

**FIRST AMENDMENT
AGREEMENT FOR SALES, USE AND TRANSACTIONS TAX AUDIT
AND INFORMATION SERVICES
BY AND BETWEEN
COUNTY OF HUMBOLDT
AND
HINDERLITER, DE LLAMAS AND ASSOCIATES
FOR FISCAL YEARS 2016-2017 THROUGH 2022-2023**

This First Amendment to the Agreement for Sales, Use and Transactions Tax Audit and Information Services dated May 24, 2017, by and between the County of Humboldt, a political subdivision of the State of California, hereinafter referred to as "COUNTY," and Hinderliter, De Llamas and Associates, a California corporation, hereinafter referred to as "CONTRACTOR," is entered into this 3 day of Feb., 2019.

WHEREAS, COUNTY, by and through its County Administrative Office – Management and Budget Team, desired to retain a qualified professional firm to provide sales and use tax audit services that will improve identification of economic opportunities, provide for more accurate sales and use tax forecasting and assist in related revenue collections; and

WHEREAS, on May 24, 2017, COUNTY and CONTRACTOR entered into an Agreement for Sales, Use and Transactions Tax Audit and Information Services regarding the provision of such services ("Tax Audit and Information Services Agreement"); and

WHEREAS, the parties now desire to amend certain provisions of the Tax Audit and Information Services Agreement to extend the term thereof, expand the scope of services to be provided thereunder and adjust the rates of compensation set forth therein.

NOW THEREFORE, the parties mutually agree as follows:

1. Section 3 – Term of the Tax Audit and Information Services Agreement is hereby amended to read as follows:

3. TERM:

This Agreement shall begin on July 1, 2016 and shall remain in full force and effect until June 30, 2023, unless sooner terminated as provided herein.

2. Section 5 – Compensation of the Tax Audit and Information Services Agreement is hereby amended to read as follows:

5. COMPENSATION:

A. Audit Fees. CONTRACTOR shall be paid fifteen percent (15%) of all recovered sales, transactions and/or use tax revenue, and twenty-five percent (25%) of the initial amount of new transactions or use tax revenue, received by COUNTY as a result of the tax management services provided pursuant to the terms and conditions of this Agreement. New revenue shall not include any amounts determined and verified by the parties hereto to be attributable to causes other than the tax management services provided pursuant to the terms and conditions of this Agreement. In the event that CONTRACTOR is responsible for an increase in the tax reported by businesses already properly

making tax payments to COUNTY, it shall be CONTRACTOR's responsibility to separate and support the incremental amount attributable to its efforts prior to the application of the audit fee. Said audit fees will apply to state fund transfers received for those specific quarters identified as being missing and/or deficient following completion of the audit by CONTRACTOR and confirmation of corrections by the California Department of Tax and Fee Administration, but shall not apply prospectively to any future quarter. The above-referenced audit fees shall constitute full reimbursement for any and all direct and indirect expenses incurred by CONTRACTOR in performing audits pursuant to the terms and conditions of this Agreement, including, without limitation, the salaries of CONTRACTOR's employees and travel expenses connected with contacting local and out-of-state businesses and State Board of Equalization representatives.

- B. Service Fees. CONTRACTOR shall be compensated at the flat monthly rate of Four Hundred Fifty Dollars (\$450.00) per month for any and all tax management services, including, without limitation, reporting and forecasting services, provided pursuant to the terms and conditions of this Agreement. The monthly service fees charged pursuant to the terms and conditions of this Agreement shall increase annually by the percentage increase in the Consumer Price Index for the preceding twelve-month period. In no event shall the monthly fee be reduced by this calculation. For purposes of this Agreement, "Consumer Price Index" shall mean the Consumer Price Index – All Urban Consumers for the surrounding statistical metropolitan area nearest COUNTY, as published by the United States Department of Labor, Bureau of Labor Statistics, or, if such index should cease to be published, any reasonably comparable index agreed upon by the parties hereto.
- C. Transaction District Tax Reports. CONTRACTOR shall be compensated at the flat monthly rate of One Hundred Dollars (\$100.00) per month for any and all transaction district tax reports prepared by CONTRACTOR as part of the tax management services provided pursuant to the terms and conditions of this Agreement.
- D. Additional Services. Any additional services not otherwise provided for herein shall not be provided by CONTRACTOR, or compensated by COUNTY, without prior written authorization from COUNTY. Any and all unauthorized costs and expenses shall be the responsibility of CONTRACTOR.

