



REPORT TO CITY COUNCIL

DATE: DECEMBER 11, 2019

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: GREG RAMIREZ, CITY MANAGER 

BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE 

SUBJECT: REQUEST TO APPROVE A CONSULTANT SERVICES AGREEMENT WITH HdL COMPANIES, RELATING TO SALES TAX MANAGEMENT AND AUDIT SERVICES

The City utilizes a consulting service to provide sales tax management and audit services on revenues distributed from the State Board of Equalization (BOE). The management services include providing quarterly reports that assist with budget forecasting and detailed analysis to assist with business retention/expansion programs and financial strategies. Furthermore, audits are performed to ensure that the City is receiving the correct allocation of sales tax.

The City has been under contract for sales tax consulting services with the same firm since 2013. The City issued an RFP and received two proposals, from MuniServices and HdL Companies (HdL), respectively.

MuniServices charges \$6,000 annually for their service. Additionally, there is a 14% fee on any additional revenues collected for auditing. The fee is collected for 6 quarters going forward and up to 4 prior quarters. HdL charges \$4,200 annually for their service. Also, there is a 15% fee on any additional revenue for 8 quarters going forward.

Additionally HdL provides an economic development report annually, indicating businesses that would fit in to our business environment.

At this time HdL has the majority of the market, with 335 cities and 45 counties as clients. Among those clients are Malibu, Moorpark, Thousand Oaks, and Simi Valley.

Based on the information received, staff is recommending HdL provide the sales tax management and audit services for a contract period of 3 years, with an optional 2-year extension.

The fee for these services is \$4,200 annually for the consulting services and an additional \$15,800 annually has been projected for audit services. Staff is recommending a total of \$20,000 annually.

The proposed agreement has been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends the City Council approve the agreement for consultant services, with HdL Companies, for the performance of sales tax management and audit services, commencing October 1, 2019.

Attachment: HdL Companies Agreement

AGREEMENT FOR CONSULTANT SERVICES
WITH THE CITY OF AGOURA HILLS

NAME OF CONSULTANT: HdL Companies

RESPONSIBLE PRINCIPAL OF CONSULTANT: Attn: Andy Nickerson

CONSULTANT'S ADDRESS: 120 S. State College Blvd. Ste
200
Brea, CA, 92821

CITY'S ADDRESS: City of Agoura Hills
30001 Ladyface Court
Agoura Hills, CA 91301
Attn: City Manager

PREPARED BY: Christy Pinuelas

COMMENCEMENT DATE: 10/1/2019

TERMINATION DATE: 10/1/2022

CONSIDERATION: Contract Price
Not to Exceed: \$20,000/yr

ADDITIONAL SERVICES <i>(Describe Services, Amount, and Approval):</i> _____ _____ _____ _____
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Date: _____ Amount: \$ _____ Authorized By: _____
(Not to Exceed 10% of Contract Price) City Manager

AGREEMENT FOR CONSULTANT SERVICES BETWEEN THE CITY OF AGOURA HILLS AND HdL COMPANIES

THIS AGREEMENT is made and effective as of October 1, 2019 , between the City of Agoura Hills, a municipal corporation ("City") and HdL Companies ("Consultant"). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

1. TERM

This Agreement shall commence on October 1, 2019 , and shall remain and continue in effect until tasks described herein are completed, but in no event later than October 1, 2022, unless sooner terminated pursuant to the provisions of this Agreement.

The City may, at its option, extend this Agreement for one additional term of THREE year[s] upon providing written notice of its intent to extend this Agreement to the Consultant not less than thirty (30) days prior to the expiration of the initial Term. Such extension shall be at the same price and conditions as set forth herein.

SERVICES

Consultant shall perform the services and tasks described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. Consultant shall complete the tasks according to the schedule of performance, which is also set forth in Exhibit A.

2. PERFORMANCE

In meeting its obligations under this Agreement, Consultant shall at all times faithfully and competently perform all tasks described herein in a manner satisfactory to CITY and consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing in the same locality under similar conditions.

3. PAYMENT

A. The City agrees to pay Consultant monthly, in accordance with the payment rates and terms and the schedule of payment as set forth in Exhibit B, Payment Rates and Schedule, attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. Any terms in Exhibit B other than the payment rates and schedule of payment are null and void. This amount shall not exceed \$60,000.00 Sixty Thousand Dollars and Zero Cents, excluding the contingency amount, ("Contract Price") for the initial Term of the Agreement unless additional payment is approved as provided in this Agreement.

The City Manager may approve additional work up to ten percent (10%) of the amount of the Agreement. Any additional work in excess of this amount shall be approved by the City Council.

B. Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement which are in addition to those set forth

herein, unless such additional services are authorized in advance and in writing by the City Manager. Consultant shall be compensated for any additional services in the amounts and in the manner as agreed to by the City Council and Consultant at the time City's written authorization is given to Consultant for the performance of said services.

C. Consultant shall submit invoices monthly for actual services performed. Invoices shall be submitted between the first and fifteenth business day of each month, for services provided in the previous month. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If the City disputes any of Consultant's fees, it shall give written notice to Consultant within thirty (30) days of receipt of an invoice of any disputed fees set forth on the invoice. For all reimbursements authorized by this Agreement, Consultant shall provide receipts on all reimbursable expenses in excess of Fifty Dollars (\$50) in such form as approved by the Director of Finance.

4. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE

A. The City may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon the Consultant at least ten (10) days prior written notice. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If the City suspends or terminates a portion of this Agreement, such suspension or termination shall not make void or invalidate the remainder of this Agreement.

B. In the event this Agreement is terminated pursuant to this Section, the City shall pay to Consultant the actual value of the work performed up to the time of termination, provided that the work performed is of value to the City. Upon termination of the Agreement pursuant to this Section, the Consultant will submit an invoice to the City pursuant to Section entitled "PAYMENT" herein.

5. DEFAULT OF CONSULTANT

A. The Consultant's failure to comply with the provisions of this Agreement shall constitute a default. In the event that Consultant is in default for cause under the terms of this Agreement, City shall have no obligation or duty to continue compensating Consultant for any work performed after the date of default and can terminate this Agreement immediately by written notice to the Consultant. If such failure by the Consultant to make progress in the performance of work hereunder arises out of causes beyond the Consultant's control, and without fault or negligence of the Consultant, it shall not be considered a default.

B. If the City Manager or his delegate determines that the Consultant is in default in the performance of any of the terms or conditions of this Agreement, it shall serve the Consultant with written notice of the default. The Consultant shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that the Consultant fails to cure its default within such period of time, the City shall have the right, notwithstanding any other provision of

this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.”

