



CITY COUNCIL STAFF REPORT



September 19, 2023

ITEM TITLE

Agreements: Approve an Agreement with Hinderliter de Llamas ("HdL") to Provide Sales and Use Tax Auditing Services

Report Number: 23-0259

Location: No specific geographic location

Department: Finance

Environmental Notice: The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Recommended Action

Adopt resolution approving sales and use tax audit services between the City of Chula Vista and HdL for fiscal years 2023-24 and one option to extend through fiscal year 2024-25.

SUMMARY

The City requires the service of HdL to provide sales and use tax services to assist in economic, business development, and revenue projections as well as transactions tax services to effectively monitor Measure A & Measure P Sales Tax revenues. Continuous monitoring, identification and correction of allocation errors, and reporting deficiencies assist in maximizing sales tax revenues owed to the City. An effective review program can provide for more accurate budget forecasting and financial planning.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that approval of an agreement for audit services is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; because approval of the contract is a continuing administrative activity, therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable

DISCUSSION

The Finance Department desires a combination of data entry, report preparation, and data analysis services necessary to effectively manage both its general sales and use tax, Measure A and Measure P transaction and use tax base for recovery of revenues either unreported or erroneously allocated to other jurisdictions. HdL has the program, equipment and personnel required to deliver the sales and use and transactions and use tax related services.

In order to procure these services HdL was chosen based on their unique qualifications including tax audit and California Department of Tax and Fee Administration (CDTFA) document preparation; on this basis, Contractor was awarded the contract on professional services under the authority of Chula Vista Municipal Code Section 2.56.110(H)(2), as the Purchasing Agent has determined it to be impractical and the City's interest to be materially better served by applying a different purchasing procedure.

The annual base fee for services is \$14,400. The Consultant will receive a percentage based on recovered sales and use tax revenue. For general sales tax recovery the Consultant will receive 15% revenue recovered, and for Measure P and Measure A consultant will receive 25% of recovered revenue. The maximum amount to be paid to consultant for services performed under the agreement through June 30, 2024, shall not exceed \$165,000. If the one-year extension is executed the not to exceed through June 30,2025 will increase to \$200,000.

The City has contracted with HdL to perform these services since 2010.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

CURRENT-YEAR FISCAL IMPACT

Sufficient appropriations were included in the fiscal year 2023-24 adopted budget for this expenditure. There is no additional fiscal impact as a result of this action.

ONGOING FISCAL IMPACT

All costs for these services are budgeted annually and will include any contractual increases.

ATTACHMENTS

1. HDL Agreement

Staff Contact: Edward Prendell, Budget & Analysis Manager and Sarah Schoen, Finance Director/Treasurer