

City of Fayetteville Staff Review Form

City Council Agenda Items  
and  
Contracts, Leases or Agreements

11/1/2011

City Council Meeting Date  
Agenda Items Only

Paul A Becker

Submitted By

Finance and Internal Services

Division

Finance and Internal Services

Department

Action Required:

This is a request for the City Council to formally establish the Sales Tax Capital Fund. This would allow the City to continue to budget and report the Sales Tax Capital Fund in the City Financial Statements under newly defined generally accepted accounting principles.

N/A	\$ -	
Cost of this request	Category / Project Budget	Program Category / Project Name
	\$ -	
Account Number	Funds Used to Date	Program / Project Category Name
	\$ -	
Project Number	Remaining Balance	Fund Name

Budgeted Item

Budget Adjustment Attached

Paul A. Becker 10-18-2011  
Department Director Date

Previous Ordinance or Resolution # \_\_\_\_\_

[Signature] 10-18-11  
City Attorney Date

Original Contract Date: \_\_\_\_\_

Original Contract Number: \_\_\_\_\_

Paul A. Becker 10-18-2011  
Finance and Internal Services Director Date

Received in City Clerk's Office 10-19-11 P01:47 RCVD  
[Signature]

[Signature] 10-19-11  
Chief of Staff Date

Received in Mayor's Office

[Signature] 10/19/11  
Mayor Date

Comments:



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THE CITY OF FAYETTEVILLE, ARKANSAS  
DEPARTMENT CORRESPONDENCE

## CITY COUNCIL AGENDA MEMO

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**To:** Mayor Jordan and Members of the Fayetteville City Council

**Thru:** Don Marr, Chief of Staff

**From:** Paul A Becker, Finance Director P.A.B.

**Date:** October 17, 2011

**Subject:** Request for an Ordinance Formally Establishing The Sales Tax Capital Fund

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### **Background:**

The Governmental Accounting Standards Board (GASB) is the standard setting body for generally accepted principles for governmental accounting (GAP). Once established these rules must be followed to receive an unqualified opinion from a CPA firm on the City Financial Statements. In other words, they set the rules in the world of governmental accounting.

The City of Fayetteville is required to have an annual audit performed under generally accepted accounting principles by a CPA firm and an opinion rendered on the City's Financial Statements.

Periodically, the GASB establishes or changes accounting principles and/ or reporting requirements. This is done through the issuance of GASB Statements. Recently GASB has issued Statement 54 which primarily addresses a new classification method of funds balance, but also touches on what is required to establish and account for separate funds.

### **Issues:**

Since 1993 when the one cent sales tax was approved by the voters of Fayetteville, the portion of the City sales tax used for capital and capital related projects has been accounted for and reported in a separate fund. Although over the years the percentages allocated between general operations and capital has changed, the City Council has continued to allocate a portion of the sales taxes collected to capital and capital related projects. The current allocation is 60% to general operations and 40% to sales tax capital expenditures. In June of 2002 a resolution was passed by the City Council (87-02) which established a minimum of 30% of the sales tax collections be devoted to capital or capital related improvements. Although previous resolutions indicated the intent of the City to account for these expenditures separately, I can find no record of the City Council formally

creating the Sales Tax Capital Fund. Because of the requirements of GASB 54 it is necessary for the Council to formally establish said Sales Tax Capital Fund to continue to account for and report this program separately in the annual audited financial statements. Therefore, I request the City Council establish by ordinance the Sales Tax Capital Fund to account for that portion of the city one cent sales tax allocated to capital and capital related expenditures as determined and identified by the City Council in the annual budget of the City. To continue the City's current policy, I also request the City Council specify that at least 30% of the city sales tax collections be allocated to this fund for capital and capital related projects as determined by the City Council during the annual budget process.

**BUDGET IMPACT:**

There is no additional cost to this request. It would codify the City's' past accounting and budgeting practices.

