

2004 FEB 11 PM 1:21

**CITY OF OAKLAND**  
Agenda Report

To: Office of the City Manager  
Attn: Deborah Edgerly  
From: Community and Economic Development Agency and  
Finance and Management Agency  
Date: February 24, 2004

Re: Joint report from the Community and Economic Development Agency and the Finance and Management Agency, and resolution authorizing the City Manager to enter into a professional services contract with Hinderliter, de Llamas and Associates for tax auditing, consulting, economic analysis and data services for an amount not to exceed \$362,100 in fixed costs plus additional audit fees for an initial three-year period ending March 31, 2007, plus two optional annual extensions; and authorizing an increase in the Finance and Management Agency's baseline budget by \$137,800 in FY 2004-05 and \$66,800 in FY 2005-06, increasing business tax revenue expectations for FY 2004-05 and FY 2005-06, and using a portion of such increase in revenues to pay for the business tax service component included in the contract

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**SUMMARY**

A resolution has been prepared authorizing the City Manager to enter into a renewable contract with Hinderliter, De Llamas and Associates (HdL) for tax auditing, consulting, economic analysis and data services for \$169,300 in year one, \$98,300 in year two, \$31,500 in year three, and, if extended, \$31,500 in subsequent years.

The City of Oakland received two responses to a Request For Proposals (RFP) for these services. A joint selection committee composed of staff from the Finance and Management Agency, Community and Economic Development Agency and City Manager's Budget Office recommends Hinderliter, de Llamas and Associates be awarded the contract on the basis of price, technology, advocacy and responsiveness.

**FISCAL IMPACT**

The City of Oakland is budgeted to generate over \$210 million in Sales and Use Tax, Business Tax and Property Tax in FY 03-04 and over \$216 million in FY 04-05, across all funds. The Finance and Management Agency's Revenue Division currently collects the majority of the City's potential tax revenue. Tax-auditing firms similar to HdL assist cities in capturing additional revenue. In the years since its contract with HdL began in 1998, the City has realized \$1.8 million in additional revenues as a result of HdL's efforts in additional Sales and Use Tax, Property Tax and Real Estate Transfer Tax.

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HdL proposed fees are as follows:

	<u>Service</u>	<u>Fixed Costs</u>	<u>Audit Fees</u>
I.	Sales and Use Tax	\$ 9,000	15% of recovered revenue
II	Property Tax	22,500	25% of recovered revenue
III.	Business Tax	<u>137,800</u>	
	<b>Total First Year's Fixed Cost</b>	<b>\$169,300</b>	

	<u>Service</u>	<u>Fixed Costs</u>	<u>Audit Fees</u>
I.	Sales and Use Tax	\$ 9,000	15% of recovered revenue
II	Property Tax	22,500	25% of recovered revenue
III.	Business Tax	<u>66,800</u>	
	<b>Total Second Year's Fixed Cost</b>	<b>\$ 98,300</b>	

	<u>Service</u>	<u>Fixed Costs</u>	<u>Audit Fees</u>
I.	Sales and Use Tax	\$ 9,000	15% of recovered revenue
II	Property Tax	22,500	25% of recovered revenue
III.	Business Tax	<u>0</u>	
	<b>Total Third and Subsequent Years' Fixed Cost (per year)</b>	<b>\$ 31,500</b>	

The funds to pay for the property and sales tax services have been allocated in the FY 2003-05 budget from the following sources:

<u>Contract Component</u>	<u>%</u>	<u>Agency</u>	<u>Fund</u>	<u>Org</u>	<u>Acct</u>	<u>Project</u>
Sales and Use Tax	50%	FMA Revenue	1010	08421	54919	NA
Sales and Use Tax	25%	CEDA Economic Dev.	7760	88529	53719	P04560
Sales and Use Tax	25%	CEDA Economic Dev.	2108	88559	53719	G00800
Property Tax	50%	FMA Revenue	1010	08421	54919	NA
Property Tax	50%	CEDA ORA	9553	94800	54929	P130610

The above funding sources are for the fixed contract costs only. A percentage of revenues realized from HdL's audit activities goes to the firm for compensation of its audit work. Audit fees will be recorded as offsets to the appropriate revenue accounts.

