the New Mexico State Legislature to Take Immediate Action on Tax Reform Initiatives to Bring Balance, Equity and Financial Stability to Municipal Governments. (Councilors Maestas, Bushee and Ives) (Marcos Tapia and Brian Snyder)

Committee Review:

City Council (scheduled)

06/11/14

Fiscal Impact – No

FINANCE COMMITTEE ACTION: APPROVED AS CONSENT ITEM

SPECIAL CONDITIONS OR AMENDMENTS

STAFF FOLLOW-UP:

VOTE	FOR	AGAINST	ABSTAIN
COUNCILOR TRUJILLO	X		
COUNCILOR RIVERA	X		
COUNCILOR LINDELL	X		
COUNCILOR MAESTAS	Excused		
CHAIRPERSON DOMINGUEZ			

3-17/14/FCMissue

City of Santa Fe, New Mexico

LEGISLATIVE SUMMARY

Resolution No. 2014-____ Local Government Tax Reform

SPONSOR(S): Councilors Maestas, Bushee and Ives

SUMMARY: The proposed resolution relates to comprehensive tax reform for municipalities and calls on the New Mexico State Legislature to take immediate action on tax reform initiatives to bring balance, equity and financial stability to municipal governments.

PREPARED BY: Rebecca Seligman, Legislative Liaison Assistant

FISCAL IMPACT: No

DATE: May 29, 2014

ATTACHMENTS: Resolution
FIR

CITY OF SANTA FE, NEW MEXICO
PROPOSED AMENDMENT(S) TO RESOLUTION NO. 2014-___
Local Government Tax Reform

Mayor and Members of the City Council:

I propose the following amendment(s) to Resolution No. 2014-___ :

1. On page 2, *delete* lines 5 and 6 and *insert* in lieu thereof:

“**WHEREAS**, the City of Santa Fe is facing a total estimated loss of over \$80 million of hold harmless distribution funds over the phase-out period ending in 2030; and”

Respectfully submitted,

Councilor Joseph Maestas

ADOPTED: _____

NOT ADOPTED: _____

DATE: _____

Yolanda Y. Vigil, City Clerk

1 CITY OF SANTA FE, NEW MEXICO

2 RESOLUTION NO. 2014-__

3 INTRODUCED BY:

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5 Councilor Joseph Maestas

6 Councilor Patti Bushee

7 Councilor Peter Ives

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9
10 A RESOLUTION

11 RELATING TO COMPREHENSIVE TAX REFORM FOR MUNICIPALITIES; CALLING
12 ON THE NEW MEXICO STATE LEGISLATURE TO TAKE IMMEDIATE ACTION ON
13 TAX REFORM INITIATIVES TO BRING BALANCE, EQUITY AND FINANCIAL
14 STABILITY TO MUNICIPAL GOVERNMENTS.

15
16 WHEREAS, local governments continue to be negatively impacted by the economic
17 downturn of 2008, resulting in significant declines in revenue available for local governments; and

18 WHEREAS, up to 75% of a municipality's general fund revenue is derived from gross
19 receipts taxes; and

20 WHEREAS, gross receipts taxes are regressive and disproportionately impact disadvantaged
21 and low income citizens; and

22 WHEREAS, the Governing Body recognizes that gross receipts taxes are an
23 unstable funding source whose levels are dependent on the health of the economy; and

24 WHEREAS, state law was amended in 2013 to repeal the hold harmless distribution made by
25 the State to municipalities that have a population of over 10,000 to compensate those municipalities

1 for revenues lost as the result of the State’s elimination of gross receipts taxes on food and certain
2 medical services; and

3 **WHEREAS**, the State's elimination of these gross receipts taxes represent up to 30% of
4 municipalities' total gross receipts tax revenue; and

5 **WHEREAS**, the City of Santa Fe is facing a total loss of \$80 million of hold harmless
6 distribution funds over the phase-out period ending in 2030; and

