



**SERVICES AGREEMENT (PROFESSIONAL SERVICES)**  
**Revenue Audit and Consulting Services**

City Agreement No. C2020-091

City Budget Code: 41510-53201

This Services Agreement (Professional Services) for Investment Consulting Services ("**Agreement**") by and between the City of Napa, a California charter city ("**City**"), and Hinderliter, de Llamas and Associates ("**Consultant**"), is effective on the Effective Date identified on the signature page.

**RECITALS**

A. The City desires to obtain the services more particularly described in this Agreement and Exhibit "A," and generally including revenue projection analysis, tax-related legislative notifications, and tax and fee compliance review.

B. The City issued a Request For Proposals on February 12, 2020 for Revenue Audit and Consulting Services to improve revenue recovery, data accuracy, and revenue business process improvement.

C. The City received two proposals on March 2, 2020 and subsequently identified Hinderliter, de Llamas and Associates (HdL) as the preferred Consultant to perform the desired services.

NOW, THEREFORE, the City and the Consultant, for the mutual consideration described herein, agree as follows:

**1. SCOPE OF SERVICES.**

1.1. Services. Consultant, acting in its capacity as a Revenue Management Services Firm, licensed and in good standing under California law, will perform the services described in the *Scope of Services and Schedule of Performance*, attached hereto as **Exhibit "A"** and incorporated herein by reference ("**Services**"), in accordance with the terms and conditions of this Agreement and to the satisfaction of the City's authorized representative, Elizabeth Cabell, Finance Manager ("**City's Authorized Representative**").

1.2. Standard of Care. In performing the Services, Consultant will meet or exceed the applicable standard of care for, and exercise the degree of skill and diligence ordinarily used by reputable professionals within the greater San Francisco Bay Area who provide the same or similar type of professional services as the Services required under this Agreement. Consultant will require and ensure that all of its employees, subconsultants, or agents performing or contributing to the Services will comply with the requirements of this Agreement.

1.3. Independent Contractor. Consultant will control the manner and means for performing the Services, acting as an independent contractor and not as an employee of the City. Consultant will not be entitled to any of the benefits that the City provides to its employees, including, but not limited to, health or retirement benefits.

1.4. Subcontracting. If Consultant subcontracts with a subconsultant to perform any of the Services, the City is deemed an intended beneficiary of that subcontract and the subconsultant will owe a duty of due care to the City. City reserves the right to approve or reject any proposed subconsultant, based on the subconsultant's qualifications, relevant experience, or reputation.

1.5. Third Party Beneficiaries. Except to the extent expressly stated herein, this Agreement will not be construed to create any rights in third parties.

1.6. Time for Performance. Time is of the essence for the performance of all Services and duties under this Agreement. Consultant will commence and complete all Services by the date and within any timeframes set forth in Exhibit "A." Services for which times for performance are not specified in this Agreement will be commenced and completed by Consultant in a reasonably prompt and timely manner based upon the circumstances and direction from the City's Authorized Representative. Consultant will submit all requests for extensions of time to the City in writing no later than ten days after the start of the circumstances or events giving rise to the delay, and no later than the time by which performance is due. The City's approval of any extension of time for performance of the Services will not operate to waive the City's rights or remedies with respect to damages caused by Consultant's delay.

1.7. Errors and Omissions. Consultant is solely responsible for costs arising from its errors and omissions, including increased construction costs or delay costs. Upon City's request, Consultant will promptly correct its errors and omissions, at no cost to the City.

1.8. Unsatisfactory Services. Upon written notice from the City that any of the Services are unsatisfactory or fail to comply with the requirements of this Agreement (collectively, "**Unsatisfactory Services**"), Consultant will promptly correct or cure any such Unsatisfactory Services as specified in the City's written notice. Consultant will not be entitled to any additional compensation or extension of time to correct or cure the Unsatisfactory Services. Consultant's correction or cure of Unsatisfactory Services will not operate to waive the City's rights or remedies with respect to any damages caused by the Unsatisfactory Services, the cost of which may be recovered by the City as an offset from payment otherwise due or to become due to Consultant.

1.9. Cooperative Agreement. It is intended any other public agency (e.g., city, county, district, public authority, public agency, municipality, or other political subdivision of California) located in the state of California shall have an option to procure identical services as set forth in this Agreement. The City of Napa shall incur no responsibility, financial or otherwise, in connection with orders for services issued by another public agency. The participating public agency shall accept sole responsibility for securing services or making payments to the Consultant.

## 2. COMPENSATION.

2.1. Payment. The City will pay Consultant for Consultant's time and authorized expenses necessary to perform the Services, at the rates and charges set forth in the *Compensation Rates and Charges* attached hereto as **Exhibit "B"** and incorporated herein by reference, as compensation in full for Services satisfactorily performed in compliance with this Agreement. Consultant's total compensation for performing the Services may not exceed \$125,000.00 (one hundred twenty-five thousand dollars), without prior written authorization from the City. If the City authorizes Consultant to perform services in addition to the Scope of Services set forth in Exhibit "A," Consultant will be compensated in accordance with the rates and charges in Exhibit "B." Consultant will not be entitled to any compensation for additional services performed without the City's prior written consent, or which exceed the scope of the City's written consent.