The funds to pay for the business tax component (new service) will be allocated in the budget for FY 2004-05 and FY 2005-06 as follows:

<u>Contract Component</u>	<u>%</u>	<u>Agency</u>	<u>Fund</u>	<u>Org</u>	<u>Acct</u>	<u>Project</u>
Business Tax FY04-05 \$137,800	100%	FMA Revenue	1010	08421	54919	NA
Business Tax FY05-06 \$66,800	100%	FMA Revenue	1010	08421	54919	NA

The business tax revenue expectations for these two years are projected to increase by about five times the above contract payments. Fees associated with the business tax service will be paid from increases in business tax revenues generated by the new services. HdL will not provide audit services in the business tax component.

Staff will time the execution of the contract appropriately. The sales and property tax components will begin April 1, 2004 following the conclusion of the existing contract with HdL on March 31, 2004. However, because the business tax component has not been allocated in the current year's budget, that component will begin in the new fiscal year, beginning July 1, 2004.

Funds to pay the 3% contract compliance fee on all fixed-cost components are budgeted at \$10,863 and will be paid, pro rata, from the above accounts.

## **BACKGROUND**

The Community and Economic Development Agency and the Finance and Management Agency issued a joint RFP to elicit proposals from tax auditing firms for auditing, consulting, analytical and data services. This RFP sought to identify one company that could satisfy the needs of both agencies for tax and auditing consulting services. Contracting with one firm for the scope of services creates a synergistic effect for both agencies by fostering greater cooperation and reducing total City expenditures for overlapping information.

The work to be performed by HdL is intended to meet the City's primary objectives, which are:

- Ensure complete and accurate remittance of sales and use taxes and property taxes
- Enhance the revenue base
- Provide information regarding tax trends
- Provide information about new or proposed legislation that could affect tax receipts
- Obtain profiles of key businesses and industries that produce the greatest proportion of tax revenue
- Identify non-compliant individuals/businesses in the reporting and payment of taxes

An invitation to participate in the RFP was sent to 68 firms. Company names were obtained from referrals and the City Manager's Contract Compliance Office. A notice was also placed in various local publications, including *El Mundo*, *The Montclairion*, *Contra Costa Times*, *Oakland Post*, *Oakland Tribune* and *Sing Tao Daily*. Information about the pre-proposal conference was included in all notices. The pre-proposal conference was held on July 2, 2003, and was attended by representatives from eight firms. Subsequent to the conference, an addendum was distributed to all firms on the mailing list. The addendum was issued to provide clarification of the original

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RFP and to answer questions posed at the conference. On July 30, 2003, the agencies received responses to the RFP from two firms: Hinderliter, De Llamas and Associates and MBIA MuniServices Company (MBIA), both of which specialize in providing this type of consulting service.

On September 16, 2003, each of the two bidders provided a ninety-minute presentation and/or clarification of the services their firms could provide. The firms were supplied with an overhead projector and screen to allow them to demonstrate their application programs. All members of the selection committee attended, including representatives from the Finance and Management Agency, Community and Economic Development Agency and the City Manager's Budget Office. Based upon its review and evaluation of the responses to the RFP, the joint selection committee selected HdL. (See attachment 1 for the committee's evaluation ratings).

HdL provided 17 references. All responses to the questions were positive.

The City has been under contract with HdL for sales and use tax and property tax consulting and auditing service since 1998 and has realized \$1.8 million in additional revenues as a result of HdL's efforts. Staff is very satisfied with HdL, as the firm consistently excels in a very technical area with a large scope which is difficult to maintain and manage. Staff has found HdL to be entirely self-managing and to provide service with consistent satisfaction. Great results have come to fruition from the previous contract and continued results are expected with the renewable three-year contract.

