

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

August 25, 2020

FROM

MATTHEW ERICKSON, County Chief Financial Officer, Finance and Administration

SUBJECT

Sales and Use Tax Revenue Auditing, Monitoring, Reporting, and Access to Confidential Records

RECOMMENDATION(S)

1. Approve a five year **Agreement No. 20-866** from August 25, 2020 through September 30, 2025 with Hinderliter, de Llamas and Associates for services related to sales and use tax revenue auditing, monitoring, and reporting.
2. **Rescind Resolution No. 2019-67** adopted on May 21, 2019 relating to the access of confidential sales tax records and information on file with the California Department of Tax and Fee Administration.
3. Adopt **Resolution 2020-166** relating to access of confidential sales tax records and information on file with the California Department of Tax and Fee Administration.
(Presenter: Matthew Erickson, County Chief Financial Officer, 387-5423)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Improve County Government Operations.

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). Compensation for this contract will include up to 35% contingency fee determined by reference to the amount of additional revenue received by the County as a result of audit findings. These audit findings result in the correction of sales and use tax revenue erroneously allocated to other jurisdictions. This fee will be applied to misallocated revenues that are recovered due to the Contractor's efforts. In addition, a \$5,000 annual fixed administrative fee, paid in equal quarterly payments, will be charged by Contractor. This annual administrative fee will be adjusted every year by the percentage change in Consumer Price Index – West Urban (CPI-WU), with a minimum increase of 2%.

BACKGROUND INFORMATION

Approval of Recommendation No. 1 will approve a five-year contract with Hinderliter, de Llamas and Associates to examine, audit, and report on the County's sales and use tax revenues, and to continuously monitor, identify, and correct misallocations of revenues to other jurisdictions. An effective program of sales and use tax management can increase sales and use tax revenues, improve identification of sales tax opportunities as they relate to economic development, and provide for more accurate sales tax forecasting.

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Approval of Recommendation No. 2 will rescind Resolution No. 2019-67 on file with the California Department of Tax and Fee Administration (CDTFA) relating to access of confidential sales and use tax records and information by the County's previous contractor.

Revenue and Taxation Code Section 7056 allows CDTFA to release confidential sales tax information to local agencies, the use of which is limited to specific purposes, when requested by resolution of the agency's legislative body. Upon approval of Recommendation No. 3, a new resolution will be adopted pursuant to Section 7056 that details the positions in the County Administrative Office, Finance and Administration, Auditor-Controller/Treasurer/Tax Collectors' Office, Assessor-Recorder/County Clerk's Office, and the Economic Development Department that are authorized to receive and view confidential sales tax information; the resolution also identifies the firm of Hinderliter, de Llamas and Associates, as the County's new sales tax consulting firm and authorizes the firm to have access to the confidential sales tax information on behalf of the County.

The 2020-21 Recommended Budget includes \$23.8 million in sales and use tax discretionary revenue. Since 1990, the County has retained services for a sales tax consulting firm to enhance the proper reporting, allocation, and collection of sales and use tax revenues. Sales tax revenues can be increased through a system of continuous monitoring, identification and correction of "point of sale" errors. The past contracts and services have helped the County receive better reporting and recovery of sales and use tax.

PROCUREMENT

On May 28, 2020, the Finance and Administration department released a Request for Proposals for services related to sales tax revenue analysis. Finance and Administration received proposals from the following companies: MuniServices, LLC (dba Avenu/MuniServices) and Hinderliter, de Llamas & Associates. An evaluation committee, consisting of staff from Finance and Administration and Economic Development reviewed and evaluated the proposals based on the following criteria: qualifications and experience, technical review, cost/revenue and references. Hinderliter, de Llamas & Associates received the highest rating from the evaluation committee.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Penny Alexander-Kelley, Chief Assistant County Counsel, 387-5455) on August 10, 2020; County Purchasing Department (Leo Gomez, Purchasing Manager, 387-2063) on August 11, 2020; Auditor-Controller/Treasurer/Tax Collector (Erika Gomez, General Accounting Manager, 382-3196) on August 10, 2020; Finance (Amanda Trussell, Principal Administrative Analyst, 387-5423) on August 4, 2020; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on August 11, 2020.

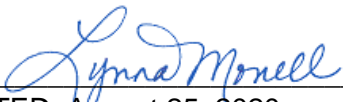
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Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Josie Gonzales Seconded: Robert A. Lovingood
Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: August 25, 2020



cc: W/RESOLUTION
F&A- Trussell w/agree
Contractor- C/O F&A w/agree
File- w/agree
la 09/3/2020