

# Agenda Report

November 7, 2016

**TO:** Honorable Mayor and City Council,

**FROM:** City Manager

**SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH  
HINDERLITER, DE LLAMAS AND ASSOCIATES FOR SALES/USE TAX  
REVENUE CONSULTING AND HDL COREN & CONE FOR PROPERTY  
AND TRANSFER TAX REVENUE CONSULTING SERVICES**

**RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the action proposed is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3) as it will not have a potentially significant environmental effect and, therefore, falls under the General Rule exemption;
2. Authorize the City Manager to enter into a contract without competitive bidding pursuant to City Charter Section 1002 (F), contracts for professional or unique services, with Hinderliter, de Llamas and Associates for sales and use tax revenue consulting services for a period of three years. Fixed costs will not exceed \$10,200 annually and auditing services will be conducted on a contingency basis.
3. Authorize the City Manager to enter into a contract without competitive bidding pursuant to City Charter Section 1002 (F), contracts for professional or unique services, with HdL Coren & Cone for property and transfer tax revenue consulting services for a period of three years. Fixed costs will not exceed \$21,250 annually and auditing services will be provided on a contingency basis.
4. Authorize the City Manager to extend each contract for up to two additional one-year terms not to exceed an annual fixed cost amount of \$10,200 per year for Hinderliter, de Llamas and Associates and \$21,250 per year for HdL Coren and Cone, for a maximum contract length of five years.

**BACKGROUND:**

Nearly all cities in California utilize tax revenue audit consultants to identify and recover missing revenues. There is a need for cities to employ consultants for such services given the various constraints and impediments to obtaining and tracking the necessary data. The substantial workload of county and state tax collection offices combined with complex tax rules and overlapping tax rates amid various jurisdictions, can lead to inadvertent errors. While these errors may be small in the context of the billions of dollars handled by the state, they can have a dramatic impact on the revenues desperately needed by local governments. These companies provide assurance that local government officials are receiving the revenue they are due.

The City has utilized the services of tax consultants for many years and has benefited from continually receiving revenues through their auditing and tracking methods as well as development of various databases, reporting tools and trend data analysis. The City has realized millions in additional revenues due to various tax audit programs associated with sales and use tax, property tax, transient occupancy tax, business license tax and utility users' tax. The City's current contract with MuniServices, LLC was awarded in 2009 and encompasses a variety of tax auditing services including sales and use tax, property tax, documentary transfer tax, transient occupancy tax, business tax and transient occupancy tax. Recently the City undertook a new competitive selection process for these services.

The services under the proposed contract are as follows:

- Annual sales and use tax audits
- Annual and quarterly sales and use tax analysis and reporting services
- Annual property tax audit and reporting for the City and the Pasadena Community Development Commission and Successor Agency
- Documentary transfer tax audit services as required
- Policy, legislative and regulatory analysis and support as required

There are currently two companies serving California that provide a full range of revenue audit and enhancement programs for municipal agencies. They are MuniServices, LLC and HdL Companies. HdL Companies is composed of several independent firms under the parent name. Hinderliter, de Llamas and Associates and HdL Coren and Cone partner together to provide a full range of tax consulting services.

Finance staff issued a RFP through Planet Bids on August 22, 2016 and received proposals from both firms. Both were invited to provide presentations before a selection panel of City staff on October 3, 2016 and, after careful review of each firm, their proposals and associated costs, it is staff's recommendation to enter into contract with Hinderliter, de Llamas and Associates and HdL Coren and Cone. Hinderliter, de Llamas and Associates will be contracted to provide sales and use tax services and

HdL Coren and Cone will be contracted to provide property and transfer tax consulting services.

| Company  | Location    | Total Score |
|--|-------------|-------------|
| Hinderliter, de Llamas and Associates;<br>HdL Coren & Cone | Diamond Bar | 89.83       |
| MuniServices, LLC  | Fresno      | 82.67       |

A portion of the services will be based on an annual fixed fee. These services include property tax services and the sales and use tax software application and management services. The annual amount of fixed fees is estimated at \$31,450. Hinderliter, de Llamas and Associates and HdL Coren and Cone will each be paid on a contingency basis for the revenue each derives for tax audit services. The City has not contracted with either of these firms for at least the last fifteen years.

**COUNCIL POLICY CONSIDERATION:**

The proposed action is consistent with the City Council's strategic plan goal to maintain fiscal responsibility and stability.


**ENVIRONMENTAL ANALYSIS:**

The action proposed herein is not a project subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Section 15060 (c)(2), 15060 (c)(3), and 15378. Since the action is not a project subject to CEQA, no environmental document is required.

**FISCAL IMPACT:**

Sufficient funds have been appropriated for these services in the FY 2017 Adopted Operating Budget, Non-Departmental Citywide account under line item 10120016-811400 (General Fund-Non-Departmental-Citywide Obligations-Other Contract Services).

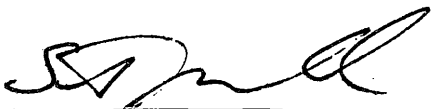
Respectfully submitted,

  
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Director of Finance

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Approved by:

  
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STEVE MERMELL  
City Manager

Attachments: (3)

Attachment A – Summary of Consultant Evaluations  
Attachment B – Hinderliter, de Llamas and Associates Taxpayer Protection Amendment  
Attachment C - HdL Coren and Cone Taxpayer Protection Amendment