



Legislation Text

File #: 2021-375, Version: 1

Report to Mayor and City Council

Tuesday, May 18, 2021

Consent

SUBJECT:

CONSIDER APPROVAL OF AGREEMENT FOR CONTRACT SERVICES TO HDL COREN & CONE FOR PROFESSIONAL AUDIT AND ANALYSIS OF CITY PROPERTY TAX (CITY COUNCIL)

I. SUMMARY

The City issued a request for Proposal ("RFP") on July 30, 2021 seeking qualified firms to provide Property Tax revenue auditing and analysis services. The auditing and analysis of the City's property tax is currently contracted with HdL Coren & Cone ("HdLCC"). Though the City has contracted with HdLCC since 1989, the current contract was issued in June 2017 and a one-year contract amendment approved in June 2020 that is set to expire in June 2021.

Two proposals were received by the RFP deadline of September 17, 2020; however, one of the bidders withdrew its proposal. The remaining bidder for the contract was HdL Coren & Cone. A selection committee reviewed the HdLCC proposal and evaluated the criteria set forth in the RFP. HdLCC was recommended by the selection committee with total compensation for services shall not exceed \$50,459 for a three-year period plus 25% of net property tax revenues recovered by Consultant not to exceed \$10,000. The contract allows for two one-year extensions with cost to be negotiated at time of amendment.

The costs include the following services:

- Collect City, county and state property tax data from the appropriate governmental agency(s) and provide comparison information relating to the City.
- Analyze property tax revenue and forecast revenue for upcoming fiscal year.
- Identify distribution errors of tax and file applicable and necessary documentation with the appropriate entity(s) and/or governmental agency(s) for reallocation or misallocated tax. Additionally, follow up with the identified business and entity(s) and/or governmental agency(s) to confirm all back payments due to the City are recovered.
- Contact appropriate entity(s) and governmental agency(s) to confirm protocol on filing all necessary documentation and recover misallocated tax monies.

- Provide technological capabilities, as well as accessing data and analytic solutions to City staff with insights pertaining to revenues (actuals, budget, and forecast).

II. RECOMMENDATION

TAKE the following actions:

1. AWARD and APPROVE the Contract Services Agreement to HDL COREN & CONE for the analysis and audit of the City's property tax revenue for total compensation of Services not to exceed \$50,459 plus 25% of net property tax revenues recovered for the City in the audits performed over the period of time allowable by State statute (current year and three prior lien date years). The recovery fees shall not exceed \$10,000. The contract has a three-year term and allows for two one-year extensions with cost to be negotiated at the time of amendment.
2. AUTHORIZE the Mayor to execute the agreement, following approval as to form by the City Attorney.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The City issued a request for Proposal ("RFP") on July 30, 2021 seeking qualified firms to provide Property Tax revenue auditing and analysis services. The proposal was posted in the Daily Journal (Our Weekly) newspaper and was shared with vendors using the Purchasing Division's software, Planet Bids.

The auditing and analysis of the City's property tax is currently contracted with HdL Coren & Cone ("HdLCC"). Though the City has contracted with HdLCC since 1989, the current contract was issued in June 2017 and a one-year contract amendment approved in June 2020 that is set to expire in June 2021.

Two proposals were received by the RFP deadline of September 17, 2020; however, one of the bidders withdrew its proposal. The remaining bidder for the contract was HdLCC. A selection committee reviewed HdLCC proposal and evaluated the criteria set forth in the RFP. HdLCC was recommended by the selection committee with a total fee of \$50,459 for a three-year period and 25% of net tax revenues recovered for the City in the audits performed over the period of time allowable by State statute (current year and three prior lien date years). The recovery fees shall not exceed \$10,000. The contract allows for two one-year extensions with the cost negotiated at time of amendment.

The costs include the following services:

- Collect City, county and state property tax data from the appropriate governmental agency(s) and provide comparison information relating to the City.
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- Contact appropriate entity(s) and governmental agency(s) to confirm protocol on filing all necessary documentation and recover misallocated tax monies.
- Provide technological capabilities, as well as accessing data and analytic solutions to City staff with insights pertaining to revenues (actuals, budget, and forecast).
- Provide quarterly analysis, reporting, legislative updates impacting property tax and audit, and analyze the City's property tax records received from Los Angeles County.

City of Carson Property Tax Overview

The majority of the parcels within Carson are a mix of single family, multi-family, industrial and commercial properties. These parcels are bought and sold, increased by the CPI (Consumer Price Index - inflation), have new construction and are fairly simple to estimate projected property tax revenues.

The reason property taxes are more challenging to forecast in the City of Carson is the existence of oil and gas properties within our City boundary.

Carson Oil and Gas Assets - Reassessment and Forecasting Challenges

Oil and gas properties and assets are unique in that not only are the land and structures valued, the equipment used in refining and storing is also taxable, as well and any oil stored within the tanks or oil reserves stored underground. While the land and structures will follow CPI trended patterns, the oil itself is valued based on the volume present in storage on a certain day and the price per barrel on that day. The volume of oil is considered confidential and is only exchanged between the owner and the specific appraiser in the Los Angeles County Assessor's Office.

In addition to the oil itself, there is various equipment used at the refineries that depreciate annually and cause declines in value until it is replaced. The replacement then causes a spike in value due to this new equipment's value. All these fluctuations are unknown to City staff until the roll is released and the data is analyzed by HdLCC.

HdLCC's revenue projection serves as a tool for City finance staff to get a good base for the revenue projections and allows staff to have better budget planning. The General Fund projections are made based on estimated changes to parcels in the City's General Fund (non-Successor Agency area). The Vehicle License in Lieu (VLF) Revenue grows by the percentage of value growth in the entire City, including all parcels in the General Fund and Successor Agency. The same events described below impacted VLF Revenues, but to a lesser degree because the value base is larger and because the losses were often offset by new development projects in the Successor Agency.

City of Carson's Share of Property Tax Revenue Compared to Other Agencies

Exhibit No. 2 illustrates the property tax share among agencies within the City of Carson. Although property tax is a significant source of revenue to the City, the property tax paid by the City's property owners is distributed to many taxing entities. The City only receives approximately 6.7% of the base 1% property tax (Exhibit No. 3). For example, if a home

has an assessed value of \$500,000, the base property tax is \$5,000 per year. Of that \$5,000, the City receives \$337.

V. FISCAL IMPACT

Funds requested for the Contract Service Agreement with HdL COREN & CONE are included in the Fiscal Year 2021-2022 proposed budget.

VI. EXHIBITS

1. Contract Services Agreement (HDL COREN & CONE) (Pgs. 5-32)
2. Exhibit (2): Average Shares of Property Tax revenue by Agency Compared to the City of Carson (Pg. 33)
3. Exhibit (3): Property Tax Dollar Breakdown and City of Carson Share
(Pg. 34)

1.

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