



STAFF REPORT

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
MEETING DATE: DECEMBER 2, 2024
FROM: DEREK COLE, CITY ATTORNEY
SUBJECT: APPROVAL OF RESOLUTIONS AUTHORIZING AGREEMENTS WITH THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION FOR PREPARATION, ADMINISTRATION, COLLECTION, AND EXAMINATION OF RECORDS RELATED TO THE CITY’S ONE-CENT TRANSACTION AND USE TAXES (MEASURE P)

Background and Analysis

Measure P, which enacts a City transaction and use (“sales”) tax, was approved by more than a majority of voters in the November 2024 General Election. As of the date of this memorandum, the County had not completed its canvass of that election, but the margin of votes by which the Measure was leading was too great to be overcome.

The California Department of Tax and Fee Administration (“CDTFA”) will administer the collection of and transmittal of the Measure P revenues to the City. As a condition for doing so, it requires the City to enter into two agreements, for which City Council approval is sought.

Preparatory Agreement. This agreement will authorize CDTFA to prepare for the collection of the newly approved sales tax and to calculate the associated costs CDTFA will incur – and that the City will be obligated to pay CDTFA – for its collection of the tax on the City’s behalf.

Administration Agreement. This agreement will govern how CDTFA administers and collects the sales tax revenue for the City. This detailed agreement would identify the CDTFA and City responsibilities and the timing and terms of transfers of revenue to the City following the collection of taxes from within the City.

CDTFA also requires that cities identify the staff members who are authorized to inspect the records that agency gathers from vendors who collect the sales tax. (These records are otherwise

confidential under applicable law.) The proposed resolution specifies that the City Manager and Finance Supervisor would have these authorities.

Fiscal Impact

The proposed actions will not themselves have measurable financial impacts, but they will allow the City to collect the annual revenue Measure P is expected to generate, which is estimated to be \$579,000. CDTFA will require reimbursement from the City for the services it performs. The amount of such reimbursement is not known at this time.

Recommendation

The City Council should adopt the resolutions (1) authorizing execution of the Preparation and Administration Agreements, and (2) authorizing the examination of records.

ATTACHMENTS:

1. Resolution Authorizing Execution of the Preparation and Administration Agreements, including attachments:
 - A. Preparation Agreement
 - B. Administration Agreement

2. Resolution Authorizing the Examination of Records