



## Memorandum

### AGENDA ITEM 4

**DATE:** July 22, 2021

**TO:** Transportation Authority Board

**FROM:** Cynthia Fong - Deputy Director for Finance and Administration

**SUBJECT:** 7/28/21 Board Meeting: Authorize Examination of Transaction and Use Tax Records

<p><b>RECOMMENDATION</b>    <input type="checkbox"/> Information    <input checked="" type="checkbox"/> Action</p> <p>Authorize examination of transaction and use tax records for:</p> <ul style="list-style-type: none"> <li>Executive Director, Chief Deputy Director, Deputy Director of Finance and Administration, employee designated in writing by the Executive Director; and</li> <li>MuniServices, LLC</li> </ul> <p><b>SUMMARY</b></p> <p>The California Department of Tax and Fee Administration (CDTFA), formerly the State Board of Equalization, collects local sales and use taxes on behalf of the Transportation Authority. This recommended action seeks authorization for staff and MuniServices, LLC to further examine detailed sales tax records from CDTFA to analyze data and provide enhanced revenue forecasts.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Fund Allocation</li> <li><input type="checkbox"/> Fund Programming</li> <li><input type="checkbox"/> Policy/Legislation</li> <li><input type="checkbox"/> Plan/Study</li> <li><input type="checkbox"/> Capital Project Oversight/Delivery</li> <li><input checked="" type="checkbox"/> Budget/Finance</li> <li><input type="checkbox"/> Contract/Agreement</li> <li><input type="checkbox"/> Other: _____</li> </ul>
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### BACKGROUND

The Transportation Authority was created in 1989 by the voters of the City and County of San Francisco to impose a voter-approved transaction and use tax (i.e., sales tax) of one-half of one percent to fund essential traffic and transportation projects as set forth in the San Francisco County Transportation Expenditure Plan (Prop B Expenditure Plan) for a period not to exceed twenty years. In November 2003, San Francisco voters approved a new 30-year Expenditure Plan (Prop K Expenditure Plan) that superseded Prop B and continued the one-half of one percent sales tax. CDTFA administers and collects sales tax revenues for municipalities, including the Transportation Authority. CDTFA requires municipalities to



designate individuals and/or consultants permitted to examine sales, transactions and use tax records collected by CDTFA for the agency.

## **DISCUSSION**

Given the economic uncertainty caused by the COVID-19 pandemic, accurate sales tax revenue projections have become essential for short-term budget planning and more difficult to develop than pre-pandemic. In addition, short- and long-term revenue projections are incorporated into the Prop K Strategic Plan financial model, which is our primary financial tool for ensuring that we have sufficient funds to support the sales tax projects and programs, including any financing costs, over the 30-year Expenditure Plan period. Further, sales tax revenue projects are needed to inform the development of the San Francisco Transportation Plan (the long-range countywide transportation plan update being developed as part of ConnectSF) as well as a new Expenditure Plan and reauthorization of the sales tax through a potential June or November 2022 ballot measure, as directed by the Board.

On March 2, 2021, we entered into a professional services agreement with MuniServices, LLC (MuniServices) for sales tax revenue forecasting services. We are recommending authorizing MuniServices to examine more comprehensive transaction and use tax records collected by CDTFA for the Transportation Authority, which will allow MuniServices to improve sales tax trend analysis and data reports, and to enhance our sales tax revenue forecasts as we recover from the COVID-19 pandemic. MuniServices shall be prohibited from retaining the information contained in, or derived from, those transactions and use tax records after its contract with the Transportation Authority has expired.

Furthermore, we are also reaffirming and authorizing additional staff, including the Executive Director, Chief Deputy Director, or Deputy Director for Finance and Administration or an officer or employee of the Transportation Authority designated in writing by the Executive Director to the CDTFA to examine transactions and use tax records.

## **FINANCIAL IMPACT**

None. Budget for the contract with MuniServices is included in Fiscal Year 2021/22 Adopted Budget and Work Program.

## **CAC POSITION**

The Community Advisory Committee will consider this item at its July 28, 2021 meeting.