### **KEY ISSUES AND IMPACTS**

The City will receive major benefits from contracting with HdL:

Increased Revenue. Contracting with HdL will increase the City's revenues, without raising taxes, and ensure that the City receives its fair share of tax allocation. HdL will perform audits and compliance reviews of sales and use tax allocations and property assessment valuations. In this net revenue proposition, the contingent audit fee (based upon a percentage of revenues identified) will be payable only after the additional revenues are received. Without this audit service, the City may lose some revenue that it otherwise is entitled to collect. By utilizing the business tax component of the proposal, the City may experience as much as \$1 million in additional business tax revenue during the two years of this component of the contract.

Expanded Audit Capabilities. Currently, the Revenue Division of the Finance and Management Agency performs audits of the Business Tax, Transient Occupancy Tax, Utility User's Tax, and Parking Tax. This section also monitors, reviews and files appeals on unfavorable sales tax reallocations based upon the State Board of Equalization audits. Contracting with HdL will assist the section in obtaining valuable data to complete its tax audits, potentially resulting in enhanced revenue streams to the City.

While both HdL and MBIA provide comparable tax auditing, consulting, economic analysis and data services, HdL's proposal was superior for the following reasons:

Price. The joint selection committee selected HdL, in part, due to its more complete and competitive pricing structure. In the sales, property and business tax components, HdL's prices are lower for second and subsequent year prices and cumulatively. Overall fees proposed by the two firms are as follows:

	HdL	MBIA with Full Service Business Tax option*	MBIA with Non-Compliance Assistance Business Tax option
First Year:	\$ 169,300	\$ 169,850	\$ 149,850
Second Year	\$ 98,300	\$ 328,450	\$ 148,450
Subsequent Years (per year):	\$ 31,500	\$ 48,450	\$ 48,450
Years 1-3 combined:	\$ 299,100	\$ 546,750	\$ 346,750
Years 1-5 combined:	\$ 362,100	\$ 643,650	\$ 443,650

\*MBIA's full service business tax option fee is calculated as 40% of revenues generated by the firm's work. City staff estimate the new revenue generation to be \$300,000 in Year 1 and \$700,000 in Year 2 of the contract.

See attachments 2A, 2B, 2C for a complete explanation of costs.

Technology. In its current contract with the City, HdL has developed specialized databases and is thoroughly familiar with the City's tax and economic base. This familiarity as well as HdL's collective experience and background will assure continued business-friendly and timely audits and rapid response to requests for data, analysis and information as well as upgrades in computer software and databases.

Advocacy. While both firms are known for assisting their clients by advocating for changes in tax reporting and collection procedures at both the state and local level, the City stands to benefit from HdL's ability to effect change. Historically, HdL has been very supportive by providing a legislative digest, which advises how pending legislation will affect the City and has conveyed positions that benefit the City to appropriate legislators or agencies.

Responsiveness. In addition to providing the normal scope of services, City staff often has specific questions for the consultant. HdL has consistently responded promptly to these requests, in many cases, providing ample context. At the presentation both firms were asked, "What is your policy regarding fielding questions and/or information requests from City staff that arise on an as-needed basis and what is your typical turn-around time for such requests?" HdL responded unequivocally that they would provide answers at no extra charge to any question provided they have the data. MBIA responded that there would be no charge for answering 95 percent of questions and that usually questions can be answered within two hours, however in-depth analysis/"consulting projects" would be charged at a negotiated price.