6. OWNERSHIP OF DOCUMENTS

A. Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts and other such information required by City that relate to the performance of services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of City or its designees at reasonable times to such books and records, shall give City the right to examine and audit said books and records, shall permit City to make transcripts therefrom as necessary, and shall allow inspection of all work, data, documents, proceedings and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

B. Upon completion of, or in the event of termination or suspension of this Agreement, all original documents, designs, drawings, maps, models, computer files containing data generated for the work, surveys, notes, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of the City and may be used, reused or otherwise disposed of by the City without the permission of the Consultant. With respect to computer files containing data generated for the work, Consultant shall make available to the City, upon reasonable written request by the City, the necessary computer software and hardware for purposes of accessing, compiling, transferring and printing computer files.

7. INDEMNIFICATION

Consultant shall defend, indemnify, and hold the City, its officials, officers, employees, agents and independent consultants serving in the role of City officials, and volunteers (collectively “Indemnitees”) free and harmless from any and all claims, demands, causes of action, proceedings, costs, expenses, liabilities, losses, damages or injuries, in law or equity, to property or persons, including wrongful death (collectively “Claims”), in any manner arising out of or incident to any acts or omissions of Consultant, its officials, officers, employees, agents or sub-consultants in connection with the performance of this Agreement, including without limitation the payment of all consequential damages, attorneys’ fees, and other related costs and expenses, except for such Claims arising out of the sole negligence or willful misconduct of the Indemnitees. With respect to any and all such Claims, Consultant shall defend Indemnitees at Consultant’s own cost, expense, and risk and shall pay and satisfy any judgment, award, or decree that may be rendered against Indemnitees. Consultant shall reimburse Indemnitees for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant’s obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant or Indemnitees. All duties of Consultant under this Section shall survive termination of this Agreement.

8. INSURANCE REQUIREMENTS

Prior to commencement of work, Consultant shall procure, provide, and maintain, at Consultant's own expense, for the duration of this Agreement, insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

A. Minimum Scope of Insurance. Coverage shall be at least as broad as:

1) Insurance Services Office Commercial General Liability form No. CG 00 01 11 85 or 88, or equivalent.

2) Insurance Services Office Business Auto Coverage form CA 00 01 06 92, or equivalent, covering Automobile Liability, code 1 (any auto). If the Consultant owns no automobiles, a non-owned auto endorsement to the General Liability policy described above is acceptable.

3) Worker's Compensation insurance as required by the State of California and Employer's Liability Insurance. If the Consultant has no employees while performing under this Agreement, worker's compensation insurance is not required, but Consultant shall execute a declaration that it has no employees.

B. Minimum Limits of Insurance. Consultant shall maintain limits no less than:

1) General Liability: \$1,000,000 per occurrence for bodily injury, personal injury and property damage, including without limitation, blanket contractual liability. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

2) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage for all activities of the Consultant arising out of or in connection with work to be performed under this Agreement, including coverage for any owned, hired, non-owned or rental vehicles.

3) Worker's Compensation as required by the State of California; Employer's Liability: One million dollars (\$1,000,000) per accident for bodily injury or disease.

C. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City Manager. At the option of the City Manager, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers; or the Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

D. Requirements Not Limiting. Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type. If the Vendor maintains higher limits than the minimums shown above, the Agency requires and shall be entitled to coverage for the higher limits maintained by the Vendor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the Agency.

E. Other Insurance Provisions. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1) The City, its officers, officials, employees and volunteers are to be covered and named as additional insureds in respect to: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant; premises owned, occupied or used by the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant. The coverage shall contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees or volunteers.

2) For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insured maintained by the City, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

3) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the City, its officers, officials, employees or volunteers.

4) The Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

5) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice has been given to the City. Consultant agrees to oblige its insurance agent or broker and insurers to provide City with a thirty (30) day notice of cancellation (except for nonpayment for which a ten (10) day notice is required) or nonrenewal of coverage for each required coverage.

F. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City. Self insurance shall not be considered to comply with these insurance requirements.

G. Verification of Coverage. **Consultant shall furnish the City with original endorsements, specifically naming the City of Agoura Hills, its officers, officials, employees and volunteers as additional insured, effecting coverage required by this clause.** The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. The endorsements are to be on forms acceptable to the City. Insurance certificates and endorsements must be received and approved by City's Risk Manager prior to commencement of performance. Current insurance certificates and endorsements shall be kept on file with the City at all times during the term of this agreement. City reserves the right to require complete, certified copies of all required insurance policies, at any time.

H. Mailing Instructions. Insurance documents shall be mailed with the signed Agreement to the attention of the staff person indicated on the cover sheet of this Agreement, to the City of Agoura Hills, 30001 Ladyface Court, Agoura Hills, CA 91301. Executed Agreement(s) cannot be released nor may any work commence on a project until the signed Agreement and appropriate insurance documents are on file with the City Clerk.

9. INDEPENDENT CONSULTANT

A. Consultant is and shall at all times remain as to the City a wholly independent Consultant. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officers, employees, agents, or volunteers shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees or agents are in any manner officers, employees or agents of the City. Consultant shall not incur or have the power to incur any debt, obligation or liability whatever against City, or bind City in any manner.

B. No employee benefits shall be available to Consultant in connection with the performance of this Agreement. Except for the fees paid to Consultant as provided in the Agreement, City shall not pay salaries, wages, or other compensation to Consultant for performing services hereunder for City. City shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

10. LEGAL RESPONSIBILITIES

The Consultant shall keep itself informed of all local, State and Federal ordinances, laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. The Consultant shall at all times observe and comply with all such ordinances, laws and regulations. The City, and its officers and employees, shall not be liable at law or in equity occasioned by failure of the Consultant to comply with this section.

11. RELEASE OF INFORMATION

A. All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization. Consultant, its officers, employees, agents or sub-consultants, shall not without written authorization from the City Manager or unless requested by the City Attorney, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement or relating to any project or property located within the City. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives City notice of such court order or subpoena.

B. Consultant shall promptly notify City should Consultant, its officers, employees, agents or sub-consultants be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed there under or with respect to any project or property located within the City. City retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with City and to provide City with the opportunity to review any response to discovery requests provided by Consultant. However, City's right to review any such response does not imply or mean the right by City to control, direct, or rewrite said response.

12. NOTICES

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by: (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by Notice. Notice shall be effective upon delivery to the addresses specified below or on the third business day following deposit with the document delivery service or United States Mail as provided above.

