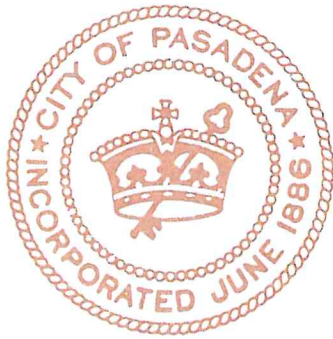




Agenda Report

October 13, 2026

TO: Honorable Mayor and City Council

FROM: Finance Department

SUBJECT: AUTHORIZE THE CITY MANAGER TO ENTER INTO A CONTRACT 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 herein is not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21065 and within the meaning of State CEQA Guidelines Section 15378;
2. Authorize the City Manager to enter into a five-year contract, without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services, with Hinderliter, de Llamas and Associates for continuing sales, transactions and use tax revenue consulting and contingency based auditing services in the amount of \$92,520. The cost is subject to an annual adjustment not to exceed 5%; and auditing services will be conducted on a contingency basis, which may result in new revenue collections for the City, depending on the success of audit findings and recovery efforts;
3. Authorize the City Manager to enter into a five-year contract, without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services, with HdL Coren and Cone for continuing property and transfer tax revenue consulting services and contingency based auditing services in the amount of \$139,000. The cost is subject to an annual adjustment not to exceed 5%, and auditing services will be provided on a contingency basis, which may result in new revenue collections for the City, depending on the success of audit findings and recovery efforts; 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 professional or unique services in which the City's best interests are served.

BACKGROUND:

On November 7, 2016, the City Council approved two separate three-year agreements with the option of two additional one-year extension terms subject to City Manager approval for sales and use tax consulting with Hinderliter de Llamas and Associates (DBA HdL Companies) and property tax consulting services with HdL Coren and Cone. The contracts were both extended with City Manager approval. On December 17, 2018, following the passage of Measure I, the City Council authorized the addition of transaction and use consulting services with the HdL Companies. At the conclusion of those amendments, the City Council approved extending both for an additional five (5) years to continue their respective services on November 29, 2021. Staff is recommending two separate five (5) year agreements with Hinderliter de Llamas and Associates and HdL Coren and Cone.

Vendor Qualifications and Experience

Hinderliter de Llamas and Associates (DBA HdL Companies) has approximately 40 years of experience providing local tax revenue administration services to more than 75 cities, counties and special districts in California and more than 500 nationwide. HdL Companies has been providing sales, transaction and use tax auditing and reporting services for Pasadena for ten (10) years. The base contract cost for sales tax monitoring, forecasting, and other consulting work is \$18,504 annually with an annual adjustment not to exceed 5%, for a base contract not to exceed value of \$92,520 over five years. In addition, HdL Companies provides auditing services on a contingency fee basis of 18% for sales and use tax and 25% for transactions and use tax. Over the last 10 years, the City has received approximately \$1.5 million in recovered revenues as compared to costs of approximately \$475,000 for services.

HdL Coren and Cone has been providing property tax management services for 29 years to more than 240 California public agencies and maintains property data covering 44 counties and associated cities. The base contract cost for property tax monitoring, forecasting, and other consulting work is \$27,800 annually with an annual adjustment not to exceed 5%, for a base contract not to exceed value of \$139,000 over five years. In addition, HdL Coren and Cone provides auditing services on a contingency fee basis of 25%. Over the last 10 years, the City has received approximately \$100,000 in recovered revenues as compared to costs of approximately \$255,000 for services.

These contracts are structured to provide ongoing tax monitoring and consulting for a fixed annual fee, while also enabling the City to pursue additional revenue recovery through contingency-based audits. Under this arrangement, the consulting firms are compensated for audit services only when new revenues are successfully recovered, ensuring that the City benefits from increased collections without incurring additional upfront costs. Over the past decade, this model has resulted in substantial net gains for the City, with recovered revenues far exceeding the costs of services.

Staff recommends continuing these tax consulting services with two additional five-year contracts, because both firms have performed well, met all contract requirements, and remain in good standing. Hinderliter de Llamas and Associates and HdL Coren & Cone have extensive experience in revenue recovery and maintain the largest privately held sales, property, and business tax databases in California, giving staff a clear understanding of their capabilities. They are the only two companies in the state that provide tax audit services tailored specifically for municipalities. A competitive Request for Proposals is not expected to provide any new or beneficial information. It is further recommended that the City Council grant the proposed contracts exemptions from the Competitive Selection process pursuant to Pasadena Municipal Code Section 4.08.049(B), which allows exemptions for professional or unique services when doing so serve the City's best interests.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not "projects" as defined by Public Resources Code Section 21065 and within the meaning of CEQA Guidelines Section 15378. Sections 21065 and 15378 define a project as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378(b) excludes from the definition of "project" continuing administrative or maintenance activities, such as securing supplies and services. The actions proposed herein, authorizing the City Manager to enter into a contract for tax consulting services, is an administrative activity for the securing of services, and therefore is not a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

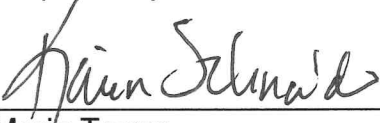
FISCAL IMPACT:

The annual cost of two contracts is \$46,304 plus audit fees contingent upon revenue recovery, which is budgeted in the General Fund's Finance Department. Over the last ten years, the City has expended approximately \$730,000 and recovered approximately \$1.6 million over both contracts.

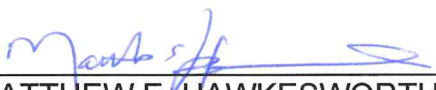
Respectfully submitted,


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