



Legislation Details (With Board Report)

File #: 21-645 **Name:** Ratification, Renewal and Amendment No. 3 with Hinderliter de Llamas
Type: General Agenda Item **Status:** Passed - Auditor-Controller's Office
File created: 7/19/2021 **In control:** Board of Supervisors
On agenda: 7/27/2021 **Final action:** 7/27/2021

Title: a. Ratify execution by Auditor-Controller of Amendment No. 2 to the Agreement (“Agreement”) with Hinderliter de Llamas & Associates for sales, use and transaction tax related services, extending the Agreement 1 year, for a revised full term of July 1, 2019 to June 30, 2021, and adding \$61,115 for a revised total contract amount of \$253,996; and
b. Approve execution by the Auditor-Controller of a Renewal and Amendment No. 3 to the Agreement extending the Agreement 1 year, for a revised full term of July 1, 2019 to June 30, 2022, and adding \$43,025 for a revised total contract amount of \$297,021.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Board Report, 2. Completed BO & Agreement 19-20 2019.9.23, 3. Completed BO RES Amend No. 1, 4. Amendment No. 2 HdL FY 20-21, 5. Renewal and Amendment No. 3, 6. Completed Board Order Item No. 40

Date	Ver.	Action By	Action	Result
7/27/2021	1	Board of Supervisors	approved - auditor controller	Pass

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RECOMMENDATION:

It is recommended that the Board of Supervisors:

a. Ratify execution by Auditor-Controller of Amendment No. 2 to the Agreement (“Agreement”) with Hinderliter de Llamas & Associates for sales, use and transaction tax related services, extending the Agreement 1 year, for a revised full term of July 1, 2019 to June 30, 2021, and adding \$61,115 for a revised total contract amount of \$253,996; and
b. Approve execution by the Auditor-Controller of a Renewal and Amendment No. 3 to the Agreement extending the Agreement 1 year, for a revised full term of July 1, 2019 to June 30, 2022, and adding \$43,025 for a revised total contract amount of \$297,021.

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 cost for HdL services is a set cost of \$6,600 per year plus 15% of all new and recovered sales, use and transaction tax revenue received by the County, for a total estimated cost of \$75,000. Due to the fluctuation of monies recovered by HdL, actual costs of HdL services vary each year, with any balance in the agreement carried forward, resulting in a request of \$43,025 with amendment No 3 instead of the full estimated total of \$75,000.

The ACO is requesting the ratification of Amendment No. 2, extending the Agreement through June 30, 2021 and an authorization for Renewal and Amendment No. 3 to the Agreement with HdL for FY21-22. Inadvertently, Amendment No. 2 was not brought before the Board in FY20-21. Discovery and correction of this deficiency has brought us into FY21-22 and subsequently the request for Renewal and Amendment No 3.

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 2020 was \$213,458 for Monterey County while charges totaled \$43,025. This represents a net return on investment of 496% 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 cost of the HdL contract has been budgeted by the ACO for FY 21-22 in AUD002. 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, CPA, Auditor-Controller 755-5040

Attachments:

Board Report

Hinderliter de Llamas & Associates Agreement FY2019-20

Amendment No 1

Amendment No. 2

Renewal and Amendment No. 3