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The Contract Compliance Division submitted a detailed report and memo on September 22, 2003, stating that neither of the bidders met the Local/Small Business Enterprise goals. The following are the actions taken by each to comply with the City's goals: HdL placed an advertisement in *The Oakland Tribune*, *The Montclarion* and *Sing Tao Daily*, sent a letter seeking a qualified sub-contractor for participation in the contract to 41 businesses from the City's listing of certified businesses – professional services firms – dated April 2003 and a letter to four representatives on the mailing list of contractor organizations. Responses were received from Grant & Smith and Geotopo, Inc. Grant & Smith expressed interest in assisting in the Sales and Use Tax component. However, its hourly rates were in excess of what HdL believed the services to be worth and would have made its proposal unnecessarily expensive. Geotopo, Inc. provided a proposal addressing the optional services project of providing sub-addresses to all multiple addressed parcels in the mapping/revenue component of HdL's proposal. The addressing element will be required to ensure that the mapping products work optimally. However, as of the date of this report, HdL's efforts to contact Geotopo to discuss the project and engage its services have not been successful.

While put forth as a qualifying LBE/SLBE, MBIA's subcontractor, the MGT Group, upon investigation, was not current on its designation or its business tax registration.

#### **PROGRAM DESCRIPTION**

Sales and Use Tax. (This is an existing service). The California State Board of Equalization (SBOE) is responsible each quarter for collecting and monitoring sales and use tax revenues from 1,052,000 accounts, some having 200 to 300 sub-outlets each. Because of the sheer number of accounts, the complexity of the State's "point-of-sale" regulations, and the number of out-of-state corporations that file quarterly sales tax returns, taxpayers often make factual errors that do not impact the amount of the assessment but do impact where the local portion of the tax is allocated. HdL identifies "point-of-sale" and use tax misallocations by utilizing specialized computer analyses, cross-directory checks, field investigations, and personal telephone and letter contacts with individual businesses and the SBOE. After reviewing the identified misallocations with the City, HdL works with individual taxpayers and provides all necessary data to the SBOE to ensure that errors are corrected in a timely manner and retroactive funds due the City are returned as quickly as possible to maximize revenues to the City.

HdL will use its technology, methodology and trained staff to effectively audit, survey and monitor sales and use tax to identify and correct misallocations. HdL will provide the City with a sales tax data set installed on City computers and will provide ongoing analysis, sales and use tax information and management support as well as policy and legislative support. HdL will provide ongoing analytical support to detail sales and use tax revenues and trends by category, individual tax generators and by specific geographic area. It will provide assistance to the City with forming budget projections and assist with such issues as formation of economic strategies, revenue negotiations with developers and evaluation of proposed changes in State regulations impacting sales and use tax allocations.

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The City will be inventoried to identify businesses from which it is not receiving its share of sales tax revenue; companies that appear to be reporting less than anticipated revenue will be matched against other sub-outlets and county pool allocations for potential problems. HdL will provide quarterly sales tax revenue reports for each project area specified by the City and regional and statewide comparisons of the City's key economic elements to identify issues that may impact the City's economic performance. HdL also will provide analysis of individual business type comparisons of the City's performance per capita, by average sales volume per outlet and by average percentage of total sales. These data are used quarterly to identify retail voids and opportunities that should be pursued. HdL will meet with staff quarterly to review trends, indicate 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.

Property Tax. (This is an existing service). Property taxes in California have evolved into an extremely complex system that requires experience and expertise to fully monitor. There are two broad categories of property (real and personal) and three tax rolls (secured, unsecured and State-assessed), and numerous peculiarities such as possessory interests, mines and mineral rights, and the distribution of tax revenue from private aircraft. The revenues generated by the property tax system need to be distributed to a myriad of taxing entities including cities, counties, schools, special districts and redevelopment agencies.

HdL has the technology, methodology and trained staff to analyze all secured and unsecured parcels within the city limits and redevelopment project areas to identify costly errors resulting in the misallocations of property taxes. They will furnish a variety of reports detailing property and revenue trends to the City. These reports can be used for budgeting purposes, planning, economic development and public information. In addition, HdL will serve as the City's resource relating to questions regarding property tax and assist in estimating current year property tax revenues for proposed redevelopment project areas.

