



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: RES 24-201

December 12, 2024

Introduced: 11/22/2024

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Resolution

- a. Approve and adopt a resolution authorizing the County Administrative Officer to execute agreements with the California Department of Tax and Fee Administration (CDTFA) for implementation of a local transactions and use tax; and
- b. Approve and adopt a resolution authorizing the examination of sales or transactions and use tax records.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and adopt a resolution authorizing the County Administrative Officer to execute agreements with the California Department of Tax and Fee Administration (CDTFA) for implementation of a local transactions and use tax; and
- b. Approve and adopt a resolution authorizing the examination of sales or transactions and use tax records.

SUMMARY/DISCUSSION:

On August 27, 2024, the Board of Supervisors (Board) approved Ordinance Number 5423 amending the Monterey County Code to add Chapter 5.38 to impose a transaction and use tax contingent upon the approval by the voters during the November 5, 2024, general election (Measure AA). The voters approved Measure AA, and the Elections Department certified the results on December 3, 2024.

The funds collected from the increase in the transactions and use tax will be used to provide funding for essential County services, including but not limited to programs for street maintenance and pothole repair; enhanced public safety, emergency services and disaster response, prevention, and recovery; programs to reduce homelessness; libraries, parks, and recreation facilities; water and sewer infrastructure; healthcare; clean and affordable drinking water and other services.

The California Department of Tax and Fee Administration (CDTFA) administers and collects the sales or transactions and use taxes for all applicable jurisdictions within the state and will be responsible to administer and collect the transactions and use tax for the County. In order to do this, CDTFA requires that the County enters into a "Preparatory Agreement" and an "Administration Agreement" prior to the implementation of the tax. Both of these agreements are attached as Exhibits A and B, respectively, to the County resolution to sign agreements.

In addition, staff requests the Board approve the resolution authorizing the examination transactions

and use tax records generated by the implementation of Measure AA. This resolution is necessary to allow Hinderliter de Llamas and Associates (HdL) to receive sales tax information and provide budgetary estimates for the County and conduct reviews of data to recover all the taxes that are due to the County.

OTHER AGENCY INVOLVEMENT:

The Office of County Counsel has reviewed this report and attachments as to form. The Auditor-Controller's office manages the contract with HdL and will bring an item for the Board to approve a new contract with the firm to help the County manage the transactions and use tax data for the County.

FINANCING:

Approval of these actions is required for the implementation of Measure AA. The County will pay up to \$175,000 to the State for the implementation and administration of this measure. In addition, the County will pay \$3,600 per year to HdL to help the County manage the transactions and use tax data. In addition, costs for audit recovery will be at 25% of the initial amount or new transactions or use tax revenue received by the County. The Auditor-Controller will manage this contract.

It is estimated that this measure will bring approximately \$29 million annual in new revenue to the County. Since the measure is effective 110 days after the approval by the voters, the new sales tax will be effective in April of 2025 and the County will likely receive payments in the last quarter of FY 2024-25.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The County of Monterey, under the Board's direction promotes an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability, and transparency. An important objective of this strategic initiative is achieving a balanced budget that sustains core services and efficiently allocates resources. Actions in this report help fulfill this objective.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

Prepared by: Ezequiel Vega, Assistant County Administrative Officer, ext. 3078.

Approved by: Sonia M. De La Rosa, County Administrative Officer

Attachments:

- County Resolution to Sign Agreements
- Ordinance 5423
- Resolution for Examination of Sales or Transactions Use Tax Records