



# Council Agenda Report

To: Mayor Silverstein and the Honorable Members of the City Council

Prepared by: Sarina Flores, Accounting Technician

Reviewed by: Christopher Smith, Assistant City Manager

Approved by: Rob DuBoux, Interim City Manager

Date prepared: February 18, 2026 Meeting date: March 9, 2026

Subject: Amendment No. 3 to Professional Services Agreement with Hinderliter de Llamas & Associates for Sales Tax Management and Monitoring

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**RECOMMENDED ACTION:** Authorize the Mayor to execute Amendment No. 3 to Professional Services Agreement with Hinderliter de Llamas & Associates (HdL) for sales tax management and monitoring.

**FISCAL IMPACT:** Funding for this agreement was included in the Proposed Budget for Fiscal Year 2025-26 in Account No. 100-7054-5100-00 (Finance - Professional Services). Amendment No. 3 will extend the term of the agreement and increase the budget by \$45,000, for a total not to exceed of \$100,000.

**STRATEGIC PRIORITY:** This item is part of the day-to-day operations identified in the Adopted FY 2025-26 Strategic Priority Project List.

**DISCUSSION:** On July 1, 2021 the City entered into an Agreement with HdL for sales tax management and monitoring which includes examining all sales, use and transactions tax records of the California Department of Tax and Fee Administration (CDTFA) pertaining to sales, use and transactions taxes collected by the CDTFA on behalf of the City of Malibu. On December 12, 2022, the City entered into Amendment No. 1 to include management and monitoring services for the Transaction and Use District Tax Measure MC approved by voters on November 8, 2022. On November 1, 2023, the City entered into Amendment No. 2 to extend the term of the agreement and increase HdL's compensation.

The base cost for use and transaction tax services provided by HdL is \$200 per month. This amount includes the preparation of regular transaction district tax reports and related information. In addition, HdL provides audit and recovery services for a contingency fee equal to 25% of the initial new transactions or use tax revenue received by the City as a result of HdL's audit and recovery efforts.

The parties propose to amend the Agreement via Amendment No. 3 to increase the Consultant's total compensation by \$45,000, for a revised not-to-exceed amount of \$100,000, and to extend the term of the Agreement through July 1, 2029. Staff recommend this augmentation to the Agreement to allow HdL to work with staff to examine the impacts of the recent natural disasters on City tax revenues and to support future financial planning.

ATTACHMENTS:

1. Amendment No. 3 to Agreement with HdL

### **AMENDMENT NO. 3 TO AGREEMENT FOR PROFESSIONAL SERVICES**

THIS AMENDMENT NO. 3 TO AGREEMENT FOR PROFESSIONAL SERVICES (“Amendment No. 3”) is made and entered in the City of Malibu on March 9, 2026, by and between the CITY OF MALIBU, a municipal corporation, hereinafter referred to as “City”, and Hinderliter de Llamas and Associates, a California Stock Corporation, hereinafter referred to as “Consultant”. City and Consultant are each a “Party” and collectively, the “Parties”.

The City and the Consultant agree as follows:

#### **RECITALS**

- A. On July 1, 2021 the City entered into an Agreement with Consultant for sales tax management and monitoring which includes examining all sales, use and transactions tax records of the California Department of Tax and Fee Administration (CDTFA) pertaining to sales, use and transactions taxes collected by the CDTFA on behalf of the City of Malibu (the “Agreement”).
- B. On December 30, 2022, the City entered into Amendment No. 1 to include management and monitoring services for the Transaction and Use District Tax Measure MC approved by voters on November 8, 2022.
- C. On November 1, 2023, the City entered into Amendment No. 2 to extend the term of the agreement and increase Consultant’s compensation.
- D. The Parties desire to amend the Agreement to increase the Consultant’s compensation by \$45,000 for a not to exceed amount of \$100,000 and to extend the term of agreement through June 1, 2029, and Consultant has submitted a proposal for this purpose that is acceptable to the City, attached as Exhibit A.

