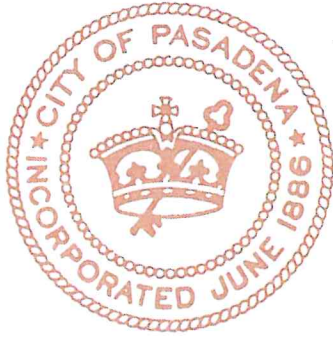




Agenda Report

October 13, 2026

TO: Honorable Mayor and City Council

FROM: Department of Finance

SUBJECT: ADOPT A RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENT NO. 131285 AND SUBSEQUENT RENEWAL AGREEMENTS WITH THE STATE OF CALIFORNIA FRANCHISE TAX BOARD (FTB) FOR PARTICIPATION IN FTB CITY BUSINESS TAX DATA PROGRAM

RECOMMENDATION:

Staff recommends that the City Council:

1. Find that the action proposed is not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21065 and within the meaning of State CEQA Guidelines Section 15378;
2. Adopt the resolution for the purpose of the City's continued participation in the State of California Franchise Tax Board (FTB) City Business Tax Program;
3. Authorize the City Manager to enter into agreement no. 131285 with the California FTB, for tax years 2026 through 2028 with data sharing through December 2029 and for subsequent tax years at the discretion of the City Manager, for the City's participation in the FTB City Business Tax Data Program. Competitive price bidding is not required pursuant to City Charter Section 1002(H) (Contracts with other governmental entities), and competitive selection is not required pursuant to Pasadena Municipal Code Section 4.08.049(A)(3), contracts with other governmental entities.

BACKGROUND:

The City participates in the Franchise Tax Board (FTB) City Business Tax Data Program through a reciprocal data-sharing agreement with the State of California. The program enables the City to use information provided by the FTB to identify businesses operating in Pasadena without a City business license, while information provided by the City assists the FTB in identifying businesses that may not be reporting required

income to the State. In 2021, the City entered into an agreement for these services. On November 13, 2023, the City Council authorized the continuation of the agreement for tax years 2023 through 2025, with data sharing through December 2026.

Effective January 2009, as a result of the enactment of Senate Bill 1146 (Cedillo) (Chapter 345, Statutes of 2008), FTB began exchanging data through a reciprocal agreement with cities at no charge to either party. The program helps identify self-employed individuals who are not reporting required income and paying local business taxes. The following types of data are exchanged between cities and the FTB:

Cities/Counties provide FTB	FTB provides Cities/Counties
Business and owner's name	Taxpayer name
Business or residence address	Taxpayer address
FEIN or Social Security Number	Taxpayer FEIN or Social Security Number
North American Industry Classification Code	Entity type
Standard Industry Classification Code	Principal Business Activity (PBA) Code

Under the program, participating cities and counties provide local business license data to FTB annually through Secured Web Internet File Transfer (SWIFT). FTB performs a data match and returns information that assists the City in identifying potentially unlicensed businesses within its jurisdiction. The City is required to provide its annual data extract between April and July of each year of the agreement. FTB agrees to match the data and provide the report in December of the following tax year. Both entities retain ownership of their respective data and are required to maintain the confidentiality of pertinent taxpayer information in accordance with the California Revenue and Taxation Code and applicable federal standards including Internal Revenue Code.

Participation in this program requires the City to periodically execute an agreement renewal with FTB. Since the substantive purpose of the agreement remains consistent and at no charge to either party, requiring separate City Council approval for each routine agreement renewal not only potentially delays the annual data exchange process and the City's vital access to FTB's records but also adds an administrative step to an established reciprocal program. Continued participation provides the City with an important compliance and validation tool to identify businesses operating within Pasadena that may not be properly licensed and to pursue applicable business tax obligations.

Staff, therefore, recommend the City Council authorize the City Manager to execute the agreement for tax years 2026 through 2028 and future agreement renewals with FTB for subsequent tax years at the discretion of the City Manager. The agreement is for the City's continuous participation in the FTB's City Business Tax Data Program, so long as there is no material change to the program's purpose and no fiscal obligation to

the City. This authorization will streamline future agreement renewals and avoid interruptions to the City's business tax compliance efforts.

COUNCIL POLICY CONSIDERATION:

This action for the proposed agreement(s) with the State of California FTB supports the City's fiscal responsibility and stability by securing data that supports the City's business tax compliance operations.

ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not "projects" as defined by Public Resources Code Section 21065 and within the meaning of CEQA Guidelines Section 15378. Sections 21065 and 15378 define a project as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378(b) excludes from the definition of "project" continuing administrative or maintenance activities, such as securing services. The actions proposed herein, authorizing the City Manager to participate in the FTB City Business Tax Data Program through a reciprocal data-sharing agreement with the State of California, is an administrative activity for the securing of services, and therefore is not a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

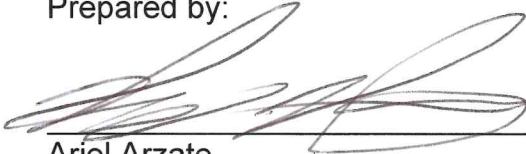
There is no fiscal impact as a result of this action and no anticipated indirect or support cost requirements. The FTB City Business Tax Data Program is a reciprocal data-sharing program provided at no charge to either party.

Respectfully submitted,



KARIN SCHNAIDER
Director of Finance

Prepared by:



Ariel Arzate
Municipal Services Manager

Approved by:



MATTHEW E. HAWKESWORTH
Interim City Manager

Attachment: (1)

Attachment A - Standard Agreement Scope of Work