



# City of Rialto

## Legislation Text

File #: CC-19-377, Version: 1

For City Council Meeting [April 9, 2019]

TO: Honorable Mayor and City Council

APPROVAL: Sean Grayson, Interim City Administrator

FROM: Jessica Brown, Finance Director

Request City Council to Authorize a Purchase Order Change Notice (2019-0770) with Hinderliter, de Llamas & Associates in the amount of \$42,000 to Provide Sales Tax Audit Sales Tax Analysis, Allocation, Audit, and Recovery Services for 2018-19, increasing the Purchase Order to a total of \$51,400.

**(ACTION)**

### **BACKGROUND:**

The City has contracted with the Hinderliter, de Llamas & Associates (HdL) since 1988. Following a competitive bidding process, on August 28, 2018, Council approved a five-year professional services agreement with HdL for annual property, sales, and use tax management services. Per the sales and use tax management services portion of the contract, HdL identifies key sales tax opportunities; provides more accurate sales tax forecasting; and audits sales tax receipts to identify allocation distribution errors, thereby generating previously unrealized sales tax income for the City.

### **ANALYSIS/DISCUSSION:**

Under the terms of the contract for annual sales and use tax management services, HdL charges a fixed annual fee of \$6,600 (billed quarterly at \$1,650) for ongoing additional services outside of the audit and recovery work. In addition, HdL is paid 15% of the new sales and/or use tax revenue that it collects for the City as a result of audit and recovery work. The amount of audit and recovery revenue depends on a variety of conditions that cannot be predicted on an annual basis. Due to the variable and unpredictable nature of the audit and recovery fees, staff proposed an initial estimate of \$250 for audit services. However, sales tax recovery has far exceeded staff's initial estimate.

<b>SALES TAX RECOVERY</b>		
<b>Quarter</b>	<b>Sales Tax Audit</b>	<b>Recovery Fee</b>
1	\$14,832.20	\$2,224.83
2	16,747.07	2,512.06
3	148,564.99	22,284.77
<b>Total</b>	180,144.26	27,021.66

Through the third quarter of 2018, HdL audited and recovered \$180,144.26. At 15% the recovery fee is \$27,021.66. These additional recovery fees are paid for from the additional sales tax revenue generated by HdL. Staff is requesting a purchase order change notice for a total amount of \$42,000

to cover the additional recovery fee through the third quarter as well as the estimated fourth quarter tax recovery fees, increasing the total purchase order to \$51,400 for 2018-19.

#### **ENVIRONMENTAL IMPACT:**

Pursuant to Section 15378 of the California Environmental Quality Act, the proposed request is not a project. A 'Project' means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. A project does not include the creation of government funding mechanisms or other government fiscal activities that do not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment or Organizational, or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

#### **GENERAL PLAN CONSISTENCY:**

This action is consistent with Guiding Principle 3A in the General Plan:

*Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.*

#### **LEGAL REVIEW:**

The City Attorney has reviewed and approved this staff report

#### **FINANCIAL IMPACT:**

##### Operating Budget Impact

The total cost associated with the approval of this item for the Purchase Order Change Notice (2019-0770) is \$42,000 for a total amount of \$51,400. Funds in the amount of \$42,000 are available in General Fund Non-Departmental Account number 010-500-0001-2060 for additional sales tax recovery services.

##### Capital Improvement Budget Impact

There is no impact on the Capital Improvement Budget.

##### Licensing

Prior to execution of the Professional Service Agreement/Purchase Order/Construction Contract, the vendor shall submit a business license application and pay a Business License tax at the Professional Services rate, which equates to \$129.00 plus Administration and State fees.

#### **RECOMMENDATION:**

Staff recommends that the City Council Authorize a Purchase Order Change Notice (2019-0770) with HdL in the amount of \$42,000 to Provide Sales Tax Audit Sales Tax Analysis, Allocation, Audit, and Recovery Services for 2018-19, increasing the Purchase Order to a total of \$51,400.