NOW THEREFORE, in consideration of their mutual promises, obligations and covenants hereinafter contained, the parties hereto agree as follows:

- 1. Section 2.0 – Term of Agreement, of the Agreement, is hereby extended to June 1, 2029, the “Renewal Term”.
- 2. Section 4.0 – Compensation for Services, of the Agreement, is hereby amended by \$45,000 to increase the total not to exceed amount to \$100,000 for the term of the agreement.
- 3. The Parties agree to replace the existing Scope of Services, attached to the Agreement as Exhibit A, with Schedule A attached to this Amendment No. 3 as Exhibit A.
- 4. The Parties further agree that this Amendment No. 3 will be considered signed when the signature of a Party is delivered physically or by facsimile transmission or scanned and delivered via electronic mail. Such facsimile or electronic mail copies will be treated in all respects as having the same effect as an original signature.
- 5. All terms and conditions of the Agreement not amended by this Amendment No. 3 remain in full force and effect.

This Amendment No. 3 is executed on March 9, 2026, at Malibu, California, and effective as of March 9, 2026.

CITY OF MALIBU:

ATTEST:

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BRUCE SILVERSTEIN, Mayor

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KELSEY PETTIJOHN, City Clerk  
(seal)

CONSULTANT: Hinderliter de Llamas and Associates, a California corporation

Signed by:  
By: Andrew Nickerson  
Name: Andrew Nickerson  
Title: President

APPROVED AS TO FORM:

THIS DOCUMENT HAS BEEN REVIEWED  
BY THE CITY ATTORNEY'S OFFICE

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TREVOR RUSIN, Interim City Attorney

## SCHEDULE A

### PREMIUM SERVICES – Sales and Use Tax

#### **1. Sales and Use Tax and Economic Analysis/Reports**

- 1.1. Establish a special database with California Department of Tax and Fee Administration (“CDTFA”) registration data for businesses within applicable district boundaries holding seller’s permit accounts.
- 1.2. Consultant shall make available to CITY the HdL proprietary software program and database containing all applicable registration and quarterly allocation information for CITY business outlets registered with the Department of Tax and Fee Administration. The database will be updated quarterly.
- 1.3. Consultant shall provide updated reports each quarter identifying changes in allocation totals by individual businesses, business groups and by categories. Quarterly aberrations due to State audits, fund transfers, and receivables, along with late or double payments, will also be identified.
- 1.4. Following each calendar quarter shall provide a summary analysis for City to share with Council Members, Chamber of Commerce, other economic development interest groups and the public that analyze City’s sales tax trends by major groups without disclosing confidential individual tax records.
- 1.5. Provide periodic updated reports endeavoring to identify and assist with budget forecasting including (i) changes in allocation totals by individual businesses, business groups and categories, and (ii) aberrations due to State audits, fund transfers, and receivables, along with late or double payments.
- 1.6. Consultant shall provide a presentation led by an HdL Sales Tax Principal discussing latest sales tax results, emerging retail trends, business retention needs, leveraging of economic clusters and reviewing successes in client jurisdictions with similar characteristics. This presentation will occur following each calendar quarter.

#### **2. Allocation and Audit Recovery Services**

- 2.1. Conduct (when mutually agreed with City) initial and on-going sales and use tax audits of businesses to help identify and correct allocation errors, and to proactively affect favorable registration, reporting or formula changes thereby generating previously unrealized sales and use tax income for the City and/or recovering misallocated tax from 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; 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. Initiate contacts with sales, management and accounting officials in companies that have businesses where a probability of error exists to endeavor to help verify whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner.
- 2.3. Prepare and submit to the CDTFA information for the purpose of correcting any identified allocation errors, and follow-up with individual businesses and the CDTFA 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, Consultant finds businesses located in the City’s jurisdiction that are properly reporting sales and use tax but have the potential for modifying their operation to

provide an even greater share to City, Consultant may so advise City and collaborate with those businesses and City to encourage such changes.