To City: City of Agoura Hills
30001 Ladyface Court
Agoura Hills, California 91301
Attention: City Manager

To Consultant: HdL Companies
120 S. State College Blvd. Ste 200
Brea, CA 92821
Attention: Andy Nickerson

13. ASSIGNMENT

The Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of the City. Upon termination of this Agreement, Consultant's sole compensation shall be payment for actual services performed up to, and including, the date of termination or as may be otherwise agreed to in writing between the City Council and the Consultant.

14. LICENSES

At all times during the term of this Agreement, Consultant shall have in full force and effect, all licenses required of it by law for the performance of the services described in this Agreement.

15. GOVERNING LAW

The City and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the municipal, superior, or federal district court with geographic jurisdiction over the City of Agoura Hills. In the event such litigation is filed by one party against the other to enforce its rights under this Agreement, the prevailing party, as determined by the Court's judgment, shall be entitled to reasonable attorney fees and litigation expenses for the relief granted.

16. CONFIDENTIALITY REQUIREMENTS

Section 7056 of the State of California Revenue and Taxation code specifically limits the disclosure of confidential taxpayer information contained in the records of the California Department of Tax and Fee Administration. This section specifies the conditions under which a CITY may authorize persons other than CITY officers and employees to examine State Sales, Use and Transactions Tax records.

The following conditions specified in Section 7056 (b)(1) of the State of California Revenue and Taxation Code are hereby made part of this agreement.

- A. CONTRACTOR is authorized by this Agreement to examine sales, use or transactions and use tax records of the Department of Tax and Fee Administration provided to CITY pursuant to contract under the Bradley-Burns Uniform Sales and Use Tax Law.
- B. CONTRACTOR is required to disclose information contained in, or derived from, those sales, use or transactions and use tax records only to an officer or employee of the CITY who is authorized by resolution to examine the information.
- C. CONTRACTOR is prohibited from performing consulting services for a retailer, as defined in California Revenue & Taxation Code Section 6015, during the term of this Agreement.

- D. CONTRACTOR is prohibited from retaining the information contained in, or derived from those sales or transactions and use tax records, after this Agreement has expired. Information obtained by examination of Department of Tax and Fee Administration records shall be used only for purposes related to collection of local sales and use tax or for other governmental functions of the CITY as set forth by resolution adopted pursuant to Section 7056 (b) of the Revenue and Taxation Code. The resolution shall designate the CONTRACTOR as a person, authorized to examine sales and use tax records and certify that the CONTRACTOR meets the requirements set forth above and in Section 7056 (b)(1) of the Revenue and Taxation Code.

17. PROHIBITED INTEREST

No officer, or employee of the City of Agoura Hills shall have any financial interest, direct or indirect, in this Agreement, the proceeds thereof, the Consultant, or Consultant's sub-consultants for this project, during his/her tenure or for one year thereafter. The Consultant hereby warrants and represents to the City that no officer or employee of the City of Agoura Hills has any interest, whether contractual, non-contractual, financial or otherwise, in this transaction, or in the business of the Consultant or Consultant's sub-consultants on this project. Consultant further agrees to notify the City in the event any such interest is discovered whether or not such interest is prohibited by law or this Agreement.

18. EXHIBITS

Exhibits A and B constitute a part of this Agreement and are incorporated into this Agreement by this reference. If any inconsistency exists or arises between a provision of this Agreement and a provision of any exhibit, the provisions of this Agreement shall control.

19. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

20. AMENDMENT OF AGREEMENT

This Agreement may be amended only by a writing signed by both parties. The City Manager is authorized to sign an amendment to this Agreement on the City Council's behalf and without the City Council's prior approval to make the following non-substantive modifications to the Agreement: (a) name changes; (b) extensions of time that do not result in monetary changes; (c) non-monetary changes in the scope of work; and (d) termination of the Agreement.

21. AUTHORITY TO EXECUTE THIS AGREEMENT

The person or persons executing this Agreement on behalf of Consultant warrants and represents that he or she has the authority to execute this Agreement on behalf of the Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

CITY OF AGOURA HILLS

Illece Buckley Weber,
Mayor

ATTEST:

Kimberly M. Rodrigues, MMC
City Clerk
Date Approved by City Council: _____

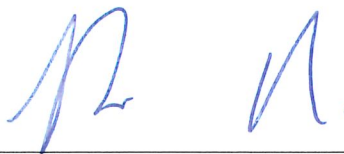
APPROVED AS TO FORM:

Candice K. Lee,
City Attorney

CONSULTANT

HdL Companies
120 S. State College Blvd. Ste 200
Brea, CA 92821
Andy Nickerson
714-879-5000
anickerson@hdlcompanies.com

By: 
Name: Andrew Nickerson
Title: President



By: _____
Name: Richard Park
Title: Chief Financial Officer

[Signatures of Two Corporate Officers Required]

EXHIBIT A

TASKS TO BE PERFORMED

The specific elements (scope of work) of this service include:

See attached proposal dated 11/6/2019 Page 11

EXHIBIT B

PAYMENT RATES AND SCHEDULE

See attached Proposal dated 11/6/2019 page 18

City of Agoura Hills

**PROPOSAL FOR
SALES TAX CONSULTING**

Digital Copy

November 6, 2019

HdL  Companies

SUBMITTED BY

HdL Companies
120 S. State College Blvd., Ste 200
Brea, CA 92821
hdlcompanies.com

CONTACT

Andy Nickerson
T: 714.879.5000
E: anickerson@hdlcompanies.com

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I. LETTER OF TRANSMITTAL

November 6, 2019

RE: Proposal for Sales Tax Consulting

Ms. Christy Pinuelas, Director of Finance
City of Agoura Hills
30001 Ladyface Court
Agoura Hills, CA 91301

Dear Ms. Pinuelas,

As President of Hinderliter, de Llamas and Associates (HdL), I currently have over 25 years of experience working with local agencies on proactive programs for revenue enhancement, business cooperation, revenue forecasting and analyzing legislative proposals that would impact local agencies receipts of taxes and fees.

Founded in 1983, HdL has been providing revenue management services to California local governments for 35 years. The firm currently serves over 500 local government agencies in six states and has recovered more than \$2 billion in revenue for our clients. Our team has extensive finance, economic development, and local government experience. We use this expertise to analyze the City's tax data in detail and provide relevant, useful and timely information to support your financial strategies and business retention/expansion programs. Our highly focused and accurate budget forecasts have proven to be particularly valuable for financial planning.

