




AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Sales & Use Tax and Property Tax
Consulting & Auditing Services
Agreements

DATE: November 21, 2022

City Administrator Approval 

Date: Dec 8, 2022

RECOMMENDATION

Staff Recommends That The City Council Adopt:

Resolution 1) Authorizing The City Administrator To Amend The Professional Services Agreement With Hinderliter, De Llamas And Associates For Sales And Use Tax Data, Consulting, And Auditing Services To Extend The Term From January 2, 2023 Through January 1, 2024 And Increase The Compensation By An Amount Up To \$125,000; 2) Authorizing An Option To Extend For One Additional Year Through January 1, 2025 In An Amount Not To Exceed \$125,000 For A Total Contract Amount Of \$490,000 Over The Five-Year Contract Term; And 3) Waiving The Local/Small Local Business Enterprise (L/SLBE) Program Participation Requirement

Resolution 1) Authorizing The City Administrator To Amend The Professional Services Agreement With HdL Coren & Cone For Property Tax Data, Consulting, And Auditing Services To Extend The Term From January 2, 2023 Through January 1, 2024 And Increase The Compensation In An Amount Not To Exceed \$30,000; 2) Authorizing An Option To Extend For One Additional Year Through January 1, 2025 For A Total Contract Amount Of \$300,000 Over The Five-Year Contract Term; And 3) Waiving The Local/Small Local Business Enterprise (L/SLBE) Program Participation Requirement

EXECUTIVE SUMMARY

In May 2019, the Finance Department issued a Request For Proposals seeking one or more consultants with proven experience and professional expertise to provide data, consulting and auditing services for the Sales & Use Tax and the Property Tax. Hinderliter De Llamas & Associates and HdL Coren & Cone were selected based on quality, scope of services, price, technology and responsiveness.

In January 2020, the City Administrator, as duly authorized under the Oakland Municipal Code Section 2.04.020, executed an agreement for a total compensation not to exceed \$240,000 for each of the two companies, with Hinderliter De Llamas responsible for the Sales & Use Tax and

HdL Coren & Cone for the Property Tax. Each agreement commenced on January 2, 2020 with an initial three-year term through January 1, 2023.

This report summarizes the work and the services provided by both Hinderliter, De Llamas & Associates and HdL Coren & Cone. Finance staff seeks City Council approval authorizing the City Administrator to enter the First Amendment to the Agreements with each of the two companies for the term of January 2, 2023 through January 1, 2024, with an option to renew for one additional year, without returning to the City Council approval, extending the term through January 1, 2025.

For Hinderliter, De Llamas & Associates, the First Amendment would increase the compensation by an amount up to \$125,000 and an additional \$125,000 if the City Administrator elects to extend the agreement for one additional year through January 1, 2025, for a total contract amount of \$490,000 over the five-year contract term.

For HdL Coren & Cone, the First Amendment would increase the compensation by an amount up to \$15,000 and an additional \$30,000 if the City Administrator elects to extend the agreement for one additional year through January 1, 2025, for a total contract amount of \$300,000 over the five-year contract term.

BACKGROUND / LEGISLATIVE HISTORY

In May 2019, the Finance Department released a Request for Proposals (RFP) through the City's e-procurement system, iSupplier, with the objective of retaining one or more consultants with proven experience and professional expertise to provide the City with data, audit and revenue recovery services related to the Sale & Use Tax and the Property Tax. The RFP included a provision that called for a three-year contract with two possible one-year extensions, based on performance.

Two firms submitted proposals. An evaluation committee comprised of Department of Finance staff was created to evaluate all aspects of the proposals fairly, objectively, and systematically. The evaluation committee concluded its work with the recommendation to award the contract to Hinderliter, De Llamas & Associates and HdL Coren & Cone as the best providers based on the criteria set forth in the RFP.

In January 2020, the City Administrator, as duly authorized under the Oakland Municipal Code Section 2.04.020, entered separate agreements with each of the two companies, with Hinderliter De Llamas responsible for the Sales & Use Tax and HdL Coren & Cone responsible for the Property Tax. Each agreement carries a three-year term commencing on January 2, 2020 and ending on January 1, 2023 and sets the total compensation not to exceed \$240,000 for each.

ANALYSIS AND POLICY ALTERNATIVES

Since the commencement of the current agreement, Hinderliter, De Llamas & Associates has provided audit services that resulted in the City receiving an average of approximately \$573,000 in additional Sales & Use tax revenue annually, bringing the total revenue recovered at

approximately \$1.7 million for the current three-agreement that is due to expire on January 1, 2023. Hdl Coren & Cone's services are more focused toward ensuring the upkeep of the data and revenue forecast of secured and unsecured taxes than the auditing of property tax roll since errors related allocation of property taxes occur far less frequent since the dissolution of the Redevelopment Agency in 2012. Given the dollar amounts associated with these revenue programs, the volume of remitters and the accurate revenue forecast, it is critical that the City continues regular audits and compliance reviews to maximize revenue collection.