HdL will perform an analysis of assessor rolls to identify all parcels on both the secured and unsecured tax rolls and verify that parcel assessed valuations and the resulting taxes are correctly allocated to the City or the redevelopment project areas. HdL will also cross-reference parcels with the City's building permit activity and project completion information to track parcels which should have been reassessed due to new construction activity but have been missed by the assessor's appraisers, commonly referred to as escaped assessments. Lastly, HdL will reconcile the annual Auditor/Controller Assessed Valuations Report and will furnish a breakdown of assessed values citywide by both taxing agency and tax rate area. Redevelopment project areas will be reviewed independently and, after factoring for base year values, net valuations and tax increment, projections will be provided.

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Business Tax. (This is a new service). HdL proposes to assist the City in identifying non-compliant business tax accounts by performing a comprehensive data mining of various data sources and then cross-checking that information against the City's business tax accounts. Because the current business tax system is unable to run multiple programs to provide dependable information, the City is unable to identify a number of non-compliant accounts. Staff currently performs these processes independently which is very time consuming and costly because staff must sort through the data and often contacts non-viable accounts. Staff has collected approximately \$522,000 in the past year through these processes. It is anticipated that HdL's system will identify \$1 million in non-compliant accounts by its ability to run the data sources concurrently. Staff recommends using HdL's service for two years—July 1, 2004 through June 30, 2006—as staff expects to have a new business tax system in place by July 2007, which will function similarly to HdL's system. Specific services and outcomes of the HdL business tax component include:

- Identifies non-compliant businesses by cross-checking other data sources available to the City and HdL against current business tax accounts. The process is to merge the following data sources: sales and use tax reporting; property tax databases (both secured and unsecured); business telephone numbers; tax returns with Schedule C or E; EDD reporting; and fictitious business name listings.
  - Estimated to increase collection by \$1 million within the first two contract years
- Allows businesses to be organized into geographic areas and business districts
  - Track business tax revenues in specific geographic areas
  - Receive annual report on business tax revenues of each area on an aggregate basis
  - Receive annual report on area growth and decline
- Converts classification from obsolete Standard Industrial Code System (SIC) to current, more sophisticated North American Industrial Classification System (NAIC)
- Receive estimates of business tax revenues based upon location's size and potential user
- Receive quarterly reports of newly transferred properties
- Profile economically desirable types of developments and business users, including reasons for the designation
- Receive a review of business tax rates of neighboring Bay Area cities
- Assist with questions and issues, including, but not limited to:
  - Alternatives to maximize revenue return based on tenant mix and/or business types
  - Strategies to improve business tax collection efforts
  - Business tax projections for redevelopment projects and budget purposes
  - Development of public relations program to assist in business retention
- Identification of changes in business tax by major tax producers and by business category

## **SUSTAINABLE OPPORTUNITIES**

Contracting with HdL supports the City's three E's: Economy, Environment and Equity.



Economy. By capturing additional revenues through audits of sales and use tax, property tax and business tax, the City will have more funds at its disposal to provide continued services to its citizenry. As previously mentioned, the City is budgeted to generate over \$210 million in Sales and Use Tax, Business Tax and Property Tax in FY 03-04 and over \$216 million in FY 04-05, across all funds.

Environment. These tax services have no direct environmental opportunity. However, the recommended contractor employs a number of sustainability measures in the realms of environmental, economical and social equity. All paper products used in the production of deliverables are acid-free; toner cartridges are recycled after use; a recycling company picks up bins of paper trash to be shredded and recycled every other week; waste is separated (aluminum, glass, plastic and paper products); workstations and furniture are chosen for their ergonomic benefits; and its building contains environmental controls that shut off the electrical and HVAC services during the evening hours and over the weekend.

Equity. By capturing additional revenues through audits of sales and use tax, property tax and business tax, the City will have more funds at its disposal to allocate to various projects to enhance the quality of life for its citizens.

#### **DISABILITY AND SENIOR CITIZEN ACCESS**

This section is not applicable.

