



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

C-19

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

December 5, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve and Authorize the City Manager to Execute an Agreement with HdL Coren & Cone to Provide Property Tax Management and Auditing Services. (Citywide)

DISCUSSION

On October 16, 2001, the City Council authorized the City Manager to execute an agreement with HdL Coren & Cone (HdL) to provide property tax management and auditing services to the City. The agreement had a one-year term with the provision for four one-year extensions. The last of these extensions has expired.

Property tax revenue is the City's second largest source of General Fund revenue. The City must carefully account for this revenue source to help ensure the City's revenues are not misallocated to other jurisdictions. The County's current method of operation presents delayed transaction information. Retaining HdL's professional services will enhance the City's property tax information, providing solid data for revenue projections, and ensure that misallocations will be discovered and corrected in a timely manner. Since October 2001, HdL has recovered approximately \$250,000 in misallocated property tax revenue for the City. These revenues continue to be captured in subsequent years (to the extent that the misallocated parcels remain on the property tax rolls).

The proposed agreement is for the period of December 1, 2006 through November 30, 2007. It also provides for four consecutive one-year extensions. The terms of the new agreement will be the same as the prior agreement. HdL will be paid a retainer of \$19,500 annually and receive 20 percent of the net misallocated revenues actually received by the City's General Fund up to an annual cap of \$50,000. The City and the Redevelopment Agency (Agency) will equally share the cost of the retainer—\$9,750 each. HdL will also receive 20 percent of the net misallocated revenues actually paid to the Agency; however, the annual cap for the Agency's fee will be \$200,000. On

November 20, 2006, the Agency Board authorized its Executive Director to be an additional party to the agreement with HdL.

The proposed agreement complements the agreement brought before the City Council on November 14, 2006 for sales and use tax management services by HdL.

This letter was reviewed by Assistant City Attorney Heather Mahood on November 20, 2006 and Budget Management Officer David Wodynski on November 20, 2006.

TIMING CONSIDERATIONS

Consideration of this item is requested on December 5, 2006 to ensure that the property tax review done this year will be corrected in the current year and permanently for future years.

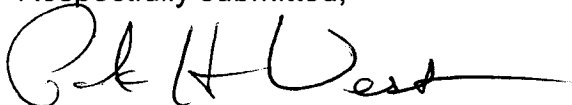
FISCAL IMPACT

The maximum annual cost of HdL's services remains the same as the original agreement and is comprised of a 20 percent fee (with a cap of \$50,000 for the City's General Fund and \$200,000 for the Agency) applied against the net recovered revenues and a fixed annual fee. The annual fixed administration fee is \$19,500. The Redevelopment Agency has agreed to equally share this cost. Therefore, the total annual contract expense is capped at \$59,750 for the General Fund portion of this agreement. The earliest the corrections would occur is August 2007. Because the exact recovery amount is unknown at this time, only the fixed retainer is budgeted in FY07 in the General Fund (GP) in the Department of Community Development (CD). Therefore, staff will request a fourth quarter budget adjustment to pay the 20 percent fee based upon actual revenue recovered from the County.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

PHW:CB:LAF:laf

APPROVED:



GERALD R. MILLER
CITY MANAGER