



CITY OF POMONA COUNCIL REPORT

July 16, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

By: Onyx Jones, Finance Director

Subject: **Award of Contract to HdL Companies for Tax Reporting, Monitoring and Analysis Services and Adoption of a Resolution Authorizing Hinderliter de Llamas and Associates (Subsidiary of HdL Companies) to Examine the Sales, Use and Transaction Tax Records of the Department of Tax and Fee Administration, and Authorizing Certain City Officials Access Thereto**

OVERVIEW

Recommendation – That the City Council:

1. Award a three (3) year contract with an option to renew for two (2) additional years, in one (1) year increments, not to exceed five (5) years to HdL Companies and its subsidiaries (HdL) to provide Tax Reporting, Monitoring and Analysis Services; and
2. Authorize the City Manager to enter into an Agreement with HdL on behalf of the City, and any extensions thereto, subject to review and approval as set forth by the City Attorney.
3. Remove Avenu (previously MuniServices) from examination of all sales, use and transactions tax and authorize Hinderliter, de Llamas and Associates (subsidiary of HdL Companies) to examine the sales, use and transaction tax records of the Department of Tax and Fee Administration; and
4. Authorize certain City officials to access the above-referenced records, also pursuant to Section 7056 of the Revenue and Taxation Code.

Fiscal Impact – Sales and use tax audit services are paid from additional incremental tax revenues received as a result of the audit activities conducted by the consultant. The rate for the audit services is 15% of the misallocated sales and use tax revenue recovered by the consultant. The previous consultant, Avenu, retained 25% of audited and misallocated sales and use tax revenue.

The annual base service fee for sales and use tax management services is \$9,600 and is budgeted within the General Fund in account 101-0101-52274. This amount is an annual savings of approximately \$8,156 from the previous consultant's fees. HdL also provided a fee proposal for additional audit services on the City's Transient Occupancy Tax (TOT), Utility User Tax (UUT), Franchise Fees, Property, and Transfer Tax. The fees

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Award of Bid – Tax Reporting, Monitoring and Analysis Services

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for these services will be budgeted as they are negotiated and finalized with the consultant.

Public Notice Requirement – Section 2-970(1)(a) of the City’s Purchasing Ordinance requires that a Notice Inviting Proposals be posted at least ten (10) days before the date of opening. A notice was posted on Planet Bid on May 5, 2018 and proposals were due back on June 5, 2018; 10 businesses were notified and there was one (1) response.

Previous Related Action – MuniServices, LLC was awarded a contract on March 1, 2010 for tax reporting, monitoring and analysis services and on March 15, 2010 a resolution was adopted authorizing MuniServices, LLC to receive local sales tax records from the State Board of Equalization.

EXECUTIVE SUMMARY

The City utilizes the services of tax reporting, monitoring and analysis consultants to identify any misallocation, underreporting, and non-reporting of tax revenue within the business community in order to generate additional revenue to the City. Such consultants possess specialized knowledge, unique abilities and technologies to access a multitude of resources for the purposes of revenue enhancement. In addition, the consultant offers revenue forecasting, fiscal analysis, and economic development as related to tax revenue matters.

Over the past 8 years, the City engaged Avenu (previously MuniServices) for sales tax reporting, monitoring and analysis services and some property tax analysis. Since it has been 8 years since these services were bid, staff drafted a request for Proposals seeking a consultant for tax reporting, monitoring and analysis services containing language that allows the City to use the selected firm’s services for any combination including TOT, Property Transfer Tax, UUT, and other as-needed tax analysis services.

DISCUSSION

A Request for Proposals (RFP) was posted on Planet Bids and invitations to submit proposals were mailed to ten (10) qualified consultants. HdL Companies was the only firm that responded with a proposal offering the requested services. Staff reviewed the qualifications and determined that HdL Companies is a qualified bidder as defined in Code Section 2-961 of the purchasing provisions of the Pomona City Code. HdL proposal was comprehensive in describing their range of services and knowledge for each of the requested tax categories. They also provided a clear and understandable fee structure, and a category-wide reference list.

Attachments:

1. Resolution