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**City's Audit Vice Chair Moreno Recommends City Invest in  
Business Cooperation Program**  
*Program will keep San Diego's tax dollars here locally*

SAN DIEGO – Today, the City of San Diego's Audit Committee heard the City Auditor's Recommendation Follow-Up Report, which provides the status of open recommendations as of June 30, 2020. Two recommendations from a 2018 audit of the Business Cooperation Program (BCP) were highlighted for Audit Committee attention because the City's Economic Development Department indicated the City does not intend to fully implement them. Vice Chair Moreno proposed that the City invest in the BCP to keep more of San Diego's tax dollars in San Diego to build more parks, fix roads and provide public services. The Committee unanimously approved the [Auditor's recommendations](#).

The BCP was created to take advantage of tax regulations by the California State Board of Equalization which allow the City to collect additional sales and use taxes on goods sold or purchased by businesses in the City. Specifically, when created by the Council in 1996, the BCP was intended to target large research, manufacturing, and construction projects, as those projects would generate the greatest return on investment due to the larger tax revenues that would be generated. The BCP does not increase taxes on businesses located in the City, but rather, captures certain tax revenues generated by businesses in the City that would otherwise be distributed to other taxing jurisdictions within the County. Since the BCP's inception, the program has generated modest amounts of revenue for the City—\$3.9M over 20 years, or about \$190k annually.

The City Auditor recommended that the Chief Operating Officer should determine which department, such as the Economic Development Department or the Financial Management Department, has the best ability to manage the portion of the Business Cooperation Program that targets construction activity. This Department should develop a documented process to focus on the systematic identification, recruitment and enrollment of contractors and subcontractors working on large public and private construction projects to capture use taxes before allocation to the County pool. In addition, the COO should determine how to fund program related expenditures-such as staff FTEs, consultant commissions, and rebates for certain program participants-during the annual budget process.

Another recommendation included the Department managing the portion of the Business Cooperation Program targeting construction activity should work with the Public Works Department, the Development Services Department, and Civic San Diego to develop procedures to allow Business Cooperation Program staff to become aware when projects with estimated construction costs of more than \$50 million are being proposed. This should also include notification when the City's Capital Improvement Projects of more than \$25 million are planned.

The City of San Diego is currently in exclusive negotiations on multiple large developments (Sports Arena and Tailgate Park redevelopments) which is an opportunity for BCP enrollment. The City of Sacramento, which uses the same tax consultant as San Diego, was able to capture approximately \$420,000 in additional tax revenue by using the consultant to enroll contractors on a new \$558M arena in its version of the BCP.

**“The Business Cooperation Program is a valuable tool that we should promote and utilize to the greatest extent possible,” said Councilmember Vivian Moreno. “I am never going to turn my back on any program that can increase city revenues- much less one that was explicitly written by the State to allow local cities to keep more sales tax revenue. I look forward to seeing the department encourage more contractors to participate in the Business Cooperation Program.”**

**Added Moreno, “I would encourage staff to do all you can to maximize participation in this program, as it could be a great tool to generate revenue for the city at a time when we are experiencing some pretty tough restraints on our budget- which could result in public services being cut.”**

More information on the BCP can be found [here](#).

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*Councilmember Vivian Moreno represents the Eighth Council District of the City of San Diego, which includes the communities of Barrio Logan, Egger Highlands, Grant Hill, Logan Heights, Memorial, Nestor, Ocean View Hills, Otay Mesa, San Ysidro, Shelltown, Sherman Heights, Stockton and the Tijuana River Valley.*