



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: County Administrative Office

(831) 454-2100

Subject: Agreements to Implement Transactions and Use Tax

Meeting Date: January 15, 2019

Recommended Action(s):

- 1) Adopt resolution authorizing and approving two agreements with the California Department of Tax and Fee Administration for implementation of a local transactions and use tax;
- 2) Adopt resolution accepting unanticipated revenue in the amount of \$175,000 for tax administration;
- 2) Adopt resolution authorizing the examination of transactions and use tax records;
- 3) Approve agreement with Hinderliter, de Llamas & Associates for transactions tax audit and information services; and
- 4) Authorize the Board Chair and the County Administrative Officer to sign the agreements on behalf of the County.

Executive Summary

On November 6, 2018, Santa Cruz County voters overwhelmingly approved the Measure G half-cent sales tax on retail transactions in the unincorporated area. Following the passage of Measure G, the Board adopted an ordinance imposing the transactions and use tax in the unincorporated area. The purpose of this memo is to request Board approval of agreements with the California Department of Tax and Fee Administration (CDTFA) for implementation of a local transactions and use tax and with Hinderliter, de Llamas & Associates for transactions tax audit and information services.

Background

The November 2018 ballot included a measure to increase by ordinance the sales tax on retail transactions in the unincorporated area of the County by one-half percent for 12 years. With approximately 66% of the vote, Santa Cruz County voters overwhelmingly approved the sales tax, known as Measure G, on November 6, 2018.

Given Measure G's passage, the Board adopted an ordinance to establish the half-cent sales tax. The attached ordinance enacted Chapter 4.22 of the Santa Cruz County Code imposing the transactions and use tax in the unincorporated area to be administered by the CDTFA. The Board must also approve agreements with the CDTFA to implement the transactions and use tax.

Analysis

Pursuant to Revenue and Taxation Code Section 7265, the new tax is scheduled to become operative on April 1, 2019. In order to implement the new tax, the CDTFA requires that the Board approve the following:

- Agreement for preparation to administer and operate the transactions and use tax ordinance; and
- Agreement for State administration of County transactions and use taxes.

The attached resolutions have been prepared to approve and authorize execution of these agreements by the County Administrative Officer and to pay for administration and setup services with the CDTFA. A second resolution authorizes the examination of transactions and use tax records. Staff also requests Board approval of the attached agreement with Hinderliter, de Llamas & Associates for transactions tax audit and information services.

These documents must be completed and returned as soon as possible but no later than February 1, 2019.

Financial Impact

The half-cent sales tax will generate \$5,750,000 annually and address the County's critical unmet needs and other essential County services and infrastructure improvements. In FY 2018-19, the County will receive an estimated \$1,437,500 from the voter-approved Measure G sales tax, which will become operative on April 1, 2019. Additional funds will be received in the amount of \$175,000 for the cost of CDTFA administration and setup services.

Strategic Plan Element(s)

The agenda item supports all goals in the County Strategic Plan by providing funding for the County's critical unmet needs and other essential County services and infrastructure improvements.

Submitted by:

Carlos J. Palacios, County Administrative Officer

Recommended by:

Carlos J. Palacios, County Administrative Officer

Attachments:

Resolution 1-2019 Authorizing Agreements with CDTFA
ADM-29, 19C4354 CDTFA Prep
CDTFA Preparatory Agreement (Exhibit A)
ADM-29, 19C4353 CDTFA Admin
CDTFA Administrative Agreement (Exhibit B)
Resolution 2-2019 AUD60 (eSign)

Resolution 3-2019 Auth exam tax records (eSign)
ADM-29, 19C4355 HDL
HDL Agreement for Transaction Tax Services
Previous agenda materials, Ordinance No. 5288
016 Revised memo, pkt pg 66 (clean & strikeout-underline)

cc:

County Administrative Office
County Counsel

Adopted 01/15/2019
Board of Supervisors
DOC-2019-4

DocuSigned by:

Clerk of the Board of Supervisors
F2707B2E5811438...

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 1-2019

On the motion of Supervisor Leopold
Duly seconded by Supervisor Coonerty
The following resolution is adopted

**RESOLUTION AUTHORIZING AGREEMENTS WITH THE CALIFORNIA DEPARTMENT OF TAX AND FEE
ADMINISTRATION FOR IMPLEMENTATION OF A LOCAL TRANSACTIONS AND USE TAX**

WHEREAS, on December 11, 2018, the County Board of Supervisors approved Ordinance No. 5288 amending the Santa Cruz County Code and providing for a local transactions and use tax; and

WHEREAS, the California Department of Tax and Fee Administration (hereinafter called "Department") administers and collects the transactions and use taxes for all applicable jurisdictions within the state; and

WHEREAS, the Department will be responsible to administer and collect the transactions and use tax for the County; and

WHEREAS, the Department requires that the County enter into a "Preparatory Agreement" and an "Administration Agreement" prior to implementation of said taxes; and

WHEREAS, the Department requires that the County Board of Supervisors authorize the agreements;

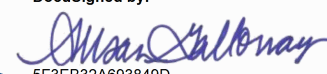
NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Santa Cruz that the "Preparatory Agreement" attached as Exhibit A and the "Administrative Agreement" attached as Exhibit B are hereby approved and the County Administrative Officer is hereby authorized to execute each agreement.

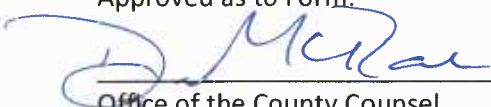
PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 15th day of January, 2019, by the following vote:

- AYES: SUPERVISORS Leopold, Coonerty, Caput, McPherson, Friend
- NOES: SUPERVISORS None
- ABSENT: SUPERVISORS None
- ABSTAIN: SUPERVISORS None

DocuSigned by:

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Chair of the Board of Supervisors

DocuSigned by:

5F3EB32A693849D...
Clerk of the Board

Approved as to Form:

Office of the County Counsel

DISTRIBUTION: CAO, County Counsel

Attachment: Resolution Authorizing Agreements with CDTFA (6493 : Agreements to Implement Transactions and Use Tax)

Certificate Of Completion

Envelope Id: CCED2875432B4031A5609A6F6DCA7A33	Status: Completed
Subject: Resolution 1-2019 adopted 1-15 BOS (DOC-2019-4) eSignature and cc distribution	
Source Envelope:	
Document Pages: 1	Signatures: 3
Certificate Pages: 2	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Susan Galloway
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	2633 Camino Ramon Ste 500
	San Ramon, CA 94583
	susan.galloway@co.santa-cruz.ca.us
	IP Address: 66.135.61.17

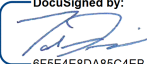
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Signer Events

Zach Friend
Zach.Friend@co.santa-cruz.ca.us
eSign
Security Level: Email, Account Authentication (None)

Signature

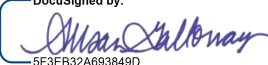
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Signed: 1/17/2019 11:22:51 AM

Electronic Record and Signature Disclosure: Not Offered via DocuSign

Susan Galloway
Susan.Galloway@co.santa-cruz.ca.us
Chief Deputy, Clerk of the Board of Supervisors
County of Santa Cruz
Security Level: Email, Account Authentication (None)

DocuSigned by:

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Signed: 1/17/2019 3:13:12 PM

Electronic Record and Signature Disclosure: Not Offered via DocuSign

CBD eSignature
CBD.eSignature@co.santa-cruz.ca.us
Clerk of the Board of Supervisors
County of Santa Cruz
Security Level: Email, Account Authentication (None)

DocuSigned by:

Clerk of the Board of Supervisors
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Freeform Signing

Electronic Record and Signature Disclosure: Not Offered via DocuSign

In Person Signer Events

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Editor Delivery Events

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Agent Delivery Events

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Intermediary Delivery Events

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Certified Delivery Events

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Carbon Copy Events

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Carbon Copy Events	Status	Timestamp
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Auditor-Controller-Treasurer-Tax Collector Mirna.Guerrero@co.santa-cruz.ca.us eSign Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 1/17/2019 3:20:34 PM
County Counsel dana.mcrae@co.santa-cruz.ca.us Accela, Inc. Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 1/17/2019 3:20:35 PM

Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	1/17/2019 3:20:35 PM
Certified Delivered	Security Checked	1/17/2019 3:20:35 PM
Signing Complete	Security Checked	1/17/2019 3:20:35 PM
Completed	Security Checked	1/17/2019 3:20:35 PM

Payment Events	Status	Timestamps
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Report SCZCM1000: County Form ADM-29

Contract No. 19C4354

Contractor V36141 CALIFORNIA DEPARTMENT OF TAX AND FEE

Type	GN	ICA General		
Manager		Security Code	1810	County Admin Office
Original Amount	Amendment Total	Current Maximum Total	Contingency Amt	Encumbrance Total
\$175,000.00	\$0.00	\$175,000.00	\$0.00	\$0.00
Administrator		CAL Sec	ORIG	Original Contract

The Board of Supervisors is hereby requested to approve the attached agreement and authorize the execution of same. Said agreement is between the County Admin Office and CALIFORNIA DEPARTMENT OF TAX AND FEE ADMIN.

