

**City of Culver City, California
Agenda Item Report**

Meeting Date: 12/10/2012		Item Number: <u>C-13</u>	
CITY COUNCIL AGENDA ITEM: (1) Adoption of Resolutions (a) Authorizing Execution of Agreements with the State Board of Equalization to Administer and Collect the Local Transactions and Use Tax; (b) Authorizing Examination of Sales and Use Tax Records; (c) Authorizing Examination of Transactions and Use Tax Records; and (2) Approval of a Professional Services Agreement with Hinderliter, De Llamas and Associates.			
Contact Person/Dept.: Jeff Muir/Finance		Phone Number: 310/253-5865	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒ Date: _____			
Public Notification: (E-Mail) Meetings and Agendas – City Council (12/07/12)			
Department Approval: Jeff Muir (11/27/12)		City Attorney Approval: Carol Schwab (by H. Baker) (12/06/12)	
Chief Financial Officer Approval: Jeff Muir (11/27/12)		City Manager Approval: John M. Nachbar (12/07/12)	
<u>RECOMMENDATION:</u> Staff recommends that the City Council: 1. Adopt the attached Resolution authorizing the City Manager to execute a “Preparatory Agreement” and an “Administration Agreement” with the State Board of Equalization to administer and collect the transactions and use tax for the City; and 2. Adopt the attached Resolution authorizing examination of sales and use tax records; and, 3. Adopt the attached Resolution authorizing examination of transactions and use tax records; and, 4. Approve a professional services agreement with Hinderliter, de Llamas and Associates for transactions tax audit and information services. <u>BACKGROUND / DISCUSSION:</u> On July 16, 2012, the City Council adopted resolutions which placed before Culver City voters a ballot measure proposing to amend the Culver City Municipal Code to provide for a local transactions and use tax of one-half percent. This measure was included on the November 6, 2012 ballot designated as Measure Y. Measure Y was approved by over 76% of the voters. The State Board of Equalization (BOE) will administer and perform the services necessary to set up the transactions and use			

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tax. In order to begin this process, the BOE requires City Council adoption of the attached resolution authorizing the City Manager to execute an 'Administration Agreement' and 'Preparatory Agreement'. Executed copies of the resolution and agreements will be provided to the BOE, and they will begin the process to implement the tax effective April 1, 2013.

Additionally, new resolutions authorizing designated City staff and the City's sales tax consultant (Hinderliter, de Llamas and Associates) access to the data are required. The City's existing resolution for access to sales and use tax data needs to be updated to allow the City Manager to designate in writing to the BOE what City staff members can view the data. The new transactions and use tax (Measure Y) is considered a separate data source by the BOE and requires its own resolution. A separate professional services agreement with Hinderliter, de Llamas and Associates (HdL) is required that is specific to the transactions and use tax.

FISCAL ANALYSIS:

The cost of preparatory services that must be reimbursed to the BOE shall not exceed \$175,000 per California Revenue and Taxation Code Section 7272. These costs will not be incurred for some time, and will be reflected by a future budget amendment related to the revenue generated by Measure Y. Ongoing administration costs will be deducted from the taxes collected by the BOE, as prescribed by law. The proposed agreement with HdL will cost \$100 per month for the quarterly district transactions tax reports, and a flat 25% of any initial recoveries of misallocations through their audit services.

ATTACHMENTS:

1. Resolution Authorizing Agreements with BOE
2. Exhibit 'A' – Preparatory Agreement
3. Exhibit 'B' – Administration Agreement
4. Resolution Authorizing Examination of Sales and Use Tax Records
5. Resolution Authorizing Examination of Transactions and Use Tax Records

MOTION:

That the City Council:

1. Adopt a Resolution authorizing the City Manager to execute a "Preparatory Agreement" and an "Administration Agreement" with the State Board of Equalization to administer and collect the transactions and use tax for the City; and

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2. Adopt the attached Resolution authorizing examination of sales and use tax records; and,
3. Adopt the attached Resolution authorizing examination of transactions and use tax records; and,
4. Approve a professional services agreement with Hinderliter, de Llamas and Associates for transactions tax audit and information services; and
5. Authorize the City Attorney to review/prepare the necessary documents; and,
6. Authorize the City Manager to execute such documents on behalf of the City.