

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Jennifer Hennessy, Director of Finance

DATE: August 13, 2019

SUBJECT: Approve Agreement with Hinderliter de Llamas and Associates for Sales Tax Consulting and Recovery Fee Professional Services

PREPARED BY: Mary Vollmuth, Purchasing Manager
Rudy Graciano, Revenue Manager

RECOMMENDATION: That the City Council approve an agreement with Hinderliter de Llamas and Associates, not to exceed \$60,000 each fiscal year for the duration of the agreement, to provide professional sales tax consulting and recovery fee services.

BACKGROUND: Hinderliter de Llamas and Associates (HdL) has provided sales tax consulting and recovery fee services to the City for several years. The firm works exclusively with the government sector to examine sales and use tax records of the California Department of Tax and Fee Administration (CDTFA) to ensure all City business transactions are properly captured in CDTFA records and are remitted correctly. Their services include, but are not limited to, sales tax use audits, data analysis and management support in budget and revenue forecasting, economic trends, and identifying allocation and reporting errors by the CDTFA.

The services provided by HdL has the potential to increase revenue to the City through their auditing and analysis of sales tax returns. The firm has compiled the most comprehensive and proprietary sales tax database in the State and has the proven capability to provide valuable sales tax analysis, trend statistics, and recovery tax fee consulting services. Due to the complex requirements of sales tax accounting, proprietary software utilized, and the confidentiality of services provided, HdL is considered a single source provider for these professional services and selection to contract for their services is within the provisions of the Temecula Municipal Code Section 3.28.090.d.

The cost for services for Fiscal Year 2019-20 is \$10,200 plus a 15% recovery fee for all new sales and use tax the City receives as a result of HdL audit work. Recovery fees are offset by revenue received. Although the agreement not to exceed amount of \$60,000 each fiscal year is within City Manager approval authority, the payment amount of an evergreen agreement term is cumulative and requires City Council approval. The agreement limits expenditures to each fiscal year budget with a not to exceed cap within the City Manager approval authority. The provisions within the agreement also provide for the City to terminate or revise the Agreement at any time for any or no reason with ten (10) days written notice.

FISCAL IMPACT: Adequate funds are included within the Fiscal Year 2019-20 Finance Operating Budget. For each subsequent fiscal year, funds will be adequately appropriated within the Finance Department Operating Budget. Recovery fee services are offset by revenue received.

ATTACHMENTS: Agreement with Hinderliter de Llamas and Associates