2.2. Invoices. Consultant will submit an itemized invoice to the City's Authorized Representative for the Services provided for each phase of the project. At a minimum, the invoice will identify the Services performed, the hours spent performing the Services, the applicable hourly rate(s), and any authorized expenses based on the rates and charges authorized in Exhibit "B." The City will pay the Consultant within 30 days after approval of each invoice, with the exception of any disputed amounts.

3. AUTHORIZED REPRESENTATIVE. Consultant hereby assigns Andrew Nickerson, President, to serve as the Consultant's authorized representative ("**Consultant's Authorized Representative**"), to personally participate in and manage the Services provided under this Agreement, and to serve as the primary point of contact for all matters pertaining to this Agreement.

3.1. Substitutions. As a material inducement to entering into this Agreement, the City has relied upon Consultant's representations regarding Consultant's qualifications (including the qualifications of Consultant's Authorized Representative, its personnel, and its subconsultants, if any, as identified on

Exhibits "A" and "B"). Consultant will not replace Consultant's Authorized Representative (or any of its personnel or its subconsultants, if any, as identified on Exhibits "A" and "B") without the City's prior written consent.

4. **NOTICES.** All notices or requests required or contemplated by this Agreement will be in writing and delivered to the other party's Authorized Representative by personal delivery, U.S. Mail, nationwide overnight delivery service, email, or as otherwise specified herein. Delivery is deemed effective upon the first to occur of: (a) actual receipt by a party's Authorized Representative, (b) actual receipt at the address identified below, or (c) three business days following deposit in the U.S. Mail of registered or certified mail sent to the address identified below. A party's contact information, below, may be changed by providing written notice of any change to the other party.

TO CITY:

Elizabeth Cabell, Finance Manager  
CITY OF NAPA  
P.O. Box 660  
NAPA, CA 94559-0660  
ecabell@cityofnapa.org

TO CONSULTANT:

Andrew Nickerson, President  
Hinderliter, de Llamas and Associates  
120 S. State College Blvd., Suite 200  
Brea, CA 92821  
anickerson@hdlcompanies.com

5. **TERM.** The term of this Agreement begins on the date it is signed by the City Clerk, below, attesting full execution of the Agreement by both parties ("**Effective Date**"), and ends upon Consultant's completion of the Services required by this Agreement, unless terminated earlier as provided herein. The following provisions will survive expiration or termination of this Agreement: Section 7.2 (Dispute Resolution), Section 8.1 (Confidentiality), Section 8.4 (Records of Performance), Section 10 (Indemnification), Section 11.4 (Professional Liability), Section 13.3 (Taxes), and Section 14 (General Provisions).

6. **CITY'S RIGHT TO TERMINATE.** The City may terminate this Agreement for convenience (with or without cause) by providing written notice of termination to Consultant, effective upon the date stated in the notice. If the City terminates the Agreement it will pay Consultant for all Services satisfactorily performed up to and including the effective date of the termination, subject to the provisions of Sections 2 and 8.2.

7. **DEFAULT AND DISPUTE RESOLUTION.**

7.1. **Default.** Consultant will be deemed in default of this Agreement if Consultant is not complying with the terms of this Agreement, or the City has reason to believe that Consultant's ability to perform the Services has been or will be impaired. If either of these circumstances exist, the City may give written notice of default to Consultant and demand that the default be cured or corrected within ten days of the notice, unless the City determines that additional time is reasonably necessary to cure the default. If Consultant fails to cure the default within of the time specified in the notice, and the Consultant fails to give adequate written assurance of due performance within the specified time, then the City may terminate this Agreement in accordance with Section 6, or the City may pursue dispute resolution in accordance with Section 7.2.

7.2. **Dispute Resolution.** If any dispute arises between the parties in relation to this Agreement, the Authorized Representatives for each party will meet, in person, as soon as practicable, to engage in a good faith effort to resolve the dispute informally. If the parties are unable to resolve the dispute, in whole or in part, through informal discussions, the parties agree to participate in mediation. Notwithstanding the existence of a dispute, the Consultant will continue providing the Services during the course of any dispute, unless otherwise directed by the City.

7.2.1. Either party may give written notice to the other party of a request to submit a dispute to mediation, and a mediation session will take place within 60 days of the date that such notice is given, or sooner if reasonably practicable. The parties will jointly appoint a mutually acceptable mediator. The parties will share equally the costs of the mediator; however, each party will pay its own costs of preparing for and participating in the mediation, including any legal costs.

7.2.2. Good faith participation in mediation pursuant to this Section is a condition precedent to either party commencing litigation in relation to the dispute. In addition, any claims by Consultant arising from or related to this Agreement, are subject to the claim presentment requirements in the Government Claims Act (Government Code section 900 et seq.).

