

AMENDMENT NO. 2 TO AGREEMENT NO. C2020-091
Revenue Audit and Consulting Services

City Budget Code: 10013102-63210

This Amendment No. 2 ("**Amendment**") to City Agreement No. C2020-091, entitled Revenue Audit and Consulting Services ("**Agreement**"), by and between the City of Napa, a California charter city ("**City**"), and Hinderliter, de Llamas and Associates (HdL), a California corporation ("**Consultant**"), is effective as of the last date signed by the City, which is identified on the signature page as the "Effective Date."

RECITALS

A. City and Consultant entered into the Agreement, effective April 23, 2020, for an amount not to exceed \$125,000, pursuant to which Consultant agreed to perform certain services described in the Agreement ("**Services**"), generally including revenue projection analysis, tax-related legislative notifications, and tax and fee compliance review. City and Consultant previously entered into Amendment No. 1 to the Agreement, effective August 27, 2020.

B. City desires continuation of services described in original agreement in additional fiscal years.

C. City has determined that additional Services ("**Additional Services**") are required to continue, modify, or expand the Services performed under the Agreement, as set forth in the *Scope of Additional Services and Schedule of Performance*, attached hereto as **Exhibit "A"** and incorporated herein by reference.

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

1. INCORPORATION BY REFERENCE. Unless otherwise specified, all subsequent references to the Agreement are deemed to mean the original Agreement as modified by any amendments preceding this Amendment, if any. This Amendment incorporates the Agreement by reference, except and only to the extent that any terms or conditions of the Agreement are specifically modified by this Amendment. All terms and conditions in the Agreement that are not specifically modified by this Amendment remain in full force and effect.

2. SCOPE OF ADDITIONAL SERVICES. Consultant will perform the Additional Services described in Exhibit "A" in accordance with the terms and conditions of this Amendment.

3. AMENDMENT. Section 5 of the Agreement is hereby amended to extend the term to June 30, 2024.

4. PAYMENT. City will compensate Consultant for satisfactory performance of the Additional Services in an amount not to exceed \$975,000 and at the rates set forth in Exhibit "A" attached hereto and incorporated herein by reference. The cumulative total compensation payable to the Consultant will not exceed \$1,350,000 without prior written authorization from the City (based on \$375,000 for the original Agreement and any prior amendments thereto, plus \$975,000 for this Amendment).

5. ENTIRE AGREEMENT. The Agreement, as modified by this Amendment, constitutes the entire integrated understanding between the parties concerning the Additional Services. This Amendment supersedes all prior negotiations, agreements and understandings regarding the Additional Services, whether written or oral. The documents incorporated by reference into this Amendment are complementary; what is called for in one is binding as if called for in all, except and only to the extent otherwise specified. If any provision in an exhibit to this Amendment conflicts with or is inconsistent with a provision in the body of this Amendment, the provisions in the body of this Amendment will control over any such conflicting or inconsistent provisions.

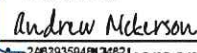
6. **SIGNATURES.** The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity, and authority to enter into and to execute this Amendment on behalf of the respective legal entities of Consultant and City. This Amendment shall inure to the benefit of and be binding upon the parties hereto and their respective successors and authorized assigns.

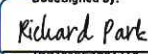
IN WITNESS WHEREOF, the Parties have executed this Amendment to be effective on the Effective Date set forth below.

CITY:
CITY OF NAPA, a California charter city

CONSULTANT:
Hinderliter, de Llamas and Associates (HdL), a California corporation

By: 
Bill Zenoni, Finance Director

By: ^{DocuSigned by:} 
Andrew Nickerson, President

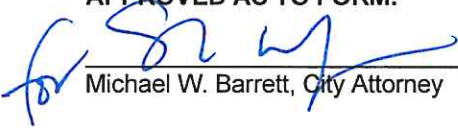
By: ^{DocuSigned by:} 
Richard Park, Chief Financial Officer

Date: 4/17/2023
("Effective Date")

COUNTERSIGNED:

Joy Riesenber, City Auditor

Liz Habkirk,
Deputy City Auditor

APPROVED AS TO FORM:

Michael W. Barrett, City Attorney

Sabrina S. Wolfson, Asst. City Attorney

EXHIBIT "A"

SCOPE OF ADDITIONAL SERVICES AND COMPENSATION

The Consultant will perform the Additional Services described in Schedule A attached hereto and incorporated herein by reference at the rates set forth therein.

"Client" as used in Schedule A shall mean the City.

"Contractor" as used in Schedule A shall mean the Consultant.

