



October 29, 2021

HdL Companies
Andrew Nickerson
120 S. State College Blvd. Ste. 200
Brea CA 92821

RE: Professional Services Agreement – Monitor, identify, and correct point of sale allocation errors

Dear Mr. Nickerson:

Enclosed you will find one fully executed original agreement between the City of Lompoc and HdL Companies, for the project listed above.

If there are any questions or concerns regarding this matter, please contact this office at (805) 875-8241 or Management Services Director Dean Albro at (805) 875-8274.

Thank you,

A handwritten signature in blue ink, appearing to read "Stacey Haddon".

Stacey Haddon, City Clerk
City of Lompoc

cc: Finance

Enc.

PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement (Agreement) is made effective as of October 29, 2021 (Effective Date), by and between Hinderliter, de Llamas and Associates, doing business as HdL Companies, 120 S. State College Blvd., Suite 200, Brea, California 92821, a California Corporation (Consultant or HdL), and the City of Lompoc, a municipal corporation (City). Consultant and City are referred to herein individually as a "party" and collectively as the "parties."

RECITALS

WHEREAS, sales tax revenues can be increased through a system of continuous monitoring, identification and correction of "point of sale" allocation errors; and

WHEREAS, an effective program of sales tax management will improve identification of sales tax opportunities as they relate to economic development and provide for more accurate sales tax forecasting; and

WHEREAS, City desires the combination of data entry, report preparation, and data analysis necessary to effectively manage the municipal sales tax base and recover revenues erroneously allocated to other jurisdiction and allocation pools; and

WHEREAS, Consultant has the programs, equipment and personnel required to deliver the sales tax services referenced herein (Consultant Services); and

WHEREAS, Consultant and City desire to enter into this Agreement to memorialize their agreements regarding the Consultant Services to be provided to City.

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Consultant and City agree as follows:

ARTICLE 1 ENGAGEMENT

1.1. Engagement: City hereby engages Consultant to provide the Consultant Services described herein, and Consultant hereby accepts such engagement, all on the terms and conditions set forth herein. Consultant will determine the method, detail and means of performing the services detailed below.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

2.1. Representations and Warranties of Consultant: Consultant hereby represents and warrants to City, at all times during the term of this Agreement, that Consultant is a corporation duly organized, validly existing and in good standing under the laws of the State of California.

2.2. Representations and Warranties of City: City hereby represents and warrants to Consultant, at all times during the term of this Agreement, that City is organized and established pursuant to the laws and ordinances of the State of California.

**ARTICLE 3
CONSULTANT STATUS AND QUALIFICATIONS**

3.1. Independent Consultant: Consultant's services are being provided to the City as that of an independent contractor. Consultant represents and warrants that the personnel used to provide services to the City pursuant to this Agreement are classified by Consultant as employees. In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a federal or state agency, a court of competent jurisdiction, or the California Public Employees' Retirement System ("CalPERS") to be classified as other than an independent contractor for the City, then Consultant shall indemnify, defend, and hold harmless the City for the payment of any and all assessed fines, penalties, judgments, employee and/or employer contributions, and any other damages and costs assessed to the City as a consequence of, or in any way attributable to, the assertion that Consultant or any staff Consultant used to provide services under this Agreement are employees of the City.

3.2. Payment of Income Taxes: Consultant is responsible for paying when due all income taxes, including estimated taxes, incurred as a result of the compensation paid by City to Consultant for services satisfactorily rendered under this Agreement. On request, Consultant will provide City with proof of timely payment. Consultant agrees to indemnify, defend and hold harmless City for any and all claims, costs, losses, fees, penalties, interest, or damages, including court costs and reasonable attorney's fees, resulting from Consultant's failure to comply with this provision.

3.3. Use of Employees or Subcontractors: Consultant may, at Consultant's own expense, use any employees or subcontractors as Consultant deems necessary to satisfactorily perform the services required of Consultant by this Agreement. City may not control, direct, or supervise Consultant's employees or subcontractors in the performance of those services.

3.4. Qualifications: Consultant represents it is qualified and has the skills necessary to perform the services under this Agreement in a competent and professional manner, without the advice or direction of City.

3.5. No Benefit Contributions: City shall have no obligation under this Agreement to compensate or pay applicable taxes for or provide employee benefits of any kind to any person employed or retained by Consultant.

**ARTICLE 4
GENERAL RESPONSIBILITIES OF CONSULTANT**

4.1. Minimum Amount of Service: Consultant agrees to devote as much time and attention to the performance of the Consultant Services under this Agreement as may be, in Consultant's sole discretion, required to accomplish the tasks described herein to accomplish the results for which the Consultant is responsible under this Agreement.

4.2. Consultant Scope of Services: Consultant agrees to provide Consultant Services in accordance with Exhibit A, attached hereto and incorporated herein by reference, including those additional services requested by City and accepted in writing by Consultant during the term of this Agreement.

4.3. Nondiscrimination: There shall be no discrimination against any person employed pursuant to this Agreement in any manner forbidden by law.

4.4. Non-Exclusive Relationship: Consultant may represent, perform services for, and contract with as many additional clients, persons, or companies as Consultant, in Consultant's sole discretion, sees fit.