To that end, staff seeks authority to amend the current Agreements with both companies for an extension commencing January 2, 2023 through January 1, 2024, with an option to further extending the agreements through January 1, 2025.

For the continuing work on the Sales & Use Tax, the compensation for Hinderliter, De Llamas & Associates is capped at \$125,000 for the first amendment and an additional \$125,000 for the second amendment should the City Administrator elects to further extending the agreement to January 1, 2025. Hinderliter, De Llamas & Associates will continue to provide the following services and deliverables:

- Sales and Use Tax Audits
- Correction of tax filings with the California Department of Tax and Fee Administration for Sales & Use Tax
- Technical and analytical support pertaining to Sales & Use Tax related legislations and rulings
- Sales & Use Tax quarterly trend reports, revenue analysis, and citywide economic and business reports
- Access to Sales Tax databases.

For the continuing work on the Property Tax, the compensation for HdL Coren & Cone is capped at \$30,000 for the first amendment and an additional \$30,000 for the second amendment should the City Administrator elects to further extending the agreement to January 1, 2025. Hdl Coren & Cone will continue to provide the following services and deliverables:

- Property Tax Audits
- Correction of parcels incorrectly assigned the Tax Rate Area Codes with the Alameda County Assessor's Office for Property Tax
- Technical and analytical support pertaining to Property Tax related legislations and rulings
- Property Tax quarterly trend reports, revenue analysis, and citywide economic and business reports
- Access to Property Tax databases.

In addition to providing services related to the collection of local Sales and Use and Property Taxes, both companies will also provide the City with advisory services related to budgeting and financial projections. These revenue compliance and data analysis services individually and collectively add value to the Finance Department, the Office of Economic and Workforce Development, and the City Administrator's Office and are essential for additional protection of the City's Sales and Use Tax and Property Tax revenues.

FISCAL IMPACT

HdL Companies will continue to be compensated as follows:

- Sales and Use Tax, Hinderliter, De Llamas & Associates will receive a fixed annual compensation of \$10,200 for the data and consulting services. For the auditing and correction services, Hinderliter, De Llamas & Associates will receive 15 percent of net revenue discovered, recovered and reallocated to the City by the California Department of Tax & Fee Administration. The maximum compensation for both extensions shall not exceed \$250,000.
- For Property Tax – HdL Coren & Cone will receive a fixed annual compensation of \$26,000 for the data and consulting services. For the auditing and correction services, HdL will receive 25 percent of net revenue discovered, recovered, and reallocated to the City by the Alameda County Assessor's Office. The total maximum compensation for both extensions shall not exceed \$60,000.

The funding source for these payments will continue to be from the Finance Department, Revenue Management Bureau's General Purpose Fund operating budget.

PUBLIC OUTREACH / INTEREST

This item will be posted on the City's website for the December 20, 2022 City Council meeting.

COORDINATION

This report has been coordinated with the Finance Department Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: The City will realize additional revenue to support local government services without raising taxes.

Environmental: There are no environmental opportunities associated with this project.

Race and Equity: The recommended action is authorizing the City Administrator, or designee, to renew the professional services agreements for the continuance of auditing services to increase the collection of taxes. The collection of taxes is necessary to raise revenue which, in turn, supports the City's financial ability to carry out its affairs and priorities that include making critical financial investment aimed at advancing racial and equity opportunities to historically underserved communities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the city council adopt:

Resolution 1) authorizing the City Administrator to amend the professional services agreement with Hinderliter, De Llamas and Associates for Sales and Use Tax data, consulting, and auditing services to extend the term from January 2, 2023 through January 1, 2024 and increase the compensation by an amount up to \$125,000; 2) authorizing an option to extend for one additional year through January 1, 2025 in an amount not to exceed \$125,000 for a total contract amount of \$490,000 over the five-year contract term; and 3) waiving the Local/Small Local Business Enterprise (L/SLBE) program participation requirement.

Resolution 1) authorizing the City Administrator to amend the professional services agreement with HdL Coren & Cone for property tax data, consulting, and auditing services to extend the term from January 2, 2023 through January 1, 2024 and increase the compensation in an amount not to exceed \$30,000; 2) authorizing an option to extend for one additional year through January 1, 2025 for a total contract amount of \$300,000 over the five-year contract term; and 3) waiving the Local/Small Local Business Enterprise (L/SLBE) program participation requirement.

For questions regarding this report, please contact Rogers Agaba, Assistant Revenue & Tax Administrator, (510) 238-7009.

Respectfully submitted,



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