



## Legislation Text

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### Report to Mayor and City Council

Tuesday, May 07, 2024

Consent

#### **SUBJECT:**

**CONSIDER APPROVAL OF AMENDMENT NO. 2 TO AN AGREEMENT WITH HINDERLITER, DE LLAMAS AND ASSOCIATES ("HDL") TO PROVIDE PROFESSIONAL AUDIT AND ANALYSIS OF THE CITY'S SALES AND USE TAX AND APPROVAL OF RESOLUTION NO. 24-043 AUTHORIZING EXAMINATION OF SALES OR TRANSACTIONS AND USE TAX RECORDS (CITY COUNCIL).**

#### **I. SUMMARY**

On May 18, 2021, Hinderliter, de Llamas and Associates ("HDL") was awarded a 3-year contract services agreement for the analysis and audit of the City's sales and use tax revenues with two one-year options to extend the term, for a base amount of \$9,600 annually, not to exceed \$28,800 over three years, plus 15% of new sales and use tax revenue as a result of the audit and recovery work performed by the firm.

City and HDL entered into Amendment No.1 of the agreement to expand the Scope of Services to enable HDL to provide services to obtain and collect sales or transactions and use tax information related to Measure "K" from appropriate government agencies and to furnish all such information to the City, for an additional not to exceed amount of \$4,000, plus 25% of new sales or transactions and use tax revenue recovered by HDL on behalf of the City and Consumer Price Index adjustments

Staff is requesting approval of Amendment No. 2 (Exhibit 1) to extend the term of the agreement by one year and increase the not to exceed contract sum by \$12,000, and approval of Resolution No. 24-043 to expand the scope of permissible uses of confidential sales or transactions and use tax records obtained from the California Department of Tax and Fee Administration to assist City with its economic development efforts.

## II. RECOMMENDATION

TAKE the following actions:

1. APPROVE Amendment No. 2 to Agreement for contract services by and between the City of Carson and Hinderliter, de Llamas and Associates (“HDL”) for professional audit and analysis of City’s sales and use taxes.
2. ADOPT Resolution No. 24-043 authorizing examination of sales or transactions and use tax records.

## III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

## IV. BACKGROUND

On May 18, 2021, Hinderliter, de Llamas and Associates (“HDL”) was awarded a 3-year contract services agreement for the analysis and audit of the City’s sales and use tax revenue with two one-year options to extend, for a base amount of \$9,600 annually, not to exceed \$28,800 over three years, plus 15% of new sales and use tax revenue as a result of the audit and recovery work performed by the firm.

In November 2020, the residents passed a local tax measure, Measure “K,” a Transaction Use Tax of three-quarter cent (0.75%). Due to the increased revenue generated by the tax, staff believed it was necessary to have a consultant conduct continuous audits of the revenue and the sources. Since HDL had been monitoring and auditing the City’s sales tax and providing quarterly reports, the City contacted HDL to amend their current contract scope of services to include analysis and auditing of the Measure K revenue. Amendment No. 1 expanded the Scope of Services to enable HDL to provide services to obtain and collect sales or transactions and use tax information related to Measure “K” from appropriate government agencies and to furnish all such information to the City, for an additional not to exceed amount of \$4,000 bringing the adjusted Contract Sum to an amount not to exceed \$32,800, plus 25% of new sales or transactions and use tax revenue recovered by HDL on behalf of the City and Consumer Price Index adjustments. Amendment No. 2 extends the term by one (1) year and increases the contract sum by \$12,000 (\$9,600 for Sales and Use Tax Management Services and \$2,400 for Sales or Transactions and Use Tax Services), thereby bringing the adjusted contract sum to \$44,800.

Additionally, since the City is using HDL to audit Measure “K” revenue, the California Department of Tax and Fee Administration (“CDTFA”) requires an additional resolution, Resolution No. 24-043 (Exhibit No. 2), authorizing a consultant (HDL) to examine the tax records. At the request of the CDTFA and to simplify the number of resolutions provided to the State, Resolution No. 24-043 supersedes all prior resolutions of the City Council adopted pursuant to subdivision (b) of Revenue and Taxation Code section 7056, inclusive of Resolution No. 03-081, Resolution No. 20-187, Resolution No. 21-062, and Resolution No. 22-171.

Section 7056 of the California Revenue and Taxation Code provides that the information obtained by examination of CDTFA's records shall be used only for purposes related to the collection of local sales or transactions and use taxes by CDTFA pursuant to the City's contract with CDTFA, or for purposes related to other governmental functions of the City if authorized under a resolution adopted by the City Council. The most recently adopted resolution, Resolution No. 22-171, authorizes the City Manager, Deputy City Manager, Finance Director, Revenue Manager, or other officers or employees of the City designated in writing by the Deputy City Manager, to examine information obtained by examination of CDTFA's records pertaining to sales or transactions and use taxes collected for the City by CDTFA. By City Council's adoption of Resolution No. 24-043, staff proposes that the list of City officers authorized to examine records be reduced to the City Manager, Finance Director, Revenue Manager, or other officers or employees of the City designated in writing by the City Manager, and to expand the scope of allowable use of confidential information towards City's economic development efforts. More specifically, expansion of the scope will allow City to gain insights into local economic trends, spending patterns, and industry performance thereby allowing for more robust economic development efforts by enabling City to tailor its approach to attract businesses that align with the strengths and needs of the City.

## **V. FISCAL IMPACT**

There is no additional funding requested at this time. The total appropriation is available within the Finance department budget of the General Fund.

## **VI. EXHIBITS**

1. HDL Contract Amendment No. 2 (pgs. 4-9)
2. Resolution 24-043 CDTFA Transaction and Use Tax Records Examination (pgs. 10-12)

Prepared by: William Jefferson, Finance Director