

12. **CITY MANAGER**

a. Informational Items

- xi. Direction to staff regarding amending Business Tax receipts legislation

**SUPPLEMENTAL MATERIAL ATTACHED**

**MEMORANDUM**

TO: Judith Zimomra, City Manager  
FROM: Sylvia Edwards, Finance Director   
DATE: May 14, 2009  
RE: Proposed increase to Business Tax (formerly called Occupational License Fees)

The City of Sanibel collects business taxes (formerly occupational licenses) pursuant to Section 205, Florida Statutes. Accordingly, prior to October 1, 1995, an equity study commission re-structured the City’s business tax rates upon which a 5% increase can be applied every other fiscal year (Section 205.0535(4), F.S.). By Statute we are limited to increasing the business taxes every other year. This is the year for the adjustment.

In order to implement a 5% rate increase effective October 1, 2009, the City’s current business tax rate structure would need to be amended by Ordinance pursuant to this Florida Statute. During the two-year period postage costs have increased 12.82% or approximately \$500 annually; printing costs have increased approximately \$130 and personnel costs have increased approximately \$9,035 annually primarily due to increased benefit costs. The annual cost to administer the business tax program is approximately \$68,000. The primary administrative expenses are personnel, postage and printing.

Business tax revenues, in addition to franchise fees, are pledged to the repayment of the 1979 \$3.19M Debt Service Fund. This debt was issued in 1979 to purchase Gulfside City Park, Causeway Park and the Boat Ramp properties.

The following table reflects historical revenue collected from Business Taxes:

<u>Fiscal Year</u>	<u>Actual Collections</u>	<u>Prior Increases</u>
1996	\$249,432	
1997	\$245,147	
1998	\$239,585	
1999	\$244,931	
2000	\$247,475	
2001	\$264,177	
2002	\$262,412	
2003	\$247,385	
2004	\$269,360	Ordinance 03-001 – 5% increase
2005	\$270,004	
2006	\$282,853	Ordinance 05-009 – 5% increase
2007	\$277,184	
2008	\$290,066	Ordinance 07-006 – 5% increase
2009	\$288,950 (collected through 5/11/2009)	

Business Tax renewals are billed on July 31<sup>st</sup> for the subsequent fiscal year, which begins on October 1<sup>st</sup>. Therefore, 101% of business taxes for fiscal year 2009 have been collected as of May 11th.

Based on an October 1, 2009 effective date, historical collections and the state of the current economic conditions, if an Ordinance is adopted, the proposed 5% rate increase is estimated to generate an annual increase of approximately \$14,450.

sae