

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: December 12, 2024

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SUBJECT: 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 PALM DESERT, 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 PALM DESERT AUTHORIZING EXAMINATION OF SALES AND TRANSACTIONS AND USE TAXES RECORDS."

BACKGROUND/ANALYSIS:

On June 13, 2024, the City Council unanimously adopted Resolution No. 2024-031, 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 G, proposed a one cent (1¢) general transaction and use tax (sales tax). According to the certified results from the Riverside County Registrar of Voters, Measure G was approved by a majority of votes cast in Palm Desert.

On December 12, 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 Palm Desert. 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declaration of election results, the sales tax will become operative on April 1, 2025, and will remain in effect until repealed by voters.

Measure G provides that prior to the sales tax operative date, the City must contract with the California Department of Tax and Fee Administration ("Department") to administer and operate the sales tax ordinance. The City is required to execute the Department's agreement package and other pertinent forms.

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 Department Agreements

The 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, Finance Director, and the City’s consultant, Avenu Insights & Analytics, LLC (AKA Muniservices, LLC), 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 G 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 Five-Year Spending Plan and Priorities (Resolution No. 2024-034), 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:

Public Safety

- Fire prevention and emergency response, including construction and rehabilitation of fire stations and staffing enhancements.
- Additional sworn law enforcement officers and technology upgrades to support proactive crime prevention and traffic enforcement.

Infrastructure Improvements

- Flood control measures, retention basin enhancements, and citywide facility maintenance.

Parks and Recreation

- Development of the North Sphere Regional Park.
- Completion of the Palm Desert Library construction project.

Financial Stability

- Replenishment of emergency and operational reserves to ensure resilience during unforeseen events.

The City remains committed to the responsible administration of Measure G revenues. Updates on the implementation of spending priorities will be provided regularly to the City Council, Finance 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 Five-Year Spending Plan and ensure alignment with the community’s priorities.

FINANCIAL IMPACT:

Approval of these resolutions will enable the collection of sales tax, which is estimated to generate \$25 million annually.

ATTACHMENTS:

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