- 3. The Tax Audit and Information Services Agreement is hereby amended to delete Exhibit A – Scope of Services ("Exhibit A"), and replace it in its entirety with the modified version of Exhibit A that is attached hereto and incorporated herein by reference. The modified version of Exhibit A attached hereto shall supersede any and all prior versions thereof as of the effective date of this First Amendment.
- 4. Except as modified herein, the Tax Audit and Information Services Agreement dated May 24, 2017 shall remain in full force and effect. In the event of a conflict between the provisions of this First Amendment and the original Tax Audit and Information Services Agreement, the provisions of this First Amendment shall govern.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties have entered into this First Amendment as of the first date written above.

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
- (2) SECRETARY, CHIEF FINANCIAL OFFICER OR TREASURER.


HINDERLITER, DE LLAMAS AND ASSOCIATES:

By:  _____

Date: 11/01/19

Name: Andrew Nickerson

Title: President


By:  _____

Date: 11/1/19

Name: Richard Park

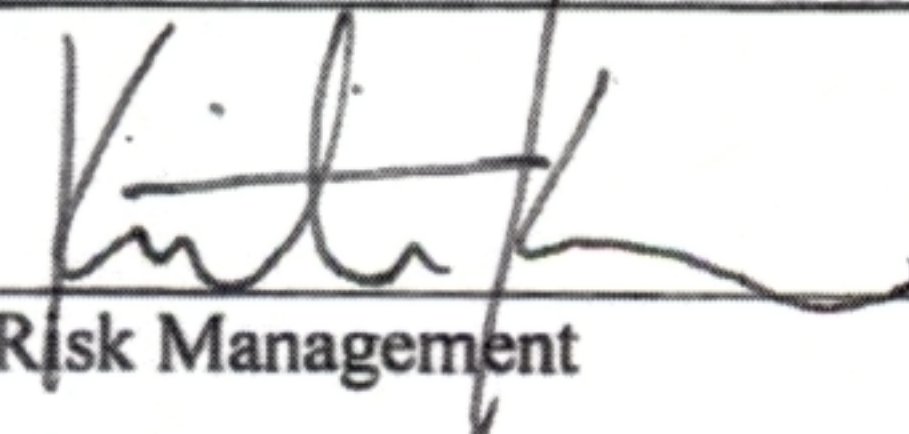
Title: Chief Financial Officer

COUNTY OF HUMBOLDT:

By:  _____
Amy Nilsen, County Administrative Officer
(Pursuant to the authority granted by the Humboldt
County Board of Supervisors on May 23, 2017,
Item C-9)

Date: 2/3/20

INSURANCE AND INDEMNIFICATION REQUIREMENTS APPROVED:

By:  _____
Risk Management

Date: 12/2/2019

LIST OF EXHIBITS:

Exhibit A – Scope of Services

EXHIBIT A
SCOPE OF SERVICES

Hinderliter, De Llamas and Associates
For Fiscal Years 2016-2017 through 2022-2023

1. ALLOCATION AUDIT AND RECOVERY SERVICES:

- A. CONTRACTOR shall conduct initial and on-going sales and use tax audits to identify and correct distribution errors, thereby generating previously unrealized sales tax income for COUNTY and/or recovering misallocated sales tax from previously properly registered taxpayers. Common errors that will be monitored and corrected include, but are not limited to: transposition errors resulting in misallocations; erroneous consolidation of multiple outlets; misreporting of "point of sale" to the wrong location; delays in reporting new outlets; misallocating use tax payments to the allocation pools or wrong jurisdiction and erroneous fund transfers and adjustments.
- B. CONTRACTOR will initiate contacts with the appropriate sales management and accounting officials in companies that have businesses where a probability of error exists to verify whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner so as to enhance COUNTY'S relations with the business community.
- C. CONTRACTOR shall prepare and submit to the California Department of Tax and Fee Administration (CDTFA) all information necessary to correct any allocation errors that are identified and shall follow-up with the individual businesses and the California Department of Tax and Fee Administration (CDTFA) to ensure that all back quarter payments owed to COUNTY are recovered.
- D. If during the course of its audit, CONTRACTOR finds businesses located in Humboldt County that are properly reporting sales tax but have the potential for modifying their operation to provide an even greater share to COUNTY, CONTRACTOR shall so advise COUNTY and upon request, shall work with those businesses and COUNTY to encourage such changes.

