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File No. 17041
January 8, 2002
Agreement 02-015



Agenda Item

DATE: January 8, 2002
TO: Board of Supervisors
FROM: Gary W. Peterson, Auditor-Controller/Treasurer-Tax Collector
SUBJECT: Agreement for Sales Tax Audit and Information Services

RECOMMENDED ACTION:

1. Approve the Retroactive Agreement between the County and Hinderliter, de Llamas and Associates for the performance of a sales tax audit and for provision of specialized monthly and quarterly reports analyzing county sales tax activity for the period December 18, 2001 through December 17, 2004 and authorize the Chairman to execute the Agreement on behalf of the County.

FISCAL IMPACT:

There is no net County cost associated with this Agreement. Any costs for services will be paid only from, and if, new revenues are received by the County through Contractor's efforts in identifying and correcting sales tax allocations. The program requires no initial investment by County or expenditure of County staff time.

DISCUSSION:

In striving for maximum revenue generation, our County has concerns regarding the collection and allocation of "point of sale" revenues within the County. For example, sales taxes, collected and distributed by the State Board of Equalization, are a significant source of County General Fund revenues, estimated at approximately \$12,400,000 a year. Zip code boundaries can add to the

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ADMINISTRATIVE OFFICE REVIEW

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APPROVED AS RECOMMENDED

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County's revenue problems by designating a city address for an area that actually lies in an unincorporated community. When the State relies primarily on zip codes for allocating point of sale revenues, it may misallocate some taxes, directing the County's revenues to another jurisdiction.

The Request for Proposal (RFP) process was followed in conjunction with these services. The RFP was sent to two (2) vendors, Hinderliter, de Llamas and Associates and MBIA (Municipal Resource Consultants), both did respond to the RFP.

The recommended Contractor specializes in providing sales and property tax audit and information services to governmental agencies throughout California and appears to be the only company to have taken special efforts to accommodate the needs of County government. Hinderliter, de Llamas and Associates have several years of experience in this field and have done sales tax audits for many other Counties. These audits have been successful in recovering lost sales tax revenue.

In addition, it is currently estimated that Counties and local agencies lose one to three percent of their sales tax each year due to misallocations. Based on these percentages, an audit could produce up to \$372,000 of additional revenue annually for Fresno County.

The fee for this service is 15% of all new sales and use tax revenue received by the County, which is directly attributable to the Contractor's efforts. If new revenues are not received, there is no fee. The Contractor has also agreed to a 30-day cancellation clause related to these audit and information services if the County is not satisfied.