



## Legislation Details (With Text)

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**Title:** CONSIDER AWARD OF CONTRACTS TO HINDERLITER, DE LLAMAS & ASSOCIATES (HDL) FOR SALES TAX AND PROPERTY TAX AUDIT AND ANALYSIS AND OTHER RELATED PROFESSIONAL SERVICES, AND SOFTWARE AS SERVICES (CITY COUNCIL)

**Sponsors:**

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**Attachments:** 1. Sales Tax Contract Exhibit 1, 2. Property Tax Contract Exhibit 2, 3. Software Contract Exhibit 3

Date	Ver.	Action By	Action	Result
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## Report to Mayor and City Council

Tuesday, June 20, 2017

Discussion

### SUBJECT:

**CONSIDER AWARD OF CONTRACTS TO HINDERLITER, DE LLAMAS & ASSOCIATES (HDL) FOR SALES TAX AND PROPERTY TAX AUDIT AND ANALYSIS AND OTHER RELATED PROFESSIONAL SERVICES, AND SOFTWARE AS SERVICES (CITY COUNCIL)**

### I. SUMMARY

The City has contracted with HdL for 26 years; and staff is satisfied with the services. The proposed contracts constitute a renewal of the existing relationship that expires on June 30, 2017. Due to the fact that HdL operates under three separate corporations to provide services, staff recommends approval of three separate contracts.

### II. RECOMMENDATION

1. Approve the Agreement for Contract Services Between the City of Carson and Hinderliter, DeLlamas and Associates (HdL) for Professional Audit and Analysis of City Sales Tax contract for three years with two one-year options, for a base amount of \$9,600 annually, not to exceed \$51,000 over five years; plus 15% of all sales and use tax recovered.

2. Approve the Agreement for Contract Services Between the City of Carson and HdL Coren and Cone for Professional Audit and Analysis of City Property Tax contract for three years, with two one-year options, for a base amount of \$17,000 annually, not to exceed \$91,000 over five years.
3. Approve the Agreement for Contract Services Between the City of Carson and HdL Software, LLC for City Business License Operating Software and Specialty Audits contract for three years, with two one-year options. The base contract amount for the Business License software is \$12,000 annually, and the False Alarm Billing Software contract amount is \$4,000 annually. This professional services contract includes \$25,000 annually to conduct other tax revenue audits upon City request (e.g. Transient Occupancy Tax). The total sum of this contract is not to exceed \$216,000 over five years.

### **III. ALTERNATIVES**

TAKE any other action the City Council deems necessary and appropriate.

### **IV. BACKGROUND**

The City conducted an RFP process, with proposals due on April 24, 2017. The proposal was placed on the City's website and emailed directly to 11 companies. On April 24<sup>th</sup>, the City received only one proposal and it was from HdL.

The City currently uses HdL for a variety of professional and software services. The City is interested in continuing to receive these established necessary services, as well as the new service of other tax revenue audits. Because HdL operates under three separate corporations, three separate contracts have been prepared.

In 1991, the City partnered with HdL for their Sales Tax auditing services. The City has continued using their services because of their excellent work product, as well as HdL being incredibly successful in recovering misallocated sales tax revenues. Since 2007, HdL has recovered approximately \$37,759,977. The base fee component of this contract provides for quarterly analysis and reporting, and legislative updates impacting sales tax. The sales tax recovery fee is set at 15% of additional sales tax recovered, and historically this translates to an approximate average of \$200,000 annually for this service.

In 1992, the City contracted with HdL for Property Tax auditing and analysis. Again, HdL's quality of service and customer service has excelled, as well as recovering thousands of dollars owed to the City. Since 2012, HdL has recovered over \$405,000 in general fund revenue. The fee for this service is not based upon recovery, but set at a base amount of \$17,000 per year. This professional services contract includes providing annual data for the City's Comprehensive Annual Financial Report (CAFR).

In 1998, the City began using HdL Business License Software as Services (SaaS). In other words, the software is hosted by HdL, not the City's internal servers. Since then, HdL has upgraded their software to a web-based program, which allows the business community to pay their business license renewal online, as well as allowing the community

to verify business licenses via the City's website. Additionally, this software program manages the City's False Alarm Billing. The software tracks the number of false alarms that have occurred at a specific address, as well as the amount of fines owed to the City for the Sheriff's Deputies response to the false alarm call. This system will be replaced with the Tyler Munis ERP system; and the City may cancel the contract at any time with 30 days written notice.

Within the Business License software contract, staff factored in an additional \$25,000 per year for audits of other local imposed taxes and fees. These additional services could include auditing Utility Users Tax, Transient Occupancy Tax, Franchise Fees, and electronic billboard leases.

## **V. FISCAL IMPACT**

The financial impact of the three contracts for three years is \$205,430 and two one-year optional extensions is an additional \$142,688 for a five-year base fee total of \$357,594. Furthermore, HdL will receive a fee equivalent to 15% of all additional sales tax recovered for the City. The proposed FY17-18 budget includes \$230,000 for services to be provided by HdL; which is sufficient for the base fees and expected sales tax recovery.

## **VI. EXHIBITS**

- A. Agreement for Contract Services Between the City of Carson and Hinderliter, DeLlamas and Associates (HdL) for Professional Audit and Analysis of City Sales Tax Contract (pages 4-32).
- B. Agreement for Contract Services Between the City of Carson and HdL Coren and Cone for Professional Audit and Analysis of City Property Tax (pages 33-60).
- C. Agreement for Contract Services Between the City of Carson and HdL Software, LLC for City Business License Operating Software and Specialty Audits (pages 61-89).

A.

Prepared by: Cristine Gaiennie, Revenue Manager