



Staff Report

City Council

Item No. {{section.number}}.H

Meeting Date: December 11, 2024

From: Kevin Biersack, Financial Services Director

Title: Resolutions Authorizing the City Manager to Execute Agreements with the California Department of Tax and Fee Administration for the Implementation of a Local Transactions and Use Tax and the Authorization of Examination of Records

RECOMMENDATION:

1. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY, CALIFORNIA, 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. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY OF CATHEDRAL CITY AUTHORIZING EXAMINATION OF SALES AND TRANSACTIONS AND USE TAXES RECORDS."
3. Authorize the necessary budget amendment of \$175,000.

BACKGROUND:

On July 24, 2024, the City Council unanimously adopted Resolution No. 2024-33, calling for the placement of a general tax measure on the ballot for the November 5, 2024, General Municipal Election. The ballot measure, identified as Measure W, proposed a 1/2 cent (1/2¢) increase to the general transaction and use tax (sales tax), increasing from 1 cent (1¢) to 1.5 cents (1.5¢). According to the certified results from the Riverside County Registrar of Voters, Measure W was approved by a majority of votes cast in Cathedral City.

On December 10, 2024, the City Council is anticipated to adopt a resolution reciting the facts of the General Municipal Election and declaring the results based on the Riverside County Registrar's Official Canvass Certificate and Official Statement of Votes Cast for Cathedral City. Following the declaration of election results, the sales tax will become operative on April 1, 2025, and will remain in effect until repealed by voters.

While some components of the agreement package can be processed administratively by staff, City Council approval is required for the following:

1. Resolution Authorizing the City Manager to Execute the California Department of Tax and Fee Administration (CDTFA) (referred to as “Department”) Agreements

This resolution includes the following two exhibits:

- **Exhibit 1: Preparatory Agreement**

This agreement outlines the preparatory work required to administer the sales tax, including developing procedures, programming for data processing, designing forms, training staff, and other necessary tasks. Preparatory costs, as outlined in Revenue and Taxation Code Section 7272, are capped at \$175,000 and include both direct and indirect expenses.

- **Exhibit 2: Administrative Agreement**

This agreement authorizes the Department to exclusively perform all functions related to the administration and operation of the sales tax ordinance. The Department will collect and transmit the tax revenue to the City, deducting administrative costs as specified by law.

2. Resolution Authorizing Examination of Confidential Tax Records

This resolution designates authorized personnel, including the City Manager, Assistant City Manager, Financial Services Director, and the City’s sales and use tax consultant, HdL Companies, to examine confidential sales tax records maintained by the Department. This authorization complies with Revenue and Taxation Code Section 7056.

Once the resolutions are adopted and agreements executed, the Department will proceed with implementing the sales tax on the City’s behalf. The sales tax is scheduled to become operative on April 1, 2025.

Spending Priorities and Transparency

Measure W funds will serve as a critical resource to support identified priorities, ensuring continued investment in public safety, infrastructure, and essential services. The City Council has previously adopted a Resolution Outlining the Spending Priorities (Resolution No. 2024-33), which provides a framework for how these revenues will be allocated.

The spending plan highlights the City’s commitment to transparency and accountability by prioritizing investments in the following areas:

(1) Public Safety

- 1) Maintaining 911 medical emergency/ambulance/fire/police response and gang prevention programs
- 2) Recruiting/retaining well-trained paramedics/firefighters

(2) Infrastructure and Road Improvements

- 1) Repairing streets/potholes
- 2) Preparing for/responding to and recovering from rainstorms/natural disasters

(3) Parks and Recreation

- 1) Keeping public areas/parks safe/clean
- 2) Addressing homelessness

The City remains committed to the responsible administration of Measure W revenues. Updates on the implementation of spending priorities will be provided regularly to the City Council, Finance Advisory Committee, and the community. These updates will include reports on expenditures, progress on approved projects, and outcomes of related initiatives. Additionally, all expenditures will undergo annual audits to confirm compliance with the City's biennial budget and ensure alignment with the community's priorities.

FISCAL IMPACT:

For the CDTFA's preparatory costs, as outlined in Revenue and Taxation Code Section 7272, there is a General Fund expenditure budget adjustment (100-900-910-911-8600-8601) to include both direct and indirect expenses not to exceed \$175,000.

Approval of these resolutions will enable the collection of the local sales and use tax, which is estimated to generate \$5 million annually.

FIVE-YEAR STRATEGIC PLAN:

Goal B - COMMUNITY INVESTMENT

Objective: Cathedral City roads, gateways, public spaces, and other infrastructure are well planned, designed, constructed and maintained.

B-11 City Council to support a measure to provide funding for parks and recreation services through the DRD and other resident priorities including streets and enhanced Fire Department services.

Goal C - FISCAL STABILITY AND SUSTAINABILITY

Objective: Cathedral City has economically prospered by facilitating the investment of private dollars in high quality development which benefits the community. We remain financially solvent by instituting prudent fiscal policies and transparent financial practices.

Goal E – SAFETY

Objective: Cathedral City is safe for all who live, work, visit, and play in our community.

ATTACHMENTS:

1. Draft Resolution – Department Agreements
 - a. Exhibit A – Preparatory Agreement
 - b. Exhibit B – Administrative Agreement
2. Draft Resolution – Examination of Records