HdL's approach to maximizing local revenues offers the following advantages:

- HdL's sales and use tax forecasts that result in estimates that fall within 1% of actual receipts two-thirds of the time.
- A sophisticated economic support program providing special reports and data to assist the City in monitoring and leveraging existing economic programs, identify new revenue opportunities and maximizing use tax revenues.
- Relevant, timely and ongoing staff support by a team with decades of experience in municipal finance and budgeting, economic development and maximization of sales and use tax revenues.
- The largest and most complete sales tax database in California structured in a manner to allow more thorough revenue audits, accurate budget forecasts and identification of emerging economic trends and opportunities.
- A user-friendly web-based sales tax application and reporting capability that provides clients with immediate and convenient access to the most up-to-date sales tax information available.
- An unparalleled reputation for providing quality services promptly and efficiently. A review of our performance with the included references will affirm HdL's reputation for providing business-friendly and cost-effective recovery of misallocated or uncollected revenues, as well as, timely and relevant reports, analysis and management support.

Thank you for the opportunity to present this proposal to the City of Agoura Hills. We look forward to reviewing the proposal with you in more detail and demonstrating how HdL can continue to enhance the City's bottom line. Please feel free to call if you have questions or need additional information. I can be reached at 714.879.5000 or by email at anickerson@hdlcompanies.com.

Sincerely,



Andy Nickerson

II. QUALIFICATIONS

A. Company History and Qualifications

Founded in 1983, HdL Companies was established to maximize local government revenues by providing a variety of audits, analytical services and software products. Hinderliter, de Llamas and Associates (HdL), a 100% employee owned company, provides audit and consulting services for sales, use and transaction taxes. The firm developed California's first computerized sales tax management program and was responsible for securing legislation (AB 1611) that allowed independent verification of state allocations. In 1990, HdL Coren & Cone was established to provide audit and information services related to property taxes. HdL Software was formed in 1996 to provide a variety of innovative software processing tools for business licensing, and other city revenues. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 500 agencies in six states.

HdL maintains the largest privately held sales, property and business tax databases in California. The firm constantly improves and enhances the California Department of Tax and Fee Administration (CDTFA) raw registration data by correcting addresses and business names, differentiating brick and mortar retailers from business to business and online taxpayers and adding new business classifications to better identify emerging trends and economic opportunities. This highly enhanced database includes 29 years of the City of Agoura Hills's sales tax history and serves as the base for identifying emerging economic trends and developing budget projections that take those trends into account.

The database also includes constantly updated registration data for every seller in California, allocation data for 502 of the state's 538 agencies and 167 transactions tax districts, business license data for 668,000 businesses, property tax data for every jurisdiction in the 38 largest counties, a constantly updated automated telephone directory for all of California and thousands of business contacts developed through three decades of audit and business development activity.

HdL monitors an annual sales tax base of \$4.9 billion on behalf of California clients that encompasses incredibly complex industrial, e-commerce, inventory/delivery, and out-of-state sales and use tax issues. The Company submits an average of 6,000 errors for correction each year with a total value generally ranging from \$40 million to \$50 million. To date, HdL has recovered a cumulative total of \$2 billion in new sales and use tax revenues for client agencies.

Hinderliter, de Llamas and Associates is proud to have served local governments and special districts for over 35 years. During that span of time, HdL has grown from one employee to over 100 employees. In 2007, HdL's employees purchased the corporation from the founding partners and the company is now 100% employee owned. This structure provides every employee a personal investment in serving our clients. Rather than focusing on short-term quarterly profits to appease stock market investors, our employee-owners believe in a long-term strategy of continually investing in new technology, databases and service upgrades to support our client's needs for precise auditing, budgeting and economic information. This approach has led to the steady long-term growth, financial stability, capacity and resources that Agoura Hills requires from its vendors.

The firm goes beyond audits by using its databases and expertise to help clients expand their revenues by identifying economic voids; finding local companies that can restructure the way orders are taken to increase local tax revenues; ascertaining opportunities for expanding use tax from construction projects; seeking prospects for direct payment permits and purchasing corporations and by providing staff expertise to support a proactive and effective approach to short and long term fiscal and economic planning.

HdL is a Corporate Partner of the League of California Cities and California State Association of Counties and works extensively with the State Association of County Auditors, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.



III. KEY PERSONNEL

HdL retains a staff of over 150 trained and experienced specialists for performing audits, analysis and software support. Below is a current listing of our sales tax management team:



Andrew Nickerson – President

Andy Nickerson possesses over 25 years of experience working with cities, counties and special districts on programs to enhance tax revenues, ensure regulatory compliance and provide accurate revenue forecasting and financial planning. Throughout his career he has been instrumental in guiding market expansion and new product development for the HdL Companies. In his tenure as President/CEO of HdL, Mr. Nickerson has led this employee owned company from an established regional firm to a multi-state, multi-service corporation admired for its commitment to quality and client service. With a broad range of experience in leadership, finance, public policy, and taxation, he is a trusted adviser to local government leaders and is known for possessing high standards for responsiveness, accuracy and integrity. Throughout his career, he has been involved in various municipal organizations including The League of California Cities, California Society of Municipal Finance Officers, State Association of County Auditors, California State Association of Counties, Texas Municipal League and Government Finance Officers Association. Mr. Nickerson earned a Bachelor of Science degree (Finance & Real Estate Law) from California State Polytechnic University, Pomona.

Sales and Use Tax Management Team

HdL provides the City of Agoura Hills with a team approach of three sales and use tax principals that will provide the City with sales tax, budget and revenue management services. The team will advise the City on economic development opportunities, including analyzing the City's sales tax data for presentations and preparing sales and tax revenue estimates of various terms up to five years. A principal will also meet with City staff quarterly to present the City's quarterly reports and address any issues or concerns.

Providing these services to the City are:



Bobby Young – Principal

Mr. Young has over 20 years of local government experience. Prior to joining HDL, he served the City of Costa Mesa for 13 years, the last 5 as Finance Director. During the majority of his tenure, he led the City's strategic financial planning and decision making and fulfilled the duties of City Treasurer. He has also spent time as an external auditor of government and non-profit entities specializing in assessment and documentation of internal controls and annual review and preparation of client's Comprehensive Annual Financial Report (CAFR). He's been an active member in municipal affairs with both the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO), and holds a Bachelor's degree from California State University, Fullerton in Accounting.