### 8. INFORMATION AND RECORDS.

8.1. Confidentiality. Consultant will not disclose any information or records related to the performance of this Agreement, including information and records received from the City, as well as information and records created by the Consultant, to any person other than a City employee, unless and only to the extent that the City provides the Consultant with prior written consent to make a disclosure. Consultant will notify the City's Authorized Representative of any request for disclosure of information, or any actual or potential disclosure of information, under this Agreement. Consultant's obligations under this section will survive the termination of this Agreement.

8.2. Title to Records. All original documents or records ("**work product**"), whether paper or electronic, required by this Agreement to be prepared by Consultant (including its employees and subconsultants), whether complete or in progress, are the property of the City. Consultant will promptly deliver all such work product to the City at the completion of the Services, upon termination, or upon demand by the City. However, Consultant may make and keep copies of the work product.

8.3. Contract Cost Disclosure. For any document or report prepared in whole or in part by Consultant pursuant to this Agreement, Consultant will include the numbers and dollar amounts of related contracts or subcontracts as further specified by Government Code Section 7550.

8.4. Records of Performance. Consultant will maintain adequate records of performance under this Agreement (including Services provided, invoices for payment, and payments received) and make these records available to the City for inspection, audit, and copying, during the term of this Agreement and until four years after the Agreement has expired or been terminated.

8.5. Electronic Communications. Consultant will use reasonable good faith efforts to avoid transmitting electronic viruses or other damaging coding, and will promptly advise the City if Consultant discovers that an electronic virus or similar destructive coding may have been transmitted to the City.

8.6. Copyrights/Patents. In performing the Services under this Agreement, Consultant will not unlawfully infringe on any copyrighted or patented work. Consultant is solely responsible for the cost of any authorizations necessary to use any copyrighted or patented work.

9. ACCIDENT REPORT. If any death, personal injury, or property damage occurs in connection with the performance of the Services, Consultant will promptly submit to the City Clerk's Office a written notice of the incident of damage with the following information:

9.1. A description of the damage including date, time, and location, and whether any City property was involved;

9.2. Name and contact information of any witness;

9.3. Name and address of the injured or deceased person(s); and

9.4. Name and address of Consultant's insurance company.

10. INDEMNIFICATION. To the full extent permitted by law, Consultant will indemnify, hold harmless, release, and defend the City (including its officers, elected or appointed officials, employees, volunteers, and agents) from and against any and all liability or claims (including actions, demands, damages, injuries, settlements, losses, or costs [including legal costs and attorney's fees]) (collectively, "**Liability**") of any nature, arising out of, pertaining to, or relating to Consultant's negligence, recklessness, or willful misconduct in the performance of this Agreement. Consistent with Civil Code Section 2782, Consultant will not be obligated to indemnify City for the proportionate share of the Liability caused by the City's active negligence, sole negligence, or willful misconduct. To the extent that Services are "design professional services," as defined by Civil Code Section 2782.8, the cost to defend charged to the Consultant will not exceed the Consultant's proportionate percentage of fault. Consultant's indemnification obligations under this Agreement are not limited by any limitations of any insurance held by Consultant, including, but not limited to, workers' compensation insurance.

11. INSURANCE. Without limiting Consultant's indemnification obligations in section 10, Consultant will procure and maintain throughout the period of this Agreement, the following policies of insurance and endorsements from insurers (if other than the State Compensation Fund) with a current A.M. Best rating of no less than A:VII or its equivalent against injury/death to persons or damage to property which may arise from or in connection with the activities hereunder of Consultant, its agents, employees or subcontractors:

11.1. General Liability Policy. Comprehensive or Commercial General Liability Insurance ("**CGL**") at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of \$1,000,000 per occurrence. If the Services involve explosive, underground or collapse risks, XCU will be included. If a general aggregate limit is used, either the general aggregate limit will apply separately to this Agreement or the general aggregate will be twice the required occurrence limit.

11.2. Automobile Liability Policy. Automobile liability insurance with coverage at least as broad as ISO Form numbers CA 0001 06 92, Code 1 (any auto), for vehicles used in the performance of this Agreement with minimum coverage of not less than \$1,000,000 per accident, combined single limit.

11.3. Workers' Compensation. Workers' Compensation insurance meeting statutory limits of the Labor Code. The workers' compensation policy will contain or be endorsed to contain a waiver of subrogation against the City, its officials, officers, agents, and employees.

11.4. Professional Liability. Professional liability insurance insuring against Consultant's errors and omissions in performing the Services, with a policy limit of at least \$1,000,000. The professional liability insurance will include prior acts coverage sufficient to cover all Services provided by Consultant, and which will remain in effect for four years following expiration or termination of this Agreement.

11.5. Endorsements. The CGL and automotive liability policies will contain or be endorsed with the following provisions:

11.5.1. The City, its officers, elected or appointed officials, employees, volunteers, and agents, are covered as additional insureds for liability arising out of the operations performed by or on behalf of Consultant. The coverage will contain no special limitations on the scope of protection afforded to the City, its officers, officials, employees, volunteers, and agents.

11.5.2. The Consultant's insurance is primary and no insurance held by the City will be called upon to contribute to a loss.

11.5.3. The inclusion of more than one insured will not operate to impair or limit the rights of one insured against another, and the coverage will apply as though separate policies have been issued to each insured.

