



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: Lori Frati, Finance Management Analyst
MEETING DATE: September 21, 2016
SUBJECT: Change of Municipal Sales/Use Tax Auditing Services Company
CEQA STATUS: Does not constitute a “project” under the California Environmental Quality Act (CEQA)

RECOMMENDATION

Authorize the City Manager to execute a contract with Hinderliter, de Llamas & Associates (HdL) for sales/use tax auditing services administration, for a term of up to three years and for a total contract amount of \$114,900, not to exceed \$38,300 per year.

DISCUSSION

In 1995, the City contracted with Municipal Resource Consultants (MRC) to provide municipal sales/use tax auditing services. MRC was acquired by MuniServices in 2004. After transitioning from MuniServices to [HdL for Business License Tax administration](#) in August 2015, and to ensure the City received optimum Sales Tax services, Staff issued a Request for Proposal (RFP) for vendors who offer a broad scope of services including: tax analysis, sales/use tax reporting, auditing and revenue enhancement services. On May 23, 2016, the City published a Request for Proposal (RFP) for municipal sales/use tax auditing services. The City received proposals from HdL and MuniServices, LLC.

HdL has over 30 years of experience providing consulting and revenue enhancement services to California local governments. HdL currently serves over 400 government agencies in six states and has recovered more than \$1.8 billion in revenue for its clients via its tax auditing services. HdL’s team has extensive economic development, finance and local government experience that allows them to analyze the City’s revenue in detail and provide relevant, useful and timely information to support business retention/expansion programs and financial strategies.

Contributing factors for Staff recommending the award of the agreement to HdL are based on the level of service and competency they have shown since October 2015 when taking over the City’s business license administrative services contract previously administered by MuniServices. That transition was performed professionally and seamlessly and by far exceeded Staff’s expectations.

In addition to the City's required scope of service, HdL offers a variety of administration features such as:

- A "fresh" look at revenue allocations backed by the largest privately maintained sales tax database
- HdL's approach to maximizing revenue through analysis is done in context with the surrounding market region to better identify retail trends, voids and opportunities.
- Non-confidential newsletter that can be shared with the Council and community.
- A comprehensive and highly accurate program of revenue monitoring that produces sales/use tax projections that consistently fall within 1% of actual receipts.
- Web based sales tax application that provides clients with immediate and convenient access to the most up-to-date sales tax information.
- Automated on-line payment and registration services.

FISCAL IMPACT

Staff anticipates that HdL's focus on maximizing tax recovery and identifying new revenue opportunities through tax misallocation, compliance and auditing will provide the City with a higher yield of tax revenues. The annual not-to-exceed contract amount of \$38,300 is included in the Fiscal Year 2016-17 Finance operating budget.

ATTACHMENTS

None.

RESPECTFULLY SUBMITTED:



Lori Frati,
Finance Management Analyst

REVIEWED BY:



Ben Harvey, City Manager