Denise Ovrom – Principal

Ms. Ovrom has been assisting clients with budget and sales tax revenue issues since 2002 and came to HdL with over 20 years' experience supervising finance, budget, technology and administrative operations as Assistant City Manager of Beverly Hills, Brea and Claremont and as the City Manager of Temple City. She has served on CSMFO's Committee on Budgeting and Management Reporting and is a past member of USC's Master of Public Administration Advisory Board. She also served as President of the League of California Cities' Partner Program. Ms. Ovrom has a Bachelor of Science and Master's degree in Public Administration from the University of Southern California.



Tom Bachman – Principal

Mr. Bachman has over 30 years of experience working with local government. He was the Assistant City Manager/Finance Director for the City of West Covina and the Finance Director for the City of Commerce. He is a member of the California Society of Municipal Finance Officers, Government Finance Officers Association and the California Municipal Treasurers Association in addition to serving on the League of California Cities Policy Committees for Environmental Quality and Employee Relations. Mr. Bachman holds a Bachelor of Science Degree in Business Administration from California State University, Los Angeles.

Audit Services Team

Our Director of Audit Services and Associate Director of Audit Services have over 35 years combined experience auditing local tax, place of sale and CDTFA administrative issues. The firm has continually adapted to legislative changes, CDTFA regulation changes, and technology advances and will utilize these tools for the City of Agoura Hills. HdL has an audit team in place that is very well trained and familiar with the state regulations and guidelines concerning tax reporting for the City.



Matt Hinderliter – Director of Audit Services

Mr. Hinderliter leads HdL's Audit Service Team. He joined the firm in 1990 after receiving his Bachelor of Arts degree in Business Administration from California State University, Fullerton, and during his 28-year tenure has directly participated in all aspects of the HdL's comprehensive audit program. This includes field canvasses, in-house analysis of quarterly distribution reports and county pool data, and the presentation of appeals before the CDTFA legal division and the elected Board members. Mr. Hinderliter is the author of an extensive audit training manual, including in-depth information regarding complex point of sale issues, as well as updates regarding proposed changes in legislation and regulations. He created the State's first multi-dimensional audit process, which includes extensive in-house data mining and web-based analysis combined with field surveys. As Director of the Audit Team, he is responsible for quality control, and for ensuring that HdL's audit techniques and programs remain at the industry's leading edge through continuous innovation and improvement.



A.P. Mehta – Associate Director of Audit Services

Mr. Mehta is the lead analyst for the audit services team. He works closely with the Director of Audit Services on operational and management aspects of the team, supervises and trains audit team members and is a principal liaison with CDTFA Allocation Group staff. Mr. Mehta holds a Bachelor of Science degree in Business Administration from California State Polytechnic University, Pomona.

Production Services Team

Our Production Team ensures that the data from the CDTFA is processed in an accurate and timely manner and is available to the City on our sales tax web application. The team is responsible for running the reports that are delivered at the quarterly meetings with the City staff, as well as processing any special report requests.



Robert Gray – Director of Information Technology

Mr. Gray serves as Director of Information Technology and has been with the firm since 1996. He has extensive experience in the design, development, implementation and support of software systems for local government. To date, he has played a key role in the design of eight software systems and approximately 200 successful implementations of those systems. He earned a Bachelor of Science degree in Computer Science and a Master's degree in Business Administration from Azusa Pacific University.



Mary Hubbell – Manager of Production Services

Ms. Hubbell supervises the conversion of the California Department of Tax and Fee Administration sales tax data to HdL's proprietary software and its subsequent translation into various client reports. She assists with client technical support and is responsible for the production of client newsletters and reports. Ms. Hubbell received a Bachelor of Science degree in Administration and Marketing from the University of Arizona.

IV. REFERENCES

Sales and Use Tax Services

HdL currently provides sales, use and district tax services in California to 45 counties, 335 cities and 167 transactions tax districts.

City of Malibu

Project Description: HdL currently provides sales and use tax audit and management services, and business license management services.

Contact: Reva Feldman, City Manager, 310.456.2489

Email: rfeldman@malibutcity.org

City of Moorpark

Project Description: HdL currently provides sales and use tax audit and management services, and business license management services.

Contact: Irmina Lumbad, Deputy Finance Director, 805.517.6242

Email: ilumbad@moorparkca.gov

City of Santa Monica

Project Description: HdL currently provides sales, use and transactions tax audit and management services, and business license management services.

Contact: Gigi Decavalles-Hughes, Finance Director, 310.393.9975

Email: gigi.decavalles@smgov.net

City of Simi Valley

Project Description: HdL currently provides sales and use tax audit and management services, business license management services and transient occupancy tax services.

Contact: Brian Gabler, Interim City Manager, 805.583.6937

Email: bgabler@simivalley.org

City of Thousand Oaks

Project Description: HdL currently provides sales and use tax audit and management services and cannabis compliance services.

Contact: Jaime Boscarino, Finance Director, 805.449.2100

Email: jboscarino@toaks.org

Current Client List for Los Angeles and Ventura Counties

HdL currently provides sale and use tax audit and management services to the following agencies:

Los Angeles County

Agoura Hills	Glendora	Paramount
Alhambra	Hawaiian Gardens	Pasadena
Arcadia	Hawthorne	Pico Rivera
Artesia	Hermosa Beach	Pomona
Avalon	Huntington Park	Rancho Palos Verdes
Azusa	Industry	Redondo Beach
Baldwin Park	Inglewood	Rosemead
Bell	Irwindale	San Dimas
Bell Gardens	La Canada Flintridge	San Fernando
Bellflower	La Mirada	San Gabriel
Beverly Hills	La Puente	San Marino
Burbank	La Verne	Santa Clarita
Carson	Lakewood	Santa Fe Springs
Cerritos	Lancaster	Santa Monica
Claremont	Lawndale	Sierra Madre
Commerce	Lomita	Signal Hill
Compton	Long Beach	South El Monte
Covina	Los Angeles County	South Gate
Cudahy	Malibu	South Pasadena
Culver City	Manhattan Beach	Temple City
Diamond Bar	Maywood	Torrance
Downey	Monrovia	Vernon
Duarte	Montebello	Walnut
El Monte	Monterey Park	West Covina
El Segundo	Norwalk	West Hollywood
Gardena	Palmdale	Whittier
Glendale		

Ventura County

Camarillo	Oxnard	Simi Valley
Fillmore	Port Hueneme	Thousand Oaks
Moorpark	Santa Paula	Ventura County
Ojai		

V. SCOPE OF SERVICES

A. Sales and Use Tax Audits

Using confidential taxpayer records as authorized by Revenue and Taxation Code Section 7056, HdL will identify and correct errors that result in underpayments of tax to the City of Agoura Hills. The firm will employ a series of analyses, comparisons with other data sources and physical field canvassing to find, document and submit for correction all taxpayer errors that result in lost City revenue or could result in lost revenue in the future. When errors are identified, HdL staff will promptly file claims for their correction following CDTFA procedures. Thereafter, HdL will work with CDTFA to ensure the prompt recovery of all escaped revenues. Documentation of errors will be regularly provided to the City.

