ITY OF COMMERCE
AGENDA REPORT

TO: Honorable City Council

FROM: City Manager

SUBJECT: Adoption of Resolutions Authorizing the Execution of Agreements with the California Department of Tax and Fee Administration for the Administration and Collection of Measure PC Transaction and Use Tax

MEETING DATE: July 14, 2026

RECOMMENDATION:

Staff recommends that the City Council:

1. Adopt a Resolution approving and authorizing the execution of the Preparatory Agreement & Administration Agreement with the California Department of Tax and Fee Administration (CDTFA) for the administration and collection of the City’s Measure PC Transaction and Use Tax.

2. Adopt a Resolution authorizing the examination of sales and transactions and use tax records.

BACKGROUND:

During the development of the FY 2026-28 Biennial Budget, the City identified significant financial uncertainty associated with future Card Club revenues. As a result, staff identified significant reduction in the General Fund’s fund balance and implemented a number of expenditure reductions to preserve the City’s long-term financial stability while maintaining core public services. To mitigate the uncertainty surrounding Card Club revenues and to diversify the City’s revenue base, the City Council placed Measure PC, a local transaction and use tax measure, before the voters at the June 2, 2026 Special Municipal Election. Measure PC proposed a quarter cent (0.25%) transaction and use tax to provide stable, locally controlled revenue source to support essential City services, infrastructure improvements, and long-term financial sustainability.

The Measure is a "general tax”, which pursuant to California Revenue and Taxation Code §7285.9 and Proposition 218, requires approval by a simple majority of the qualified voters voting in the election. Measure PC received overwhelming voter approval, with approximately 73% of Commerce voters voting in favor of the measure. Following the certification of the election results, Measure PC is now a valid voter-approved revenue measure. The tax is anticipated to generate approximately $3.3 million in FY 2026-27 and

$4.5 annually thereafter. The tax will be effective October 1, 2026, with collection of revenues anticipated to start in January of 2027.

DISCUSSION:

The CDTFA is responsible for administering and collecting local transactions and use taxes on behalf of cities throughout California. Before CDTFA can begin administering Measure PC, there are two administrative actions the City Council must approve and adopt: 1) a Resolution authorizing the execution of a Preparatory Agreement and an Administration Agreement with CDTFA, and 2) a Resolution authorizing designated City officials and the City's sales tax consultant to examine confidential transaction and use tax records maintained by CDTFA. Each action is required to ensure the proper administration, collection, and oversight of Measure PC revenues.

The Preparatory Agreement (Exhibit A of the Resolution) authorizes CDTFA to perform the administrative work necessary to establish the City's tax program, including system programming, tax allocation setup, reporting, and implementation activities required before collections may begin.

The Administration Agreement (Exhibit B of the Resolution) authorizes CDTFA to administer the ongoing collection, accounting, reporting, and remittance of Measure PC revenues to the City once the tax becomes effective.

In addition to the agreements with CDTFA, state law requires the City Council to adopt a Resolution designating specific City officials and the City's sales tax consultant as authorized representatives to examine confidential transaction and use tax records maintained by CDTFA. State law generally prohibits CDTFA from releasing confidential taxpayer information. Adoption of the Resolution authorizes designated City officials, including the City Manager and the Director of Finance, and the City's sales tax consultant to access detailed sales tax information necessary to monitor Measure PC revenues, verify the accuracy of tax allocations, analyze revenue trends, reconcile distributions, and support the City's financial forecasting and budgeting efforts.

FISCAL IMPACT:

Pursuant to the Revenue and Taxation Code and the agreements with CDTFA, the City is responsible for reimbursing CDTFA for the actual direct and indirect costs incurred to implement Measure PC. The implementation cost is capped at $175,000 although the actual cost is expected to be significantly less. Following the implementation, CDTFA will continue to deduct its authorized administrative costs from Measure PC tax revenues prior to distributing the remaining sales tax to the City.

Although implementation costs are required, they are minimal relative to the approximately $3.3 million in projected Measure PC revenues in FY 2026-27 and approximately $4.5 million annually thereafter.

ALTERNATIVES:

1. Approve recommendation
2. Disapprove recommendation

3. Provide staff with further direction

Recommended by: Alvaro Castellon, Director of Finance
Approved as to form: Noel Tapia, City Attorney
Respectfully submitted: Ernie Hernandez, City Manager

ATTACHMENTS:

1. Resolution authorizing the City Manager to execute the Preparatory Agreement and the Administration Agreement
2. Exhibit A: Preparatory Agreement with CDTFA
3. Exhibit B: Administration Agreement with CDTFA
4. Resolution authorizing examination of sales, transaction and use tax records