

**CITY OF CALISTOGA**  
**REQUEST FOR PROPOSAL**  
**REVENUE AUDIT & RECOVERY**

February 2, 2015

**ORIGINAL**

Submitted by:  
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**HdL**   
SOFTWARE

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**I. LETTER OF INTEREST**

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February 2, 2015

Ms. Gloria Leon  
Administrative Services Director  
City of Calistoga  
1232 Washington Street  
Calistoga, California 94515

Re: Request for Proposals – Revenue Audit and Recovery Services

Dear Gloria,

Thank you for allowing HdL Software and Professional Services to submit a response to your Request for Proposal - Revenue Audit and Recovery Services dated January 2, 2015. This proposal constitutes a firm and irrevocable offer for a period of 90 days following the submittal date of February 2, 2015.

The City of Calistoga is a current HdL client contracting for Sales Tax Services, Property Tax Services and Business License Software Services. The City now wishes to explore Revenue audit and Recovery Services options currently in the marketplace. HdL Software and Professional Services is pleased to be able to assist the City in this endeavor by submitting our response. HdL's complete line of Professional Services which include Discovery, Audits, Collections, TOT and many other related and customizable services that can provide the City of Calistoga with increased revenue returns.

As a separate option, the City may also wish to consider migrating the City's existing HdL's "Classic" Business License software application to the new Prime – Business License Software application with full online module which can improve staff efficiency and increase the level of customer service by allowing residents to perform City business license duties online.

I will be the contact person for this project. Please call or email me if I can be of any service.

Sincerely,

George Bonnin, Sales Manager  
HdL Software, LLC  
909-861-4335 – phone  
[gbonnin@hdlcompanies.com](mailto:gbonnin@hdlcompanies.com)

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## II. QUALIFICATIONS

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Founded in 1983, HdL is a consortium of three companies established to maximize local government revenues by providing a variety of audits, analytical services and software products. Hinderliter, de Llamas and Associates provides discovery, audit and consulting services for sales, use and transaction taxes. The firm developed California's first computerized sales tax management program and was responsible for securing legislation (AB 1611) that allowed independent verification of state allocations. In 1990, HdL Coren & Cone was established to provide discovery, audit and information services related to property taxes. The third affiliated company, HdL Software, was formed in 1996 to provide a variety of enterprise software processing tools for business licensing, code enforcement, animal control, building permits and tracking/billing of false alarms. HdL's systematic and coordinated approach to revenue management and economic data analysis is currently being utilized by over 380 agencies in six states.

Hinderliter, de Llamas & Associates and HdL Coren & Cone are both employee-owned companies. HdL Software LLC is a limited partnership jointly owned by Lloyd de Llamas and Robert Hinderliter. All companies are registered in the State of California.

HdL retains a staff of 60+ trained and experienced specialists for performing audits, analysis and software support in our headquarters at 1340 Valley Vista Dr., Suite 200, Diamond Bar, CA 91765.

HdL maintains the largest privately held sales, property and business tax databases in California. The firm constantly improves and enhances the Board of Equalization's (BOE) raw registration data by correcting addresses and business names, differentiating brick and mortar retailers from business to business and online taxpayers and adding new business classifications to better identify emerging trends and economic opportunities.

HdL is a Corporate Partner of the League of California Cities and California State Association of Counties, and works extensively with the State Association of County Auditors, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues.

HdL understands the City's goals to increase revenues and ensure compliance as well as the need to partner with the City to supplement its existing efforts as they relate to customer service and compliance. HdL proposes to implement its TOT Professional Services Program designed for the audit and collections of Transient Occupancy Taxes. When selecting HdL, the City will benefit from the depth and breadth of municipal experience from a team of experts that work hand-in-hand with the City to maximize revenues while strictly adhering to the HdL principle of serving our government clients and their constituents.

HdL offers the most robust solutions for managing compliance of municipal taxes and their related functions. HdL is mindful of the important role that customer service plays in the successful implementation of a compliance and revenue collection program. Accordingly HdL will make every effort to ensure that all communications with the City's business community is kept at a professional level, maintaining a careful balance between compliance and revenue collection and tactfulness, sensitivity and taxpayer education.

Having performed tax compliance services, process recommendations, and software installations for over 150 city business license tax departments in California, the HdL team has the unique experience of working intimately with business license staff across a broad range of jurisdictions. HdL is able to extrapolate the best practices from these experiences and provide innovative solutions to our clients which are unique to the HdL TOT Professional Services Program.

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### III. RESUME

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#### **Key Personnel**

##### **Robert Gray – President, HdL Software LLC**

Robert Gray serves as President of HdL Software LLC and has been with the firm since 1996. He has extensive experience in the design, development, implementation and support of software systems for local government. To date, he has played a key role in the design of 8 software systems and approximately 200 successful implementations of those systems. His passion for the end users, combined with his strong technical background, culminate in software designed both for ease of use as well as minimal burden to IT staff. He oversees software development and technical support for HdL Software LLC and HdL Sales Tax. He earned a Bachelor of Science degree in Computer Science and a Master's degree in Business Administration from Azusa Pacific University.