In conducting these activities on behalf of the City, HdL will provide reports that accurately depict the City's sales tax base, use tax collections and revenues. All reports, graphs, tables and revenue forecasts are designed to enhance the City's capacity to plan for, expand and manage its sales, use and district tax revenues. Reports identifying and comparing the retail composition of various sub-geographic-areas of the City will also be provided.

Audit Method and Approach

To achieve the highest audit and recovery results, HdL employs the following audit techniques and programs:

1. Identification of Errors and Revenue Maximization Opportunities

Field Surveys: Field inventories of the City's business and industrial areas are conducted to identify businesses located within the City that appear to be under-reporting revenues or are not on the CDTFA allocation rolls. Specially trained field auditors, using the latest in mapping, GPS and digital recording technology, document not only the existence of sales tax producing businesses but also any relevant factors such as size, presence of a large stock of goods, will-call windows and any specific references to sales activity. This process identifies a wide range of registration errors including erroneous consolidation of multiple outlets, misreporting of point of sale from an erroneous location and delays in reporting new outlets.

Tax Area Code (TAC) Review: HdL reviews every active account on the CDTFA's allocation rolls reporting \$50 or more in local tax to ensure proper TAC assignment. Government and private sector property tax mapping and GIS databases are used extensively in this process. These programs are important because physical canvassing will not reveal businesses with missing or incomplete signage, or those that are home-based. A complete TAC review is performed at least once every 3-6 months.

Deviation Assessment: Each quarter, HdL applies proprietary queries and analyses to its statewide allocation database to identify all accounts for which there has been a substantial change in allocation pattern. HdL's database, unmatched in size, comprises over 99.8% of all sales and use tax transactions in California and allows for the most comprehensive audits in the state. The review is applied to direct allocations and to the county pools and allows for a much broader view and understanding of what has happened in any given quarter.

Well-founded leads are quickly extracted from this process, often without the need for time-consuming manual reviews of taxpayer files. This allows for faster processing and less time used for preparing submittals. This in turn lowers recovery fees by reducing the amount of prior quarter revenue requiring redistribution.

Use Tax Errors and Opportunities: HdL analyzes the use tax allocation pools of the 58 counties and the state each quarter to identify instances where a taxpayer may have misidentified a transaction as use tax rather than sales tax. Further specialized reviews and techniques are employed to identify direct allocation opportunities of local use tax. CDTFA Regulation 1802(d) allows for direct allocation of local use tax on qualifying individual sales or purchases over \$500,000. Out-of-state and foreign-based companies in particular often have large transactions that meet the criteria for direct allocation under this section. Under Regulation 1699.6, businesses and organizations (including local government agencies) with aggregate purchases subject to use tax of least \$500,000 per year can apply for a Use Tax Direct Payment Permit, allowing for direct allocation of the corresponding local share. Finally, under a resolution adopted in December 1994, a construction contractor who enters into a contract equal to or greater than \$5,000,000 may elect to obtain a sub-permit for the jobsite resulting in a direct allocation of local use tax to the jurisdiction where the jobsite is located.

Regulation 1699 Evaluations: CDTFA Regulation 1699 controls when and where a permit should be issued to a given business location. Wholesalers, contractors, processors, manufacturers, and other non-retail businesses that do not normally sell merchandise often conduct occasional sales, self-accrue use tax or are levied deficiency assessments by the state. HdL uses proprietary methods for finding companies that should be taking out permits so that those revenues are allocated to the City.

2. Recovery of Misallocated Revenue

Development of Correction Data: Preliminary lead lists developed through the audit programs are further refined using a variety of programs and databases to reduce the need for taxpayer contact. Companies remaining in the audit database are then contacted by a specialized audit team whose members are specifically selected and trained to interview tax preparers and marketing, warehouse and management staff. ***Taxpayer interviews are always conducted in a business friendly, non-intrusive manner that emphasizes cooperation and protection of confidentiality.***

Documentation: Telephone contacts are often accompanied by a written follow-up questionnaire concerning business activities, a specific one-time transaction or a written confirmation of our findings. This documentation is always filed with the petition to minimize CDTFA processing time. Solid documentation and follow-up lowers client fees by reducing the number of quarters requiring retroactive adjustment and ensures faster recovery of misallocated revenues.

City Review: HdL will provide the City with a quarterly report of all revenue recovery work in progress. This report will include an electronic Work Authorization which, once approved, will include active links to copies of all inquiries filed with the CDTFA on the City's behalf. This information is archived and is accessible to authorized users at any time through the HdL client portal. HdL will also keep the City apprised of any additional oral or written communication with the CDTFA on any matter directly impacting the City. These reports, along with a detailed quarterly invoice listing all relevant information about the taxpayer and the amount of revenue recovered, will keep the City well informed of all ongoing audit activity.

Preparation and Submittal of Corrections: Petitions are prepared (CDTFA Form 549-S or 549-L) that notify the CDTFA the existence and nature of the misallocation. All relevant and available supporting documentation is attached, including any information from taxpayer file reviews or any other sources that provide evidence of an earlier date of knowledge regarding the error. This documentation facilitates the maximum recovery of revenue due the City from prior periods. Copies of all transmittal forms and correspondence with the CDTFA and taxpayers are sent to City staff.

Continuous Follow-up: HdL employs a full-time case manager whose responsibility is to monitor and follow-up on case inventory. An aging report is updated and reviewed on a monthly basis and the appropriate follow-up is initiated on cases that are taking an inordinate amount of time to correct. This follow-up emphasizes partnership and cooperation with CDTFA Allocation Group staff. HdL's continuous efforts to check on the status of submittals are made to ensure that corrections are being pursued. Timely follow-up on cases reduces the time it takes for the City to recover its revenue.