11.6. All Policies.

11.6.1. For all insurance policies required under this Agreement, prior to the City's execution of this Agreement, Consultant will furnish the City with certificates and original endorsements effecting the required coverage. Each certificate of insurance will state that the coverage afforded by the policy or policies will not be reduced, cancelled, or allowed to expire without at least 30 days written notice to City, unless due to non-payment of premiums, in which case at least 10 days written notice is required. Notice required under this subsection will be sent by certified mail. Each required policy will include an endorsement providing that the insurer agrees to waive any right of subrogation it may have against the City. The endorsements will be on forms provided by City or as approved by City's Risk Manager.

11.6.2. Any deductible or self-insured retention of \$100,000 or more will be disclosed to the City prior to the City's execution of this Agreement and is subject to approval by the City.

11.6.3. If Consultant does not keep all required insurance policies in full force and effect, the City may, in addition to other remedies under this Agreement, terminate or suspend this Agreement.

12. CONFLICTS OF INTEREST. Consultant warrants that as of the Effective Date of this Agreement it has no interest and will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of the Services. Consultant further warrants that in the performance of the Services, Consultant will not employ or enter into a subcontract with any person or entity having any such conflict of interest.

12.1. Financial Interest. Consultant will not make or participate in making or in any way attempt to use Consultant's position to influence a City decision in which Consultant knows, or has reason to know, Consultant has a financial interest other than the compensation promised by this Agreement. Consultant represents that it has diligently conducted a search and inventory of its financial interests, as defined in the regulations promulgated by the Fair Political Practices Commission, and has determined that Consultant does not, to the best of Consultant's knowledge, have a financial interest that would conflict with Consultant's duties under this Agreement. Consultant will immediately notify the City in writing if Consultant learns of a financial interest that may conflict with Consultant's obligations under this Agreement.

12.2. Covenant Against Contingent Fees. Consultant warrants that it has not employed, retained, or entered into a contract with any person or entity, other than a bona fide employee working for the Consultant, to solicit or secure this Agreement; and that it has not paid or agreed to pay any person or entity, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the making of this Agreement. For breach or violation of this warranty, the City may void this Agreement without liability or any further obligation to Consultant, or, alternatively, may elect to deduct from payments due or to become due to Consultant, the full amount of such fee, commission, percentage, brokerage fee, gift, or other consideration.

12.3. Statement of Economic Interest. If the City determines Consultant (or any of its employees or subconsultants) is subject to disclosure requirements under the Political Reform Act (Government Code section 87100 et seq.), Consultant (including any required employees or subconsultants) will complete and file a "Statement of Economic Interest" (Form 700) with the City Clerk's Office disclosing Consultant's financial interests.

### 13. COMPLIANCE WITH LAW.

13.1. Legal and Licensing Compliance. Consultant will comply with all applicable federal, state and local laws, rules, and regulations related to the Services under this Agreement. Consultant represents and warrants to City that Consultant has and will keep in effect during the term of this Agreement all licenses (including, but not limited to, the City of Napa business license), permits, qualifications, and approvals of whatsoever nature which are legally required for Consultant to practice Consultant's profession or perform the Services.

13.2. Nondiscrimination. At all times during the term of this Agreement, Consultant will comply with all



applicable federal, state, and local laws, rules, and regulations prohibiting discrimination based on race, ethnicity, color, national origin, religion, marital status, age, sex, sexual orientation, disability (including any physical or mental impairment that substantially limits a major life activity), medical condition, or any protected class.

13.3. Taxes. Consultant will file tax returns as required by law and pay all applicable taxes on amounts paid pursuant to this Agreement. Consultant will be solely liable and responsible to pay such taxes and other obligations, including, but not limited to, state and federal income and FICA taxes.

13.4. Provisions Deemed Inserted. Every provision of law required to be inserted or referenced in this Agreement will be deemed to be inserted or referenced.

#### 14. GENERAL PROVISIONS.

14.1. Headings. The heading titles for each section of this Agreement are included only as a guide to the contents and are not to be considered as controlling, enlarging, or restricting the interpretation of the Agreement.

14.2. Severability. If any term of this Agreement (including any phrase, provision, covenant, or condition) is held by a court of competent jurisdiction to be invalid or unenforceable, the Agreement will be construed as not containing that term, and the remainder of this Agreement will remain in full force and effect; provided, however, this section will not be applied to the extent that it would result in a frustration of the parties' intent under this Agreement.

14.3. Governing Law, Jurisdiction, and Venue. The interpretation, validity, and enforcement of this Agreement will be governed and interpreted in accordance with the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement will be filed and heard in a court of competent jurisdiction in the County of Napa.

14.4. Attorney's Fees. If any litigation is commenced to enforce or interpret this Agreement, the prevailing party is entitled to reasonable attorney's fees, costs, and expenses incurred.