The agreement will provide Transactions and Use Tax Preparation

Period of agreement is from 1/15/2019 to 1/1/1000.

Anticipated Cost is \$175,000.00.

Appropriations/Revenues are available and are budgeted as follows:

No	FY	Account/Description	Qnty	Units	Price	Extd Amt
1	2019	GL 131220 - 62381 / JL -	1	EA	\$175,000.00	\$175,000.00
Transactions and Use Tax Preparation to Administer and Operate						

NOTE: IF APPROPRIATIONS ARE INSUFFICIENT, PREPARE AND ROUTE A COMPLETED AUD-74 OR AUD-60.

Workflow Approval History

Time	User ID	User Name	Role	Approved As To	Status
01/04/19 12:00:13	CAO059	Rita Sanchez	Contract Initiator	Self-Approved	Accepted
01/04/19 12:18:43	CAO029	Christina Mowrey	Departmental Manager	Appropriations Are Available	Accepted
01/04/19 12:20:21	CAO029	Christina Mowrey	County Administrative Office	Proposal and Accounting: Recommended for BOS Approval	Accepted
	CBD012	Alicia Murillo	Deputy Clerk	Certification of BOS Approval of Contract	Pending

 THIS AGREEMENT IS NOT VALID UNTIL APPROVED BY THE BOARD OF SUPERVISORS AS
 CERTIFIED BY THE CLERK OF THE BOARD

**AGREEMENT FOR PREPARATION TO ADMINISTER AND OPERATE
COUNTY'S TRANSACTIONS AND USE TAX ORDINANCE**

In order to prepare to administer a transactions and use tax ordinance adopted in accordance with the provision of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, the COUNTY OF SANTA CRUZ, hereinafter called *County*, and the CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION, hereinafter called *Department*, do agree as follows:

1. The Department agrees to enter into work to prepare to administer and operate a transactions and use tax in conformity with Part 1.6 of Division 2 of the Revenue and Taxation Code which has been approved by a majority of the electors of the County and whose ordinance has been adopted by the County.

2. County agrees to pay to the Department at the times and in the amounts hereinafter specified all of the Department's costs for preparatory work necessary to administer the County's transactions and use tax ordinance. The Department's costs for preparatory work include costs of developing procedures, programming for data processing, developing and adopting appropriate regulations, designing and printing forms, developing instructions for the Department's staff and for taxpayers, and other appropriate and necessary preparatory costs to administer a transactions and use tax ordinance. These costs shall include both direct and indirect costs as specified in Section 11256 of the Government Code.

3. Preparatory costs may be accounted for in a manner which conforms to the internal accounting and personnel records currently maintained by the Department. The billings for costs may be presented in summary form. Detailed records of preparatory costs will be retained for audit and verification by the County.

4. Any dispute as to the amount of preparatory costs incurred by the Department shall be referred to the State Director of Finance for resolution, and the Director's decision shall be final.

5. Preparatory costs incurred by the Department shall be billed by the Department periodically, with the final billing within a reasonable time after the operative date of the ordinance. County shall pay to the Department the amount of such costs on or before the last day of the next succeeding month following the month when the billing is received.

6. The amount to be paid by County for the Department's preparatory costs shall not exceed one hundred seventy-five thousand dollars (\$175,000) (Revenue and Taxation Code Section 7272.)

7. Communications and notices may be sent by first class United States mail. Communications and notices to be sent to the Department shall be addressed to:

California Department of Tax and Fee Administration
P.O. Box 942879
Sacramento, California 94279-0027

Attention: Supervisor
Local Revenue Branch

Communications and notices to be sent to County shall be addressed to:

County of Santa Cruz
701 Ocean Street, Room 520
Santa Cruz, California 95060

Attention: County Budget Manager
County Administrative Office

8. The date of this agreement is the date on which it is approved by the Department of General Services. This agreement shall continue in effect until the preparatory work necessary to administer County's transactions and use tax ordinance has been completed and the Department has received all payments due from County under the terms of this agreement.

COUNTY OF SANTA CRUZ

CALIFORNIA DEPARTMENT OF TAX
AND FEE ADMINISTRATION

By _____
(Signature)

By _____
Administrator

Carlos J. Palacios
(Typed Name)

County Administrative Officer
(Title)

APPROVED AS TO FORM:

By: 
Office of the County Counsel

Report SCZCM1000: County Form ADM-29

Contract No. 19C4353

Contractor V36141 CALIFORNIA DEPARTMENT OF TAX AND FEE

Type	GN	ICA General			
Manager			Security Code	1810	County Admin Office
Original Amount	Amendment Total	Current Maximum Total	Contingency Amt	Encumbrance Total	
\$1.00	\$0.00	\$1.00	\$0.00	\$0.00	
Administrator			CAL Sec ORIG	Original Contract	

The Board of Supervisors is hereby requested to approve the attached agreement and authorize the execution of same. Said agreement is between the County Admin Office and CALIFORNIA DEPARTMENT OF TAX AND FEE ADMIN.

The agreement will provide Transactions and Use Tax Administration

Period of agreement is from 4/1/2019 to 1/1/1000.

Anticipated Cost is \$1.00.

Appropriations/Revenues are available and are budgeted as follows:

No	FY	Account/Description	Qty	Units	Price	Extd Amt
1	2019	GL 131220 - 62381 / JL - Transactions and Use tax Administration	1	EA	\$1.00	\$1.00

NOTE: IF APPROPRIATIONS ARE INSUFFICIENT, PREPARE AND ROUTE A COMPLETED AUD-74 OR AUD-60.

Workflow Approval History

Time	User ID	User Name	Role	Approved As To	Status
01/04/19 11:59:55	CAO059	Rita Sanchez	Contract Initiator	Self-Approved	Accepted
01/04/19 12:18:20	CAO029	Christina Mowrey	Departmental Manager	Appropriations Are Available	Accepted
01/04/19 12:20:10	CAO029	Christina Mowrey	County Administrative Office	Proposal and Accounting: Recommended for BOS Approval	Accepted
	CBD012	Alicia Murillo	Deputy Clerk	Certification of BOS Approval of Contract	Pending

 THIS AGREEMENT IS NOT VALID UNTIL APPROVED BY THE BOARD OF SUPERVISORS AS
 CERTIFIED BY THE CLERK OF THE BOARD

**AGREEMENT FOR STATE ADMINISTRATION
OF COUNTY TRANSACTIONS AND USE TAXES**

The County Board of Supervisors of the County of Santa Cruz has adopted, and the voters of the County of Santa Cruz (hereafter called "County" or "District") have approved by the required majority vote, the County of Santa Cruz Transactions and Use Tax Ordinance (hereafter called "Ordinance"), a copy of which is attached hereto. To carry out the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code and the Ordinance, the California Department of Tax and Fee Administration, (hereinafter called the "Department") and the County do agree as follows:

**ARTICLE I
DEFINITIONS**

Unless the context requires otherwise, wherever the following terms appear in the Agreement, they shall be interpreted to mean the following:

1. "District taxes" shall mean the transactions and use taxes, penalties, and interest imposed under an ordinance specifically authorized by Revenue and Taxation Code Section 7285, and in compliance with Part 1.6, Division 2 of the Revenue and Taxation Code.
2. "County Ordinance" shall mean the County's Transactions and Use Tax Ordinance referred to above and attached hereto, Ordinance No. 5288, as amended from time to time, or as deemed to be amended from time to time pursuant to Revenue and Taxation Code Section 7262.2.

**ARTICLE II
ADMINISTRATION AND COLLECTION
OF COUNTY TAXES**

A. Administration. The Department and County agree that the Department shall perform exclusively all functions incident to the administration and operation of the County Ordinance.