Appeals: HdL cases are thoroughly researched, vetted and documented *prior to* submittal. This ensures the fastest possible processing times and reduces the number of cases that are initially disclaimed and must be further researched and defended through a very lengthy CDTFA appeals process. Nearly all HdL cases are resolved favorably at either the first or second levels of the CDTFA petition process described in Regulation 35056. HdL has cultivated close working relationships with the CDTFA Appeals Division. When an appeal is required, HdL has the necessary expertise and access to competently and aggressively represent client interests. Having many cases on appeal may be presented by some vendors as evidence of a more sophisticated and aggressive audit program. It should be viewed, however, as an indication that inadequate supporting documentation tends to require more case appeals and lead to otherwise unnecessary procedural delays.

3. Track Record

HdL is effective in recovering misallocated revenue for client agencies in 97% of all cases submitted to the CDTFA. The small number of cases that do require an appeal is evidence of HdL's thorough research and the quality of the well-documented information included to support claims.

B. Sales and Use Tax Management Services

In conducting these activities on behalf of the City, HdL will provide reports that accurately depict the City's sales tax base, use tax collections and revenues. All reports, graphs, tables and revenue forecasts are designed to enhance the City's capacity to plan for, expand and manage its various sales use and district tax revenues. Reports identifying and comparing the retail composition of various sub-geographic-areas of the City will also be provided.

1. HdL Database, Reports and Training

HdL maintains Agoura Hills's detailed sales tax data back to 1988 and will provide City staff with unlimited access to its quarterly updated web-based sales tax system to facilitate "in-house" analysis and printing of reports. The system allows City staff to search, print and export their sales tax data for a variety of financial, management and planning functions. The system provides the ability to search all sales tax producers in the City by business name, address, CDTFA account number and current or historical sales tax allocations.

The CDTFA processes and releases the prior quarters data approximately 2 months after the prior quarter ends. Upon receipt of the data from the CDTFA, HdL takes approximately 2 weeks to clean up and review the quarterly data prior to making the data available to our clients through the sales tax web application. Initial reports are posted to HdL's web-based sales tax system within 3 weeks of receiving the data from CDTFA.

The web application also provides access to the City's archived quarterly sales tax reports. Data is easily queried and exported to either comma delimited or native Excel formats, allowing for convenient use with standard applications such as the Microsoft Office suite. The web application is accessible from all major operating systems, internet browser platforms, and device types (laptop, tablet, PC, mobile). The City's archived quarterly sales tax reports can also be accessed through the online sales tax application.

HdL's geo-area feature supports use of address ranges, which ensures the inclusion of all appropriate CDTFA registrations and allows City staff to create and modify geo-areas without a separate GIS system. **HdL also supports interfacing with the City's GIS by including accurately geocoded latitude and longitude for each business.** This data can include all data fields including historical allocation information and can be quickly exported by City staff on demand using HdL's Sales Tax Web Application. Additionally, City created shape files can be used to define a Geo-area, which would identify related businesses by latitude and longitude. Training on use of the software and ongoing upgrades is provided at no additional charge.

Quarterly sales tax reports are provided on both a cash and adjusted basis. Cash reports reconcile to CDTFA payments and are necessary for any revenue sharing agreements that the City might have in place. The adjusted reports shift payment aberrations (double-up payments, CDTFA audit adjustments, etc.) into the quarter where the sales occurred to accurately show the City's true economic trends. The quarterly sales tax data will be presented in reports for major sales tax producers by both rank and category, analysis of sales tax activity by category, business or areas specified by the City.

HdL's quarterly sales tax reports include a listing of top sales tax producers and comparisons with both regional and statewide trends. Retailer information is provided in grouped form or in business by business detail. Quarterly information will also include tables that track year-to-date receipts and show comparisons with past periods to measure progress toward achieving the City's annual budgeted revenue amount. HdL staff also prepares sales and use tax projections for proposed development projects, responds to technical questions relating to CDTFA processes and regulations, and monitors revenue sharing agreements.

HdL's services are superior to other vendors because the firm provides data analysis instead of bound stacks of raw data printouts. The analysis is done in context with regional market areas, countywide and statewide trends to better monitor and compare the City's economic performance by business category and geographical area. A non-confidential newsletter is included to support management's efforts to inform and engage the public.

Analysis of sales and use tax data and presentations to City staff are led by seasoned professionals, whose experience and knowledge adds value by identifying emerging retail trends, business retention needs, leveraging of economic clusters and reviewing successes in client jurisdictions with similar characteristics. HdL staff also prepares sales and use tax projections for proposed development projects, responds to technical questions relating to CDTFA processes and regulations, and monitors revenue sharing agreements.

2. Budget Projections and Monitoring

HdL has developed a comprehensive, detail-oriented method for projecting and monitoring client sales and use tax revenues that has proved to result in estimates that fall within 1% of actual receipts two-thirds of the time. Initial and mid-year projections are made by factoring out payment aberrations that skew the base revenue and factoring in known changes such as new or closed businesses. HdL also incorporates information from over 90 economic sources as well as information gathered from client meetings to develop economic factors to apply to individual retail business segments; the results are combined into a single estimate of anticipated revenue. HdL further enhances its projections by contacting builders of large-scale development projects to better time and estimate the value of potential use tax payments into its estimates. **Five-year forecasts are also provided.**

3. Use Tax Maximization Program

Major construction projects and even ongoing business operations often generate significant use tax revenues from purchases of machinery, equipment and other fixed assets. HdL has worked with numerous clients to ensure that use tax from manufacturing and assembly plants, food processing, cold storage facilities, power/energy projects, medical, research and technical facilities, oil fields/refineries and extraction/mining industries are properly allocated to the host jurisdiction.

HdL's sales tax team includes a staff of specialists who review new business startups that might present potential self-assessed use tax opportunities, meets with contractors to advise on sub-permits and reporting procedures and provides materials and advice on purchasing companies and direct payment permits. The firm monitors major construction projects to make sure that any use tax generated is properly allocated to the job site's host jurisdiction.

When brought into a project early, HdL assists clients with inserting provisions in conditional use permits and development agreements to guarantee that use tax maximization procedures are followed and monitors projects and subcontractors to make certain that sales tax is properly allocated back to the client jurisdiction. Direct payment permits and purchasing corporations can sometimes be utilized where conditions offer mutual opportunities for the client agency to capture additional sales tax revenues and the participating company can increase control of sales and use tax liabilities.

4. Economic Development Benefits

When properly refined and organized, sales tax data analysis is an important tool for strengthening and expanding local economies. The data shows companies that are growing and may need expansion space and should be contacted as part of an agency's business retention program.

When broken out geographically, the data produces patterns of industries that potentially share common customers, suppliers, technology and labor and therefore offer opportunities for attracting new businesses. The data further exposes retail areas that may be over saturated in some retail segments while also identifying voids and opportunities for additional retail development.

