



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

C-13

333 West Ocean Blvd • Long Beach, California 90802

March 20, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute an agreement with the California Franchise Tax Board (FTB) for records obtained from the FTB Taxpayer Information System and Business Entity Tax System at a cost of \$11,215, with a term of April 1, 2007 through December 31, 2007. (Citywide)

DISCUSSION

In 2001, the State of California passed Assembly Bill 63 (AB63), the Local Government Sharing Program, which permits the State to share certain income tax information with local governments. Under the program, participating cities are provided a list of businesses within their jurisdictions that filed California income tax returns as a business. The City of Long Beach, as a participant in the program, can then cross-reference the FTB list to its current business license database list to ensure these businesses have City business licenses. The requested agreement will authorize the City of Long Beach to participate in the Local Government Sharing Program for the 2006 tax year. The information will allow the Department of Financial Management to identify underground businesses in the City of Long Beach that are operating without a business license.

This City of Long Beach has been participating in the Local Government Sharing Program since the 2002 tax year, and is currently using 2005 FTB data. The identification of unlicensed businesses has resulted in additional income to the General Fund. The City is devoting additional resources to the program for Fiscal Year 2007 to ensure the receipt of business license revenue from identified businesses.

Along with other participating cities, the City of Long Beach will pay a pro rata share of the State's cost to operate the Local Government Sharing Program. For the tax year 2006 records, the Long Beach pro rata share will be \$11,215. This represents an increase of only \$216 from the previous year cost of \$10,999. The ongoing participation of other cities in this program has served to keep costs low.

The proposed agreement contains the following major provision:

- Length of term: April 1, 2007 through December 31, 2007. This agreement is for tax year 2006 information only. In order to participate in future years, a new agreement will be required for each year.

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- Confidentiality: Each City employee with access to the FTB records will be required to sign a confidentiality agreement. The City shall destroy the FTB records within three years of receipt.
- Compensation: The City will pay the State of California \$11,215.

This matter was reviewed by Assistant City Attorney Michael J. Mais and Budget and Performance Management Bureau Manager David Wodynski on March 13, 2007.

TIMING CONSIDERATIONS

City Council action on this item is requested on March 20, 2007 to ensure the agreement's execution, and transmittal to the state, by April 1, 2007.

FISCAL IMPACT

The total amount of the agreement is \$11,215 and sufficient funds are budgeted in the Department of Financial Management (FM) and in the General Fund (GP). It is estimated that a minimum of \$100,000 in additional annual revenue will be deposited into the General Fund through participation in this program.

SUGGESTED ACTION:

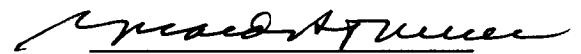
Approve recommendation.

Respectfully submitted,



MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER