



Legislation Details (With Text)

**File #:** 23-0972      **Version:** 1      **Name:** FM - Contract w/HdL Companies for tax auditing  
**Type:** Resolution      **Status:** Adopted  
**File created:** 8/21/2023      **In control:** City Council  
**On agenda:** 9/5/2023      **Final action:** 9/5/2023

**Title:** Recommendation to adopt Specifications No. RFP FM23-225 and award a contract to Hinderliter, de Llamas & Associates (dba HdL Companies), of Brea, CA, for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services, in a total annual amount not to exceed \$150,000, for a period of two years, with the option to renew for three additional one-year periods, at the discretion of the City Manager;

Authorize City Manager, or designee, to compensate HdL Companies for its contractual share of new or misallocated sales, use, and transaction and use tax revenue, contingent on actual revenues received from the California Department of Tax and Fee Administration (CDTFA), as a direct result of HdL Companies' detection and correction efforts pursuant to contract terms, including payment for such revenues received following close of said contract; and

Adopt resolution authorizing HdL Companies to examine all records related to sales, use, and transaction and use tax collected by the CDTFA. (Citywide)

**Sponsors:** Financial Management

**Indexes:**

**Code sections:**

**Attachments:** 1. 09052023-C-16sr&att, 2. RES-23-0123.pdf

Date	Ver.	Action By	Action	Result
9/5/2023	1	City Council	approve recommendation and adopt	Pass

Recommendation to adopt Specifications No. RFP FM23-225 and award a contract to Hinderliter, de Llamas & Associates (dba HdL Companies), of Brea, CA, for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services, in a total annual amount not to exceed \$150,000, for a period of two years, with the option to renew for three additional one-year periods, at the discretion of the City Manager;

Authorize City Manager, or designee, to compensate HdL Companies for its contractual share of new or misallocated sales, use, and transaction and use tax revenue, contingent on actual revenues received from the California Department of Tax and Fee Administration (CDTFA), as a direct result of HdL Companies' detection and correction efforts pursuant to contract terms, including payment for such revenues received following close of said contract; and

Adopt resolution authorizing HdL Companies to examine all records related to sales, use, and transaction and use tax collected by the CDTFA. (Citywide)

City Council approval is requested to enter into a contract with HdL Companies for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services. City Council approval is also requested to authorize payment to HDL Companies due after the

expiration of the contract with the City of Long Beach (City). Compensation is on a contingency basis, as HdL Companies will receive its contractual share of new or misallocated sales, use, and transaction and use tax revenue received by the City as a direct result of HDL Companies' auditing efforts while under contract with the City. The timing of payments is subject to when the CDTFA reviews, approves, and remits actual revenues to the City. Due to these timing considerations, which may extend beyond the contract end date, authorization is requested to process payments for compensation due after the contract ends. Finally, State law requires that local jurisdictions adopt a Resolution authorizing a consultant to review state records to perform revenue auditing and recovery services. City Council approval is requested to adopt a Resolution authorizing HdL to examine all records available with the CDTFA related to the City's sales, use, and transaction and use tax.

The Request for Proposals (RFP) was advertised in the Long Beach Press-Telegram on February 14, 2023, and 72 potential proposers specializing in sales, use, and transaction and use tax auditing, projection, recovery, and consultant services were notified of the RFP opportunity. Of those potential proposers, 25 downloaded the RFP via the City's electronic bid system. The RFP document was made available from the Purchasing Division, located on the sixth floor of City Hall, and the Division's website at [www.longbeach.gov/purchasing](http://www.longbeach.gov/purchasing) <<http://www.longbeach.gov/purchasing>>. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 42 local, minority-owned, and women-owned business groups. There were two proposals received on March 28, 2023. Of those two proposers, none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), certified Small Business Enterprises (SBEs), and/or Long Beach vendors (Local).

After a thorough review of the proposal, presentation, and interview process, the selection committee determined that HdL Companies of Brea, CA (not a MBE, WBE, SBE, or Local), was the most qualified firm to provide the services. In addition to meeting the City's requirements outlined in the RFP, HDL Companies was selected because it showed itself to excel in staff expertise necessary to conduct robust analysis on economic factors impacting the City and its sales, use, and transaction and use tax performance.

### **Local Business Outreach**

To align with the City's outreach goal, Long Beach businesses are encouraged to submit proposals for City contracts. The Purchasing Division also assists businesses with registering on the LB Buys database to download RFP specifications. Through outreach, one Long Beach vendor was notified to submit proposals, of which one downloaded and none submitted a proposal. The Purchasing Division is committed to continuing to perform outreach to local vendors to expand the bidder pool.

This matter was reviewed by Deputy City Attorney Monica Kilaita and Purchasing Agent Michelle Wilson on August 15, 2023, and by Revenue Management Officer Geraldine Alejo on August 7, 2023.

City Council action to adopt Specifications No. RFP FM23-225, award a contract, and adopt a Resolution authorizing access to the City sales, use, and transaction and use tax information to HdL Companies is requested on September 5, 2023, to ensure continuous auditing, projection, recovery, and consultant services.

The total annual amount of the contract will not exceed \$150,000. This is appropriated in the General Fund Group in the Citywide Activities Department. Of this amount, \$90,000 is estimated to cover HDL Companies' 15 percent contingency fee from audit services, as well as ongoing sales, use, and transaction and use tax, projection, analysis, reporting, and access to its sales tax database. Payment of HDL Companies' contingency fee of 15 percent of new or misallocated sales and use tax revenue will be based on actual tax revenue realized by the City as a direct result of HDL Companies' audit detection and correction efforts. Payments will not be issued until actual revenues are remitted by the CDTFA and deposited in the General Fund Group. The remaining amount of \$60,000 is estimated for as-needed specialized analysis and support as requested by City staff, including economic analysis and economic development consultant services and utility users' tax and franchise fee review and projection services. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

KEVIN RIPER  
DIRECTOR  
FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA  
CITY MANAGER