



Staff Report

File #: 21-0636

REQUEST FOR CITY COUNCIL ACTION

DATE: 07/21/2021

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:
Resolution No. 2021-093 authorizing the examination of sales or transactions and use tax records

EXECUTIVE SUMMARY:

With the passage of Measure X, an updated resolution must be approved by the City's governing body to authorize City staff and the sales tax consultant to examine sales or transactions and use tax records. Sales tax revenues are an important revenue stream to fund the City's operations. In Fiscal Year 2022, sales tax is estimated to provide 43% of the General Fund revenues. Sales tax records are reviewed to audit information to ensure it is reported under the correct municipality, to assist with General Fund revenue projections, and for economic development and strategic planning purposes (business attraction, expansion, and retention).

RECOMMENDED ACTION:

That the City Council approve Resolution No. 2021-093 authorizing the examination of sales or transactions and use tax records.

BACKGROUND & HISTORY:

Resolution No. 2001-01 is currently on file with the California Department of Tax and Fee Administration (CDTFA). That resolution provides authorization for certain City of Corona staff and the City's sales tax consultant, Hinderliter, De Llamas & Associates (HdL), to examine confidential sales and use tax records that pertain to the City of Corona. The resolution was adopted in compliance with Section 7056 of the California Revenue and Taxation Code which set requirements and conditions for the disclosure of sales tax records.

ANALYSIS:

In November 2020, a majority of the City of Corona voters approved a 1% transactional use tax, known as Measure X. The increase to the City's sales tax rate became effective July 1, 2021. The transactional use tax data is reported to the CDTFA, along with the regular sales tax information.

The CDTFA is responsible for managing the State of California's sales tax program, which includes remitting funds to municipalities for their respective portion of sales tax revenues.

Resolution No. 2001-01 is currently on file with the CDTFA which provides authorization for certain City of Corona staff and HdL to examine confidential sales and use tax records. The current resolution does not provide authorization to view data related to the new 1% transactional use tax. To provide access to the Measure X transactional data, the City's governing board must adopt an updated resolution that provides authorization to examine both the sales and use tax records, in addition to the new transactional use tax data. Sales tax revenues are an important revenue stream to fund the City's operations. In Fiscal Year 2022, sales tax is estimated to provide 43% of the General Fund revenues. Sales tax records are reviewed to audit information to ensure it is reported under the correct municipality, to assist with General Fund revenue projections, and for economic development and strategic planning purposes (business attraction, expansion, and retention).

The City Manager may designate, in writing, City staff to represent the City with authority to examine sales or transactions and use tax records filed with the CDTFA. Currently, the two positions designated to view those records are the Finance Director and Accounting Manager. The City works with a contracted sales tax consultant, HdL, to provide their expertise regarding sales and use tax analysis. With access to the State data, HdL's sales tax database (including information back to Fiscal Year 1988/1989), and working closely with economists, they provide resources to evaluate the activity of the City of Corona sales tax producers. They provide quarterly reports to staff and to the Committee of the Whole, assist with sales and use tax revenue projections, and provide audit services to identify companies that are not reported correctly under the City of Corona. HdL works directly with the CDTFA to correct any reporting errors and misallocations to local agencies. In addition, HdL staff is accessible to City staff for questions and research related to sales tax. In order for a third-party vendor to be authorized to view the records, a resolution must be approved by the City Council.

The information obtained by examination of the CDTFA records shall only be used for purposes related to the following governmental functions of the City:

- a) Budgeting and revenue verification and projections;
- b) Audits;
- c) Economic development and strategic planning (business attraction, expansion and retention);
- d) Revenue productivity analysis;
- e) Fiscal and economic impact analysis; and
- f) Analysis of revenue base strengths, weaknesses, opportunities and threats.

The updated resolution is prepared in accordance with Section 7056 of the California Revenue and Taxation Code. Staff recommends approval of Resolution No. 2021-093 which will update the authorizations on file with the CDTFA.

FINANCIAL IMPACT:

There is no fiscal impact for approval of the recommended action.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. When it can be seen with certainty there is no possibility that the adoption of the resolution may have a significant effect on the environment, the action is not subject to CEQA. This action merely approves a resolution authorizing access to confidential records filed with the CDTFA and there is no possibility that adopting the resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Resolution No. 2021-093