### **PREMIUM SERVICES – Transactions and Use Tax**

#### **3. Transactions Tax and Economic Analysis/Reports**

- 3.1 Establish a database containing all applicable Department of Tax and Fee Administration (CDTF) registration data for each business within the Measure “MC” District boundaries holding a seller’s permit account. Said database shall also identify the quarterly transactions and use tax allocations under each account for the most current and previous quarters where available.
- 3.2 Consultant shall make available to CITY the HdL proprietary software program and Measure “MC” database containing all applicable registration and quarterly allocation information for CITY business outlets registered with the Department of Tax and Fee Administration. The database will be updated quarterly.
- 3.3 Consultant shall provide updated reports each quarter identifying changes in allocation totals by individual businesses, business groups and by categories. Quarterly aberrations due to State audits, fund transfers, and receivables, along with late or double payments, will also be identified.
- 3.1. Following each calendar quarter shall provide a summary analysis for City to share with Council Members, Chamber of Commerce, other economic development interest groups and the public that analyze City’s sales tax trends by major groups without disclosing confidential individual tax records.
- 3.2. Provide periodic updated reports endeavoring to identify and assist with budget forecasting including (i) changes in allocation totals by individual businesses, business groups and categories, and (ii) aberrations due to State audits, fund transfers, and receivables, along with late or double payments.
- 3.3. Consultant shall provide a presentation led by an HdL Sales Tax Principal discussing latest sales tax results, emerging retail trends, business retention needs, leveraging of economic clusters and reviewing successes in client jurisdictions with similar characteristics. This presentation will occur following each calendar quarter.

#### **4. Deficiency/Allocation Reviews and Recovery**

- 4.1. Consultant shall conduct on-going reviews to identify and correct unreported transactions and tax payments and distribution errors thereby generating previously unrealized revenue for the City. Reviews shall include:
  - 4.1.(a) Comparison of county-wide local tax allocations to transactions tax for brick and mortar stores and other cash register-based businesses, where clearly all transactions are conducted on-site within the Measure “MC” City boundaries, and therefore subject to transactions tax.
  - 4.1.(b) Review of any significant one-time use tax allocations to ensure that there is corresponding transaction tax payments for taxpayers with nexus within the City boundaries.
  - 4.1.(c) Review of state-wide transactions tax allocations and patterns to identify any obvious errors and omissions.
  - 4.1.(d) Identification and follow-up with any potentially large purchasers of supplies and equipment (e.g. hospitals, universities, manufacturing plants, agricultural operations, refineries) to ensure that their major vendors are properly reporting corresponding transactions tax payments to the Measure “MC” Transactions Tax District.

- 4.2. Consultant will initiate, where the probability of an error exists, contacts with the appropriate taxpayer management and accounting officials to verify whether current tax receipts accurately reflect the local sales activity. Such contacts will be conducted in a professional and courteous manner so as to enhance CITY's relations with the business community.
- 4.3. Consultant shall prepare and submit to the Department of Tax and Fee Administration all information necessary to correct any allocation errors and deficiencies that are identified and shall follow-up with the individual businesses and the California Department of Tax and Fee Administration to ensure that all back quarter payments due the CITY are recovered.

**5. Consulting and Other Optional Services**

Consultant may from time to time in its sole discretion, consult with City's 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, (iii) sales tax projections for proposed annexations, economic development projects and budget planning, (iv) negotiating/review of tax sharing agreements, (v) establishing purchasing corporations, (vi) meeting with taxpayers to encourage self-assessment of tax obligations, and (vii) other sales, use or transactions tax revenue-related matters.

**FEES – Sales and Use Tax Services**

**6. Sales and Use Tax and Economic Analysis/ Reports**

- 6.1. Fees for performing the sales tax and economic analysis Services as described above shall initially be **\$683** 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.
- 6.2. Consultant will increase the non-hourly Fees established above once a year 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").