#### **RECOMMENDATION AND RATIONALE**

The City received two proposals after advertising the RFP in local publications and sending invitations to 68 firms to participate. It is also recognized that the two bidders service over approximately 80% of the cities and counties within the State of California. Hinderliter, de Llamas & Associates (HdL) has been selected as the top candidate by a joint selection committee composed of staff from the Finance and Management Agency, Community and Economic Development Agency and City Manager's Budget Office, on the basis of price, technology and advocacy and responsiveness. Accordingly, the recommendation is for the City Council to authorize the City Manager to enter into a renewable three-year contract with Hinderliter, de Llamas and Associates.

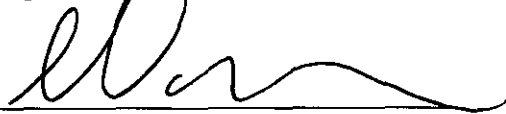
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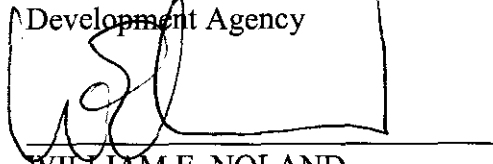
**ACTION REQUESTED OF THE CITY COUNCIL**

The joint selection committee recommends that the City Council authorize the City Manager to enter into a professional services contract with Hinderliter, de Llamas and Associates for tax auditing, consulting, economic analysis and data services for an amount not to exceed \$362,100 in fixed costs plus additional audit fees for an initial three-year period ending March 31, 2007, plus two optional annual extensions; and authorizing an increase in the Finance and Management Agency's baseline budget by \$137,800 in FY 2004-05 and \$66,800 in FY 2005-06, increasing business tax revenue expectations for FY 2004-05 and FY 2005-06, and using a portion of such increase in revenues to pay for the business tax service component included in the contract.

Respectfully submitted,



DANIEL VANDERPRIEM  
Director, Redevelopment, Economic Development  
and Housing  
Community and Economic  
Development Agency



WILLIAM E. NOLAND  
Interim Director,  
Finance and Management Agency

Prepared by:

Bill Lambert,  
Economic Development Manager  
Debra Taylor Johnson, Revenue Manager  
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APPROVED FOR FORWARDING TO THE  
FINANCE AND MANAGEMENT COMMITTEE:

  
Office of the City Manager

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## Attachment 1

### Committee's Evaluation Ratings

#	Evaluation Review Criteria	Weight Factor	HDL	MBIA
1.	Overall quality, completeness, organization and responsiveness of the proposal.	.05	4.70	4.23
2.	Overall quality, completeness, organization and responsiveness of the proposed services.	.10	9.17	8.67
3.	Overall quality of project team's key personnel; cohesiveness of the project team; previous experience on similar projects by project team members; knowledge of applicable tax law, interpretations, etc.	.08	7.33	6.47
4.	Indication that project team is committed to and able to achieve cost control, deadlines, and excellent quality work-products.	.08	7.40	6.80
5.	Overall quality and effectiveness of the proposed plan to provide the various audit and analysis services concerning:			
	a. Sales and use tax	.06	5.73	5.15
	b. Property tax	.05	4.80	4.35
	c. Utility users tax	.03	2.55	2.22
	d. Business tax	.04	3.46	3.18
	e. Comprehensive revenue management	.04	3.68	3.28
	f. Out-of-state audit and collection services	.03	1.59	2.28
6.	Overall ability and capacity to provide the City with data and tools it needs to collect taxes; analyze tax trends; and accurately predict future tax revenues.	.10	9.34	8.64
7.	Overall success and effectiveness in providing City staff with training to help enhance in-house tax function.	.08	7.36	6.80
8.	Overall technical ability and capacity of the project team to provide comprehensive, effective and user-friendly software.	.09	8.10	7.56
9.	Overall quality and usefulness of proposed reports and other written information project team will provide to City.	.09	8.17	6.08
10.	Overall appropriateness of price of all proposed services.	.08	6.96	6.32
		<b>Total:</b>	90.34	82.03