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE TO ENACT §34.09 SALES TAX CAPITAL FUND OF  
THE CODE OF FAYETTEVILLE**

**WHEREAS**, the Government Accountings Standards Board sets general accounting principles and requires that cities account for certain revenues by placing them in separate funds; and

**WHEREAS**, the City Council has determined to recognize and establish a separate Sales Tax Capital Fund.

**NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE  
CITY OF FAYETTEVILLE, ARKANSAS:**

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby enacts §34.09 **Sales Tax Capital Fund** of the Code of Fayetteville as shown below.

**“§34.09 Sales Tax Capital Fund**

“(A) The Sales Tax Capital Fund is recognized and established as a separate fund to be used exclusively for capital and capital related projects and purchases as authorized and appropriated by the City Council.

(B) At least forty percent (40%) of the revenue derived from the city one percent operating sales and use tax shall be deposited into the Sales Tax Capital Fund in 2012. The City Council when adopting budgets for 2013 and thereafter may lower this minimum percentage for the Sales Tax Capital Fund, but not more than five percent (5%) per year to an absolute minimum division of thirty percent (30%) for the Sales Tax Capital Fund and seventy percent (70%) for operations as was approved by City Council Resolution No. 87-02 in 2002.”

**PASSED and APPROVED** this 1<sup>st</sup> day of November, 2011.

**APPROVED:**

**ATTEST:**

By: \_\_\_\_\_  
**LIONELD JORDAN, Mayor**

By: \_\_\_\_\_  
**SONDRA E. SMITH, City Clerk/Treasurer**

**RESOLUTION NO. 87-02**

**A RESOLUTION EXPRESSING THE CITY'S INTENT AS  
TO THE USE OF COLLECTIONS OF THE PROPOSED  
RENEWAL OF THE CITY WIDE SALES TAX AND USE TAX**

**WHEREAS**, the City Council of the City of Fayetteville, Arkansas (the "City") has passed on June 4, 2002, Ordinance No. 4397 providing for continuing the levy of a 1% Sales and Use tax within the City (the "Tax") if approved by the voters; and

**WHEREAS**, the Tax will continue to be levied under Title 26, Chapter 75, subchapter 2 of the Arkansas Code of 1987 Annotated and may be used by the City for any purpose for which the City's general funds may be used, and;

**WHEREAS**, after public hearings and a vote of the City Council, the City updates yearly a five year plan of capital improvements which lists the specific capital improvement goals of the City and prioritizes the need for such capital improvement projects, and;

**WHEREAS**, the purpose of this resolution is to clarify for the Fayetteville voters some of the purposes for which the City Council expects to finance and/or maintain with tax collections.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF  
THE CITY OF FAYETTEVILLE, ARKANSAS:**

**Section 1:** The City hereby expresses its intent to utilize 50% of Tax collections in each calendar year through December 31, 2006 for the financing of capital improvements as set forth in the City's five year Capital Improvement Program. It is the City's further intent that these funds be accounted for separately and used only for capital improvement projects.

**Section 2:** The City hereby further expresses its intent to utilize the remaining 50% of tax collections in each calendar year for City operations and maintenance and, should such collections exceed any need for such purpose, the remaining amounts may be used for financing capital improvements.



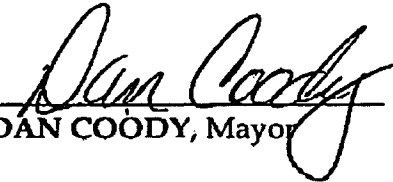
Res. 87-02

Section 3: The City Council shall reexamine the revenue needs of the City in reference to both capital improvements and operating expenses and needs for budget year 2006 and thereafter and may adjust the division of the sales tax collections between capital improvements and operating expenses as needed. However, no yearly adjustment may exceed ten percent (10%) from the division existing in the previous year and the amount devoted to capital improvements shall never drop below thirty percent (30%).

Section 4: It is the City's intent to finance these capital improvements on a pay-as-you-go basis without the necessity of a bond issue.

**PASSED and APPROVED** this the 4<sup>th</sup> day of June, 2002.

APPROVED:

By:   
DAN COODY, Mayor



By:   
Heather Woodruff, City Clerk

