



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 7, 2005

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, for crossmatching to Business License information, for a term of May 1, 2005 through January 31, 2006, in an amount not to exceed \$10,999. (Citywide)

DISCUSSION

The State of California passed Assembly Bill 63 (AB63), the Local Government Sharing Program, which permits the State to share 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 as a business. The City can then 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 2004 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. This information will allow the Department of Financial Management to identify those persons conducting business in the City of Long Beach that are operating without a business license.

This will be the second year of participation for Long Beach. The City is presently analyzing and using 2003 FTB data. So far, approximately 10 percent, or 1,900 businesses, from the 2003 data has been evaluated and has resulted in 250 new business licenses. These new business licenses have added approximately \$44,000 in General Fund revenue annually. Following an initial start-up period, the City is now contacting new business license leads at a faster rate and should evaluate most of the 2003 data by the end of the year. The 2004 data will most likely not produce the same percentage of business license leads, but it has been the experience of both Los Angeles and Newport Beach, who are now participating in the program for a second year, that the program is still beneficial.

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The City of Long Beach will pay a pro rata share, based on the populations of the participating cities, of the State's \$350,000 cost to operate the Local Government Sharing Program. For the tax year 2004 records, Long Beach's pro rata share is \$10,999. This is less than the \$16,168 the City paid last year, since more California cities will participate in the program this year.

The proposed agreement contains the following major provisions:

- Length of term: May 1, 2005 through January 31, 2006. This agreement is for tax year 2004 information only. In order to participate in subsequent 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 one year of receipt.
- Compensation: The City will pay the State of California \$10,999.

This item was reviewed by Assistant City Attorney Michael J. Mais on May 26, 2005 and Budget Management Officer David Wodynski on May 25, 2005.

TIMING CONSIDERATIONS

City Council action on this item is requested on June 7, 2005, to expedite execution of the agreement with the California FTB.

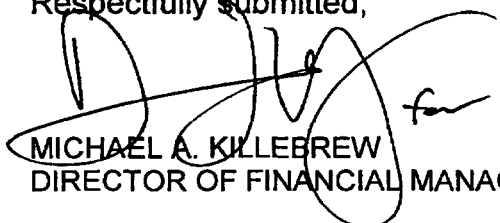
FISCAL IMPACT

The total amount of the agreement is \$10,999 and sufficient funds are budgeted in the Department of Financial Management (FM) and in the General Fund (GP). It is estimated that up to \$100,000 in additional annual revenue will accrue to 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