



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JANUARY 24, 2017

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: RESOLUTION AUTHORIZING THE EXECUTION OF A PREPARATORY AGREEMENT AND AN ADMINISTRATION AGREEMENT, AND A RESOLUTION AUTHORIZING THE EXAMINATION OF TRANSACTIONS (SALES) AND USE TAX WITH THE STATE BOARD OF EQUALIZATION FOR IMPLEMENTATION OF MEASURE Z

ISSUE:

The issues for City Council consideration are the adoption of a Resolution authorizing the execution of a Preparatory Agreement and an Administration Agreement with the State Board of Equalization (BOE) for implementation of Measure Z, a 1% transaction and use tax, and the adoption of a Resolution authorizing the appointment of the City Manager, Assistant City Managers, Chief Financial Officer/Treasurer, or their designees and consultants to examine confidential transactions and use tax records.

RECOMMENDATIONS:

That the City Council:

1. Adopt the attached Resolution (Attachment 1) approving the Preparatory Agreement (Attachment 2) and the Administrative Agreement (Attachment 3).
2. Authorize the City Manager, or designee, to execute the Preparatory Agreement and Administrative Agreement.
3. Adopt the attached Resolution (Attachment 4) authorizing the City Manager, Assistant City Managers, Chief Financial Officer/Treasurer or their designees and the consultant Hinderliter, De Llamas and Associates, access to confidential and use tax records collected by the BOE.

LEGISLATIVE HISTORY:

On November 8, 2016, the residents of Riverside approved Measure Z, which is a general transaction and use tax of 1%.

DISCUSSION:

Pursuant to California Revenue and Taxation Code section 7265, Measure Z is scheduled to become effective on April 1, 2017. Revenue and Taxation Code section 7056 sets forth certain requirements and conditions for the disclosure of the BOE records relating to Measure Z taxes.

In order to implement the new tax and have access to records collected by the agency, the City will need to enter into a Preparatory Agreement (Attachment 2) and an Administration Agreement (Attachment 3) with the BOE. These agreements not only provide for BOE to administer the Measure Z taxes collected, they also allow for the reimbursement to BOE of its costs. Under the Preparatory Agreement, that amount shall not exceed \$175,000. The consultant Hinderliter, De Lamas and Associates will charge \$100 per month for transaction district tax reports and a 25% audit fee on the initial recovery for non-payment on transaction taxes. BOE requires a resolution authorizing the execution of the agreements (Attachment 1).

BOE also requires the appointment of a City representative to examine the transactions (sales) and use tax records. By resolution (Attachment 4) the City Manager, Assistant City Managers, Chief Financial Officer/Treasurer or designees and the consultant Hinderliter, De Llamas, and Associates are authorized on behalf of the City to examine those records. The resolutions along with the signed agreements must be submitted to the BOE by February 1, 2017.

FISCAL IMPACT:

With the adoption of the Resolution authorizing the approval of the Preparatory Agreement and Administrative Agreement, and the execution of those agreements, there will be a cost not to exceed \$175,000 for the reimbursement of any BOE costs. The consultant Hinderliter, de Lamas and Associates will charge \$100 per month for transaction district tax reports and a 25% audit fee on the initial recovery for non-payment on transaction taxes. There is no fiscal impact associated with the adoption of the Resolution authorizing the examination of transactions and use tax records.

Prepared by: Adam Raymond, Assistant Chief Financial Officer
Certified as to availability of funds: Scott G. Miller PhD, Chief Financial Officer/City Treasurer
Approved by: Marianna Marysheva, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Resolution Authorizing the City Manager or designee to execute agreements with the State Board of Equalization
2. Preparatory Agreement
3. Administration Agreement
4. Resolution Authorizing the examination of transactions (sales) and use tax records