



City of Culver City

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Staff Report

File #: 19-642, **Version:** 1

Item #: C-18.

CC - (1) Adoption of a Resolution Authorizing Execution of Agreements with the California Department of Tax and Fee Administration to Administer and Collect the Local Transactions and Use Tax; (2) Adoption of a Resolution Authorizing Examination of Transactions and Use Tax Records; and (3) Approval of a Professional Services Agreement with Hinderliter, De Llamas for Transactions Tax Audit and Information Services.

Meeting Date: December 10, 2018

Contact Person/Dept: Kambiz Borhani/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 (12/05/18)

Department Approval: Serena Wright, Assistant City Manager (12/04/18)

RECOMMENDATION

Staff recommends that the City Council (1) adopt a Resolution authorizing the City Manager to execute a "Preparatory Agreement" and an "Administration Agreement" with the California Department of Tax and Fee Administration (CDTFA) to administer and collect the transactions and use tax for the City; (2) adopt a Resolution authorizing examination of transactions and use tax records; and (3) approve a professional services agreement with Hinderliter, de Llamas and Associates for transactions tax audit and information services.

BACKGROUND

On July 9, 2018, the City Council approved a ballot measure amending the Culver City Municipal Code and providing for a local transactions and use tax of one quarter-cent (0.25%). This measure was submitted to the County of Los Angeles and included on the November 6, 2018 ballot designated as Measure C. Measure C was approved by over 70% of the voters. The

CDTFA will administer and perform the services necessary to set up the transactions and use tax. In order to begin this process, the CDTFA requires approval of the attached resolution authorizing the City Manager to execute an "Administration Agreement" and "Preparatory Agreement." Executed copies of the proposed Resolutions and agreements will be provided to the CDTFA, and they will begin the process to implement the tax effective April 1, 2019.

Additionally, a Resolution authorizing designated City staff and the City's sales tax consultant (Hinderliter, de Llamas and Associates) access to the data is 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 CDTFA what City staff members can view the data. The new transactions and use tax (Measure C) is considered a separate data source by the CDTFA and requires its own resolution.

A separate professional services agreement with Hinderliter, de Llamas and Associates (HdL) is required specific to the transactions and use tax. Culver City Municipal Code Section 3.07.065.A exempts professional services from formal bid procedures, provided competitive quotes are obtained whenever practical, as determined by the City Manager. In this case, HdL has a significant history of providing the City with expert transactions and use tax services, and has substantial institutional knowledge with regard to the City's most recent sales tax measures in particular. For these reasons, the City Manager did not require competitive quotes in this case.

FISCAL ANALYSIS

The cost of preparatory services that must be reimbursed to the CDTFA 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 for Measure C. Ongoing administration costs will be deducted from the taxes collected by the CDTFA, as prescribed by law. The 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. Proposed Resolution Authorizing Agreements with CDTFA (including Exhibit A - Preparatory Agreement, and Exhibit B - Administration Agreement)
2. Proposed 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 California Department of Tax and Fee Administration to administer and collect the transactions and use tax for the City;
2. Adopt a Resolution authorizing examination of transactions and use tax records;
3. Approve a professional services agreement with Hinderliter, de Llamas and Associates for transactions tax audit and information services;
4. Authorize the City Attorney to review/prepare the necessary documents; and
5. Authorize the City Manager to execute such documents on behalf of the City.