B. Other Applicable Laws. County agrees that all provisions of law applicable to the administration and operation of the State Sales and Use Tax Law which are not inconsistent with Part 1.6 of Division 2 of the Revenue and Taxation Code shall be applicable to the administration and operation of the County Ordinance. County agrees that money collected pursuant to the County Ordinance may be deposited into the State Treasury to the credit of the Retail Sales Tax Fund and may be drawn from that Fund for any authorized purpose, including making refunds, compensating and reimbursing the Department pursuant to Article IV of this Agreement, and transmitting to County the amount to which County is entitled.

C. Transmittal of money.

1. For the period during which the tax is in effect, and except as otherwise provided herein, all district taxes collected under the provisions of the County Ordinance shall be transmitted to County periodically as promptly as feasible, but not less often than twice in each calendar quarter.

2. For periods subsequent to the expiration date of the tax whether by County's self-imposed limits or by final judgment of any court of the State of California holding that County's ordinance is invalid or void, all district taxes collected under the provisions of the County Ordinance shall be transmitted to County not less than once in each calendar quarter.

3. Transmittals may be made by mail or electronic funds transfer to an account of the County designated and authorized by the County. A statement shall be furnished at least quarterly indicating the amounts withheld pursuant to Article IV of this Agreement.

D. Rules. The Department shall prescribe and adopt such rules and regulations as in its judgment are necessary or desirable for the administration and operation of the County Ordinance and the distribution of the district taxes collected thereunder.

E. Preference. Unless the payor instructs otherwise, and except as otherwise provided in this Agreement, the Department shall give no preference in applying money received for state sales and use taxes, state-administered local sales and use taxes, and district transactions and use taxes owed by a taxpayer, but shall apply moneys collected to the satisfaction of the claims of the State, cities, counties, cities and counties, redevelopment agencies, other districts, and County as their interests appear.

F. Security. The Department agrees that any security which it hereafter requires to be furnished by taxpayers under the State Sales and Use Tax Law will be upon such terms that it also will be available for the payment of the claims of County for district taxes owing to it as its interest appears. The Department shall not be required to change the terms of any security now held by it, and County shall not participate in any security now held by the Department.

G. Records of the Department.

When requested by resolution of the legislative body of the County under section 7056 of the Revenue and Taxation Code, the Department agrees to permit authorized personnel of the County to examine the records of the Department, including the name, address, and account number of each seller holding a seller's permit with a registered business location in the County, pertaining to the ascertainment of transactions and use taxes collected for the County. Information obtained by the County from examination of the Department's records shall be used by the County only for purposes related to the collection of transactions and use taxes by the Department pursuant to this Agreement.

H. Annexation. County agrees that the Department shall not be required to give effect to an annexation, for the purpose of collecting, allocating, and distributing District transactions and use taxes, earlier than the first day of the calendar quarter which commences not less than two months after notice to the Department. The notice shall include the name of the county or counties annexed to the extended County boundary. In the event the County shall annex an area, the boundaries of which are not coterminous with a county or counties, the notice shall include a description of the area annexed and two maps of the County showing the area annexed and the location address of the property nearest to the extended County boundary on each side of every street or road crossing the boundary.

ARTICLE III
ALLOCATION OF TAX

A. Allocation. In the administration of the Department's contracts with all districts that impose transactions and use taxes imposed under ordinances, which comply with Part 1.6 of Division 2 of the Revenue and Taxation Code:

1. Any payment not identified as being in payment of liability owing to a designated district or districts may be apportioned among the districts as their interest appear, or, in the discretion of the Department, to all districts with which the Department has contracted using ratios reflected by the distribution of district taxes collected from all taxpayers.

2. All district taxes collected as a result of determinations or billings made by the Department, and all amounts refunded or credited may be distributed or charged to the respective districts in the same ratio as the taxpayer's self-declared district taxes for the period for which the determination, billing, refund or credit applies.

B. Vehicles, Vessels, and Aircraft. For the purpose of allocating use tax with respect to vehicles, vessels, or aircraft, the address of the registered owner appearing on the application for registration or on the certificate of ownership may be used by the Department in determining the place of use.

ARTICLE IV COMPENSATION

The County agrees to pay to the Department as the Department's cost of administering the County Ordinance such amount as is provided for by law. Such amounts shall be deducted from the taxes collected by the Department for the County.

ARTICLE V MISCELLANEOUS PROVISIONS

A. Communications. Communications and notices may be sent by first class United States mail to the addresses listed below, or to such other addresses as the parties may from time to time designate. A notification is complete when deposited in the mail.

Communications and notices to be sent to the Department shall be addressed to:

California Department of Tax and Fee Administration
P.O. Box 942879
Sacramento, California 94279-0027

Attention: Administrator
Local Revenue Branch

Communications and notices to be sent to the County shall be addressed to:

County of Santa Cruz
701 Ocean Street, Room 520
Santa Cruz, California 95060

Attention: County Budget Manager
County Administrative Office

Unless otherwise directed, transmittals of payment of District transactions and use taxes will be sent to the address above.

B. Term. The date of this Agreement is the date on which it is approved by the Department of General Services. The Agreement shall take effect on April 1, 2019. This Agreement shall continue until December 31 next following the expiration date of the County Ordinance, and shall thereafter be renewed automatically from year to year until the Department completes all work necessary to the administration of the County Ordinance and has received and disbursed all payments due under that Ordinance.

C. Notice of Repeal of Ordinance. County shall give the Department written notice of the repeal of the County Ordinance not less than 110 days prior to the operative date of the repeal.

ARTICLE VI
ADMINISTRATION OF TAXES IF THE
ORDINANCE IS CHALLENGED AS BEING INVALID

A. Impoundment of funds.

1. When a legal action is begun challenging the validity of the imposition of the tax, the County shall deposit in an interest-bearing escrow account, any proceeds transmitted to it under Article II. C., until a court of competent jurisdiction renders a final and non-appealable judgment that the tax is valid.

2. If the tax is determined to be unconstitutional or otherwise invalid, the County shall transmit to the Department the moneys retained in escrow, including any accumulated interest, within ten days of the judgment of the trial court in the litigation awarding costs and fees becoming final and non-appealable.

B. Costs of administration. Should a final judgment be entered in any court of the State of California, holding that County's Ordinance is invalid or void, and requiring a rebate or refund to taxpayers of any taxes collected under the terms of this Agreement, the parties mutually agree that:

1. Department may retain all payments made by County to Department to prepare to administer the County Ordinance.

2. County will pay to Department and allow Department to retain Department's cost of administering the County Ordinance in the amounts set forth in Article IV of this Agreement.

3. County will pay to Department or to the State of California the amount of any taxes plus interest and penalties, if any, that Department or the State of California may be required to rebate or refund to taxpayers.

4. County will pay to Department its costs for rebating or refunding such taxes, interest, or penalties. Department's costs shall include its additional cost for developing procedures for processing the rebates or refunds, its costs of actually making these refunds, designing and printing forms, and developing instructions for Department's staff for use in making these rebates or refunds and any other costs incurred by Department which are reasonably appropriate or necessary to make those rebates or refunds. These costs shall include Department's direct and indirect costs as specified by Section 11256 of the Government Code.

5. Costs may be accounted for in a manner, which conforms to the internal accounting, and personnel records currently maintained by the Department. The billings for such costs may be presented in summary form. Detailed records will be retained for audit and verification by County.

6. Any dispute as to the amount of costs incurred by Department in refunding taxes shall be referred to the State Director of Finance for resolution and the Director's decision shall be final.

7. Costs incurred by Department in connection with such refunds shall be billed by Department on or before the 25th day of the second month following the month in which the judgment of a court of the State of California holding County's Ordinance invalid or void becomes final. Thereafter Department shall bill County on or before the 25th of each month for all costs incurred by Department for the preceding calendar month. County shall pay to Department the amount of such costs on or before the last day of the succeeding month and shall pay to Department the total amount of taxes, interest, and penalties refunded or paid to taxpayers, together with Department costs incurred in making those refunds.