##### **Joshua Davis – Professional Services Director**

Joshua Davis became the head of the Professional Services Division in 2013. In this capacity, he oversees the Compliance and Operations management services including Discovery, Audit, Collection and administration of local licensing and taxes as they relate to business license and transient occupancy taxes. He has 16 years of experience helping governments with all aspects of administering local taxes and increasing revenues through implementation of revenue enhancement and consulting services.

##### **Tony Unger - Project Manager**

Tony Unger has over 20 years of experience serving local government. As a project manager, he is responsible for the development and implementation of business license products and services. Working in partnership with Cities for the last two decades, Tony has become very familiar with the business license requirements and procedures that are unique to each jurisdiction and business community. Tony has assisted in multiple areas of business license including; local tax compliance, licensing software, customer service, collections, enforcement, administration, and special projects. Mr. Unger has been an associate member of the California Municipal Revenue & Tax Association (CMRTA) since 1993 and received his BA in Business Administration from California State University, Fresno.

##### **Professional Services Team:**

The Professional Services Team is responsible for all license tax recovery efforts, business license audits, Transient Occupancy Tax Audits and other related services. All services are carefully designed to foster a close working relationship between HdL and City and a friendly, educational centric approach towards the business community.

#### IV. CLIENT LIST - REFERENCES

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**City of Nevada City**

Catrina Olsen, Assistant City Manager  
317 Broad Street  
Nevada City, CA 95959  
[catrina.olson@nevadacityca.gov](mailto:catrina.olson@nevadacityca.gov)  
(530) 265-2496

**City of Monterey Park**

Tim Shay, Business License Manager  
320 West Newmark Avenue  
Monterey Park, CA 91754  
[tshay@montereypark.ca.gov](mailto:tshay@montereypark.ca.gov)  
(626) 307-1363

**City of Orange**

Leonie Crouch, Business License  
300 E. Chapman  
Orange, CA 92866  
[lcrouch@cityoforange.org](mailto:lcrouch@cityoforange.org)  
(714) 744-5500

## V. SCOPE OF SERVICES

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The Transient Occupancy Tax Program provided by HdL takes a unique approach in ensuring compliance, educating hoteliers in transient occupancy tax regulations and filing procedures, and maximizing City revenues. HdL's program involves a three phase business friendly approach that reduces City administrative costs and provides the City with assurances of future compliance and reporting practices from the City's lodging industry.

HdL's phased approach starts with a detailed analysis of all of the lodging providers registered with the City. A preliminary report of the analysis is reviewed with the City and used for planning of specifics in the following phase. Phase 1 of The Transient Occupancy Tax Audit Program will include:

### ***Phase 1 – Transient Occupancy Tax Analysis***

Ordinance and Filing Procedure Review – Analysis of Transient Occupancy tax ordinances and City procedures are conducted to identify possible deficiencies or other administration related issues. Recommendations are made by the audit team for items such as to best practices, form design, and potential ordinance modifications to insure the most effective policies and controls. Specifically, the ordinance and filing procedure review includes but is not limited to the following:

- Review City's ordinance to identify possible deficiencies, areas subject to legal challenge, or missing provisions such as successor liability;
- Review City's procedures in applying the ordinance to identify potential challenges based on administration of the ordinance;
- Compare City's key ordinance provisions to ordinances of cities of comparable size and demographics;
- Provide a written report to the City identifying provisions of the City ordinance that may warrant further review;
- Meet with the City to discuss the findings and report, as well as select provisions or administrative recommendations for further review; and
- Recommend changes to the City's ordinance or administrative procedures, including additional language to cover identified issues, potential loopholes, and improper procedures that could result in an *Equal Protection* or *Due Process* claim.

Analysis Report and Compliance Review – HdL's audit team will obtain and conduct a review of the most recent 48 months of transient occupancy tax filings. In order to verify and augment the data, the audit team will compile a variety of supplemental information on each property, including number of rooms, occupancy rate, physical condition, and business dynamics. Data is then further scrutinized in order to identify unusual or suspicious reporting and/or other variables that indicate cause for further review.

Information and findings are documented in the analysis report for review with the City. Key components of this process include:



- Obtain and analyze lodging provider return information in the possession of the City initially for the prior four (4) year period (most recent 48 months);
- Conduct unobtrusive collection of a variety of information on each property, including number of rooms, occupancy rate, physical condition, and business dynamics;
- Provide a report to the City on trend analysis to include projections for gross rent revenue and occupancy rates, and other information conducive to assessment of visitation;
- Perform discovery services designed to identify and locate lodging providers not properly registered with the City and not appearing on the City rolls as Tax remitters;
- Analyze lodging provider return information from the past four (4) year period (most recent 48 months) in order to identify unusual or suspicious reporting and/or activities that warrant further review; and
- Provide a detailed report to the City identifying and recommending lodging providers who require additional investigation or examination to determine their compliance with the City's ordinance.

