



CITY OF LONG BEACH **R-25**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802

June 17, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to amend the existing agreement with Hinderliter, de Llamas and Associates (HdL) for tax revenue recovery and consultant services for a total amount not to exceed \$692,000 through November 30, 2009; and authorize the City Manager to execute amendments to extend the contract term or amount based on actual sales and use tax recoveries. (Citywide)

DISCUSSION

Since 1983, the City has contracted the services of revenue recovery firms to provide consulting and tax review services. Hinderliter, de Llamas and Associates (HdL) has been retained by the City since 2000 to provide technical expertise to perform these services. On November 21, 2006, the City Council authorized the City Manager to execute a three-year contract with HdL, for a not to exceed amount of \$252,000.

One of HdL's functions is to audit sales and use tax data of companies doing business in Long Beach to ensure that the City is receiving all applicable tax revenues. Based on these audit services, HdL receives 15 percent of any recovered sales tax as well as the next eight quarters' receipts from that activity after the settlement. Such recoveries can increase the amount paid to HdL under its contract.

The requested amendment covers the original period of performance; however, it increases the not to exceed amount of the contract by \$440,000 to \$692,000, due to a recent settlement with World Fuel Services, a company operating at Long Beach Airport. Due to HdL's audit, \$1.7 million (from which the City owes HdL \$260,000) in one-time revenue was recovered for prior years' unpaid sales and use tax. These funds, once received, will be set aside to support one-time election and critical underground storage tank remediation costs in FY 09. In addition, future annual sales and use tax revenue from World Fuel Services are estimated to be \$600,000 (from which the City owes HdL \$180,000 over the next eight quarters), which will be used to balance the General Fund budget for FY 09. The \$440,000 requested increase comprises the \$260,000 and \$180,000 owed from this audit.

This matter was reviewed by Assistant City Attorney Amy Burton and Budget Management Officer Victoria Bell on May 14, 2008.

TIMING CONSIDERATIONS

City Council action is requested on June 17, 2008 to ensure the City fully compensates HdL for the work it has performed to date pursuant to the contract.

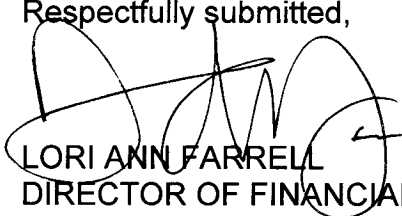
FISCAL IMPACT

The total cost of the amended contract is estimated to be \$692,000, based on recovered sales and use tax data to date. The contract will authorize the City Manager to execute amendments to extend the term and adjust the not to exceed amount based on the actual amount of revenue recovered from sales and use tax audits during the contract period. All payments under this contract are fully offset by revenue collected and recovered via HdL's services, and are budgeted in the General Fund (GF) and Citywide Activities Department (XC).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

LAF:DW:RB/TL
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APPROVED:


PATRICK H. WEST
CITY MANAGER