
675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
(707) 764-5480 (fax)



DATE: June 16, 2026

TO: Honorable Mayor and Members of the City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Adopt Resolution 1672-2026 Resolution Authorizing Examination of Sales or Transactions and Use Tax Records (CDTFA) and Designating HdL as Authorized Representative

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Adopt Resolution No. 1672-2026, authorizing the Finance Director and the City Manager, and any officer or employee the City Manager designates in writing, to examine the City's confidential sales or transactions and use tax records held by the California Department of Tax and Fee Administration (CDTFA), and designating Hinderliter de Llamas and Associates (HdL) as the City's authorized representative to examine those records.

BACKGROUND AND DISCUSSION

The City of Rio Dell contracts with the CDTFA for the administration and collection of two local taxes: the Bradley-Burns Uniform Local Sales and Use Tax (Ordinance No. 104), and the City's voter-approved district transactions and use tax. The district tax was established by Ordinance No. 326 in 2014 and was amended by the voters in 2022 through Ordinance No. 394, which set the current rate at 0.75 percent effective January 1, 2025. The records the CDTFA maintains for these taxes contain confidential taxpayer information.

Revenue and Taxation Code section 7056 makes those records confidential and permits the City to examine them, or to authorize a third-party representative to examine them, only when the City Council adopts a resolution that names the authorized positions and any designated representative. Section 7056.5 establishes criminal penalties for unlawful disclosure. The CDTFA will not release records to the City or to a consultant without a current, conforming resolution on file.

On June 1, 2026, the City executed a Master Services Agreement with HdL for sales and use tax analysis, allocation review, and audit recovery services. That agreement requires the City to adopt a resolution under Section 7056(b) designating HdL as a person authorized to examine the

City's sales and use tax records and certifying that the agreement meets the conditions of Section 7056(b)(1). This resolution satisfies that requirement.

The proposed resolution does four things:

1. Authorized positions (Section 1). Authorizes the Finance Director and the City Manager to examine the confidential records. To avoid having to return to Council each time staffing changes, the resolution also allows the City Manager to designate additional officers or employees in writing, which is the approach the CDTFA recommends.
2. Permitted uses (Section 2, Option 2). Authorizes use of the data for tax collection and for additional governmental functions: Budget Planning and Revenue Forecasting, Economic Development, Community Development, and Business License Administration. Option 2 is recommended because it matches the services the City already contracts for. The HdL agreement is written at the Essential Services tier, which includes sales tax trend analysis to share with Council and economic development groups, budget forecasting reports, and economic-cluster analysis. Adopting Option 1, which would limit use to tax collection only, would be narrower than the work the City is paying HdL to perform.
3. Designation of HdL (Section 3). Designates HdL to examine the records on the City's behalf and certifies that the Master Services Agreement contains the four conditions required by Section 7056(b)(1): an existing contract to examine the records, disclosure only to the City officer authorized in Section 1, a prohibition on HdL performing consulting services for a retailer during the term, and a prohibition on retaining the information after the contract expires. These conditions are set out in Schedule B, Section 12 of the executed agreement.
4. Supersession (Section 4). Supersedes all prior City resolutions adopted under Section 7056(b), so the CDTFA works from a single current authorization.

The optional provision in the CDTFA template covering a prior representative with an open reallocation petition or appeal does not apply to the City and has been omitted.

FISCAL IMPACT

Adopting the resolution carries no direct cost. It is an authorization document that allows the City and HdL to access records the City is already entitled to. Under the associated Master Services Agreement, the City pays HdL a monthly fee of \$192 for the Essential Services tier, invoiced quarterly in arrears and adjusted annually by the Consumer Price Index, plus a contingency audit fee equal to 18 percent of new, increased, or recovered sales and use tax revenue that HdL identifies and the City receives. The audit recovery work is designed to be self-funding, because the contingency fee applies only to new, increased, or recovered revenue that results, in whole or in part, from HdL's allocation audit and recovery services.

ATTACHMENTS

1. Resolution No. 1672-2026
2. HdL Master Services Agreement, executed June 1, 2026