Analysis Review – Upon completion of the analysis report, meetings are scheduled with the city to review the results as well as identify lodging providers who require additional investigation under phase 2 of the program.

### ***Phase 2 – Lodging Provider Audits***

Audit Notification & Scheduling – Lodging providers selected by HdL and approved by the City are sent a letter and scheduled for a Compliance Analysis Audit. Every effort is made to promote a positive taxpayer experience. Businesses will be reminded of the documents required for the audit that were discussed in webinars and previous communications. Lodging providers are afforded the opportunity to schedule flexible appointment times by contacting the Business Support Center or visiting our online support center.

Compliance Analysis & Audit -. The HdL audit team reviews the books and records of the lodging provider to determine compliance with transient occupancy tax regulations. HdL validates taxable gross rents, exemptions, bank statements, daily/monthly summaries, and other relevant information for determining compliance. Supporting documentation for relevant items such as exemptions will also be documented for accuracy.

Audit & Compliance Report – Upon completion of the audit and analysis, and prior to additional actions, a compliance report is generated and reviewed with the City. The report indicates specific results of the reviews and recommended actions. Documentation will be included with the report to assist the City and HdL in determining next steps.

Deficiency and Commendation Notification – Upon final review with the City, businesses that are found to have deficiencies are notified of the findings as well as payment and appeal processes. Appointments are also scheduled to review the findings and educate taxpayers on proper filing procedures designed to prevent future errors and deficiencies. Lodging Providers found to be in compliant, are sent a commendation letter thanking them for their cooperation and compliance.

**Invoicing & Collections** – If the City chooses, lodging providers found to be underreporting can be invoiced through the HdL standard compliance program using City approved processes. Taxpayers will have access to all of the services provided through HdL's compliance program including the Taxpayer Support Center and online support systems, including options to make payments of outstanding tax balances online. Balances are collected and remitted along with supporting documentation to the City through approved remittance procedures. **\*\***(Invoicing and collections of deficiencies resulting from the Audit are included in phase 2 costs and are not subject to additional fees or percentages.)

### ***Phase 3 –Monitoring, Reporting, Compliance, & Administration***

**Monitoring** – HdL Continually monitors and reports no less than quarterly on potential legislative changes and court cases that may impact the City and advises the City accordingly on best practices and proactive solutions to potential issues. In addition, HdL offers an optional service to monitor future TOT returns for discrepancies that may lead to compliance issues. These proactive services help identify and correct problems early, reducing compliance costs for the City and penalty and interest charges on lodging providers.

**Reporting** -. HdL Offers a variety of hardcopy, electronic, and online reports designed to facilitate the City's administration of TOT as well as provide valuable information for budget forecasting. HdL's reporting contains a wealth of knowledge compiled from interactions with taxpayers, City information, HdL proprietary databases, as well as industry leading providers such of travel related data such as Smith Travel and PKF-HR. HdL will work with the City during implementation to identify the standard and custom reports required by the City as well as establish the frequency of the delivery.

**Compliance (optional)** - HdL offers a variety of optional services designed to promote compliance in the lodging provider community as well as maximize local TOT revenues. Discovery services can be performed to identify those entities that are subjected to the TOT but are not filing and paying taxes. This includes hard to reach small "vacation" type rentals as well as other non-compliant entities. HdL can also offer seminars on local taxes and partners with big travel firms to ensure the dissemination of information that promotes compliance.

**Administration (optional)** - Continued monitoring of TOT reporting is paramount to increasing compliance and mitigating errors that may lead to long and drawn out battles for collections. HdL offers a full administration program that in addition to providing monthly monitoring of each TOT return, also removes the burden of administration from the City. Through HdL's optional TOT Administration Program the City would benefit from streamlined return processing, online reporting, and increased revenues while the lodging community can see such benefits as online filing and payment options, dedicated customer service, and consistent monitoring of returns designed to identify errors before huge penalty and interest accruals. Cities that elect to implement a TOT administration program receive all of the valuable services in Phase 1 and Phase 3 as well as assurances that each lodging provider is audited once every three years.

***HdL Audit Keys to Success – Summary***

- All processes are definable by the City
- Phased approach reduces costs to the City
- Business friendly approach offers taxpayer multiple options during audit
- CA court qualified “Expert” staffing resources available to the City.
- Detailed reporting

**VI. COST**

**COMPENSATION AND PAYMENT SCHEDULE**

HdL offers a tiered cost structure that aligns with the phased approach and is designed to reduce the costs to the City.

<b>Service</b>	<b>Compensation</b>
TOT Phase 1 & 3(excluding Compliance)	\$400 / Property
TOT Phase 2	\$500 / Audit + Expenses
Optional Compliance Service	35% Contingency Fee
Optional Administration Service	\$700 /Property/Year

**EXHIBIT 1 – STATEMENT OF ACCEPTANCE**

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HdL Software and Professional Services has reviewed the attached City of Calistoga Consultant and Professional Services Agreement and has found it to be acceptable.