

# Budget Engagement Commission

City of Arts & Innovation

**DATE: AUGUST 13, 2020** 

FROM: FINANCE DEPARTMENT WARDS: ALL

HONORABLE COMMISSIONERS

## SUBJECT: THIRD QUARTER FY2019-20 SALES TAX AND ECONOMIC FORECAST PRESENTATION

### ISSUE:

TO:

Receive and provide input on a sales tax and economic forecast presentation from the City's sales tax consultant, Hinderliter, de Llamas and Associates, on the third quarter FY2019-20 sales tax activity of the City of Riverside.

#### **RECOMMENDATIONS:**

That the Budget Engagement Commission receive and provide input on the sales tax and economic forecast presentation provided by the City's sales tax consultant, Hinderliter, de Llamas and Associates, on the third quarter FY2019-20 sales tax activity of the City of Riverside.

#### BACKGROUND:

Section 7056 of the State of California Revenue and Taxation Code gives local agencies the ability to examine sales, use, and transactions tax records of the Department of Tax and Fee Administration (former State Board of Equalization), provided that the examination of confidential tax information is authorized by a resolution of the City Council. The required resolution should permit "any duly authorized officer or employee of the [city] or other person designated by that resolution, to examine all of the sales or transactions and use tax records of the board pertaining to the ascertainment of those sales or transactions and use taxes to be collected for the [city]." (Rev. & Tax Code section 7056(b).) The law restricts the disclosure of confidential taxpayer information contained in the records of the California Department of Tax and Fee Administration (CDTFA).

In 2001, the City contracted with Hinderliter, de Llamas & Associates (HdL) to examine the City's sales tax information and develop an effective program of sales tax management, monitoring and auditing. This effective program has provided more accurate sales tax forecasting and identified key sales tax opportunities as they relate to economic development. By passage of Resolution No. 19964, the City Council authorized HdL and City officials to receive and review sales and use tax transactions from the Board of Equalization.

#### **DISCUSSION:**

HdL has been in operation since 1983 and has developed California's first computerized sales tax management program that allows verification of the Department of Tax and Fee Administration's allocation of sales tax revenues to local governments. HdL is specialized in sales and use tax analysis and has extensive experience identifying and correcting "point of sale" allocation errors, misallocations and other misreported sales transactions that result in recovered sales tax revenues for the City. The firm's specialized services include providing quarterly updates to the City through a confidential quarterly sales tax report that identifies changes in sales by major outlets, by category, and areas of growth. Additionally, HdL provides non-confidential quarterly newsletters with economic and sales tax trends by major groups without disclosing confidential information.

HdL currently serves over 400 government agencies in six states and has recovered more than \$1.8 billion in revenue for its clients via its tax auditing services. HdL's team has extensive economic development, finance and local government experience that allows them to analyze the City's revenue in detail and provide relevant, useful and timely information to support business retention/expansion programs and financial strategies.

#### FISCAL IMPACT:

There is no direct fiscal impact associated with presentation of this report.

Prepared by: Approved as to	Edward Enriquez, Chief Financial Officer / City Treasurer
availability of funds:	Edward Enriquez, Chief Financial Officer / City Treasurer
Approved by:	Moises Lopez, Deputy City Manager

Attachment: Presentation