**7. Allocation and Audit Recovery Services**

- 7.1. Fees for performing the allocation and audit recovery Services described above shall be **18%** 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.
- 7.2. The Fee described above include, without limitation, State fund transfers received for back quarter reallocations and monies received in the second eight (8) consecutive reporting quarters following completion of Consultant's allocation audit and confirmation of the corrections by the CDTFA.
- 7.3. 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.

**FEES – Transactions Tax Services**

**8. Transactions Tax and Economic Analysis/Reports**

- 8.1. Fees shall be paid **\$220** monthly billed quarterly for the transaction district tax reports that we include with the quarterly sales tax analyses. The monthly fee shall be invoiced quarterly in arrears and shall be paid by City no later than 30 days after the invoice date.

- 8.2. Consultant will increase the non-hourly Fees established above once a year 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").

## **9. Allocation and Audit Recovery Services**

- 9.1. Fees shall be paid **25%** of the initial amount of new transactions or use tax revenue received by the City because of audit and recovery work performed by Consultant, (hereafter referred to as "audit fees"). New revenue shall not include any amounts determined and verified by City or Consultant to be increment attributable to causes other than Consultant's work pursuant to this agreement. In the event, Consultant is responsible for an increase in the tax reported by businesses already properly making tax payments to the City, it shall be Consultant's responsibility to separate and support the incremental amount attributable to its efforts prior to the application of the audit fee. Said audit fees will apply to state fund transfers received for those specific quarters identified as being missing and/or deficient following completion of the audit by Consultant and confirmation of corrections by the California Department of Tax and Fee Administration but shall not apply prospectively to any future quarter. Consultant shall provide City with an itemized quarterly invoice showing all formula calculations and amounts due for audit fees.

### **ADDITIONAL TERMS – Sales, Use and Transactions Tax Services**

## **10. Consulting and Other Optional Services**

- 10.1. Fees for performing other optional services are described below:
  - 10.1.1. Fees for performing City Staff training, public representation, or technical seminars for elected officials shall be \$3,000 for one-time service and \$2,000 for recurring service.
  - 10.1.2. Fees for performing transactional tax ballot measure estimates shall be \$2,600 per report.
  - 10.1.3. On-site travel to the city shall be \$2,600 plus any associated travel expenses per visit.
  - 10.1.4. Incremental non-core packet reporting shall be \$2,600 for a one-time report and \$700 for recurring reporting service.
- 10.2. Any other consulting and optional Services not listed shall be based on the following initial hourly rates: (i) Principal - \$325; (ii) Programmer - \$295; (iii) Senior Analyst - \$245; and (iv) Analyst - \$195.

## **11. General Provisions Relating to Fees**

- 11.1. 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.
- 11.2. 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.

## **12. Confidentiality Information**

Section 7056 of the State of California Revenue and Taxation Code ("R&T Code") specifically limits the disclosure of confidential taxpayer information contained in the records of the CDTFA. Section 7056 specifies the conditions under which a city, county or district may authorize persons other than such city, county or district's officers and employees to examine state sales and use tax records.

The following conditions specified in Section 7056-(b)(1) of the State of California R&T Code are hereby made part of this Agreement:

- 12.1. Consultant is authorized by this Agreement to examine sales, use or transactions and use tax records of the CDTFA provided to City pursuant to contract under the Bradley-Burns Uniform Local Sales and Use Tax Law R&T Code Section 7200 et.seq.
- 12.2. Consultant is required to disclose information contained in, or derived from, those sales or transactions and use tax records only to an officer or employee of City who is authorized by City resolution provided to the CDTFA to examine the information.
- 12.3. Consultant is prohibited from performing consulting services for a retailer (as defined in R&T Code Section 6015), during the term of this agreement.
- 12.4. Consultant is prohibited from retaining the information contained in or derived from those sales, use or transactions and use tax records after this agreement has expired. Information obtained by examination of the CDTFA 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 Consultant 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.