COUNTY OF SANTA CRUZ

CALIFORNIA DEPARTMENT OF TAX
AND FEE ADMINISTRATION


By _____
(Signature)

By _____
Administrator

Carlos J. Palacios
(Typed Name)

County Administrative Officer
(Title)

APPROVED AS TO FORM:

By: 
Office of the County Counsel

Adopted 01/15/2019
Board of Supervisors
DOC-2019-4

DocuSigned by:

Clerk of the Board of Supervisors
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BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

Resolution No. 2-2019

On the motion of Supervisor Leopold
Duly seconded by Supervisor Coonerty
The following resolution is adopted:

RESOLUTION ACCEPTING UNANTICIPATED REVENUE

WHEREAS, the County of Santa Cruz is the recipient of funds, in the amount of \$175,000, from FY 2018-19 Measure G Transaction and Use Tax receipts, for various County programs; and

WHEREAS, the above-referenced funds are either in excess of those anticipated or are not specifically set forth in the current fiscal year budget of the County; and

WHEREAS, pursuant to Government Code section 29130(b), such funds may be made available for specific appropriation by four-fifths vote of the Board of Supervisors;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Santa Cruz County Auditor-Controller-Treasurer-Tax Collector accept the amount of \$1,437,500 for use by the County of Santa Cruz General Fund for various County programs.

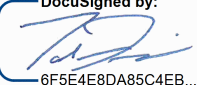
<u>GL Key</u>	<u>Revenue Object</u>	<u>JL Key</u>	<u>JL Object</u>	<u>Acct Name</u>	<u>Amount</u>
131220	40168			Sales Tax	\$175,000

and that such funds be and are hereby appointed as follows:

<u>GL Key</u>	<u>Expenditure Object</u>	<u>JL Key</u>	<u>JL Object</u>	<u>Acct Name</u>	<u>Amount</u>
131220	62381			Prof. & Special Svcs.	\$175,000

PASSED AND ADOPTED BY THE Board of Supervisors of the County of Santa Cruz, State of California, this 15th day of January, 2019 by the following vote (requires four-fifths vote for approval):

AYES: SUPERVISORS Leopold, Coonerty, Caput, McPherson, Friend
NOES: SUPERVISORS None
ABSENT: SUPERVISORS None

DocuSigned by:

6F5E4E8DA85C4EB...
Chair of the Board

ATTEST: 
5F3EB32A693849D...
Clerk of the Board

Attachment: Resolution AUD60 Unanticipated Revenue (6493 : Agreements to Implement Transactions and Use Tax)

DEPARTMENT HEAD I hereby certify that the fiscal provisions have been researched and that the Revenue(s) (has been)(will be)received within the current fiscal year.

By: *Made Coburn*
Department Head

Date: 12/20/18

COUNTY ADMINISTRATIVE OFFICER

/X/

Recommended to Board

/ /

Not recommended to Board

APPROVED AS TO FORM:

[Signature]

County Counsel

APPROVED AS TO ACCOUNTING DETAIL:

[Signature]

Auditor-Controller-Treasurer-Tax Collector
131220

Distribution:

- Auditor-Controller-Treasurer-Tax Collector
- County Counsel
- County Administrative Officer

Certificate Of Completion

Envelope Id: D36B6F5259FC448B9C1D4CCD2EAE1833

Status: Completed

Subject: Resolution 2-2019 adopted 1-15 BOS (DOC-2019-4) final eSignatures and cc's

Source Envelope:

Document Pages: 2

Signatures: 3

Envelope Originator:

Certificate Pages: 2

Initials: 0

Susan Galloway

AutoNav: Enabled

2633 Camino Ramon Ste 500

Envelopeld Stamping: Enabled

San Ramon, CA 94583

Time Zone: (UTC-08:00) Pacific Time (US & Canada)

susan.galloway@co.santa-cruz.ca.us

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Record Tracking

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Signer Events

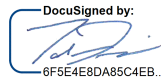
Zach Friend

Zach.Friend@co.santa-cruz.ca.us

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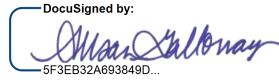
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Susan Galloway

Susan.Galloway@co.santa-cruz.ca.us

Chief Deputy, Clerk of the Board of Supervisors
 County of Santa Cruz

Security Level: Email, Account Authentication (None)

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CBD eSignature

CBD.eSignature@co.santa-cruz.ca.us

Clerk of the Board of Supervisors
 County of Santa Cruz

Security Level: Email, Account Authentication (None)

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 Clerk of the Board of Supervisors
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Signed: 1/18/2019 12:29:02 PM

Freeform Signing

Electronic Record and Signature Disclosure:
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In Person Signer Events

Signature

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Editor Delivery Events

Status

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Agent Delivery Events

Status

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Intermediary Delivery Events

Status

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Certified Delivery Events

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Carbon Copy Events

Status

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Carbon Copy Events	Status	Timestamp
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County Administrative Office Nancy.Weitzel@co.santa-cruz.ca.us eSign Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 1/18/2019 12:29:04 PM

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Completed	Security Checked	1/18/2019 12:29:04 PM

Payment Events	Status	Timestamps
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Adopted 01/15/2019
Board of Supervisors
DOC-2019-4



BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 3-2019

On the motion of Supervisor Leopold
Duly seconded by Supervisor Coonerty
The following resolution is adopted

**RESOLUTION AUTHORIZING THE EXAMINATION OF
TRANSACTIONS (SALES) AND USE TAX RECORDS**

WHEREAS, pursuant to Ordinance No. 5288 of the County of Santa Cruz (hereinafter called "District") and Section 7270 of the Revenue and Taxation Code, the District entered into a contract with the California Department of Tax and Fee Administration (hereinafter called "Department") to perform all functions incident to the administration and operation of the Transactions and Use Tax Ordinance; and

WHEREAS, the District deems it desirable and necessary for authorized representatives of the District to examine confidential transactions and use tax records of the California Department of Tax and Fee Administration pertaining to transactions and use taxes collected by the Department for the District pursuant to that contract; and

WHEREAS, Section 7056 of the Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of California Department of Tax and Fee Administration records and establishes criminal penalties for the unlawful disclosure of information contained in or derived from, the transactions and use tax records of the Department;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Supervisors of the County of Santa Cruz as follows:

Section 1. That the County Administrative Officer or other officer or employee of the District designated in writing by the County Administrative Officer to the Department is hereby appointed to represent the District with authority to examine transactions and use tax records of the Department pertaining to transactions and use taxes collected for the District by the Department pursuant to the contract between the District and the Department. The information obtained by examination of Department records shall be used only for purposes related to the collection of the District's transactions and use taxes by the Department pursuant to the contract.

Section 2. That the County Administrative Officer or other officer or employee of the District designated in writing by the County Administrative Officer to the Department is hereby appointed to represent the District with authority to examine those transactions and use tax records of the Department for purposes related to the following governmental functions of the District:

- a) County administration
- b) Revenue management and budgeting
- c) Community and economic development

Attachment: Resolution Authorizing Examination of Tax Records (6493 : Agreements to Implement Transactions and Use Tax)

Resolution No. 3-2019

Page 2

d) Business license tax administration

The information obtained by examination of Department records shall be used only for those governmental functions of the District listed above.

Section 3. That Hinderliter, de Llamas & Associates is hereby designated to examine the transactions and use tax records of the California Department of Tax and Fee Administration pertaining to transactions and use taxes collected for the District by the Department. The person or entity designated by this section meets all of the following conditions:

- a) has an existing contract with the District to examine those transactions and use tax records;
- b) is required by that contract to disclose information contained in, or derived from those transactions and use tax records only to the officer or employee authorized under Section 1 or Section 2 of this resolution to examine the information;
- c) is prohibited by that contract from performing consulting services for a retailer during the term of that contract;
- d) is prohibited by that contract from retaining the information contained in, or derived from those transactions and use tax records, after that contract has expired.

BE IT FURTHER RESOLVED that the information obtained by examination of Department records shall be used only for purposes related to the collection of District's transactions and use taxes by the Department pursuant to the contracts between the District and Department.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 15th day of January, 2019, by the following vote:

AYES: SUPERVISORS Leopold, Coonerty, Caput, McPherson, Friend

NOES: SUPERVISORS None

ABSENT: SUPERVISORS None

ABSTAIN: SUPERVISORS None

DocuSigned by:

 6F5E4E8DA85C4ED...

 Chair of the Board of Supervisors

DocuSigned by:

 5F3EB32A693849D...

