



# Monterey County

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

Legistar File Number: 19-0693

September 17, 2019

**Introduced:** 9/4/2019

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** General Agenda Item

- a. Approve and authorize the Auditor-Controller to execute an Agreement with Hinderliter de Llamas & Associates for sales, use and transaction tax related services for an initial term of July 1, 2019 to June 30, 2020 and a not to exceed amount of \$75,000; and
- b. Approve and authorize the Auditor-Controller to execute three (3) future Fiscal Year amendments that do not exceed a five percent (5%) increase in set annual cost and do not significantly alter the scope of services; and
- c. This Agreement takes the aggregate amount for this Vendor over \$100,000.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Auditor-Controller to execute an Agreement with Hinderliter de Llamas & Associates for sales, use and transaction tax related services for an initial term of July 1, 2019 to June 30, 2020 and a not to exceed amount of \$75,000; and
- b. Approve and authorize the Auditor-Controller to execute three (3) future Fiscal Year amendments that do not exceed a five percent (5%) increase in set annual cost and do not significantly alter the scope of services; and
- c. This Agreement takes the aggregate amount for this Vendor over \$100,000.

### SUMMARY:

The County Auditor-Controller's Office (ACO) provides oversight and coordination related to sales, use and transaction tax analysis and audits to ensure the County of Monterey receives its proper share of these revenues. For many years the ACO has contracted with Hinderliter de Llamas & Associates (HdL) for these services. HdL also provides ongoing data and analyses to support County staff in fiscal and economic planning and development.

HdL represents most of the counties in California and the cities in Monterey County in this capacity. HdL actively interfaces with CSAC, SACA and Beacon Economics of California.

The ACO is requesting authorization to enter into an Agreement with HdL for FY2019-20 with an option for three (3) future amendments. The cost for HdL services is a set \$6,600 per year plus 15% of all new and recovered sales, use and transaction tax revenue received by the County. The ACO does not anticipate the set cost to increase significantly. The aggregate amount for this Vendor is over \$100,000.

### DISCUSSION

State taxing agencies are responsible each quarter for collecting and monitoring sales tax revenues from thousands of accounts. Considering the sheer number of returns, the complexities and variations of each state's tax system, and the number of sales tax filings by out-of-state corporations, the taxing agencies do a very effective job of collecting and distributing sales and use tax revenues. However, despite their diligence, approximately 3% of local revenues are misallocated.

To address these errors, the HdL Companies administers an ongoing, taxpayer-friendly system of monitoring client sales and use tax receipts to identify errors and recover lost revenues. These recoveries directly benefit Monterey County's General Fund.

HdL looks for and corrects allocation errors including:

- Sales misreported as "use tax" transactions.
- "Point of Sale" revenues misreported to administrative offices or other locations.
- Misallocations occurring because sales from multiple retail outlets, order desks, or offices are credited to a single location.
- Misallocations due to jurisdiction miscoding.

The sales and use tax recovery performed by HdL for calendar year 2018 was \$353,493 for Monterey County while charges totaled \$59,624. This represents a net return on investment of 593% on audit, reporting and management fees paid to HdL.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office - Budget and Analysis Division participates in sales tax update, analysis, and trends meetings with the HdL staff on a quarterly basis.

FINANCING:

The HdL has an annual contract which is administered by the ACO in AUD002. \$75,000 has been budgeted by the ACO for FY 2019-20. Future annual required amounts will be included in the budget development process for AUD002.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The related Board of Supervisors Strategic Initiatives:

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Approved by: Rupa Shah, Chief Deputy Auditor-Controller, 755-5040

Attachments:

Board Report

Hinderliter de Llamas & Associates Agreement FY2019-20