14.5. Assignment and Delegation. This Agreement will not be assigned or transferred in whole or in part, nor will any of the Consultant's duties be delegated, without the City's prior written consent. Any attempt to assign, transfer, or delegate this Agreement, in whole or any part, without the City's prior written consent will be void and of no force or effect. Any consent by the City to one assignment, transfer, or delegation will not be deemed to be consent to any subsequent assignment, transfer, or delegation.

14.6. Modifications. This Agreement may not be amended or modified orally. No amendment or modification of this Agreement is binding unless it is in a writing signed by both parties.

14.7. Waivers. No waiver of a breach, default, or duty under this Agreement will be effective unless it is in writing and signed by the party waiving the breach, default, or duty. Waiver of a breach, default, or duty under this Agreement will not constitute a continuing waiver or a waiver of any subsequent breach, default, or duty under this Agreement.

14.8. Entire Agreement. This Agreement, including all documents incorporated herein by reference, comprises the entire integrated understanding between the parties concerning the Services. This Agreement supersedes all prior negotiations, agreements, and understandings regarding this matter, whether written or oral. The documents incorporated by reference into this Agreement are complementary; what is called for in one is binding as if called for in all. If any provision in any document attached or incorporated into this Agreement conflicts or is inconsistent with a provision in the body of this Agreement, the provisions in the body of this Agreement will control over any such conflicting or inconsistent provisions.

14.9. Interpretation. Each party to this Agreement has had an opportunity to review the Agreement, and to consult with its respective legal counsel regarding the meaning of the Agreement. Accordingly, Civil

Code Section 1654 will not apply to interpret any uncertainty in the meaning of the Agreement.


**15. SIGNATURES.**

15.1. Counterparts. This Agreement may be executed in counterparts, each one of which is deemed an original, but all of which together constitute a single instrument.

15.2. Signatures. The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the Consultant and the City.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective on the Effective Date set forth below.


**CITY:**  
**CITY OF NAPA, a California charter city**

By:   
Steve Potter, City Manager

**CONSULTANT:**  
**Hinderliter, de Llamas and Associates**

By:   
Andrew Nickerson, President

**ATTEST:**

  
Tiffany Carranza, City Clerk *Caitlin Saldanha, Deputy City Clerk*


By:   
Gary Lott, Chief Operations Officer

Date: April 23, 2020  
("Effective Date")

**COUNTERSIGNED:**

  
Joy Riesenber, City Auditor

**APPROVED AS TO FORM:**

  
Michael W. Barrett, City Attorney



**EXHIBIT "A"****SCOPE OF SERVICES AND SCHEDULE OF PERFORMANCE****SALES TAX SERVICES****A. SALES TAX AND ECONOMIC ANALYSIS SERVICES**

1. CONTRACTOR shall establish a special database that identifies the name, address and quarterly allocations of all sales tax producers within the CITY for the most current and all quarters back to fiscal year 1992-1993 or earlier, if the CITY has prior historical sales tax data available on computer readable magnetic media. This database will be utilized to generate special reports to the CITY on: major sales tax producers by rank and category, sales tax activity by categories, or business districts, identification of reporting aberrations, and per capita and outlet comparisons with regional and statewide sales.
2. CONTRACTOR shall provide updated reports following each calendar quarter identifying changes in sales by individual businesses, business groups and categories and by geographic area. These reports may include, without limitation, quarterly aberrations due to State audits, fund transfers, and receivables along with late or double payments, and quarterly reconciliation worksheets to assist with budget forecasting. CONTRACTOR shall meet quarterly with CITY.
3. CONTRACTOR shall additionally provide following each calendar quarter a summary analysis for the CITY to share with Council Members Chambers of Commerce, other economic development interest groups and the public that analyze CITY'S sales tax trends by major groups, and geographic areas without disclosing confidential information.
4. CONTRACTOR shall make available to CITY staff CONTRACTOR's web-based sales tax computer software program containing sellers permit and quarterly allocation information for all in-city business outlets registered with the Department of Tax and Fee Administration and updated quarterly. This software shall allow CITY staff to search businesses by street address, account number, business name, business type and keyword, arrange data by geographic area, and print out a variety of reports.

**B. ALLOCATION AUDIT AND RECOVERY SERVICES**

1. CONTRACTOR shall conduct initial and on-going sales, use and transactions tax audits to identify and correct distribution and allocation errors, and to proactively affect favorable registration, reporting or formula changes thereby generating previously unrealized sales, use and transactions tax income for the CITY and/or recovering misallocated tax from previously properly registered taxpayers. Common errors that will be monitored and corrected include, but are not limited to: transposition errors resulting in misallocations; erroneous consolidation of multiple outlets; formula errors, misreporting of "point of sale" to the wrong location; delays in reporting new outlets; misallocating use tax payments to the allocation pools or wrong jurisdiction; and erroneous fund transfers and adjustments.
2. CONTRACTOR shall initiate contacts with state agencies, and sales management and accounting officials in companies that have businesses where a probability of error exists to verify whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner.
3. CONTRACTOR shall (i) prepare and submit to the Department of Tax and Fee Administration information for the purpose of correcting allocation errors that are identified and (ii) follow-up with individual businesses and the California Department of Tax and Fee Administration to promote recovery by the CITY of back or prospective quarterly payments that may be owing.