 Clerk of the Board

ATTEST:

Approved as to Form:



 Office of the County Counsel

DISTRIBUTION: CAO, County Counsel

Attachment: Resolution Authorizing Examination of Tax Records (6493 : Agreements to Implement Transactions and Use Tax)

Certificate Of Completion

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	San Ramon, CA 94583
	susan.galloway@co.santa-cruz.ca.us
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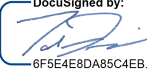
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Zach.Friend@co.santa-cruz.ca.us
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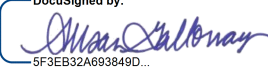
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Susan Galloway
Susan.Galloway@co.santa-cruz.ca.us
Chief Deputy, Clerk of the Board of Supervisors
County of Santa Cruz
Security Level: Email, Account Authentication (None)

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Clerk of the Board of Supervisors
County of Santa Cruz
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Freeform Signing

Electronic Record and Signature Disclosure: Not Offered via DocuSign

In Person Signer Events

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Editor Delivery Events

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Agent Delivery Events

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Intermediary Delivery Events

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Certified Delivery Events

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Carbon Copy Events

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Payment Events	Status	Timestamps
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Report SCZCM1000: County Form ADM-29

Contract No. 19C4355

Contractor V105289 HINDERLITER DE LLAMAS & ASSOCIATES

Type	GN	ICA General			
Manager			Security Code	1810	County Admin Office
Original Amount	Amendment Total	Current Maximum Total	Contingency Amt	Encumbrance Total	
\$1.00	\$0.00	\$1.00	\$0.00	\$0.00	
Administrator			CAL Sec ORIG	Original Contract	

The Board of Supervisors is hereby requested to approve the attached agreement and authorize the execution of same. Said agreement is between the County Admin Office and HINDERLITER DE LLAMAS & ASSOCIATES.

The agreement will provide Transactions Tax Audit Services

Period of agreement is from 4/1/2019 to 1/1/1000.

Anticipated Cost is \$1.00.

Appropriations/Revenues are available and are budgeted as follows:

No	FY	Account/Description	Qty	Units	Price	Extd Amt
1	2019	GL 131220 - 62381 / JL - Transactions Tax Audit Services	1	EA	\$1.00	\$1.00

NOTE: IF APPROPRIATIONS ARE INSUFFICIENT, PREPARE AND ROUTE A COMPLETED AUD-74 OR AUD-60.

Workflow Approval History

Time	User ID	User Name	Role	Approved As To	Status
01/04/19 12:00:28	CAO059	Rita Sanchez	Contract Initiator	Self-Approved	Accepted
01/04/19 12:19:17	CAO029	Christina Mowrey	Departmental Manager	Appropriations Are Available	Accepted
01/04/19 12:20:32	CAO029	Christina Mowrey	County Administrative Office	Proposal and Accounting: Recommended for BOS Approval	Accepted
	CBD012	Alicia Murillo	Deputy Clerk	Certification of BOS Approval of Contract	Pending

 THIS AGREEMENT IS NOT VALID UNTIL APPROVED BY THE BOARD OF SUPERVISORS AS
 CERTIFIED BY THE CLERK OF THE BOARD

AGREEMENT FOR TRANSACTIONS TAX AUDIT & INFORMATION SERVICES

This Agreement is made and entered into as of the ____ day of _____, 2019 by and between the COUNTY OF SANTA CRUZ, hereinafter referred to as "COUNTY" and HINDERLITER, DE LLAMAS AND ASSOCIATES a California Corporation, hereinafter referred to as "CONTRACTOR".

I. RECITALS

WHEREAS, transactions tax revenues can be increased through a system of continuous monitoring, identification and correction of allocation errors and reporting deficiencies, and

WHEREAS, an effective program of transactions and use tax management can provide for more accurate budget forecasting and financial planning; and

WHEREAS, COUNTY desires the combination of data entry, report preparation, and data analysis necessary to effectively manage its Measure "G" transactions and use tax base to recover revenues either unreported or erroneously allocated to other jurisdictions; and

WHEREAS, CONTRACTOR has the programs, equipment and personnel required to deliver the transactions and use tax related services referenced herein;

THEREFORE, COUNTY and CONTRACTOR, for the consideration hereinafter described, mutually agree as follows:

II. SERVICES

The CONTRACTOR shall perform the following services:

A. DEFICIENCY/ALLOCATION REVIEWS AND RECOVERY

1. CONTRACTOR shall conduct on-going reviews to identify and correct unreported transactions and use tax payments and distribution errors thereby generating previously unrealized revenue for the COUNTY. Said reviews shall include:

(i) Comparison of county-wide local tax allocations to transactions tax for brick and mortar stores and other cash register-based businesses, where clearly all transactions are conducted on-site within the Measure "G" COUNTY boundaries, and therefore subject to transactions tax.

(ii) Review of any significant one-time use tax allocations to ensure that there is corresponding transaction tax payments for taxpayers with nexus within the COUNTY boundaries.

(iii) Review of state-wide transactions tax allocations and patterns to identify any obvious errors and omissions.

(iv) Identification and follow-up with any potentially large purchasers of supplies and equipment (e.g. hospitals, universities, manufacturing plants, agricultural operations, refineries) to ensure that their major vendors are properly reporting corresponding transactions tax payments to the Measure "G" Transactions Tax District.

2. CONTRACTOR will initiate, where the probability of an error exists, contacts with the appropriate taxpayer management and accounting officials to verify

whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner so as to enhance COUNTY's relations with the business community.

3. CONTRACTOR shall prepare and submit to the Department of Tax and Fee Administration all information necessary to correct any allocation errors and deficiencies that are identified and shall follow-up with the individual businesses and the California Department of Tax and Fee Administration to ensure that all back quarter payments due the COUNTY are recovered.

B. DATA BASE MANAGEMENT, REPORTS AND STAFF SUPPORT

1. CONTRACTOR shall establish a database containing all applicable California Department of Tax and Fee Administration (CDTFA) registration data for each business within the Measure "G" District boundaries holding a seller's permit account. Said database shall also identify the quarterly transactions and use tax allocations under each account for the most current and previous quarters where available.
2. CONTRACTOR shall provide updated reports each quarter identifying changes in allocation totals by individual businesses, business groups and by categories. Quarterly aberrations due to State audits, fund transfers, and receivables, along with late or double payments, will also be identified. Quarterly reconciliation worksheets to assist County Budget Manager with budget forecasting will be included.
3. CONTRACTOR shall advise and work with County Administrative Office or designee on planning and economic questions related to maximizing revenues,

preparation of revenue projections and general information on sales, transactions and use tax questions.

4. CONTRACTOR shall make available to COUNTY the HdL proprietary software program and Measure "G" database containing all applicable registration and quarterly allocation information for COUNTY business outlets registered with the Department of Tax and Fee Administration. The database will be updated quarterly.

III. CONFIDENTIALITY

Section 7056 of the State of California Revenue and Taxation Code specifically limits the disclosure of confidential taxpayer information contained in the records of the California Department of Tax and Fee Administration. This section specifies the conditions under which COUNTY may authorize persons other than COUNTY officers and employees to examine State Sales, Use and Transactions Tax records.

The following conditions specified in Section 7056(b)(1) of the Code are hereby made part of this agreement.

- A. ~~CONTRACTOR is authorized by this Agreement to examine sales, use or transactions and use tax records of the Department of Tax and Fee Administration provided to COUNTY pursuant to contract under the conditions established by the Code.~~
- B. CONTRACTOR is required to disclose information contained in, or derived from, those sales, use or transactions and use tax records only to an officer or employee of the COUNTY who is authorized by resolution to examine the information.

- C. CONTRACTOR is prohibited from performing consulting services for a retailer, as defined in Code section 6015 during the term of this Agreement.
- D. CONTRACTOR is prohibited from retaining the information contained in or derived from those sales or transactions and use tax records after this Agreement has expired. Information obtained by examination of Department of Tax and Fee Administration records shall be used only for purposes related to collection of local sales and use tax or for other governmental functions of the COUNTY as set forth by resolution adopted pursuant to Section 7056(b) of the Code. The resolution shall designate the CONTRACTOR as a person authorized to examine sales and use tax records and certify that this Agreement meets the requirements set forth above and in Section 7056(b)(1) of the Code.

IV. CONSIDERATION

- A. CONTRACTOR shall be paid \$100 monthly billed quarterly for the transaction district tax reports included with the quarterly sales tax analyses. CONTRACTOR shall be paid 25% of the initial amount of new transactions or use tax revenue received by the COUNTY as a result of audit and recovery work performed by CONTRACTOR (hereafter referred to as "Audit Fees"). New revenue shall not include any amounts determined and verified by COUNTY or CONTRACTOR to be increment attributable to causes other than CONTRACTOR'S work pursuant to this Agreement. In the event that CONTRACTOR is responsible for an increase in the tax reported by businesses already properly making tax payments to the COUNTY, it shall be CONTRACTOR'S responsibility to separate and support the incremental amount attributable to its efforts prior to the application of the Audit Fee. Said Audit Fees will apply to State fund transfers received for those specific

quarters identified as being missing and/or deficient following completion of the audit by CONTRACTOR and confirmation of corrections by the CDTFA but shall not apply prospectively to any future quarter. CONTRACTOR shall provide COUNTY with an itemized quarterly invoice showing all formula calculations and amounts due for Audit Fees.

