



# Agenda Report

April 29, 2019

**TO:** Honorable Mayor and City Council

**FROM:** Finance Department

**SUBJECT: AUTHORIZATION TO AMEND CONTRACT 30761 WITH HINDERLITER, DE LLAMAS AND ASSOCIATES TO INCLUDE TRANSACTIONS TAX AUDIT SERVICES**

**RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the actions proposed are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3) as they will not have a potentially significant environmental effect and, therefore, fall under the General Rule exemption; and
2. Authorize the City Manager to amend contract 30761 with Hinderliter, de Llamas and Associates for transactions tax revenue consulting services to include audit fees in the amount of 25% of the initial amount of new transactions and use tax revenue recovered by the vendor.

**BACKGROUND:**

On November 7, 2016, the City Council authorized the City Manager to enter into a three-year agreement with Hinderliter, de Llamas and Associates to provide Sales/Use Tax revenue consulting services with the City Manager having the option to extend the contract for two additional, one-year terms. Since that time, the vendor has performed per the agreement and is in good standing with the City. The work of a tax consultant is critical to ensuring that taxes are properly allocated to the City and that appeals are filed with the state to recoup dollars that may have been misallocated to the county pool or to another city.

On November 6, 2018, Pasadena voters passed Measure I, a ¾-cent transactions and use tax. On December 17, 2018, the City Council authorized amending contract 30761 to provide for a quarterly analysis of the Measure I revenue at the rate of \$100 per month. The current contract with Hinderliter, de Llamas and Associates also provides for a 15% payment for eight consecutive quarters (two years) related to any new tax

revenue that they recover on behalf of the City. The proposed contract amendment will provide a 25% payment of any new tax revenue recovered on behalf of the City, but only for one-quarter as opposed to the eight consecutive quarters. Ultimately, under the proposed amendment, the City will pay less for taxes recovered related to the Measure I transactions and use tax.

The City's out-of-pocket costs for the proposed contract amendment should be minimal once initial compliance is achieved. No ongoing issues related to the collection of the tax are anticipated. Since the tax only applies to Pasadena, taxes misallocated to other jurisdictions, or to the county's pool, are typically not a problem with a locally assessed tax.

**COUNCIL POLICY CONSIDERATION:**

The proposed actions are consistent with the City Council's strategic planning goal to maintain fiscal responsibility and stability.

**ENVIRONMENTAL ANALYSIS:**

The actions proposed herein are not projects 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 actions are not projects subject to CEQA, no environmental document is required.

**FISCAL IMPACT:**

Any costs related to this contract amendment will be offset by the additional revenue collected by the City. Sufficient funds have been appropriated for these services in the Fiscal Year 2019 Adopted Operating Budget.

Respectfully submitted,

  
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MATTHEW E. HAWKESWORTH  
Director of Finance

Approved by:

  
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STEVE MERMELL  
City Manager