



## Legislation Text

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File #: 2022-721, Version: 1

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### Report to Mayor and City Council

Tuesday, October 04, 2022

Consent

#### **SUBJECT:**

**CONSIDER APPROVING AMENDMENT NO. 1 TO AN AGREEMENT WITH HINDERLITER, DE LLAMAS AND ASSOCIATES ("HDL") TO PROVIDE PROFESSIONAL AUDIT AND ANALYSIS OF THE CITY'S TRANSACTION AND USE TAX (CITY COUNCIL).**

#### **I. SUMMARY**

On May 18, 2021, Hinderliter, de Llamas and Associates ("HdL") was awarded a 3-year contract service agreement for the analysis and audit of the City's sales and use tax revenue with two one-year options, for a base amount of \$9,600 annually, not to exceed \$28,800 over three years. Staff is requesting approval of Amendment No. 1 (Exhibit 1) to amend the scope of the current contract to have HdL audit the City's Transaction Use Tax.

#### **II. RECOMMENDATION**

TAKE the following actions:

1. APPROVE Amendment No. 1 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 Transaction and Use Tax.
2. ADOPT Resolution 22-171 authorizing Hinderliter, de Llamas and Associates to examine Transaction Use Tax transactions and 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 service agreement for the analysis and audit of the City's sales and use tax

revenue with two one-year options, for a base amount of \$9,600 annually, not to exceed \$28,800 over three years. 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 currently monitors and audits the City's sales tax and provides 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 #1 does not change the length of the contract but rather gives additional requested services specifically addressing the Measure K revenue. The additional services increase the cost of the contract by \$4,000 for the first two-years, for a total of \$32,800 ending May 17, 2024. If the City chooses to extend the Measure K auditing portion of the contract for the two one-year extensions, each year is an additional \$2,400. Moreover, HdL's compensation also includes 25% of new sales or transactions and use tax revenue recovered by the consultant on behalf of the City and Consumer Price Index adjustments.

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 (Exhibit No. 2) authorizing a consultant to examine the tax records. At the request of the CDTFA and to simplify the number of resolutions provided to the State, Resolution 22-171 supersedes all prior resolutions of the City Council adopted pursuant to subdivision (b) of Revenue and Taxation Code section 7056, inclusive of Resolution 03-081, Resolution 20-187, and Resolution 21-062.

## **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 #1 Measure K (pgs. 3-17)
2. Resolution 22-171  
CDTFA Transaction and Use Tax Auditing (pgs.18-20)

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