**Scoring:**

Excellent	90-100 points
Good	80-89
Average	70-79
Fair	60-69
Poor	50-59
Unsatisfactory	<=49
Not able to determine	ND

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Attachment 2A

Explanation of Fixed Costs  
HdL

All Contract Components

	Service	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> and Subsequent Years (per year)
	Sales and Use Tax	9,000	9,000	9,000
	Property Tax	22,500	22,500	22,500
A	Business Tax	137,800	66,800	0
	<b>Total Fixed Cost</b>	<b>169,300</b>	<b>98,300</b>	<b>31,500</b>

Business Tax Components

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year
Write and test conversion	12,000	-
Convert business records	25,000	25,000
Build tables	15,000	-
Build cross index	10,000	10,000
Change SIC to NAIC	8,000	8,000
Program reports	4,000	-
<b>Subtotal</b>	<b>74,000</b>	<b>43,000</b>
Prepare and present reports	10,000	10,000
Consulting services	6,800	6,800
Business Tax Rate Survey	12,000	-
On site training and installation	35,000	7,000
<b>Total Business Tax Components</b>	<b>A 137,800</b>	<b>66,800</b>

Staff is not proposing use of the consultant services for the business tax component in Years 3 onward.

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Attachment 2B

Explanation of Fixed Costs  
**MBIA with  
 Full Service  
 Business Tax option**

All Contract Components

	Service	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> and Subsequent Years (per year)
A	Sales and Use Tax	16,950	17,175	17,175
B	Property Tax	32,900	31,275	31,275
C	Business Tax	120,000	280,000	0
	<b>Total Fixed Cost</b>	<b>169,850</b>	<b>328,450</b>	<b>48,450</b>

Sales Tax

	1 <sup>st</sup> Year	2 <sup>nd</sup> and Subsequent Years (per year)
Economic Analysis, Training and Consulting	750	750
STARS and Query System	9,000	9,225
Consulting	7,200	7,200
Sales Tax Totals	<b>A 16,950</b>	<b>17,175</b>

Property Tax

	1 <sup>st</sup> Year	2 <sup>nd</sup> and Subsequent Years (per year)
Set up costs	2,000	-
Annual Costs for PropertyLink	15,000	15,375
Costs for five additional users	1,000	1,000
Additional data layers	12,500	12,500
Onsite training	2,400	2,400
	<b>B 32,900</b>	<b>31,275</b>

Full Service Business Tax Compliance Assistance

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year
40% contingency fee based on City staff estimate of increased revenues	<b>C 120,000</b>	<b>280,000</b>

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Attachment 2C

Explanation of Fixed Costs  
**MBIA with  
 Non-Compliance Assistance  
 Business Tax option**

All Contract Components

	Service	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> and Subsequent Years (per year)
A	Sales and Use Tax	16,950	17,175	17,175
B	Property Tax	32,900	31,275	31,275
C	Business Tax	100,000	100,000	0
	<b>Total Fixed Cost</b>	<b>149,850</b>	<b>148,450</b>	<b>48,450</b>

Sales Tax

	1 <sup>st</sup> Year	2 <sup>nd</sup> and Subsequent Years (per year)
Economic Analysis, Training and Consulting	750	750
STARS and Query System	9,000	9,225
Consulting	7,200	7,200
Sales Tax Totals	<b>16,950</b>	<b>17,175</b>

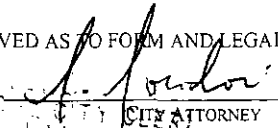
Property Tax

	1 <sup>st</sup> Year	2 <sup>nd</sup> and Subsequent Years (per year)
Set up costs	2,000	-
Annual Costs for PropertyLink	15,000	15,375
Costs for five additional users	1,000	1,000
Additional data layers	12,500	12,500
Onsite training	2,400	2,400
	<b>32,900</b>	<b>31,275</b>

Full Service Business Tax Compliance Assistance

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year
Quarterly fee	25,000	25,000
Number of quarters	4	4
Annual cost	<b>100,000</b>	<b>100,000</b>

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RESOLUTION No. \_\_\_\_\_ C. M. S.

INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

**RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A PROFESSIONAL SERVICES CONTRACT WITH HINDERLITER, DE LLAMAS AND ASSOCIATES FOR TAX AUDITING, CONSULTING, ECONOMIC ANALYSIS AND DATA SERVICES FOR AN AMOUNT NOT TO EXCEED \$362,100 IN FIXED COSTS PLUS ADDITIONAL AUDIT FEES FOR AN INITIAL THREE-YEAR PERIOD ENDING MARCH 31, 2007, PLUS TWO OPTIONAL ANNUAL EXTENSIONS; AND AUTHORIZING AN INCREASE IN THE FINANCE AND MANAGEMENT AGENCY'S BASELINE BUDGET BY \$137,800 IN FY 2004-05 AND \$66,800 IN FY 2005-06, INCREASING BUSINESS TAX REVENUE EXPECTATIONS FOR FY 2004-05 AND FY 2005-06, AND USING A PORTION OF SUCH INCREASE IN REVENUES TO PAY FOR THE BUSINESS TAX SERVICE COMPONENT INCLUDED IN THE CONTRACT**

**WHEREAS**, the City of Oakland seeks to increase its revenue by securing payment of all taxes owed to the City; and

**WHEREAS**, in order to best achieve such an increase in revenue, the Finance and Management Agency ("FMA") and the Community and Economic Development Agency ("CEDA") have determined that a joint-agency contract with a tax auditing firm would provide the City with valuable information and services; and

**WHEREAS**, in June 2003, FMA and CEDA issued a joint request for proposals ("RFP") for tax auditing, consulting, economic analysis and data services; and

**WHEREAS**, based upon a review and evaluation of the responses to the RFP, staff recommends entering into a contract with Hinderliter, de Llamas and Associates ("HdL"); and

**WHEREAS**, the data to be obtained through the contract with HdL will be used by FMA, CEDA and the City Manager's Budget Office for tax auditing, economic analysis, business attraction analysis and business retention analysis, and budget forecast and trend analysis purposes; and

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**WHEREAS**, the City has been under contract with HdL for Sales and Use Tax and Property Tax consulting and auditing services since 1998 and has realized an \$1,800,000 in additional revenue as a result of services provided by HdL; and

**WHEREAS**, FMA, the Budget Office and CEDA have reviewed and monitored the services and determined that this firm continues to provide the best and most cost-effective combination of services; and

**WHEREAS**, HdL presents the best package of services and cost effectiveness;

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF OAKLAND HEREBY RESOLVES:**

1. That the City Manager is authorized to enter into a three-year professional services contract, ending March 31, 2007, with HdL for tax auditing, consulting, economic analysis. On or before March 31, 2007, and, as the case may be, March 31, 2008, the City Manager, at her or his sole discretion, may exercise an option to extend the contract for an additional one-year term.

2. That the amount of the contract shall be: \$169,300 in year one, \$98,300 in year two, and \$31,500 in each subsequent year, for a total amount not to exceed \$362,100 in fixed costs plus audit fees based on a percentage of the increased revenues caused to be brought in by HdL's documentable efforts.

3. That an increase is authorized in the FMA's baseline budget by \$137,800 in FY 2004-05 and \$66,800 in FY 2005-06; increasing business license tax revenue expectations for FY 2004-05 and FY 2005-06, and using a portion of such increase in revenues to pay for the business license tax service component included in the HdL contract.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2004

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_

CEDA FLOYD  
City Clerk and Clerk of the Council  
of the City of Oakland, California

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**FEB 24 2004**