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SCHEDULE A**SCOPE OF SERVICES AND SCHEDULE OF PERFORMANCE****SALES TAX SERVICES**

City of Napa, CA

Consultant will provide the following Services relative to Client's sales tax and use.

1. SALES TAX AND ECONOMIC ANALYSIS SERVICES

- 1.1. 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.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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.

2. ALLOCATION AUDIT AND RECOVERY SERVICES

- 2.1 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.
- 2.2 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.

- 2.3 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.
- 2.4 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.

3. 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.

4. 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.

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 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.

FEES

- 1. Sales and Use Tax and Economic Analysis/Forecasting Services/Reports**
 - 1.1. Fees for performing the sales tax and economic analysis/forecasting Services as described above shall initially be **\$802** 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.
 - 1.2. Consultant may change the non-hourly Fees established above once a year. Any such change must be with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPI-U), as reported by the U.S. Bureau of Labor Statistics (the “CPI Change”),

- 2. Allocation and Audit Recovery Services**
 - 2.1. Fees for performing the allocation and audit recovery Services described above shall be **15%** of all new, increased and recovered sales and use tax revenue received by the City as a result, in whole or in part, of the allocation audit and recovery services (hereafter referred to as “audit fee”). The fee shall be paid notwithstanding any related City assistance, work in parallel, and/or incurrence of attorneys’ fees or other costs or expenses in connection, with the relevant Services.
 - 2.2. The Fee described above include, without limitation, State fund transfers received for back quarter reallocations and monies received in the first eight (8) consecutive reporting quarters following completion of Consultant’s allocation audit and confirmation of the corrections by the CDTFA.
 - 2.3. These Fees shall be paid by City upon Consultant’s submittal of evidence of Consultant’s relevant Services in support thereof, including, without limitation, copies of relevant communications between Consultant and the CDTFA and/or taxpayers.
 - 2.4. Consultant recognizes City’s authority to waive or reduce the tax/fee-related debt of a business. Should City 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 Fees 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 City voluntary election to waive, and thus, Consultant would not be entitled to compensation related thereto under this provision.

- 3. Consulting and Other Optional Services**
 - 3.1. Fees for performing the consulting and other optional Services described above shall be based on the following initial hourly rates: (i) Principal - \$325; (ii) Programmer - \$295; (iii) Senior Analyst - \$245; and (iv) Analyst - \$195.
 - 3.2. Consultant may change the rates for its hourly Fees from time to time. A 30 days’ prior written notice to City will be given.

- 4. General Provisions Relating to Fees**
 - 4.1. Fees for travel and lodging expenses will be invoiced at cost and applied to all meetings (including implementation, training, operations, and support). Travel expenses only apply to out-of-scope travel and must therefore be pre-approved by City.
 - 4.2. Fees will be invoiced monthly to City for Services performed during the prior month. To the extent that Consultant has commercially reasonable means to do so, Fees will be netted out of City’s monthly revenue disbursement.

TAX AND FEE ADMINISTRATION SERVICES AND FEES
BUSINESS LICENSE TAX AND FEES

City of Napa, CA

Notice: The Consumer Price Index (CPI) service rates adjustment for contract year 2023/2024 is waived but shall remain in effect beginning year 2024/2025 and forward.

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: 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 invoicing 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 invoicing 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.
- 3. Online Payment Processing** – Consultant’s services include PCI compliant payment processing services powered by FIS Global, which supports both credit card and eCheck transactions.
- 3.1. Client Responsibilities**
- 3.1.1. As a condition to its receipt of the Service, Client shall execute and deliver any and all applications, agreements, certifications or other documents required by FIS Global, Networks or other third parties whose consent or approval is necessary for the processing of Transactions by FIS Global. “Network” is an entity or association that operates, under a common service mark, a system which permits participants to authorize, route, and settle Transactions among themselves, including, for example, networks operated by VISA USA and Mastercard, Inc., NYCE Corporation, American Express, and Discover.
- 3.1.2. Client hereby grants Consultant the full right, power and authority to request, receive and review any Data or records reflected in a Transaction report. Client represents and warrants that it has the full right and authority to grant these rights.

