



Legislation Text

File #: 23-0024, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary to amend Contract No. 35162 with Hinderliter, de Llamas & Associates dba HdL Companies, of Diamond Bar, CA, for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services, to increase the contract amount by \$35,000, for a revised total contract amount not to exceed \$385,000, and extend the term of the contract to July 31, 2023. (Citywide)

City Council approval is requested to amend Contract No. 35162 with Hinderliter, de Llamas & Associates (HdL Companies), for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services.

On January 18, 2019, the City Council awarded a contract to HdL Companies for sales, use, and transaction and use tax auditing, projection, recovery, and consultant services, for a period of two years, with an option to renew for three additional one-year periods.

The contract, including renewal options, expires on January 7, 2023. The contract includes ongoing analysis of quarterly sales, use, and transaction and use tax data necessary for the City of Long Beach (City) to monitor and manage the FY 23 budget process and prepare for the upcoming FY 24 budget process. These services are in addition to audit and revenue recovery efforts performed by HdL Companies to ensure that the City realizes any new or misallocated sales, use, and transaction and use tax revenue. The initial contract terms authorized \$350,000. The additional \$35,000 is estimated to cover the cost incurred during the extended term to July 31, 2023, for sales, use, and transaction and use tax projection and reporting services, access to its sales tax database, specialized analysis, and support as requested by the City, in addition to HdL Companies' contingency-based fee of 15 percent of new or misallocated sales and use tax revenues realized by the City as a direct result of consultant detection and correction efforts.

Sales, use, and transaction and use taxes is one of the largest revenue sources in the General Fund Group, and continued consultant support with subject matter expertise specific to this area is required to assist the City with analysis, projections, and understanding the many complexities associated with these taxes including allocation methodologies and businesses category trend analysis. The Financial Management Department is preparing to release a formal Request for Proposals (RFP). Extending the contract term through July 31, 2023, will provide the additional time for staff to complete a competitive procurement process in accordance with the City's procurement policies without an interruption to these critical services.

This matter was reviewed by Deputy City Attorney Anita Lakhani on December 27, 2022, Purchasing Agent Michelle Wilson on December 22, 2022, and by Revenue Management Officer Geraldine Alejo on December 19, 2022.

City Council action to amend Contract No. 35162 is requested on January 17, 2023, to ensure there is no interruption to services.

The requested action increases the contract authority with HdL Companies by \$35,000. The total amount of the contract will not exceed \$385,000. In addition to the cost for City access to HdL Companies' database, projections, and analysis services, the additional contract authority is estimated to cover two quarters of HdL Companies' fee of 15 percent of new or misallocated sales, use, and transaction and use tax revenues realized by the City as a direct result of audit detection and correction efforts. Compensation for audit and correction efforts is on a contingency basis, and payment will not be issued until actual revenues are remitted to the City by the California Department of Tax and Fee Administration (CDTFA). Sufficient funds to support the increased authority are budgeted in the General Fund Group in the Citywide Department. 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 OF FINANCIAL MANAGEMENT

APPROVED:

THOMAS B. MODICA
CITY MANAGER