



COUNTY OF HUMBOLDT

For the meeting of: 12/17/2024

File #: 24-1652

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: Majority

SUBJECT:

Agreements with California Department of Tax & Fee Administration to Administer Measure O

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the attached resolution (Attachment 3) authorizing the County Administrative Officer (CAO), or designee thereof, to execute agreements with the California Department of Tax and Fee Administration (CDTFA) for implementation of a local transactions and use tax (Attachments 1 and 2); and
2. Approve the attached resolution (Attachment 4) authorizing:
 - a. The CAO to designate county officers and employees to examine confidential sales or transactions and use tax records; and
 - b. Hinderliter De Llamas and Associates to examine confidential sales or transactions and use tax records.

STRATEGIC PLAN:

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: Safe & Healthy Communities

Strategic Plan Category: 1009 - Expand county infrastructure resilience

DISCUSSION:

On Nov. 5, 2024, Humboldt County voters passed a local sales tax measure, Measure O. The passage of Measure O imposes a 1-cent local transactions and use tax (sales tax) countywide in accordance with Humboldt County Code Sections 7110-1 through 7110-17.

In order for the county to begin to collect the 1-cent sales tax, CDTFA requires the county to enter into two agreements by Dec. 27, 2024. The first agreement is for the Preparation to Administer and Operate County's Transactions and Use Tax Ordinance (Attachment 1) and entails the following:

- CDTFA will prepare to administer and operate a transactions and use tax which has been approved by a majority of the electors in the county and whose ordinance has been adopted by the county.
- The county agrees to pay CDTFA for all of its costs for preparatory work necessary to administer the county's transactions and use tax ordinance.

The second agreement is the State Administration of District Transaction and Use Taxes (Attachment 2). This agreement requires the CDTFA to carry out Part 1.6 of Division 2 of the Revenue and Taxation Code and the county's ordinance. In particular, this agreement

does the following:

- CDTFA and county agree that CDTFA shall perform exclusively all functions incident to the administration and operation of the county’s ordinance.
- CDTFA will collect the voter approved sales tax, for the period during which the tax is in effect, and will transmit these funds to the county as promptly as feasible, but not less often than twice in each calendar quarter.

CDTFA requires that it be formalized, through a resolution (Attachment 3), as to whom may execute the contracts. It also requires a resolution (Attachment 4) authorizing the individuals and/or agencies to examine confidential tax records related to sales or transactions and uses taxes, meaning the county’s 1% Bradley Burns tax, Measure Z and Measure O.

In order to expedite all communications and contract administration with CDTFA, staff recommends that the CAO, or their designee, provide those functions. In addition, staff recommend authorizing the CAO to designate staff who can to examine confidential tax records related to Measure O, as well as the firm Hinderliter De Llamas and Associates (HdL), which currently contracts with the county to perform these services and HdL has this same authorization for the county’s existing sales taxes.

Approval of these agreements effectuates the necessary administrative processes that need to occur in order for CDTFA to begin to collect and transmit to the county the 1-cent sales tax approved by voters, on April 1, 2025.

SOURCE OF FUNDING:

General Fund (Measure O)

FINANCIAL IMPACT:

<i>Expenditures (Measure O)</i>	FY24-25	FY25-26 Projected*	FY26-27 Projected*
<i>Budgeted Expenses</i>	\$0	\$175,000	
<i>Total Expenditures</i>	\$0	\$175,000	

**Projected amounts are estimates and are subject to change.*

<i>Funding Sources (Measure O)</i>	FY24-25	FY25-26 Projected*	FY26-27 Projected*
<i>General Fund</i>	\$0	\$175,000	
<i>Total Funding Sources</i>	\$0	\$175,000	

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:

Pursuant to Revenue and Taxation Code section 7265, the sales tax measure is scheduled to become operative on April 1, 2025. The amount to be paid by the county to CDTFA shall not exceed \$175,000 (Revenue and Taxation Code Section 72720). The actual bill for payment can take up to 6 months or more after the operative date of the tax as CDTFA needs to wait for other state agencies to calculate the actual costs. The payment of funds to CDTFA will be covered by Measure O.

Ongoing administrative costs for CDTFA are 0.39% of the revenue of a 1-cent tax, or an estimated \$936,000 annually. These costs are taken from the revenue generated prior to distribution to local agencies. After those costs are removed, it is estimated that this sales tax measure will generate \$24 million in revenue to the county for fiscal year 2025-26.

STAFFING IMPACT:

Narrative Explanation of Staffing Impact:

The contracts to prepare, collect and disburse local sales tax revenue to the county is required by state law. Once the contract is

signed there is little likelihood that it will need to be amended or monitored in the future, meaning it will have minimal ongoing impact to staff.

OTHER AGENCY INVOLVEMENT:

CDTFA

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose to disapprove this contract or ask staff to try and negotiate the administrative rate with the state prior to execution. However, this is not recommended as CDTFA is required by state law to administer local sales tax measures, and the rates are set by a cost allocation methodology approved by the state.

ATTACHMENTS:

1. Preparatory Agreement with CDTFA
2. Administration Agreement with CDTFA
3. Resolution Authorizing CAO to Execute CDTFA Agreements
4. Resolution Authorization Examination of Confidential Tax Records

PREVIOUS ACTION/REFERRAL:

Meeting of: July 23, 2024

File No.: 24-1090