



## Legislation Text

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**File #:** 06-0016, **Version:** 1

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Recommendation to authorize City Manager to execute the sales tax allocation settlement agreement with Office Depot. (Citywide)

In 1998, the City filed a request with the State Board of Equalization (SBOE) for review of sales tax allocations on sales made by Office Depot's Long Beach facility. Office Depot had incorrectly allocated the sales tax revenues to the benefit of Signal Hill, although they had agreed to start allocating them to Long Beach beginning in November 1997, in accordance with a September 1996 revenue sharing agreement signed by Office Depot, Signal Hill and Long Beach. However, the City did not begin receiving sales tax revenues from Office Depot until 2000.

After a lengthy audit and review, in 2002, the SBOE determined that the City was owed \$1,033,750 in sales taxes erroneously distributed to Signal Hill. The City has carried this amount due from SBOE as an accounts receivable in the General Fund for several years. Since 2002, the SBOE reviewed other issues associated with Office Depot and confirmed that the City of Long Beach was entitled to the monies allocated since 2000. On July 8, 2005, the SBOE sent the City a letter confirming that the City is owed the \$1,033,750 improperly paid to Signal Hill.

The City's 1996 sales tax revenue sharing agreement with Office Depot states that in the first year of operation, Office Depot was to receive the first \$250,000, the City the next \$50,000, and the balance split equally between Office Depot and the City. In subsequent years, Office Depot was to receive 50 percent of the sales tax over the first \$50,000 per year. Office Depot has not been paid as the City has been waiting for the tax allocation issue to be resolved. Office Depot has agreed that their share of sales tax revenue due, less expenses incurred by the City, is \$1,550,000 through September 30, 2005. This amount is included in the General Fund as accounts payable. The agreement calls for payment by the City to occur in the coming months in three installments, as the City receives the amount it is owed from the SBOE.

This letter was reviewed by Assistant City Attorney Michael J. Mais and Budget Management Officer David Wodynski on January 3, 2006.

City Council action is requested on January 10, 2006 to authorize the timely processing of payment.

[Fiscal Impact]

Approve recommendation.

**MICHAEL A. KILLEBREW**  
**DIRECTOR OF FINANCIAL MANAGEMENT**

NAME  
TITLE

APPROVED:

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GERALD R. MILLER  
CITY MANGER