



CITY COUNCIL AGENDA STATEMENT



July 24, 2018

File ID: 18-0334

TITLE

- A. RESOLUTION _ OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AUTHORIZING THE CITY MANAGER TO EXECUTE AGREEMENTS WITH THE CALIFORNIA DEPARTMENT OF TAX AND ADMINISTRATION FOR IMPLEMENTATION OF A LOCAL TRANSACTIONS AND USE TAX
- B. RESOLUTION _ OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AUTHORIZING THE EXAMINATION OF TRANSACTIONS (SALES) AND USE TAX RECORDS

RECOMMENDED ACTION

Council adopt the resolutions.

SUMMARY

In June 2018, the City's electorate approved the passage of Measure A, which established a one-half cent general transactions and use tax ("TUT") in the City. In order to implement the tax, the California Department of Tax and Administration ("CDTFA") requires that the City take certain actions, including approving and entering into two agreements with the CDTFA, and authorizing the examination of tax records. The resolutions before you will meet the CDTFA's requirements.

ENVIRONMENTAL REVIEW

Environmental Notice

..Environmental Notice

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

In accordance with the Revenue and Taxation Code, the CDTFA will administer the TUT on behalf of the City. In order to do so, the CDTFA requires that the City adopt two resolutions. The first resolution approves, and authorizes the City Manager to sign, the following two agreements between the City and the CDTFA: (i) "Agreement for Preparation to Administer and Operate City's Transactions and Use Tax Ordinance;" and (ii) "Agreement for State Administration of City Transactions and Use Taxes." The first of these agreements will enable the CDTFA to perform the preparatory work it must do in order to administer and operate the TUT for the City. This work includes designing and printing forms, developing instructions

for staff and taxpayers, developing appropriate regulations, and other necessary tasks. The agreement details the types of costs that will be included, how the costs will be accounted for, and how the City will be billed. The agreement provides that the City's costs for this work shall not exceed \$175,000.

The second agreement sets forth the terms for the CDTFA's administration of the City's TUT. The agreement is consistent with the requirements of the Revenue and Taxation Code. It includes provisions regarding how the TUT will be administered by the CDTFA, how and when the tax funds will be remitted to the City, and the City's agreement to compensate the CDTFA for its administration costs (which will be deducted from taxes collected).

The second resolution asks the City to designate which of its representatives may examine the CDTFA's records regarding the TUT collected on the City's behalf. The resolution authorizes the following City employees to have access to such records: (i) City Manager; (ii) Assistant City Manager; (iii) Deputy City Manager; (iv) Director Finance; and (v) Revenue Manager. In addition, it authorizes the City's consultant, Hinderliter, de Llamas and Associates, to examine the records, pursuant to its contract with the City.

After City Council approval of the resolutions, City staff will transmit the signed agreements, certified resolutions, and other required documents to the CDTFA. The CDTFA will begin collecting the TUT on October 1, 2018.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. This item supports the City's goals, in that, it will allow the collection of tax funds which will improve the City's economic vitality and will be used to improve City facilities, thereby, benefitting neighborhoods and communities.

CURRENT-YEAR FISCAL IMPACT

The Preparation Agreement requires the City to pay CDTFA costs up to \$175,000. These costs will be incurred in the current fiscal year.

ONGOING FISCAL IMPACT

The City will be required to pay the CDTFA's on-going administrative costs relative to the City's TUT. These costs will be deducted from the tax funds collected by the CDTFA, prior to the funds being remitted to the City.

ATTACHMENTS

1. Resolution Approving, and Authorizing City Manager to Execute, Agreements with the California Department of Tax and Administration for Implementation of a Local Transactions and Use Tax
 - a. Exhibit A: Agreement for Preparation to Administer and Operate City's Transactions and Use

Tax Ordinance

- b. Exhibit B: Agreement for State Administration of City Transactions and Use Taxes
2. Resolution Authorizing the Examination of Transactions (Sales) and Use Tax Records

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