

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JAN MAZYCK, CHIEF FINANCIAL OFFICER
SUBJECT: APPROVAL OF AGREEMENTS WITH THE CALIFORNIA
DEPARTMENT OF TAX AND FEE ADMINISTRATION FOR THE
ADMINISTRATION OF ORDINANCE NO. ORD-2020-018-A, AN
EXTENSION OF TWO ¼ CENT GENERAL SALES TAXES,
KNOWN AS MEASURE Q

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution, approve: 1) an Agreement for Preparation to Administer and Operate City's Transactions and Use Tax Ordinance; and 2) an Agreement for State Administration of City Transaction and Use Taxes with the California Department of Tax and Fee Administration to provide for the Department's administration of the transaction and use tax ordinance passed by voters as Measure Q, a ½ cent general sales tax, on November 3, 2020.

EXECUTIVE SUMMARY

The California Department of Tax and Fee Administration (CDTFA) requires cities to enter into agreements with the Department, so the Department can administer and collect tax revenues on behalf of those cities. Measure Q, a sales tax measure that combined two quarter-cent general transaction and use taxes into one, ten-year half-cent transaction and use tax, was approved by the voters on November 3, 2020. Approval of these agreements will ensure proper administration and timely remittance of Measure Q revenue to the City.

BACKGROUND

The CDTFA administers and collects the City's existing transaction and use taxes and all similar taxes imposed by all applicable jurisdictions throughout California. By state law, this tax can only be administered and collected by the Department.

On November 3, 2020, Santa Rosa voters passed Measure Q. Measure Q combined two quarter-cent general transaction and use taxes into a single, half-cent transaction and use tax, for a ten-year period beginning July 1, 2021. The existing quarter-cent transaction and use taxes will be collected and remitted to the City until June 30, 2021.

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The CDTFA requires cities to enter into agreements for the administration of local sales tax ordinances. The deadline for entering into this agreement is April 1, 2021.

PRIOR CITY COUNCIL REVIEW

On December 8, 2020, the City Council adopted Ordinance No. ORD-2020-018-A after the tax was approved by 71.8% of voters.

On July 21, 2020, the City Council, by Resolution No. RES-2020-123, ordered submission of a measure (Measure Q) relating to sales tax, to qualified voters at the November 3, 2020 General Election.

ANALYSIS

For every tax measure passed by voters, in any local jurisdiction, the CDTFA requires that jurisdiction to enter into a mandatory preparatory agreement and a mandatory administration agreement for the administration of those tax ordinances. The first preparatory agreement authorizes the CDTFA, at the City's expense, to do the preparatory work to administer and collect the tax. The administrative agreement authorizes the CDTFA's on-going administration of the tax ordinance.

The costs for the preparatory work are statutory, based on actual costs and may not exceed an amount set by the Revenue and Taxation Code section 7272. These costs include preparatory work include costs of developing procedures, programming for data processing, developing and adopting appropriate regulations, designing and printing forms, developing instructions for the Department's staff and for taxpayers, and other appropriate and necessary preparatory costs to administer a transactions and use tax ordinance. Total amount for the preparatory work may not exceed \$175,000. The compensation to be paid the Department for its on-going administration of the tax is also set by statute and is calculated as a percentage of the tax revenues collected.

FISCAL IMPACT

The preparatory work will be funded from existing General Fund appropriations for the current fiscal year (FY 2020-21). Any ongoing administrative costs incurred by the Department will be netted against future revenue distributions to the City.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

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BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibits A and B – Agreements with the California Department of Tax and Fee Administration

CONTACT

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