



City of Las Cruces®

PEOPLE HELPING PEOPLE

Council Action and Executive Summary

Item # 6 Ordinance/Resolution# 15-148

For Meeting of _____
(Ordinance First Reading Date)

For Meeting of February 17, 2015
(Adoption Date)

Please check box that applies to this item:

QUASI JUDICIAL LEGISLATIVE ADMINISTRATIVE

TITLE: 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.

PURPOSE(S) OF ACTION:

Tax reform.

COUNCIL DISTRICT: ALL		
<u>Drafter/Staff Contact:</u> Robert Garza	<u>Department/Section:</u> Administration/City Manager	<u>Phone:</u> 541-2076
<u>City Manager Signature:</u>		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

Economic impacts to city governments continues to be a significant concern. Reduced revenues from gross receipts taxes continues to threaten the ability of the City of Las Cruces to provide essential services in our growing community. Municipalities in New Mexico are very reliant on gross receipt taxes to run operations and for Las Cruces, it is well over 75% of the total general fund budget. As gross receipts tax receipts continue to become unstable and unpredictable, we need to diversify and correct tax decisions from the past that have eroded our ability to rely on current tax structures established by the state.

The City of Las Cruces is joining the City of Santa Fe and other municipalities within the state to urge our legislators to take on the long overdue task of major tax reform in New Mexico. This is a critical issue for all city governments who must thrive to make our extended State of New Mexico strong and vibrant.

SUPPORT INFORMATION:

1. Resolution.

(Continue on additional sheets as required)

SOURCE OF FUNDING:

Is this action already budgeted? N/A	Yes	<input type="checkbox"/>	See fund summary below
	No	<input type="checkbox"/>	If No, then check one below:
	<i>Budget Adjustment Attached</i>	<input type="checkbox"/>	Expense reallocated from: _____
		<input type="checkbox"/>	Proposed funding is from a new revenue source (i.e. grant; see details below)
	<input type="checkbox"/>	Proposed funding is from fund balance in the _____ Fund.	
Does this action create any revenue?	Yes	<input type="checkbox"/>	Funds will be deposited into this fund: _____ in the amount of \$_____ for FY_____.
	No	<input checked="" type="checkbox"/>	There is no new revenue generated by this action.

BUDGET NARRATIVE

N/A

FUND EXPENDITURE SUMMARY:

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
N/A	N/A	N/A	N/A	N/A	N/A

OPTIONS / ALTERNATIVES:

1. Vote "Yes"; this will direct staff to submit the Resolution to appropriate legislative bodies.
2. Vote "No"; no further action will be required.
3. Vote to "Amend"; any changes required by the City Council can be made.

REFERENCE INFORMATION:

The resolution(s) and/or ordinance(s) listed below are only for reference and are not included as attachments or exhibits.

N/A

RESOLUTION NO. 15-148**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.**

The City Council is informed that:

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

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

WHEREAS, the governing body recognizes that gross receipts taxes are an unstable funding source whose levels are dependent on the health of the economy; and

WHEREAS, state law was amended in 2013 to repeal the hold harmless distribution made by the State to municipalities that have a population of over 10,000 to compensate those municipalities for revenues lost as the result of the State's elimination of gross receipts taxes on food and certain medical services; and

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

WHEREAS, the City of Las Cruces "City" is facing a total estimated loss of over \$124 million of hold harmless distribution funds over the phase-out period ending in 2030; and

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

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

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

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

WHEREAS, the governing body is mindful that the City of Las Cruces, as the second largest city in the state should work in close collaboration with the New Mexico Municipal League (NMML) and other New Mexico municipal governments to propose tax reform initiatives for action by the New Mexico State Legislature to bring balance, equity and financial stability to local municipal governments and the residents they serve.

NOW, THEREFORE, Be it resolved by the governing body of the City of Las Cruces:

(I)

THAT City staff will work with the NMML and other New Mexico 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.

(II)

THAT the City of Las Cruces shall hereby endorse the taxation and revenue and finance policy statements of the NMML and calls on the New Mexico State Legislature to enact legislation, consistent with the NMML Policy Statement, during the 2015 Legislative Session to bring balance, equity, and financial stability to local municipal governments and the residents they serve.

(III)

THAT City staff is hereby authorized to do all deeds necessary in the accomplishment of the herein above.

DONE AND APPROVED this _____ day of _____, 20_____.

APPROVED:

Mayor

ATTEST:

City Clerk

(SEAL)

Moved by: _____

Seconded by: _____

APPROVED AS TO FORM:

City Attorney

VOTE:

Mayor Miyagishima:	_____
Councillor Silva:	_____
Councillor Smith:	_____
Councillor Pedroza:	_____
Councillor Small:	_____
Councillor Sorg:	_____
Councillor Levatino:	_____