7 **WHEREAS**, the State's elimination of this source of gross receipts tax revenue will certainly
8 cause a major decrease in vital city services, jeopardize current and future infrastructure and seriously
9 impact the city workforce and local economy; and

10 **WHEREAS**, some municipalities provide Emergency Medical and Communication Services
11 within the municipality but are not authorized by the State Legislature to fund the cost of providing
12 such services through an appropriate dedicated tax; and

13 **WHEREAS**, long standing New Mexico tax policy provides that “any shifting of tax sharing
14 between the state and municipalities must guarantee municipalities at least the same revenue levels
15 they derive from current tax policy;” and

16 **WHEREAS**, state law related to a home rule municipality’s authority over its financial
17 affairs is severely restricted and there is a need to amend state law to remove such restrictions in order
18 to mitigate the impacts of current state tax policy; and

19 **WHEREAS**, the *2013-2014 New Mexico Municipal League Statement of Municipal Policy*
20 (*“NMML Policy Statement”*) includes taxation and revenue and finance policy statements that should
21 be used as a reference to draft proposed legislative initiatives to be acted upon by the State
22 Legislature at its next session; and

23 **WHEREAS**, the Governing Body is mindful that the City of Santa Fe, as the capital city of
24 the State of New Mexico, should work in close collaboration with the New Mexico Municipal League
25 (NMML) and other New Mexico municipal governments to propose tax reform initiatives for action

1 by the New Mexico State Legislature to bring balance, equity and financial stability to local
2 municipal governments and the residents they serve.

3 **NOW, THEREFORE BE IT RESOLVED BY THE GOVERNING BODY OF THE**
4 **CITY OF SANTA FE** that the Governing Body hereby endorses the taxation and revenue and
5 finance policy statements of the NMML and calls on the New Mexico State Legislature to enact
6 legislation, consistent with the *NMML Policy Statement*, during the 2015 Legislative Session to bring
7 balance, equity and financial stability to local municipal governments and the residents they serve.

8 Such legislation shall:

- 9 • Grant municipalities the authority to generate the revenue necessary to administer
10 government and provide basic services.
- 11 • Guarantee municipalities, when there is any shifting of tax sharing between the state and
12 municipalities, at least the same revenue levels they derive from current state tax policy.
- 13 • Authorize municipalities to enact taxes at the local level that are appropriate to their tax
14 bases in the following areas:
 - 15 1. Gross Receipts Tax - Retain authority to enact at the local level.
 - 16 2. Ad Valorem Tax - Retain authority to impose millage for municipal general purpose
17 government.
 - 18 3. Income Tax - Grant municipalities a share of the State income tax.
 - 19 4. Miscellaneous User Taxes - Grant municipalities the authority to levy local option
20 taxes on sales of gasoline, cigarettes and alcohol, or, in the alternative, increase the
21 municipal share of such current taxes.
- 22 • Remove limitations on municipal revenue sources for home rule municipalities.
- 23 • Provide added financial assistance or revenues each time the legislative, executive or
24 judicial branches create new or expanded service requirements for municipalities by
25 providing realistic funding levels for new and existing mandates.

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- Develop an effective funding system to supplement or replace federal funding in those program areas which are the most essential to the well-being of New Mexico's citizens.
- Amend the confidentiality provisions of the New Mexico Tax Act to allow certain municipal officials access to currently confidential information regarding taxpayers in a municipality so that at least once every three years municipalities would have the ability to identify businesses that are not in compliance with State of New Mexico or municipal business registration statutes and ordinances which would further enhance the Taxation and Revenue Department's ability to enforce and collect taxes.
- Grant municipal authority for an emergency medical and communication services gross receipts tax in 1/8% increments up to a total of 1/4% by positive referendum.

BE IT FURTHER RESOLVED that staff is directed to coordinate and work with the NMML, other municipalities and appropriate State legislative committees to ensure that legislation is enacted during the 2015 legislative session that will grant local governments the authority to bring financial balance, equity and stability to their respective municipalities.