4.5. Time and Place of Performing Work: Consultant may perform the services under this Agreement at any suitable time and location Consultant chooses.

4.6. Materials and Equipment: Consultant will supply all materials and equipment required to perform the services under this Agreement.

4.7. Professional Skill: It is further understood and agreed by and between the parties hereto that Consultant is skilled in the professional calling necessary to perform the work agreed to be done by it under this Agreement, and City, not being skilled in such matters, relies upon Consultant to perform the work in a skillful manner in accordance with generally accepted professional practices, and Consultant agrees to thus perform its work, and the acceptance of its work by City shall not operate as a release of Consultant from said Agreement.

4.8. Insurance: Consultant shall, at Consultant's sole cost and expense and throughout the term of this Agreement and any extensions thereof, carry adequate insurance including a commercial general liability policy and an Errors and Omissions policy, both in the amount of not less than \$1,000,000. Consultant shall also, at Consultant's sole cost and expense and throughout the term of this Agreement and any extensions thereof, carry automobile liability insurance with liability limits of not less than \$500,000 for the injury or death of a person or persons and property damage in any accident. City, its elective officials, officers and employees shall be named as an additional insured on the commercial general liability and automobile liability policies. Each type of insurance mentioned herein shall be written by a financially responsible company or companies authorized to do business in the State of California. Consultant shall provide City with certificates of insurance on forms acceptable to the City of all policies written and each shall contain an endorsement that they are not subject to cancellation without 30 days written notice being given to City by the insurance company or companies writing such insurance.

4.9. Workers' Compensation: Consultant agrees to provide workers' compensation insurance for Consultant and Consultant's employees and agents and agrees to defend, hold harmless and indemnify City for any and all claims arising out of any injury, disability, or death of any of Consultant's employees or agents.

4.10. Assignment: Neither this Agreement nor any duties or obligations under this Agreement may be assigned by Consultant without the prior written consent of City, which consent shall not be unreasonably withheld.

4.11. Business Tax Receipt: Consultant shall maintain a valid Business Tax Receipt with the City of Lompoc during the term of the Agreement.

4.12. Ownership of Documents: All reports and documents prepared by Consultant under this Agreement are the property of City and shall be turned over to the City upon completion of this Agreement. Consultant shall not release any data, information, and/or materials resulting from the project without prior written consent from City.

**ARTICLE 5
COMPENSATION OF CONSULTANT**

5.1. Compensation for Consultant Services: All Consultant Services provided pursuant to this Agreement will be provided in accordance with the terms, including compensation amounts and schedule of remittance, set forth in Exhibit B, which is incorporated by this reference as though set forth in full; provided, that the parties understand and agree the fee schedule is not an estimate but the complete costs for the Consultant to provide Consultant Services. Total compensation shall not exceed ten thousand dollars per fiscal year (\$10,000.00).

5.2. Payment will be in accordance with City's standard accounts payable process. Term no longer than 45 days after presentation of a valid monthly invoice for disbursement of the payment. Payment to be made by accounts payable check processed and available as part of the weekly disbursement cycle, available each Friday for pickup or mailed delivery.

5.3. Consultant shall provide itemized billing to the Accounts Payable Division identifying the project by City Project Number and listing the completed task, and listing the City Purchase Order Number on each invoice, as follows:

Electronically (preferred) to:
ap@ci.lompoc.ca.us

City of Lompoc
Attn: Accounts Payable
100 Civic Center Plaza
Lompoc CA 93436

5.4. Consultant unilaterally retains the right to divide any recovery bills in excess of \$25,000 over a one (1) year period (four (4) quarterly billings).

5.5. The provisions of Article 9 of this Agreement will govern any dispute associated with compensation.

**ARTICLE 6
OBLIGATIONS OF City**

6.1. Cooperation of City: City agrees to comply with all reasonable requests of Consultant and provide access to all documents reasonably necessary to the performance of Consultant's duties under this Agreement. To the extent determined in the best public interest, in the sole discretion of City's City Council, City shall be responsible for initially insuring, and continuing to review, local and state laws in City's jurisdiction to assure adequate legal authority for Consultant to engage in the Services described herein on behalf of City.

6.2. Conflict of Interest: No officer, employee, director or agent of City shall participate in any decision relating to this Agreement which affects his or her personal interest or the interest of any corporation, partnership, or association in which he or she is directly or indirectly interested; nor shall any such person have any interest, direct or indirect, in this Agreement or the provisions thereof.

6.3. Assignment: Neither this Agreement nor any duties or obligations under this Agreement may be assigned by City without the prior written consent of Consultant, which consent shall not be unreasonably withheld.

ARTICLE 7 TERMINATION OF AGREEMENT

7.1. Termination; Renewal: Unless earlier terminated as set forth below, this Agreement shall be effective as of the date first set out above and shall remain in full force and effect after execution of this Agreement by City and Consultant until June 30, 2037. Either party may terminate this Agreement as of July 1 of any year provided that party gives written notice of termination 30 days prior to that date. Consultant shall satisfactorily complete Consultant Services pursuant to this Agreement within the term, and any extension of the term.