CONTRACTOR shall obtain prior approval from COUNTY for each specific business for which payment of Audit Fees will be expected. Said approval shall be deemed given when the County Administrative Officer or their designated representative, signs a Work Authorization form, a copy of which is attached as "Exhibit A." COUNTY shall pay Audit Fees upon CONTRACTOR'S submittal of evidence of State fund transfers and payments to COUNTY from businesses identified in the audit and approved by the COUNTY.

- B. Above sum shall constitute full reimbursement to CONTRACTOR for all direct and indirect expenses incurred by CONTRACTOR in performing audits including the salaries of CONTRACTOR'S employees, and travel expenses connected with contacting local and out-of-state businesses and the CDTFA staff.
- C. Extra work beyond the Services set forth in this Agreement shall not be performed by CONTRACTOR or reimbursed or paid for by COUNTY unless such extra work is specifically authorized in writing by the County Administrative Officer or their designated representative. CONTRACTOR shall be compensated for any additional services in the amounts and in the manner as agreed to by the COUNTY and CONTRACTOR at the time the COUNTY's written authorization is given to CONTRACTOR for the performance of said services.

- D. Any invoices not paid in accordance with the thirty (30) day payment terms shall accrue monthly interest at a rate equivalent to ten percent (10%) per annum until paid.
- E. CONTRACTOR unilaterally retains the right to divide any recovery bills in excess of \$25,000 over a one (1) year period (four (4) quarterly billings).
- F. CONTRACTOR shall provide COUNTY with an itemized quarterly invoice showing all formula calculations and amounts due for the Audit Fee including, without limitation, a detailed listing of any corrected misallocations, which shall be paid by COUNTY no later than thirty (30) days following the invoice date.

VI. COUNTY MATERIALS AND SUPPORT

COUNTY shall adopt a resolution in a form acceptable to the CDTFB and in compliance with Section 7056 of the Code, authorizing CONTRACTOR to examine the confidential sales, use, and transactions tax records of COUNTY. COUNTY further agrees to continue CONTRACTOR'S authorization to examine the confidential records of the COUNTY by maintaining CONTRACTOR's name on the COUNTY Resolution until such time as all audit adjustments have been completed by the CDTFB and Audit Fees due the CONTRACTOR have been paid.

VII. LICENSE, PERMITS, FEES AND ASSESSMENTS

CONTRACTOR shall obtain such licenses, permits and approvals (collectively the "Permits") as may be required by law for the performance of the services required by this Agreement. COUNTY shall assist CONTRACTOR in obtaining such Permits and

COUNTY shall absorb all fees, assessments and taxes which are necessary for any Permits required to be issued by COUNTY.

VIII. TERMINATION

This Agreement may be terminated for convenience by either party by giving thirty (30) days written notice to the other of such termination and specifying the effective date thereof. Upon the presentation of such notice, CONTRACTOR shall continue to work through the date of termination. Upon termination as provided herein, CONTRACTOR shall be paid the value of all tax analysis and reporting work performed less payments previously made by COUNTY. In ascertaining the value of the work performed up to the date of termination, consideration shall be given to amounts due for any unpaid invoices and to businesses identified by CONTRACTOR which make tax payments after termination of this Agreement as a result of CONTRACTOR'S work. After COUNTY receives said tax payments for such businesses, CONTRACTOR shall be paid the Audit Fees resulting from tax payments made by the business for back quarter reallocations. Compensation for any audit work previously authorized and satisfactorily performed shall be made at the times provided in the preceding section entitled "Consideration."

All documents, data, surveys and reports prepared by CONTRACTOR pursuant to this Agreement shall be considered the property of the COUNTY and upon payment for services performed by CONTRACTOR, such documents and other identified materials shall be delivered to COUNTY by CONTRACTOR.

IX. INDEPENDENT CONTRACTOR

CONTRACTOR shall perform the services hereunder as an independent contractor and shall furnish such services in its own manner and method, and under no circumstances

or conditions shall any agent, servant, or employee of CONTRACTOR be considered an employee of COUNTY.

X. COOPERATIVE AGREEMENT

It is intended any other public agency (e.g., city, county, district, public authority, public agency, municipality, or other political subdivision of California) located in the state of California shall have an option to procure identical services as set forth in this Agreement. The County of Santa Cruz shall incur no responsibility, financial or otherwise, in connection with orders for services issued by another public agency. The participating public agency shall accept sole responsibility for securing services or making payments to the vendor.

XI. NON-ASSIGNMENT

This Agreement is not assignable either in whole or in part by CONTRACTOR without the written consent of COUNTY.

XII. ATTORNEY'S FEES

In the event a legal action is commenced to enforce any of the provisions of this Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorney's fees.

XIII. GOVERNING LAW

The laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and shall also govern the interpretation of this Agreement.

XIV. INDEMNIFICATION

CONTRACTOR hereby agrees to, and shall hold COUNTY, its elective and appointive boards, officers, agents and employees, harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for breach of confidentiality or property damage which may arise from CONTRACTOR'S willful or negligent acts, errors or omissions or those of its employees or agents. CONTRACTOR agrees to and shall defend COUNTY and its elective and appointive boards, officers, agents and employees from any suits or actions at law or in equity for damages caused, or alleged to have been caused, by reason of any of the aforesaid willful or negligent acts, errors or omissions.

COUNTY hereby agrees to, and shall hold CONTRACTOR, its officers, agents and employees, harmless from any liability for damage or claims for damage for personal injury, including death, as well as from claims for breach of confidentiality or property damage which may arise from COUNTY'S negligent acts, errors or omissions including misuse or improper disclosure of confidential information contained in reports submitted by CONTRACTOR under this Agreement. COUNTY agrees to and shall defend CONTRACTOR and its officers, agents and employees from any suits or actions at law or in equity for damage caused, or alleged to have been caused, by reason of any of the aforesaid negligent acts, errors or omissions and/or misuse or improper disclosure of confidential information.

XV. NOTICE

All notices sent by a party under this Agreement shall be in writing and shall be deemed properly delivered to the other party as of the date of receipt if received on a business day prior to 3:00 PM local time, or otherwise on the next business day after receipt, provided delivery occurs personally, by courier service, or by U.S. mail to the other party at its address set forth below, or to such other address as either party may, by

written notice, designate to the other party. Notices to CONTRACTOR shall be sent to HINDERLITER, de LLAMAS and ASSOCIATES, 1340 Valley Vista Drive, Suite 200, Diamond Bar, CA 91765; and notices to COUNTY shall be sent to COUNTY OF SANTA CRUZ, ATTN: County Budget Manager, 701 Ocean Street, Room 510, Santa Cruz, CA 95060.

XVI. ENTIRE AGREEMENT; ETC.

This Agreement expresses the full and complete understanding of the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous proposals, agreements, representations and understandings, whether written or oral, with respect to the subject matter. This Agreement may not be amended or modified except in writing signed by each of the parties hereto. This Agreement shall be construed as to its fair meaning and not strictly for or against either party. The headings hereof are descriptive only and not to be construed in interpreting the provisions hereof.

XVII. COUNTERPARTS; AUTHORITY TO SIGN

This Agreement may be executed in any number of counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement. Any signature pages of this Agreement transmitted by facsimile or sent by email in portable document format (PDF) will have the same legal effect as an original

executed signature page. Each of the persons signing on behalf of a party hereto represents that he or she has the right and power to execute this Agreement on such party's behalf.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above written by their respective officers duly authorized in that behalf.

COUNTY: COUNTY OF SANTA CRUZ

Chairman of the Board of Supervisors

CONTRACTOR:
HINDERLITER, DE LLAMAS & ASSOCIATES
A California Corporation



Andrew Nickerson, President

APPROVED AS TO FORM:
COUNTY COUNSEL:

 1/8/19

Jason M. Heath
C.A. County Counsel

SAMPLE

SAMPLE

EXHIBIT A

Transactions Tax Audit

Work Authorization No. _____

The following business or businesses, located in the County of Santa Cruz, have been identified as having the potential for generating additional tax revenues to the County of Santa Cruz.

Contractor is hereby authorized to contact the given business(s) and the California Department of Tax and Fee Administration to verify the accuracy of the current reporting methodology and obtain the necessary documentation for the Department of Tax and Fee Administration, to bill for uncollected transactions and use tax payments or modify misallocated payments and to return revenues that may be due to the County.

