



COUNTY OF HUMBOLDT

Legislation Details (With Text)

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Title: First Amendment to the Service Agreement with Hinderliter, de Llamas & Associates for Sales Tax Audit Services

Sponsors:

Indexes:

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Attachments: 1. Staff Report, 2. First Amendment to FY 16-17 HDL Tax Audit and Information Services Agreement_RM sign 12-2-2019.pdf, 3. HDL Tax Audit and Information Services Agreement - 2017, 4. County-of-Humboldt_Hinderliter-de-Lamas - Insurance

Date	Ver.	Action By	Action	Result
12/16/2019	1	Board of Supervisors	approved	Pass

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

SUBJECT:

First Amendment to the Service Agreement with Hinderliter, de Llamas & Associates for Sales Tax Audit Services

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the First Amendment (Attachment A) with Hinderliter, de Llamas & Associates (HdL) for sales tax audit services, to expire June 30, 2023; and
2. Authorize the County Administrative Officer to sign the attached agreement, any amendments or extensions.

SOURCE OF FUNDING:

General Fund

DISCUSSION:

The county receives sales tax on goods purchased within the unincorporated area of the county. Occasionally, sales tax that should have been recorded to the county is incorrectly allocated to a different taxing jurisdiction, which causes a loss of sales tax. Common “point of sale” errors include transposition errors causing miscalculations, erroneous consolidation of multiple outlets, misreporting

a “point of sale” location, delays in reporting new outlets, misidentifying transactions as a use tax rather than a sales tax, and erroneous fund transfers and adjustments, which are usually related to businesses with multiple retail locations.

In order for the county to effectively and efficiently identify and recover potential lost sales tax, as described above, staff recommends extending and expanding the current service agreement with HdL. This First amendment extends the original expiration date from the end of fiscal year 2019-20 to 2022-23 and includes review and recovery of Measure Z sales tax. HdL is a highly qualified tax reporting and auditing firm, providing services to over 400 agencies in seven states. Inasmuch, HdL is experienced in assisting local jurisdictions with reviewing and auditing sales tax information to correct any “point of sale” distribution errors, thereby generating previously unrealized sales tax income for that entity.

The county has had a contract with HdL for sales tax audit services since November 9, 1999. The terms of the contract require the county to pay HdL 15% of all recovered sales, transactions and/or use tax revenue received by the county as a result of its audit and recovery work. The First Amendment outlines an additional 25% of the initial amount of new transactions or use tax revenue identified, a \$450.00 monthly fee for tax management, reporting and forecasting services and \$100 monthly for any transaction district tax reports. The table below shows the amounts the county has paid HdL over the last four years and how much the county has gained in previously-unrealized income:

Year	HdL Commission	Gross New Revenue	Net New Revenue
2015	\$10,405.35	\$484,247.00	\$473,841.65
2016	\$55,866.05	\$716,163.00	\$660,296.95
2017	\$10,649.35	\$540,115.00	\$529,465.65
2018*	\$10,243.06	\$491,195.00	\$480,951.94

* 2018 dollars are estimated as of 5/1/2019

FINANCIAL IMPACT:

Over the last several years, the county’s agreement with HdL has resulted in net revenues ranging from \$473,842 to \$678,327. This revenue accrues to the county General Fund. Correcting errors may favorably impact the state’s disbursements of Health & Welfare Realignment funds as well as Public Safety Proposition 172 funds, which are based on sales tax revenue. Thus, continuing to contract with HdL supports your Board’s Strategic Framework by managing the county’s resources to ensure sustainability of services.

STRATEGIC FRAMEWORK:

This action supports your Board’s Strategic Framework by facilitating the establishment of local revenue sources to address local needs .

OTHER AGENCY INVOLVEMENT:

Hinderliter, de Llamas & Associates

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose a shorter term of the contract. The Board could also choose not to renew the contract with HdL, but this would be financially disadvantageous to the county and would result in unrealized sales tax income.

ATTACHMENTS:

Hinderliter, de Llamas & Associates Services Agreement
HDL tax Audit and Information Services Agreement - 2017
County-of-Humboldt_Hinderliter-de-Lamas - Insurance

PREVIOUS ACTION/REFERRAL:

Board Order No.: C-9
Meeting of: 05/23/2017
File No.: 17-1922