



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: October 21, 2025
SUBJECT: Approval of Master Services Agreement with Hinderliter de Llamas and Associates (HDL) for Sales Tax Analysis and Audit Services

Description: Consideration and approval of a Master Services Agreement with Hinderliter de Llamas and Associates (HdL) for sales tax analysis, forecasting, and audit recovery services, on a single source basis.

Background and Analysis:

The City of Beaumont receives a substantial portion of its General Fund revenues from sales tax. Proper monitoring, analysis, and auditing of sales tax allocations are critical to ensuring accurate distributions by the California Department of Tax and Fee Administration (CDTFA), and to identifying potential misallocations or opportunities to recover revenues.

HdL specializes in providing California public agencies with sales tax consulting, analysis, forecasting, and audit recovery services. The firm's proprietary databases, specialized software tools, and experienced staff provide unique expertise in maximizing and safeguarding local government revenues.

Single Source Justification

- **Limited Vendor Market:** There are only a limited number of firms in California that provide comprehensive sales tax audit and recovery services.
- **Specialized Expertise:** HdL has decades of experience serving California cities and counties in this specialized area, including extensive knowledge of CDTFA reporting systems, allocation methods, and correction processes.
- **Superior Service and Proven Results:** HdL has a well-established track record of delivering accurate forecasting, detailed analysis, and successful revenue recovery efforts for municipalities across California. The firm's software platform and reporting capabilities are widely regarded as an industry leader.
- **Best Interest of the City:** Engaging HdL ensures the City receives accurate, timely, and actionable information to support budgeting, economic development,

and revenue recovery. HdL's ability to identify and correct allocation errors, combined with its forecasting tools, provides a high return on investment and supports long-term financial stability.

The proposed Master Services Agreement establishes a comprehensive framework for sales tax services. The agreement includes:

- Ongoing sales tax and economic analysis/forecasting reports.
- Sales tax audit and allocation recovery services, compensated on a contingency basis (15% of recovered or new revenues).
- Optional consulting services for economic development, tax sharing agreements, and related matters.
- Access to HdL's proprietary web-based software for City staff use.

The agreement term is for five years with the option of two additional one-year extensions subject to Council approval. It is estimated that this agreement will not exceed \$50,000, however, should a service in a fiscal year exceed City Manager authority, staff will bring forward that invoice for approval.

Fiscal Impact:

Costs under the agreement include:

- A fixed monthly fee of \$500 for sales tax and economic analysis/forecasting services.
- A 15% contingency fee on recovered or newly identified sales tax revenues through audit and recovery services.
- Hourly fees for optional consulting services, if requested, based on established rates in the agreement.

Funding for these services is included in the Finance Department's professional services budget. The agreement is designed to be revenue-positive, as audit recovery services typically generate more revenue than the associated contingency fee.

The estimated cost to prepare this report is \$145.

Recommended Action:

Approve the Master Services Agreement with Hinderliter de Llamas and Associates (HdL) for sales tax analysis, forecasting, and audit recovery services, on a single source basis.

Attachments:

- A. Master Services Agreement with HdL (Sales Tax Services)
- B. Single Source Justification Form