FEES

- 4. Operations Management Services**
- 4.1. Fees for performing operations management Services shall be \$16.06 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.
- 4.2. Fees will be increased as of January 1st of each calendar year with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPI-U), West Region, as reported by the U.S. Bureau of Labor Statistics (the “CPI Change”). Each annual increase in the Fees will be equal to the greater of two percent (2%) or the actual CPI Change and the lesser of ten percent (10%) or the actual CPI Change. For example, if the actual CPI Change is 1.5%, then the annual increase will be 2%, if the actual CPI Change is 3.5%, then the annual increase will be 3.5%, and if the actual CPI Change is 12%, then the annual increase will be 10%.
- 4.3. Fees related to 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 therefore be pre-approved by Client.
- 4.4. Fees will be invoiced monthly to Client for Services performed during the prior month. Fees will be netted out of Client’s monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.
- 5. Compliance Services**
- 5.1. Fees for performing compliance Services 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).
- 5.1.1. Fees for performing discovery Services shall be a contingency Fee of 35% of the revenues received as a result of the Services.
- 5.1.2. 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 Services contingency Fee rate.
- 5.1.3. Fees for performing collection Services shall be a contingency Fee of 25% of the revenues received as a result of the Services.
- 5.1.4. Fees for performing audit Services shall be a contingency Fee of 35% of the revenues received as a result of the Services.

- 5.2. 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 Fees 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 related thereto under this provision.
- 5.3. Fees related to 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 therefore be pre-approved by Client.
- 5.4. Fees will be invoiced monthly to Client for Services performed during the prior month. Fees will be netted out of Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.
6. **Payment Processing** – Consultant will configure payment processing services to utilize either a taxpayer funded model (convenience fee) or Client funded model, as directed by Client. Client may switch between these models upon written request to Consultant. Fees for each of these payment processing models are detailed here.
 - 6.1. Taxpayer funded model – Client authorizes Consultant to collect each convenience fee from the taxpayer at time of payment.
 - 6.1.1. Credit and debit card processing – 2.9% of transaction amount, minimum of \$2.00
 - 6.1.2. ACH/eCheck processing - \$1.25 per transaction
 - 6.2. Client funded
 - 6.2.1. Credit and debit card processing – 2.9% of transaction amount
 - 6.2.2. ACH/eCheck processing - \$0.50 per transaction
 - 6.3. Returned payments/NSF fee – Each occurrence of a card chargeback, returned payment or insufficient funds will incur a fee of \$25.00, to be applied to the taxpayers account.
 - 6.4. Consultant reserves the right to review and adjust pricing related to payment processing services on an annual basis. Consultant will communicate any such adjustment to Client in writing, with 60 days advance notice. Items that will be considered in the review of fees may include, but are not limited to: regulatory changes, card association rate adjustments, card association category changes, bank/processor dues and assessments, average consumer payment amounts, card type utilization, and costs of service.

**TAX AND FEE ADMINISTRATION SERVICES AND FEES TRANSIENT
OCCUPANCY TAX - OPERATIONS MANGEMENT SERVICES**

City of Napa, CA

Notice: The Consumer Price Index (CPI) service rates adjustment for contract year 2023/2024 is waived but shall remain in effect beginning year 2024/2025 and forward.

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. Endeavor to 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 provide revenue trends and key insights on Client lodging providers.

2. Online Payment Processing – Consultant's services include PCI compliant payment processing services powered by FIS Global, which supports both credit card and eCheck transactions.

2.1. Client Responsibilities

- 2.1.1. As a condition to its receipt of the Service, Client shall execute and deliver any and all applications, agreements, certifications or other documents required by FIS Global, Networks or other third parties whose consent or approval is necessary for the processing of Transactions by FIS Global. "Network" is an entity or association that operates, under a common service mark, a system which permits participants to authorize, route, and settle Transactions among themselves, including, for example, networks operated by VISA USA and Mastercard, Inc., NYCE Corporation, American Express, and Discover.
- 2.1.2. Client hereby grants Consultant the full right, power and authority to request, receive and review any Data or records reflected in a Transaction report. Client represents and warrants that it has the full right and authority to grant these rights.

FEES

3. Operations Management Services

- 3.1. Fees for performing hotel (commercial lodging) operations management Services shall be \$856.48 per year for each monthly filing property.
- 3.2. Fees will be increased as of January 1st of each calendar year with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPI-U), West Region, as reported by the U.S. Bureau of Labor Statistics (the "CPI Change"). Each annual increase in the Fees will be equal to the greater of two percent (2%) or the actual CPI Change and the lesser of ten percent (10%) or the actual CPI Change. For example, if the actual CPI Change is 1.5%,