BE IT FURTHER RESOLVED that the City Clerk is directed to send a copy of this resolution to the New Mexico Congressional Delegation, the Speaker of the New Mexico House of Representatives, the President Pro Tempore of the New Mexico Senate, the City's State Legislative Delegation, the NMML and the City's lobbyist.

PASSED, APPROVED, and ADOPTED this ____ day of _____, 2014.

ATTEST:

JAVIER M. GONZALES, MAYOR

YOLANDA Y. VIGIL, CITY CLERK

1 APPROVED AS TO FORM:

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KELLEY A. BRENNAN, INTERIM CITY ATTORNEY

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M/Melissa/Resolutions 2014/Local Government Tax Reform_052714

**City of Santa Fe
Fiscal Impact Report (FIR)**

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

Section A. General Information

(Check) Bill: _____ Resolution: X

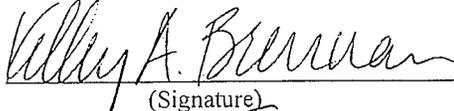
(A single FIR may be used for related bills and/or resolutions)

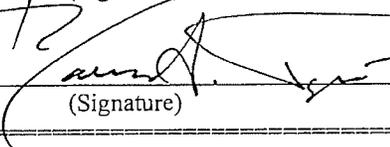
Short Title(s): A RESOLUTION RELATING TO COMPREHENSIVE TAX REFORM FOR MUNICIPALITIES; CALLING ON THE NEW MEXICO STATE LEGISLATURE TO TAKE IMMEDIATE ACTION ON TAX REFORM INITIATIVES TO BRING BALANCE, EQUITY AND FINANCIAL STABILITY TO MUNICIPAL GOVERNMENTS.

Sponsor(s): Councilors Maestas, Bushee and Ives

Reviewing Department(s): City Attorney's Office

Persons Completing FIR: Rebecca Seligman Date: 05/29/14 Phone: 955- 6501

Reviewed by City Attorney:  Date: 5/29/14
(Signature)

Reviewed by Finance Director:  Date: 5/29/14
(Signature)

Section B. Summary

Briefly explain the purpose and major provisions of the bill/resolution:

The purpose of the resolution is to call on the New Mexico State Legislature to take immediate action on tax reform initiatives to bring balance, equity and financial stability to municipal governments.

Section C. Fiscal Impact

Note: Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- a. The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- b. Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- c. Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)*

1. Projected Expenditures:

- a. Indicate Fiscal Year(s) affected -- usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- b. Indicate: "A" if current budget and level of staffing will absorb the costs
"N" if new, additional, or increased budget or staffing will be required
- c. Indicate: "R" -- if recurring annual costs
"NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- d. Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- e. Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

Finance Director: 

X Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY <u>2014</u>	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Total:	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____

* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. **For fringe benefits contact the Finance Dept.

2. Revenue Sources:

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY _____	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs – Recurring or "NR" Non-recurring	_____

_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
Total:	\$ _____	_____	\$ _____	_____	_____	_____

3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

None

Section D. General Narrative

1. Conflicts: Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

None that staff is aware of

2. Consequences of Not Enacting This Bill/Resolution:

Are there consequences of not enacting this bill/resolution? If so, describe.

If we are not able to participate in a collaborative effort with the New Mexico Municipal League and other municipalities and State legislative committees, we would not be able to work toward financial balance, equity and stability.

3. Technical Issues:

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

No

4. Community Impact:

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

By adopting the resolution, the Governing Body is directing staff to coordinate and work with the New Mexico Municipal League, other municipalities and appropriate State legislative committees to ensure that legislation is enacted during the 2015 legislative session that will grant local governments the authority to bring financial balance, equity and stability to their respective municipalities.

Form adopted: 01/12/05; revised 8/24/05; revised 4/17/08