Although numerous companies and agencies use the CDTFA's published data as a basis for analysis, the results are usually inaccurate and misleading due to address and business categorization errors in the data.

To correct those deficiencies, HdL performs data validation and scrubbing techniques on an ongoing basis, fixing business addresses and re-categorizing merchants to differentiate brick and mortar retailers from “business to business” suppliers and on-line retailers.

The company further creates and groups businesses into additional categories and classifications, not provided by the CDTFA, to better track new and emerging economic trends. Samples include the breaking out of biotech/medical suppliers, online fulfillment centers, alternate energy and utility providers, wineries and marijuana dispensaries. This focused approach to data management allows agencies to more accurately compare the impact of trends in their jurisdiction with state and regional trends.

On a regional basis, it also allows for the identification of true economic voids and opportunities to expand the City’s tax base. Accurate addressing allows for improved performance monitoring and comparison of specific economic areas such as shopping centers, downtown districts and auto malls with similar projects throughout California.

In addition to using our large database, HdL’s principals leverage their experience analyzing client data throughout California to identify new trends and developments that might help other clients. The service includes analyses to identify retail voids and opportunities and an annual publication of retailers seeking expansion in the region and state.

5. Legislative Updates

HdL prepares Legislative Updates for clients to keep them informed on any changes that may impact local revenues. The firm also provides Issue Updates which are similar in nature but deal with specific issues such as Sales Tax Participation Agreements. Each issue is presented in detail so that Agency staff is better equipped to handle questions on that topic from their community leaders.

The firm also retains Rebecca Marcus as a lobbyist to represent client interests in matters before the CDTFA and the state legislature. With over 20 years of experience in state and national politics, Rebecca has developed the necessary institutional knowledge and established relationships to effectively advance clients’ interests in Sacramento. As a Chief of Staff for 13 years in the California State Assembly for several distinguished Members including Assembly members Mark Stone, Mike Feuer and Johan Klehs, Rebecca successfully advanced legislation across a diverse array of policy areas. As a result, over 100 of these Members’ bills became law ranging from landmark green chemistry legislative to a transformative transportation tax.

6. Consultation

Quarterly, a principal of the firm analyzes the City’s data in detail and meets with appropriate City officials to review trends and discuss and make recommendations regarding the budget implications of the year’s data.

HdL also serves as “on-call” staff to provide sales tax estimates for proposed projects, assist with budget projections and answer sales and use tax questions related to economic development, budgeting and related revenue collection. When requested by the City, principals also meet with committees of the City Council and other groups to explain sales tax regulations and their importance to the City’s tax base.

HdL will, when requested by the City, conduct technical seminars for City personnel on California sales and use tax processes. To support in-house efforts to maximize use tax, the seminars will cover the fundamentals of direct payment permits, purchasing corporations and maximizing "use tax" from construction projects.

HdL maintains close and positive relationships with members of the CDTFA and staff to quickly resolve policy issues unique to individual clients. The firm also advocates regulation and legislative changes when they are of benefit to all clients. Examples are the Company's work in the change of allocation of "use tax" for major construction projects, securing an Executive Order from the Governor to allow publishing of top taxpayers in public documents and the introduction of the problem of "point of sale" for warehouses to the CDTFA.

VI. FEE PROPOSAL

A. Sales Tax Audit Services

HdL proposes a fee of **15%** of all new sales and use tax revenue received by the City as a result of audit and recovery work performed by the firm. This audit fee applies to monies received in the first eight consecutive reporting quarters beginning with the receipt of the audit revenue and includes retroactive back quarter adjustments obtained by HdL.

Audit fees are billed only after completion of the audit, submittal of corrections to the CDTFA and receipt of revenues by the client. 100% of all new revenue generated by HdL flows to the City after the completion of the eight quarters. The fee constitutes the full reimbursement to HdL and covers all direct and indirect costs incurred by the firm under this contract. This includes all salaries of our employees, travel expenses and service contracting costs as well as the software to be delivered to the City under this proposal.

Invoices are submitted only for recoveries previously approved by the City. HdL does not bill for audit revenues until the client has actually received said monies. Further, if during the billing cycle, a taxpayer receives a refund for overpayment of taxes generated during that cycle, HdL credits back any proportionate share of the fee that may have been levied.

Invoices are submitted quarterly after the City has received the revenue from the audit correction. The invoice includes a printout showing the name, address, and sales tax registration number of each company, and the specific amount of revenue allocated by the CDTFA to the City for those businesses.

If a misallocation correction involves additional revenue from a company that had already been partially allocating revenues to the City, the City and HdL will agree in a Work Authorization, prior to billing, the methodology for identifying the incremental revenue attributable to HdL's work.

B. Sales Tax Management Services

This includes access to the City's sales tax database through our web-based software and quarterly meetings with one of our principals. In preparation for each meeting, a principal of the firm analyzes the City's data in detail and meets with appropriate City officials to review trends, point out businesses that should be contacted as part of the City's business retention program and discuss and make recommendations regarding the economic and budget implications of the quarter's data. Also included is a non-confidential newsletter that can be shared with your council and the public. The price for this option is **\$350 per month**. *

*The monthly fee will increase annually by the percentage increase in the "CPI" for the preceding twelve-month period.

VII. SAMPLE REPORT PACKAGE

Trends by Major Groups

- Major Industry Groups
- Quarterly Line Graph
- Annual Line Graph

Major business type changes, including comparisons with state and county averages.

- Allocations by Business Type Including Pools
- Adjusted for Reporting Aberrations

Top sales tax generators listed in descending order. Used by management to track trends and identify companies who should be contacted as part of a business retention program.

- Top 100 Sales Tax Generators
- Quarterly Deviation Analysis

Reports for Revenue Projections.

- Sales Tax Allocation Summary
- Cash Reconciliation Report
- Budget Projections
- Five Year Forecast
- Consensus Forecast

Quarterly customized newsletter summarizing sales tax highlights presented in a manner to protect confidentiality and that can be shared with the public.

- City of Malibu, Q22019
- City of Simi Valley, Q12019

Special reports as needed for economic development and other purposes.

- Regional Updates
- Market Competition Comparisons
- Surplus/Gap Comparison
- Retail Analytics Brochure

Sample of Legislative and Issue Updates.

- Legislative Update – October 2019
- Issue Update – AB 147 Wayfair Decision Update, April 2019
- HeadLines Bi-Monthly E-Newsletter Trends Affecting California's Economy