Agenda Item No: 1.m

PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: June 16, 2026

Submitted by: Jerry Griggs

From: Finance

Subject:
AMENDMENT NO. 4 TO PROFESSIONAL SERVICES AGREEMENT WITH HDL COMPANIES FOR SALES TAX AUDITING AND CONSULTING SERVICES

Financial Impact:
Expense: $6,540 Annual Fee Plus Additional Fees Contingent on Recovered Revenue Budgeted in FY26-27 Proposed Budget

Summary:
City staff relies upon accurate, thorough sales tax collection information to estimate revenues for budgeting purposes, to assess progress in collecting sales tax revenue throughout the year and to monitor economic trends that can affect current or future budget estimates. Additionally, City staff must be assured that sales tax received in the City is not paid to another agency in error. The specialized skills and equipment needed to undertake such analysis are beyond the scope of City staff and specialized software is required. Therefore, it is more practical to hire consultants with the appropriate skills, training and equipment to perform sales tax analysis for the City. HdL Companies is qualified to perform such specialized analysis. The City has utilized HdL Companies sales tax consulting services for over twenty (20) years with exceptional results. Many other local cities also use HdL Companies and have experienced similar results in recovering misallocated sales tax revenue. This action will approve an amendment to the current agreement with HdL Companies for sales tax analysis and auditing services extending the term by one year at which time the City will conduct a Request for Proposals (RFP).

Recommended Action:
It is recommended that the City Council:

1. Approve Amendment No. 4 to the Professional Services Agreement with Hinderliter, de Llamas and Associates (HdL Companies) for Sales Tax Analysis and Auditing Services for a term ending June 30, 2027; and
2. Authorize the City Administrator and/or her designee to execute all the necessary documents in a form approved by the City Attorney.

Strategic Plan Statement:
This item is consistent with the City Council approved Strategic Goal No. 1 to Ensure Long-Term Fiscal Sustainability but is not tied to a specific Objective.

Discussion:
The California Department of Tax and Fee Administration (CDTFA) makes sales tax collection data available to local government agencies for analysis and tracking purposes, however because this data is provided in electronic format, specialized software is needed to decipher and analyze the data before meaningful reports can be created for use by staff. Additionally, if recording errors are made by the CDTFA it can lead to allocation of sales tax credited to the wrong agency. If the errors can be identified and brought to the attention of the CDTFA, misallocated funds can be recovered and reallocated to the correct agency. HdL Companies is qualified to perform such specialized analysis. The City has utilized HdL Companies sales tax consulting services for over twenty (20) years with exceptional results. Many other local cities also use HdL Companies and have experienced similar results in recovering misallocated sales tax revenue. HdL Companies have supplied the City with budget revenue estimates with excellent accuracy over the years. Additionally, sales tax revenue estimates are updated every quarter to ensure that the City is meeting its revenue goals during the fiscal year.

The City has received outstanding service over the years from HdL Companies and their consultants. Their excellent reputation with California cities, past record of providing an excellent service level, their knowledge of the City and its sales tax generating businesses and geographical areas and demographics as well as the low cost of this contract, City staff is recommending a one-year extension of the current agreement and will plan on conducting a Request for Proposals (RFP) in advance of the expiration of this extension.

Financial Summary:
The annual cost for basic service is $6,540 for Fiscal Year 2026-27. HdL Companies also charge 15% of misallocated sales tax revenue or unreported revenue that is recovered because of an audit. Any additional cost incurred because of misallocated or unreported sales tax would be covered by the additional revenue received and there would be no additional fiscal impact to the City. The cost of these services is included in the FY2026-27 Proposed Budget.

Attachments
Fourth Amendment-Placentia.docx
Placentia HDL Contract - 2019-2023.pdf
Placentia Contract 2026-27 Amendment. 4.pdf