Contractor's compensation shall be \$100 monthly billed quarterly and 25% of the new transactions tax revenue received by the District as a result of audit and recovery work performed by Contractor, as set forth in the Agreement between Contractor and County.

COUNTY: COUNTY OF SANTA CRUZ

By: _____

Date: _____

HINDERLITER, DE LLAMAS AND ASSOCIATES

By: _____

Date _____

Adopted ORD-5288
Board of Supervisors
12/11/2018



ORDINANCE NO. 5288

**ORDINANCE ENACTING CHAPTER 4.22 OF THE SANTA CRUZ COUNTY CODE
IMPOSING A TRANSACTIONS AND USE TAX TO BE ADMINISTERED BY THE
CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION**

The Board of Supervisors of Santa Cruz County hereby finds and declares the following:

WHEREAS, on November 6, 2018, the electorate adopted Measure G, which authorized the County of Santa Cruz to increase by ordinance the sales tax on retail transactions in the unincorporated area of the County by one-half percent for twelve years;

NOW THEREFORE the Board of Supervisors of the County of Santa Cruz ordains as follows:

SECTION I

Chapter 4.22 is hereby added to the Santa Cruz County Code, to read as follows:

Chapter 4.22

TRANSACTIONS AND USE TAX

Sections:

- 4.22.010 Title.**
- 4.22.020 Operative Date - defined.**
- 4.22.030 Purpose.**
- 4.22.040 Contract with State of California.**
- 4.22.050 Transactions tax rate.**
- 4.22.060 Place of sale.**
- 4.22.070 Use tax rate.**
- 4.22.080 Adoption of provisions of State law.**
- 4.22.090 Limitations on adoption of State law and collection of use taxes.**
- 4.22.100 Permit not required.**
- 4.22.110 Exemptions and exclusions.**
- 4.22.120 Amendments.**
- 4.22.130 Enjoining collection forbidden.**
- 4.22.140 Severability.**
- 4.22.150 Effective Date.**
- 4.22.160 Termination Date.**

4.22.010 Title.

This ordinance shall be known as the Santa Cruz County Transactions and Use Tax Ordinance.

4.22.020 Operative Date - defined.

"Operative Date" means the first day of the first calendar quarter commencing more than 110 days after the adoption of this ordinance, the date of such adoption being as set forth below.

4.22.030 Purpose.

This ordinance is adopted to achieve the following, among other purposes, and directs that the provisions hereof be interpreted in order to accomplish those purposes:

(A) To impose a retail transactions and use tax in accordance with the provisions of Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285 of Part 1.7 of Division 2 which authorizes the County to adopt this tax ordinance based on the electorate's approval of the imposition of the tax.

(B) To adopt a retail transactions and use tax ordinance that incorporates provisions identical to those of the Sales and Use Tax Law of the State of California insofar as those provisions are not inconsistent with the requirements and limitations contained in Part 1.6 of Division 2 of the Revenue and Taxation Code.

(C) To adopt a retail transactions and use tax ordinance that imposes a tax and provides a measure therefor that can be administered and collected by the California Department of Tax and Fee Administration in a manner that adapts itself as fully as practicable to, and requires the least possible deviation from, the existing statutory and administrative procedures followed by the California Department of Tax and Fee Administration in administering and collecting the California State Sales and Use Taxes.

(D) To adopt a retail transactions and use tax ordinance that can be administered in a manner that will be, to the greatest degree possible, consistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, minimize the cost of collecting the transactions and use taxes, and at the same time, minimize the burden of record keeping upon persons subject to taxation under the provisions of this ordinance.

4.22.040 Contract with State of California.

Prior to the operative date, the County shall contract with the California Department of Tax and Fee Administration to perform all functions incident to the administration and operation of this transactions and use tax ordinance; provided, that if the County shall not have contracted with the California Department of Tax and Fee Administration prior to the operative date, it shall nevertheless so contract and in such a case the operative date shall be the first day of the first calendar quarter following the execution of such a contract.

4.22.050 Transactions tax rate.

For the privilege of selling tangible personal property at retail, a tax is hereby imposed upon all retailers in the unincorporated territory of the County at the rate of one-half (.5) percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in said territory on and after the operative date of this ordinance.

4.22.060 Place of sale.

For the purposes of this ordinance, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to an out-of-state destination or to a common carrier for delivery to an out-of-state destination. The gross receipts from such sales shall include delivery charges, when such charges are subject to the state sales and use tax, regardless of the place to which delivery is made. In the event a retailer has no permanent place of business in the State or has more than one place of business, the place or places at which the retail sales are consummated shall be determined under rules and regulations to be prescribed and adopted by the California Department of Tax and Fee Administration.

4.22.070 Use tax rate.

An excise tax is hereby imposed on the storage, use or other consumption in the County of tangible personal property purchased from any retailer on and after the operative date of this ordinance for storage, use or other consumption in said territory at the rate of one-half (.5) percent of the sales price of the property. The sales price shall include delivery charges when such charges are subject to state sales or use tax regardless of the place to which delivery is made.

4.22.080 Adoption of provisions of State law.

Except as otherwise provided in this ordinance and except insofar as they are inconsistent with the provisions of Part 1.6 of Division 2 of the Revenue and Taxation Code, all of the provisions of Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code are hereby adopted and made a part of this ordinance as though fully set forth herein.

4.22.090 Limitations on adoption of State law and collection of use taxes.

In adopting the provisions of Part 1 of Division 2 of the Revenue and Taxation Code:

(A) Wherever the State of California is named or referred to as the taxing agency, the name of this County shall be substituted therefor. However, the substitution shall not be made when:

- (1) The word "State" is used as a part of the title of the State Controller, State Treasurer, State Treasury, or the Constitution of the State of California;

(2) The result of that substitution would require action to be taken by or against the County or any agency, officer, or employee thereof rather than by or against the California Department of Tax and Fee Administration, in performing the functions incident to the administration or operation of this Ordinance;

(3) In those sections, including, but not necessarily limited to sections referring to the exterior boundaries of the State of California, where the result of the substitution would be to:

(a) Provide an exemption from this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not otherwise be exempt from this tax while such sales, storage, use or other consumption remain subject to tax by the State under the provisions of Part 1 of Division 2 of the Revenue and Taxation Code, or;

(b) Impose this tax with respect to certain sales, storage, use or other consumption of tangible personal property which would not be subject to tax by the state under the said provision of that code.

(4) In Sections 6701, 6702 (except in the last sentence thereof), 6711, 6715, 6737, 6797 or 6828 of the Revenue and Taxation Code.

(B) The word "County" shall be substituted for the word "State" in the phrase "retailer engaged in business in this State" in Section 6203 and in the definition of that phrase in Section 6203.

4.22.100 Permit not required.

If a seller's permit has been issued to a retailer under Section 6067 of the Revenue and Taxation Code, an additional transactor's permit shall not be required by this ordinance.

4.22.110 Exemptions and exclusions.

(A) There shall be excluded from the measure of the transactions tax and the use tax the amount of any sales tax or use tax imposed by the State of California or by any city, city and county, or county pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the amount of any state-administered transactions or use tax.

(B) There are exempted from the computation of the amount of transactions tax the gross receipts from:

(1) Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of such aircraft as common carriers of persons or property under the authority of the laws of this State, the United States, or any foreign government.

(2) Sales of property to be used outside the County which is shipped to a point outside the County, pursuant to the contract of sale, by delivery to such point by the retailer or his or her agent, or by delivery by the retailer to a carrier for shipment to a consignee at such point. For the purposes of this paragraph, delivery to a point outside the County shall be satisfied:

(a) With respect to vehicles (other than commercial vehicles) subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, and undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code by registration to an out-of-County address and by a declaration under penalty of perjury, signed by the buyer, stating that such address is, in fact, his or her principal place of residence; and

(b) With respect to commercial vehicles, by registration to a place of business out-of-County and declaration under penalty of perjury, signed by the buyer, that the vehicle will be operated from that address.

(3) The sale of tangible personal property if the seller is obligated to furnish the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

(4) A lease of tangible personal property which is a continuing sale of such property, for any period of time for which the lessor is obligated to lease the property for an amount fixed by the lease prior to the operative date of this ordinance.

(5) For the purposes of subparagraphs (3) and (4) of this section, the sale or lease of tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

(C) There are exempted from the use tax imposed by this ordinance, the storage, use or other consumption in this County of tangible personal property:

(1) The gross receipts from the sale of which have been subject to a transactions tax under any state-administered transactions and use tax ordinance.