4. If during the course of its audit, CONTRACTOR finds businesses located in the CITY that are properly reporting sales and use tax but have the potential for modifying their operation to provide an even greater share to the CITY, CONTRACTOR may so advise CITY and work with those businesses and the CITY to encourage such changes.

**C. CONSULTING AND OTHER OPTIONAL SERVICES**

CONTRACTOR may, from time to time in its sole discretion, consult with CITY staff, including without limitation, regarding (i) technical questions and other issues related to sales, use and transactions tax; (ii) utilization of reports to enhance business license collection efforts; and (iii) sales tax projections for proposed annexations, economic development projects and budget planning. In addition to the foregoing optional consulting services, CONTRACTOR may, from time to time in its sole discretion, perform other optional Services, including without limitation, negotiating/review of tax sharing agreements, establishing purchasing corporations, and meeting with taxpayers to encourage self-assessment of use tax.

**D. SECTION 7056 – CONFIDENTIALITY REQUIREMENTS**

Section 7056 of the State of California Revenue and Taxation code specifically limits the disclosure of confidential taxpayer information contained in the records of the California Department of Tax and Fee Administration. This section specifies the conditions under which a CITY may authorize persons other than CITY officers and employees to examine State Sales, Use and Transactions Tax records.

The following conditions specified in Section 7056 (b), (1) of the State of California Revenue and Taxation Code are hereby made part of this agreement.

1. CONTRACTOR is authorized by this Agreement to examine sales, use or transactions and use tax records of the Department of Tax and Fee Administration provided to CITY pursuant to contract under the Bradley-Burns Uniform Sales and Use Tax Law.
2. CONTRACTOR is required to disclose information contained in, or derived from, those sales, use or transactions and use tax records only to an officer or employee of the CITY who is authorized by resolution to examine the information.
3. CONTRACTOR is prohibited from performing consulting services for a retailer, as defined in California Revenue & Taxation Code Section 6015, during the term of this Agreement.
4. CONTRACTOR is prohibited from retaining the information contained in, or derived from those sales or transactions and use tax records, after this Agreement has expired. Information obtained by examination of Department of Tax and Fee Administration records shall be used only for purposes related to collection of local sales and use tax or for other governmental functions of the CITY as set forth by resolution adopted pursuant to Section 7056 (b) of the Revenue and Taxation Code. The resolution shall designate the CONTRACTOR as a person, authorized to examine sales and use tax records and certify that this Agreement meets the requirements set forth above and in Section 7056 (b), (1) of the Revenue and Taxation Code.

### TAX AND FEE ADMINISTRATION SERVICES

#### TRANSIENT OCCUPANCY TAX – OPERATIONS MANAGEMENT SERVICES

Consultant will provide the following services relative to Client's Transient Occupancy Tax Administration.

##### **1. Operations Management Services**

- 1.1. Establish and maintain database of Client lodging providers.
- 1.2. Receive and process registrations, tax returns and payments in a timely fashion.
- 1.3. Provide lodging providers multiple options for submitting registrations, tax returns, payments, or support requests including via website, email, mail, phone, and fax. Consultant tax specialists will be available for live interactions Monday through Friday, 8:00am to 5:00pm Pacific.
- 1.4. Remit revenue to Client no less than monthly.
- 1.5. Provide Client staff access to website portal offering lodging provider registry inquiry and reporting capabilities.
- 1.6. Consultant will ensure accurate filings of returns by consistently monitoring returns, providing compliance audits, and educating lodging providers as mutually agreed to by Client and Consultant.
- 1.7. Provide analysis reports monthly and annually presenting revenue trends and key insights on Client lodging providers.

**TAX AND FEE ADMINISTRATION SERVICES  
TRANSIENT OCCUPANCY TAX – SHORT TERM RENTALS**

Consultant will provide the following services relative to Client's Short-Term Rentals Transient Occupancy Tax Administration.

**1. Identification and Monitoring**

- 1.1. Monitor short-term rental sites to identify new listings and closures.
- 1.2. Match listings to specific parcels using GIS and property tax assessor data.
- 1.3. Identify properties which are already registered and paying taxes.
- 1.4. Provide a visual map of listing locations in Client jurisdiction.
- 1.5. Record listing details including start date, sites linked to, and other information necessary for documenting evidence of short-term rental activity.

**2. Education, Registration, and Compliance**

- 2.1. Notify non-compliant lodging providers of their status and any actions necessary to become compliant.
- 2.2. Provide short-term rentals website with links to FAQs, education packets, and support for registering, filing returns, and making payments.
- 2.3. Follow-up with non-compliant entities and assist as needed to obtain compliance.
- 2.4. Work with Client to identify additional requirements and ensure collection of data necessary for enforcement procedures.

