

CITY OF LONG BEACH

C-10

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Blvd • Long Beach, California 90802

March 11, 2008

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 \$10,781, with a term of April 1, 2008 through December 31, 2008. (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 the City that filed California income tax returns. The City can then ensure these businesses have applied for and received City business licenses.

The agreement will authorize the City to participate in the Local Government Sharing Program for the 2007 tax year. The information that will be provided by the FTB is taxpayer name, taxpayer address, taxpayer social security number or taxpayer identification number, and principal business activity code; which will allow the Department of Financial Management to identify underground businesses in the City of Long Beach that are operating without a business license.

The City has been participating in the Local Government Sharing Program since the 2002 tax year, and is currently using 2006 FTB data. The identification of unlicensed businesses has resulted in additional income to the General Fund in excess of the program's costs. The City is devoting additional staff time to the program for Fiscal Year 2008 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 2007 records, the Long Beach pro-rata share will be \$10,781, representing a slight decrease of \$434 from the previous year cost of \$11,215. The ongoing participation of other cities in this program has served to keep costs low.

The proposed agreement contains the following major provisions:

- Length of term: April 1, 2008 through December 31, 2008. This agreement is for tax year 2007 information only. In order to participate in future years, a new agreement will be required for each year.
- 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 \$10,781.

This item was reviewed by Assistant City Attorney Michael J. Mais on March 3, 2008 and Budget Management Officer Victoria Bell on February 29, 2008.

TIMING CONSIDERATIONS

City Council action on this item is requested on March 11, 2008 to ensure the agreement's execution, and transmittal to the State, by March 14, 2008.


FISCAL IMPACT

The total amount of the agreement is \$10,781 and sufficient funds are budgeted in the Department of Financial Management (FM) and in the General Fund (GP). The FY 2008 Adopted Budget assumes \$100,000 in additional annual revenue will be deposited into the General Fund through participation in this program.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:


PATRICK H. WEST
CITY MANAGER