- then the annual increase will be 2%, if the actual CPI Change is 3.5%, then the annual increase will be 3.5%, and if the actual CPI Change is 12%, then the annual increase will be 10%.
- 3.3. Fees related to travel and lodging expenses are billed at cost and apply to all meetings (including implementation, training, operations and support).
 - 3.4. Fees will be invoiced monthly to Client for Services performed during the prior month. Fees will be netted out of Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.
4. **Payment Processing** – Consultant will configure payment processing services to utilize either a taxpayer funded model (convenience fee) or Client funded model, as directed by Client. Client may switch between these models upon written request to Consultant. Fees for each of these payment processing models are detailed here.
- 4.1. Taxpayer funded model – Client authorizes Consultant to collect each convenience fee from the taxpayer at time of payment.
 - 4.1.1. Credit and debit card processing – 2.9% of transaction amount, minimum of \$2.00
 - 4.1.2. ACH/eCheck processing - \$1.25 per transaction
 - 4.2. Client funded
 - 4.2.1. Credit and debit card processing – 2.9% of transaction amount
 - 4.2.2. ACH/eCheck processing - \$0.50 per transaction
 - 4.3. Returned payments/NSF fee – Each occurrence of a card chargeback, returned payment or insufficient funds will incur a fee of \$25.00, to be applied to the taxpayers account.
 - 4.4. Consultant reserves the right to review and adjust pricing related to payment processing services on an annual basis. Consultant will communicate any such adjustment to Client in writing, with 60 days advance notice. Items that will be considered in the review of fees may include, but are not limited to: regulatory changes, card association rate adjustments, card association category changes, bank/processor dues and assessments, average consumer payment amounts, card type utilization, and costs of service.

**TAX AND FEE ADMINISTRATION SERVICES AND FEES
SHORT-TERM RENTALS**

Notice: The Consumer Price Index (CPI) service rates adjustment for contract year 2023/2024 is waived but shall remain in effect beginning year 2024/2025 and forward.

Consultant will provide the following Services relative to Client's short-term rentals transient occupancy tax administration.

1. Operations Management Services

- 1.1. Establish and maintain database of Client's short-term rental 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. Provide analysis reports monthly and annually provide revenue trends and key insights on Client lodging providers.

2. Online Payment Processing – Consultant's services include PCI compliant payment processing services powered by FIS Global, which supports both credit card and eCheck transactions.

2.1. Client Responsibilities

- 2.1.1. As a condition to its receipt of the Service, Client shall execute and deliver any and all applications, agreements, certifications or other documents required by FIS Global, Networks or other third parties whose consent or approval is necessary for the processing of Transactions by FIS Global. "Network" is an entity or association that operates, under a common service mark, a system which permits participants to authorize, route, and settle Transactions among themselves, including, for example, networks operated by VISA USA and Mastercard, Inc., NYCE Corporation, American Express, and Discover.
- 2.1.2. Client hereby grants Consultant the full right, power and authority to request, receive and review any Data or records reflected in a Transaction report. Client represents and warrants that it has the full right and authority to grant these rights.

FEES

3. Operations Management Services

3.1. Fees for performing operations management Services shall be as follows:

- Standard Short-Term Rental (residential property) Administration - \$16.06 per filing.
- 3.1.1. Fees will be increased as of January 1st of each calendar year with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPI-U), West Region, as reported by the U.S. Bureau of Labor Statistics (the "CPI Change"). Each annual increase in the Fees will be equal to the greater of two percent (2%) or the actual CPI Change and the lesser of ten percent (10%) or the actual CPI Change. For

example, if the actual CPI Change is 1.5%, then the annual increase will be 2%, if the actual CPI Change is 3.5%, then the annual increase will be 3.5%, and if the actual CPI Change is 12%, then the annual increase will be 10%.

- 3.2. Fees will be invoiced monthly to Client for Services performed during the prior month. Fees will be netted out of Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.
4. **Payment Processing** – Consultant will configure payment processing services to utilize either a taxpayer funded model (convenience fee) or Client funded model, as directed by Client. Client may switch between these models upon written request to Consultant. Fees for each of these payment processing models are detailed here.
 - 4.1. Taxpayer funded model – Client authorizes Consultant to collect each convenience fee from the taxpayer at time of payment.
 - 4.1.1. Credit and debit card processing – 2.9% of transaction amount, minimum of \$2.00
 - 4.1.2. ACH/eCheck processing - \$1.25 per transaction
 - 4.2. Client funded
 - 4.2.1. Credit and debit card processing – 2.9% of transaction amount
 - 4.2.2. ACH/eCheck processing - \$0.50 per transaction
 - 4.3. Returned payments/NSF fee – Each occurrence of a card chargeback, returned payment or insufficient funds will incur a fee of \$25.00, to be applied to the taxpayers account.
 - 4.4. Consultant reserves the right to review and adjust pricing related to payment processing services on an annual basis. Consultant will communicate any such adjustment to Client in writing, with 60 days advance notice. Items that will be considered in the review of fees may include, but are not limited to: regulatory changes, card association rate adjustments, card association category changes, bank/processor dues and assessments, average consumer payment amounts, card type utilization, and costs of service.