**3. Operations Management Services**

- 3.1. Establish and maintain database of Client short-term rental lodging providers.
- 3.2. Receive and process registrations, tax returns and payments in a timely fashion.
- 3.3. Provide lodging providers multiple options for submitting registrations, tax returns, payments, or support requests including via website, email, mail, phone, and fax. Consultant tax specialists will be available for live interactions Monday through Friday, 8:00am to 5:00pm Pacific.
- 3.4. Remit revenue to Client no less than monthly.
- 3.5. Provide Client staff access to website portal offering lodging provider registry inquiry and reporting capabilities.
- 3.6. Consultant will ensure accurate filings of returns by consistently monitoring returns and educating lodging providers.
- 3.7. Provide analysis reports monthly and annually presenting revenue trends and key insights on Client lodging providers.

**TAX AND FEE ADMINISTRATION SERVICES  
BUSINESS LICENSE TAX ADMINISTRATION**

Consultant will provide the following services relative to Client's Business License Tax Administration.

**1. Operations Management Services**

- 1.1. Establish and maintain database of Client businesses.
- 1.2. Receive and process applications, renewals and payments in a timely fashion.
- 1.3. Send-renewal notices to active businesses within 30 days of the renewal period end date or at another interval specified by Client.
- 1.4. Provide businesses multiple options for submitting applications, renewals, payments, or support requests including via website, email, mail, phone, and fax. Consultant license specialists will be available for live interactions Monday through Friday, 8:00am to 5:00pm Pacific.
- 1.5. Remit revenue to Client no less than monthly.
- 1.6. Provide Client staff access to website portal offering business registry inquiry, reporting, and electronic department approval capabilities.

2. **Compliance Services:** Consultant will 1) identify and register businesses which are subject to licensure or taxation, 2) collect known debt as pertains to business license or tax, and 3) identify under-reported tax liability.

**2.1. Discovery Services**

- 2.1.1. Develop a list of businesses subject to Client licensure or taxation.
- 2.1.2. Notify non-compliant businesses of their options to comply or dispute their non-compliant status. Notification and support to businesses will be facilitated through the website, mail, email, phone and fax.
- 2.1.3. Review information and forms submitted by the business for completion and accuracy, inclusive of any additional required documentation (i.e. home occupation permit). All submissions are filed and stored electronically and made available to Client upon request.
- 2.1.4. Provide businesses with detailed invoice and options to pay via website, mail, and phone.
- 2.1.5. Remit revenue to Client no less than monthly, along with all business applications and any additional documentation.

**2.2. Collection Services**

- 2.2.1. Identify businesses subject to Client licensure or taxation which have known debt to Client and have failed to pay within an appropriate time frame.
- 2.2.2. Notify businesses of their options to comply or dispute their non-compliant status.
- 2.2.3. Provide businesses with detailed invoice and options to pay via website, mail and phone.
- 2.2.4. Remit revenue to Client no less than monthly.

**2.3. Audit Services**

- 2.3.1. Identify potential under-reporting and/or misclassified businesses.
- 2.3.2. Audit businesses mutually agreed to by Client and Consultant that are identified as potential under-reporting businesses.
- 2.3.3. Submit audit summaries to Client and discuss further actions.
- 2.3.4. Educate businesses on proper reporting practices.
- 2.3.5. Invoice and collect identified delinquencies.

**EXHIBIT "B"**  
**COMPENSATION RATES AND CHARGES**

**SALES TAX SERVICES**

**A. SALES TAX AND ECONOMIC ANALYSIS SERVICES**

CONTRACTOR shall provide the sales tax and economic analysis Services described in Section II-A above for a fee of **\$750** per month, commencing with the month of the Effective Date (hereafter referred to as "monthly fee"). The monthly fee shall be invoiced quarterly in arrears and shall be paid by CITY no later than 30 days after the invoice date. The monthly fee shall increase annually following the month of the Effective Date by the percentage increase in the "CPI" for the preceding twelve-month period. In no event shall the monthly fee be reduced by this calculation. For purposes of this Agreement, the "CPI" shall mean the Consumer Price Index - All Urban Consumers for the surrounding statistical metropolitan area nearest CITY, All Items (1982-84 = 100), as published by the U.S. Department of Labor, Bureau of Labor Statistics, or, if such index should cease to be published, any reasonably comparable index selected by CONTRACTOR.

**B. ALLOCATION AUDIT AND RECOVERY SERVICES**

CONTRACTOR shall be further paid **15%** of all new and recovered sales, use and transactions tax revenue received by the CITY as a result, in whole or in part, of the allocation audit and recovery services described in Section II-B above (hereafter referred to as "audit fee"), including without limitation, any reimbursement or other payment from any state fund and any point of sale misallocations.

1. The audit fee shall be paid even if CITY assists, works in parallel with, and/or incurs attorneys' fees or other costs or expenses in connection with any of the relevant Services. Among other things, the audit fee applies to state fund transfers received for back quarter reallocations and monies received in the first eight consecutive reporting quarters following completion of the allocation audit by CONTRACTOR and confirmation of corrections by the California Department of Tax and Fee Administration. CITY shall pay audit fees upon CONTRACTOR'S submittal of evidence of CONTRACTOR'S work in support of recovery of subject revenue, including, without limitation, copies of BOE 549-S petition forms of any other correspondence between CONTRACTOR and the Department of Tax and Fee Administration or the taxpayer.
2. For any increase in the tax reported by businesses already properly making tax payments to CITY, it shall be CONTRACTOR's responsibility to support in its invoices the audit fee attributable, in whole or in part, to CONTRACTOR's Services.

