

Sales Tax Consulting Administrative Expenses: \$200,000 (On-going)

HdL Companies (HdL) provides sales tax consulting services to the County. These services include 1) providing quarterly reports of actual sales tax data, 2) conducting forward looking projections of sales tax receipts to assist with financial planning, and 3) initiating appeals of incorrect sales tax reporting by the State, on behalf of the County, to ensure sales tax revenue is being correctly distributed to the County.

It is important to note that the consulting services provided by HdL are separate and in addition to the administrative services provided by the State to collect and remit sales tax revenues to local jurisdictions. For the State administrative services, a mandated fee of 1.15% is assessed on Measure X revenue. Those fees are not part of this proposal since they are already withheld by the State prior to making Measure X distributions to the County. Thus, estimates of Measure X revenue already take into account the reduction of the State administrative fees.

In fiscal year 2021/22, the County estimated HdL consulting costs of \$65,000. Although this would be the first full year of tax collection, only a partial year of consulting services are required due to sales tax revenue being distributed by the State retroactively to the local jurisdictions. The current, on-going estimate for a full year of HdL consulting costs is \$200,000 annually. This estimate assumes costs of processing 1-2 large sales tax appeals on behalf of the County in a given year, which if successful, would recapture Measure X revenue that had been previously misdirected to other jurisdictions erroneously by the State. The County pays HdL a commission of 15% on the amount of sales tax dollars recaptured due to a successful appeal. For this reason, the commission paid to HdL is covered by the newly recaptured Measure X revenue generated from the appeal process with the remaining 85% available for local programming.

Recommendation:

The County Administrator's recommendation is that the sales tax consulting services be fully funded with an on-going annual allocation of \$200,000.