(2) Other than fuel or petroleum products purchased by operators of aircraft and used or consumed by such operators directly and exclusively in the use of such aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this State, the United States, or any foreign government. This exemption is in addition to the exemptions provided in Sections 6366 and 6366.1 of the Revenue and Taxation Code of the State of California.

(3) If the purchaser is obligated to purchase the property for a fixed price pursuant to a contract entered into prior to the operative date of this ordinance.

(4) If the possession of, or the exercise of any right or power over, the tangible personal property arises under a lease which is a continuing purchase of such property for any period of time for which the lessee is obligated to lease the property for an amount fixed by a lease prior to the operative date of this ordinance.

(5) For the purposes of subparagraphs (3) and (4) of this section, storage, use, or other consumption, or possession of, or exercise of any right or power over, tangible personal property shall be deemed not to be obligated pursuant to a contract or lease for any period of time for which any party to the contract or lease has the unconditional right to terminate the contract or lease upon notice, whether or not such right is exercised.

(D)(1) Except as provided in subparagraph (2), a retailer engaged in business in the County shall not be required to collect use tax from the purchaser of tangible personal property, unless the retailer ships or delivers the property into the County or participates within the County in making the sale of the property, including, but not limited to, soliciting or receiving the order, either directly or indirectly, at a place of business of the retailer in the County or through any representative, agent, canvasser, solicitor, subsidiary, or person in the County under the authority of the retailer.

(2) "A retailer engaged in business in the County" shall also include any retailer of any of the following: vehicles subject to registration pursuant to Chapter 1 (commencing with Section 4000) of Division 3 of the Vehicle Code, aircraft licensed in compliance with Section 21411 of the Public Utilities Code, or undocumented vessels registered under Division 3.5 (commencing with Section 9840) of the Vehicle Code. That retailer shall be required to collect use tax from any purchaser who registers or licenses the vehicle, vessel, or aircraft at an address in the County.

(E) Any person subject to use tax under this ordinance may credit against that tax any transactions tax or reimbursement for transactions tax paid to a district or retailer in a district imposing a transactions tax pursuant to Part 1.6 of Division 2 of the Revenue and Taxation Code with respect to the sale to that person of the property, the storage, use or other consumption of which is subject to the use tax.

4.22.120 Amendments.

All amendments subsequent to the effective date of this ordinance to Part 1 of Division 2 of the Revenue and Taxation Code relating to sales and use taxes and which are not inconsistent with Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, and all amendments to Part 1.6 and Part 1.7 of Division 2 of the Revenue and Taxation Code, shall automatically become a part of this ordinance, provided however, that no such amendment shall operate so as to affect the rate of tax imposed by this ordinance.

4.22.130 Enjoining collection forbidden.

No injunction or writ of mandate or other legal or equitable process shall issue in any suit, action or proceeding in any court against the State or the County, or against any officer of the

State or the County, to prevent or enjoin the collection under this ordinance, or Part 1.6 of Division 2 of the Revenue and Taxation Code, of any tax or any amount of tax required to be collected.

4.22.140 Severability.

If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, the remainder of the ordinance and the application of such provision to other persons or circumstances shall not be affected thereby.

4.22.150 Effective Date.

This ordinance relates to the levying and collecting of the County transactions and use taxes and shall take effect immediately.

4.22.160 Termination date.

The authority to levy the tax imposed by this ordinance shall expire twelve years after the Operative Date.

SECTION II

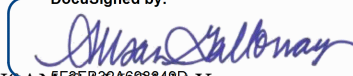
This ordinance shall take effect on the 31st day after the date of final passage.


PASSED AND ADOPTED this 11th day of December 2018, by the Board of Supervisors of the County of Santa Cruz by the following vote:

AYES:	SUPERVISORS	Leopold, Coonerty, Caput, McPherson, Friend
NOES:	SUPERVISORS	None
ABSENT:	SUPERVISORS	None
ABSTAIN:	SUPERVISORS	None

DocuSigned by:

ZACH FRIEND
 Chairperson of the Board of Supervisors

DocuSigned by:

 Attest: SUSAN GALLOWAY
 Clerk of the Board

APPROVED AS TO FORM:

 Office of the County Counsel

Certificate Of Completion

Envelope Id: 8DAA9B9274E742D7AF1F764D485F918F	Status: Completed
Subject: Ordinance 5288 adopted 12-11-2018 BOS, Measure G sales tax	
Source Envelope:	
Document Pages: 7	Signatures: 3
Certificate Pages: 2	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Susan Galloway
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	2633 Camino Ramon Ste 500
	San Ramon, CA 94583
	susan.galloway@co.santa-cruz.ca.us
	IP Address: 66.135.61.17

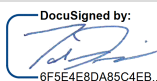
Record Tracking

Status: Original	Holder: Susan Galloway	Location: DocuSign
12/12/2018 10:08:16 AM	susan.galloway@co.santa-cruz.ca.us	

Signer Events

Zach Friend
 Zach.Friend@co.santa-cruz.ca.us
 eSign
 Security Level: Email, Account Authentication (None)

Signature

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 Using IP Address: 67.169.50.76

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 Signed: 12/12/2018 8:10:05 PM

Electronic Record and Signature Disclosure: Not Offered via DocuSign

Susan Galloway
 Susan.Galloway@co.santa-cruz.ca.us
 Chief Deputy, Clerk of the Board of Supervisors
 County of Santa Cruz
 Security Level: Email, Account Authentication (None)

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Electronic Record and Signature Disclosure: Not Offered via DocuSign

CBD eSignature
 CBD.eSignature@co.santa-cruz.ca.us
 Clerk of the Board of Supervisors
 County of Santa Cruz
 Security Level: Email, Account Authentication (None)

DocuSigned by:

 Clerk of the Board of Supervisors
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 Freeform Signing

Electronic Record and Signature Disclosure: Not Offered via DocuSign

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

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Agent Delivery Events

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Intermediary Delivery Events

Status

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Certified Delivery Events

Status

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Carbon Copy Events

Status

Timestamp

Carbon Copy Events	Status	Timestamp
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<p>Nicole Coburn Nicole.Coburn@co.santa-cruz.ca.us eSign Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	COPIED	Sent: 12/13/2018 8:05:30 AM
<p>County Counsel dana.mcrae@co.santa-cruz.ca.us Accela, Inc. Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign</p>	COPIED	Sent: 12/13/2018 8:05:31 AM

Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Signing Complete	Security Checked	12/13/2018 8:05:31 AM
Completed	Security Checked	12/13/2018 8:05:31 AM

Payment Events	Status	Timestamps
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**County of Santa Cruz Board of Supervisors
Agenda Item Submittal**

From: County Administrative Office
(831) 454-2100

Subject: Agreements to Implement Transactions and Use Tax

Meeting Date: January 15, 2019

Recommended Action(s):

- 1) Adopt resolution authorizing and approving two agreements with the California Department of Tax and Fee Administration for implementation of a local transactions and use tax;
- 2) Adopt resolution accepting unanticipated revenue in the amount of \$175,000 for tax administration;
- 2) Adopt resolution authorizing the examination of transactions and use tax records;
- 3) Approve agreement with Hinderliter, de Llamas & Associates for transactions tax audit and information services; and
- 4) Authorize the Board Chair and the County Administrative Officer to sign the agreements on behalf of the County.

Executive Summary

On November 6, 2018, Santa Cruz County voters overwhelmingly approved the Measure G half-cent sales tax on retail transactions in the unincorporated area. Following the passage of Measure G, the Board adopted an ordinance imposing the transactions and use tax in the unincorporated area. The purpose of this memo is to request Board approval of agreements with the California Department of Tax and Fee Administration (CDTFA) for implementation of a local transactions and use tax and with Hinderliter, de Llamas & Associates for transactions tax audit and information services.

Background

The November 2018 ballot included a measure to increase by ordinance the sales tax on retail transactions in the unincorporated area of the County by one-half percent for 12 years. With approximately 66% of the vote, Santa Cruz County voters overwhelmingly approved the sales tax, known as Measure G, on November 6, 2018.

Given Measure G's passage, the Board adopted an ordinance to establish the half-cent sales tax. The attached ordinance enacted Chapter 4.22 of the Santa Cruz County Code imposing the transactions and use tax in the unincorporated area to be administered by the CDTFA. The Board must also approve agreements with the CDTFA

Replaces:

Packet Pg. 66



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