2. SALES TAX AND ECONOMIC ANALYSIS SERVICES

- A. CONTRACTOR shall establish a special database that identifies the name, address and quarterly allocations of all sales tax producers within COUNTY for the most current and all quarters back to fiscal year 1998-1999 or earlier, if COUNTY has prior historical sales tax data available on computer readable magnetic media. This database will be utilized to generate special reports to COUNTY on: major sales tax producers by rank and category, sales tax activity by categories or business districts, identification of reporting aberrations and per capita and outlet comparisons with regional and statewide sales.
- B. CONTRACTOR shall meet with COUNTY and provide updated reports following each calendar quarter identifying changes in sales by individual businesses, business groups and categories and by geographic area. Such reports may include, without limitation, quarterly aberrations due to State audits, fund transfers and receivables along with late or double payments and quarterly reconciliation worksheets to assist with budget forecasting.
- C. CONTRACTOR shall provide following each calendar quarter a summary analysis, which identifies, COUNTY's sales tax trends by major groups and geographic areas without disclosing confidential information, for COUNTY to share with other economic development interest groups and the public.

- D. CONTRACTOR shall make available to COUNTY staff CONTRACTOR's web-based sales tax computer software program containing sellers permit and quarterly allocation information for all in-County business outlets registered with the Department of Tax and Fee Administration and updated quarterly. This software shall allow COUNTY staff to search businesses by street address, account number, business name, business type and keyword, arrange data by geographic area, and print out a variety of reports.

3. DEFICIENCY/ALLOCATION REVIEWS AND RECOVERY:

- A. CONTRACTOR shall conduct on-going reviews to identify and correct unreported transactions and tax payments and distribution errors thereby generating previously unrealized revenue for COUNTY. Such reviews shall include, without limitation:
- i. Comparison of local tax allocations to transactions tax for brick and mortar stores and other cash register-based businesses, where clearly all transactions are conducted on-site within the Measure "Z" COUNTY boundaries, and therefore subject to transactions tax.
 - ii. Review of any significant one-time use tax allocations to ensure that there is corresponding transaction tax payments for taxpayers with nexus within COUNTY boundaries.
 - iii. Review of state-wide transactions tax allocations and patterns to identify any obvious errors and omissions.
 - iv. Identification and follow-up with any potentially large purchasers of supplies and equipment, including, without limitation, hospitals, universities, manufacturing plants, agricultural operations, refineries) to ensure that their major vendors are properly reporting corresponding transactions tax payments to the Measure "Z" Transactions Tax District.
- B. CONTRACTOR will initiate, where the probability of an error exists, contacts with the appropriate taxpayer management and accounting officials to verify whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner so as to enhance COUNTY's relations with the business community.
- C. CONTRACTOR shall prepare and submit to the Department of Tax and Fee Administration all information necessary to correct any allocation errors and deficiencies that are identified, and shall follow-up with the individual businesses and the California Department of Tax and Fee Administration to ensure that all back quarter payments due to COUNTY are recovered.

4. DATA BASE MANAGEMENT, REPORTS AND STAFF SUPPORT:

- A. CONTRACTOR shall establish a database containing all applicable Department of Tax and Fee Administration (CDTFA) registration data for each business within the Measure "Z" District boundaries holding a seller's permit account. Said database shall also identify the quarterly transactions and use tax allocations under each account for the most current and previous quarters where available.
- B. CONTRACTOR shall provide updated reports each quarter identifying changes in allocation totals by individual businesses, business groups and by categories. Quarterly aberrations due to State audits, fund transfers and receivables, along with late or double payments, will also be

identified. Quarterly reconciliation worksheets to assist with budget forecasting will be included.

C. CONTRACTOR shall advise and work with COUNTY Staff on planning and economic questions related to maximizing revenues, preparation of revenue projections and general information on sales, transactions and use tax questions.

D. CONTRACTOR shall make available to COUNTY the HdL proprietary software program and Measure "Z" database containing all applicable registration and quarterly allocation information for COUNTY business outlets registered with the Department of Tax and Fee Administration. The database will be updated quarterly.

5. **ONGOING CONSULTATION SERVICES:**

Throughout the term of this Agreement, CONTRACTOR shall advise and work with COUNTY Staff on technical questions related to sales, use and transactions tax; advise COUNTY Business License staff on utilization of reports to enhance business license collection efforts; provide sales tax projections for proposed annexations, economic development projects and budget planning; and generally serve as support staff on sales, use and transactions tax related issues.