

Agenda Report

November 22, 2021

TO: Honorable Mayor and City Council
FROM: Department of Finance
SUBJECT: **AUTHORIZATION TO EXTEND CONTRACTS WITH HINDERLITER, DE LLAMAS AND ASSOCIATES FOR SALES, TRANSACTION AND USE TAX REVENUE CONSULTING SERVICES AND HDL COREN AND CONE FOR PROPERTY AND TRANSFER TAX REVENUE CONSULTING SERVICES**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;
2. Authorize the City Manager to amend Contract 30761 with Hinderliter, de Llamas and Associates by increasing the contract amount to \$63,000 for five-years to continue sales, transactions and use tax consulting services, subject to annual adjustment not to exceed five percent. Auditing services will be conducted on a contingency basis of 15 percent for sales and use tax and 25 percent for transactions and use tax;
3. Authorize the City Manager to amend Contract 30762 with HdL Coren and Cone by increasing the contract amount to \$116,875 for five-years to continue with property tax management consulting services, subject to an annual adjustment not to exceed two percent. Auditing services will be conducted on a 25 percent contingency basis; and
4. It is further recommended that the City Council grant the proposed contracts exemptions from the Competitive Selection process pursuant to Pasadena Municipal Code ("PMC") Section 4.08.049(B) contracts for which the City's best interests are served.

BACKGROUND:

Hinderliter de Llamas and Associates and HdL Coren and Cone both possess extensive experience in the area of revenue recovery. Hinderliter de Llamas and Associates has approximately 40-years of experience and currently provides services to over 500 cities, counties, and special districts nationwide. They are the leading company providing local tax revenue administration services in California, serving more than 75 cities and counties in the state. HdL Coren and Cone has been providing property tax management services for 29-years and to more than 240 California public agencies. The company maintains property data covering 44 counties and associated cities. The ability of these firms to successfully recover substantial amounts of tax revenues is due in part to the fact that they possess and maintain the largest privately held sales, property, and business tax databases in California. They are leaders in their respective fields.

On November 7, 2016, the City Council approved two, three-year agreements with the option of two additional one-year extension terms subject to City Manager approval for sales and use tax consulting and property tax consulting services. The contracts were both extended with City Manager approval. On December 17, 2018, the City Council authorized the addition of transaction and use consulting services at a cost of \$1,200 per year for the Hinderliter de Llamas and Associates contract number 30761. On April 29, 2019, the City Council authorized amending the Hinderliter, de Llamas and Associates contract to include transactions and use tax auditing services on a 25 percent contingency basis for a period of one quarter. The two amendments for transactions and use tax services, were necessary due to the passage and implementation of Measure I, the three-quarter percent transactions and use tax approved by voters on November 6, 2018. The amendments provided the additional resources necessary to address the increased volume of misallocated tax revenue. Tax consultants ensure these misallocations, whether assigned to another city or the county pool, are identified and corrected by auditing state tax rolls and filing appeals to recuperate the funds.

Finance Department staff believes it is in the City's best interest to extend both contracts for an additional five-years as the consultants have both performed well, have abided by the contract terms, and are in good standing. In California, there are only two companies that provide these tax audit services and the City has contracts with both companies for different tax related services. Therefore, the staff has working knowledge of the skills and abilities of both companies and conducting a competitive selection process through a Request for Proposals will not provide any new information. The current monthly contract costs have remained unchanged since City Council approval and sales and use tax revenue of approximately \$898,000 has been recovered by the consultants since that time. Hinderliter, de Llamas and Associates, the sales and use and transactions and use tax revenue consultant, has proposed a cost increase of \$100 per month for a total of \$12,600 annually, subject to annual adjustment not to exceed five percent. Auditing services will continue to be conducted on a contingency fee basis of 15 percent for sales and use tax and 25 percent for transactions and use tax.

HdL Coren and Cone provide property tax management consulting services and has proposed a cost increase of \$177.08 per month for a total of \$23,375 annually, subject to annual adjustment not-to-exceed two percent. Auditing services will continue to be conducted on a contingency fee basis of 25 percent.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic 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 Sections 15060 (c)(2), 15060 (c)(3) and 15378. The authorization of a contract for auditing services is an organizational and administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect change in the environment. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:


There are sufficient appropriations available for these services in the Fiscal Year 2022 Adopted Operating Budget, Non-Departmental Citywide account, (10120016-811400); meanwhile, future appropriations will be budgeted accordingly in subsequent fiscal years.

Respectfully submitted,



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