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# CITY OF POMONA COUNCIL REPORT

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January 7, 2019

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Onyx Jones, Finance Director/City Treasurer

Subject: **Adopt a Resolution of the City Council of the City of Pomona Authorizing the California Department of Tax and Fee Administration (CDTFA) to Administrate and Implement Measure PG (a Local Transaction and Use Tax (TUT)); Authorize the City Manager to enter into a Preparatory and Administration Agreement with the California Department of Tax and Fee Administration; Adopt a Resolution of the City Council of the City of Pomona Authorizing Specified City Officials and Hinderliter, de Llamas & Associates to Examine Records Relating to the Transactions and Use Tax (TUT) Collected by California Department of Tax and Fee Administration; Award of Contract to Hinderliter, de Llamas & Associates for Transactions and Use Tax Audit and Information Services**

## OVERVIEW

**Recommendation** – That the City Council:

1. Adopt the attached resolution (Attachment 1) authorizing the California Department of Tax and Fee Administration (CDTFA) to administrate and implement Measure PG a Local Transaction and Use Tax (TUT) approved by voters on November 6, 2018.
2. Authorize the City Manager or her designee to enter into a Preparatory and Administration Agreement with the CDTFA.
3. Adopt the attached resolution (Attachment 2) authorizing specified City Officials and Hinderliter, de Llamas & Associates to examine records relating to the TUT collected by the CDTFA.
4. Authorize the City Manager or her designee to enter into an agreement with Hinderliter, de Llamas & Associates for TUT Audit and Information Services.

## **Fiscal Impact** –

The CDTFA will begin collection of the 0.75% TUT beginning April 1, 2019. The City will receive its first advance payment at the end of June 2018. Hinderliter de Llamas and

Associates, the City's consultant for sales tax analysis, estimates based on present sales tax revenues and future projections that approximately \$12 million will be annually generated, thus an estimated \$3 million may be generated by June 2019 from this new 0.75% TUT (sales tax).

The City is responsible for payment to the CDTFA for preparatory costs, including costs of developing procedures, programming for data processing, developing and adopting appropriate regulations, designing and printing of forms, developing instructions for the CDTFA's staff and taxpayers, and other necessary preparatory costs which shall include the CDTFA's direct and indirect costs as specified by Section 11256 of the Government Code. The maximum amount of all preparatory costs to be paid by the City shall not, in any event, exceed \$175,000.

The cost for TUT Audit and Information Services to be provided by Hinderliter de Llamas and Associates will cost the City \$100 per month plus a flat 25% of the initial amount of new TUT tax revenue audited, discovered and received by the City.

**Previous Related Action** – On August 6, 2018, City Council adopted a resolution to submit a 0.75% sales tax measure to the City of Pomona's qualified electors at the general municipal election held on November 6, 2018.

On December 3, 2018, City Council adopted a resolution that as a result of the election, a majority of the voters voting on Measure PG relating to the establishment of a 0.75% TUT (sales tax) in the City of Pomona, did vote in favor of it, and that the measure was carried, and shall be deemed adopted and ratified.

## **EXECUTIVE SUMMARY**

The attached resolutions are a standard requirement of CDTFA when a City passes a local TUT. The resolutions will (1) allow the City to enter into a preparatory and administrative agreement with CDTFA, (2) authorize the CDTFA to administrate and implement Measure PG and (3) authorize specified City Officials and Hinderliter, de Llamas & Associates to examine records relating to the TUT collected by the CDTFA. Staff is also requesting authorization for the City Manager to enter into an agreement with Hinderliter, de Llamas & Associates to monitor, generate reports, and audit the TUT revenue.

## **DISCUSSION**

Approximately one year ago, the City hired UFI to prepare a ten-year forecast and analysis for the City. Staff reviewed the ten-year forecast presented by UFI in detail and based on the options presented in the model, it was decided a TUT (sales tax) ballot measure will generate approximately \$12M in General Fund revenues and help to preserve the City's current service levels.

The City of Pomona currently has a budget deficit of \$4.9M. Additionally, if one-time monies are eliminated, the City's General Fund could experience budget insolvency and an annual recurring operating deficit of \$8M to \$10M over the next ten years. On August 6, 2018, City Council adopted

a resolution placing a 0.75% TUT (Measure PG) on the November 6, 2018 ballot. Measure PG was approved by majority vote. On December 3, 2018 a resolution was adopted by City Council declared and determined that the results of the 0.75% sales tax (Measure PG) was passed.

As the result of passing Measure PG, the City of Pomona is required by the CDTFA to enter into a Preparatory and Administrative Agreement along with resolutions authorizing processing of and access to Transaction and Use Tax records. The City currently contracts with Hinderliter de Llamas and Associates to provide Tax Reporting, Monitoring and Analysis Services. With passage of the additional 0.75% TUT (sales tax) at the November 6, 2018 election, an additional agreement is needed for Hinderliter de Llamas and Associates to provide Transactions Use Tax Audit and Information Services to the City.

## **ATTACHMENTS**

1. Attachment 1 – Resolution authorizing the City Manager to execute agreements with the California Department of Tax and Fee Administration for implementation of a local transactions and use tax
2. Attachment 2 – Resolution authorizing examination of sales, use and transaction tax records