- C. CONTRACTOR shall invoice CITY for any consulting and other optional Services rendered to CITY in accordance with Section II-C above based on the following hourly rates on a monthly or a quarterly basis, at CONTRACTOR's option. All such invoices shall be payable by CITY no later than 30 days following the invoice date. CITY shall not be invoiced for any consulting Services totaling less than an hour in any month. The hourly rates in effect as of the Effective Date are as follows:

Principal	\$325 per hour
Programmer	\$295 per hour
Senior Analyst	\$245 per hour
Analyst	\$195 per hour

CONTRACTOR may change such hourly rates from time to time upon not less than 30 days' prior written notice to CITY.

- D. Any invoices not paid in accordance with the Thirty (30) day payment terms, shall accrue monthly interest at a rate equivalent to ten percent (10%) per annum until paid.



- E. CONTRACTOR unilaterally retains the right to divide any recovery bills in excess of \$25,000 over a one (1) year period (Four (4) quarterly billings).
- F. CONTRACTOR shall provide CITY with an itemized quarterly invoice showing all formula calculations and amounts due for the audit fee (including, without limitation, a detailed listing of any corrected misallocations), which shall be paid by CITY no later than 30 days following the invoice date.

**TRANSIENT OCCUPANCY TAX SERVICES****1. Operations Management Services**

- 1.1. Fee for performing Operations Management Services – Administration Services (includes audits) - \$43,700 annually based upon 46 hotels, not to exceed \$80,100 annually based upon a total of property count of 58.
- 1.2. Consultant's fee will be increased each calendar year by the change in the most recently published annual Consumer Price Index-West Urban (CPI-WU), as reported by the Bureau of Labor Statistics. Each adjustment made annually will not be less than two percent (2%) nor greater than ten percent (10%).
- 1.3. Travel and lodging expenses are billed at cost and apply to all meetings, including implementation, training, operations and support.
- 1.4. Client will be invoiced monthly for work completed during the prior month. Consultant fees will be netted out from the Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.

**SHORT-TERM RENTALS SERVICES****1. Operations Management Services**

- 1.1. Fee for performing Operations Management Services shall be **35%** of all recovered revenue with a minimum charge of \$29,000 annually.
- 1.2. Travel and lodging expenses are billed at cost and apply to all meetings, including implementation, training, operations and support. Travel expenses only apply to out of scope travel and must be pre-approved by Client.
- 1.3. Client will be invoiced monthly for work completed during the prior month. Consultant fees will be netted out from Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.

**BUSINESS LICENSE TAX SERVICES****1. Operations Management Services**

- 1.1. Fees for performing Operations Management Services shall be **\$15.00** for each processed account, which is any account for which an application or renewal/return was processed, or active account which was sent a renewal notice.
- 1.2. Consultant's fee will be increased each calendar year by the change in the most recently published annual Consumer Price Index-West Urban (CPI-WU), as reported by the Bureau of Labor Statistics. Each adjustment made annually will not be less than two percent (2%) nor greater than ten percent (10%).
- 1.3. Travel and lodging expenses are billed at cost and apply to all meetings, including implementation, training, operations and support. Travel expenses only apply to out of scope travel and must be pre-approved by Client.

- 1.4. Client will be invoiced monthly for work completed during the prior month. Consultant fees will be netted out from the Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.

#### Compliance Services

- 1.5. Compliance Service fees apply to all monies received for the current tax/license period and any other prior period collected, including monies received for taxes, penalties, interest, and fees.
  - 1.5.1. Fees for performing Discovery Services shall be a contingency fee of **35%** of the revenues received as a result of the service.
    - 1.5.1.1. In the event that Client discovers a non-compliant business and reports the business to Consultant, including a calculation of all taxes/fees due, Consultant will categorize the business as a collection service effort and thus apply the lower collection service contingency fee rate.
  - 1.5.2. Fees for performing Collection Services shall be a contingency fee of **25%** of the revenues received as a result of the service.
  - 2.1.3. Fees for performing Audit Services shall be a contingency fee of **35%** of the revenues received as a result of the service.
- 1.6. Consultant recognizes Client's authority to waive or reduce the tax/fee debt of a business. Should Client decide to do so for a business whose deficiency was identified by Consultant, Consultant shall be entitled to compensation in the amount of one half (1/2) of the compensation Consultant would have otherwise earned. Deficiencies which are uncollectable due to insolvency or dissolution of the business, or for deficiencies which are otherwise incapable of collection (i.e. statute of limitation or other legal defense) shall not be considered a Client voluntary election to waive, and thus, Consultant would not be entitled to compensation under this provision.
- 1.7. Travel and lodging expenses are billed at cost and applied to all meetings, including implementation, training, operations, and support. Travel expenses only apply to out of scope travel and must be pre-approved by Client.
- 1.8. Client will be invoiced monthly for work completed during the prior month. Consultant fees will be netted out from the Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.