



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
County Manager



**Date:** November 22, 2016  
**Board Meeting Date:** December 13, 2016  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** John L. Maltbie, County Manager

**Subject:** Agreement with Hinderliter, de Llamas & Associates

**RECOMMENDATION:**

Adopt a resolution authorizing an agreement with Hinderliter, de Llamas & Associates to provide sales tax analysis, recovery and consulting services, for the term January 1, 2017 through December 31, 2019, in an amount not to exceed \$800,000.

**BACKGROUND:**

Each year thousands of sales and use tax dollars are distributed incorrectly to other taxing agencies. Common errors that occur are sales taxes from businesses in and around San Francisco International Airport being allocated to the City and County of San Francisco or sales taxes from businesses in unincorporated pockets of the County being allocated to the surrounding cities. Over the past twenty-two years the County has contracted with Hinderliter, de Llamas & Associates (HdL) to conduct ongoing sales tax audits in order to identify and correct "point-of-sale" distribution errors and thereby generate previously unrealized sales tax income for the County. The amount of sales and use tax dollars recovered by HdL for the three calendar years 2013 through 2016 averaged \$1,006,611 annually. Under the current agreement, HdL has been paid 15% commission on all new Bradley-Burns sales and/or use tax revenue received by the County as a result of their audit and recovery work. Fees apply to State fund transfers received for back quarter reallocations and monies received for the first eight consecutive reporting quarters following completion of the audit by Contractor.

In addition to the sales tax allocation audit and recovery services, HdL has maintained two sales and use tax databases, providing the County with sales tax and economic analysis, including periodic reports on major sales tax producers; sales tax receipts for each business category; changes in sales by major outlets and category; analysis of sales tax activity by area; and benchmark comparisons with the state and other counties. There are no additional charges for reports, analytics and consultation services.

The current contract with HdL is set to expire on December 31, 2016.

**DISCUSSION:**

On October 7, 2016, the County Manager's Office issued a Request for Proposals (RFP) for these services. There were two vendors that responded to the RFP: HdL and MuniServices. Combined, these two firms perform almost all sales tax audit and recovery services provided to local government agencies in the State of California. The Evaluation Team selected HdL to continue to provide these services due to the strength and completeness of their overall proposal and HdL's superior reporting, analytics and consultation services.

The new Agreement will be for the three year term beginning January 1, 2017 through December 31, 2019, with an option to renew for two additional years.

The agreement and resolution have been reviewed and approved by County Counsel as to form.

The resolution contains the County's standard provisions allowing amendment of the County's fiscal obligations by a maximum of \$25,000 (in aggregate).

Approval of this agreement contributes to the Shared Vision 2025 outcome of a Collaborative Community by maximizing sales and use tax revenues and ensuring that sound practices are used to protect sales and use taxes for budgeting purposes. Sales and use tax revenue is a significant general purpose funding sources that can be used at the Board's discretion to provide services that achieve the County's vision.

**PERFORMANCE MEASURE(S):**

Measure	FY 2014-15 Actual	FY 2015-16 Actual
Sales and Use Tax Recoveries	\$1,451,187	\$1,115,285

**FISCAL IMPACT:**

Compensation under this agreement is contingent upon HdL's success in recovering sales and use tax revenues for the County. The more HdL recovers, the more they are compensated up to a maximum of \$800,000. There are sufficient funds appropriated in Non-Departmental Services in the current fiscal year to fund the new agreement through June 30, 2017. Sufficient funds will be appropriated in future budgets.