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7.2. Termination on Notice: Notwithstanding any other provision of this Agreement, either party may terminate this Agreement at any time by giving 30 days' written notice to the other party.

7.3. Termination on Occurrence of Stated Events: This Agreement will terminate automatically on the occurrence of any of the following events:

- (a) Bankruptcy or insolvency of either party;
- (b) The assignment of this Agreement by either party without the consent of the other party; the parties agree that neither party will unreasonably withhold consent to such an assignment.

7.4. Termination for Default: If either party defaults in the performance of this Agreement or materially breaches any of its provisions, then the non-breaching party may terminate this Agreement by giving written notification to the breaching party. Termination will take effect immediately on receipt of notice by the breaching party or five days after mailing of notice, whichever occurs first. For the purposes of this paragraph, material breach of this Agreement includes, but is not limited to, the following:

- (a) Consultant's failure to satisfactorily complete the Consultant Services;
- (b) City's material breach of any representation, warranty or agreement contained in this Agreement;
- (c) Consultant's material breach of any representation, warranty or agreement contained in this Agreement.

ARTICLE 8 INDEMNIFICATION

8.1. Indemnification: To the extent permitted by applicable law, Consultant will indemnify, defend and hold harmless City and each of its officers, employees and agents from and against any and all losses, damages, liabilities, claims, death, injuries or costs, including court costs and reasonable attorney's fees, (collectively, Damages) resulting from any act or omission of Consultant or any of its officers, employees, agents or subcontractors related to this Agreement; provided, that the obligation to indemnify and hold harmless is only to the extent

Consultant or any of its officers, employees, agents or subcontractors caused the Damages.

ARTICLE 9 GENERAL PROVISIONS

9.1. Governing Law: This Agreement shall be governed in all respects by the laws of the State of California, without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction that would cause the application of the laws of any jurisdiction other than the State of California). Venue for any matter related to this Agreement shall be the Superior Court of the County of Santa Barbara.

9.2. Attorney Fees: In the event of any litigation to enforce, or construe the terms of this Agreement, the prevailing party herein shall be entitled to recover reasonable attorney's fees and costs.

9.3. Section Headings: The section headings appearing herein shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning, or intent of the provisions of this Agreement.

9.4. Interpretation: The terms and conditions of this Agreement shall be construed pursuant to their plain and ordinary meaning and shall not be interpreted against the maker by virtue of that party having drafted this Agreement.

9.5. Inconsistency: In the event any provision of this Agreement and the documents incorporated herein by reference are deemed to be in conflict, the provision in this Agreement shall prevail.

9.6. Entire Agreement: This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understanding of the Parties. No amendment or modification of the amendment shall be valid unless evidenced in writing and executed by the parties thereto.

9.7. Successors and Assigns: Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto. No party may assign any of its rights or obligations hereunder without the express written consent of the other party hereto, which consent may not be unreasonably withheld; provided, however, any party may assign any and all of its rights and interests hereunder to one or more of its affiliates and designate one or more of its affiliates to perform its obligations hereunder; provided, however, that such party remains liable for full and total performance of its obligations hereunder.

9.8. Notices: Any notices authorized to be given hereunder shall be in writing and deemed given, if delivered personally or by overnight courier, on the date of delivery, if a Business Day, or if not a business day, on the first Business Day following delivery, or if mailed, three days after mailing by registered or certified mail, return receipt requested, and in each case, addressed, as follows:

If to the Consultant to:

HdL Companies
Attn: Andrew Nickerson
120 S. State College Blvd. Ste 200
Brea, CA 92821

If to City to:

City of Lompoc
Attn: City Manager
100 Civic Center Plaza
Lompoc CA 93436

And a copy to:

Aleshire & Wynder, LLP
Attn: Jeff M. Malawy
18881 Von Karman Ave., Suite 1700
Irvine, CA 92612

Or, if delivered by telecopy, on a Business Day before 4:00 p.m. local time of addressee, on transmission confirmed electronically, or if at any other time or day on the first Business Day succeeding transmission confirmed electronically, to the facsimile numbers provided above, or to such other address or telecopy number as any party shall specify to the other, pursuant to the foregoing notice provisions. When used in this Agreement, the term "Business Day" shall mean a day other than a Saturday, Sunday Federal Holiday or other day City's city hall is closed to the public.

9.9. Counterparts: This Agreement may be signed in several counterparts.

9.10. Expenses: Each party shall bear its own expenses incurred with respect to the preparation of this Agreement and the consummation of the transactions contemplated hereby.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

City OF LOMPOC, a municipal corporation

By:  _____
James Throop, City Manager

Attest:

By:  _____
Stacey Haddon, City Clerk

Approved as to form:

By:  _____
Jeff Malawy, City Attorney

HINDERLITER, DE LLAMAS AND ASSOCIATES, a California corporation dba HdL COMPANIES

By:  _____
R. Andrew Nickerson, President

By:  _____
Gary Lott, COO

EXHIBIT A

CONSULTANT SERVICES

In the event of any conflicts between the provisions in Exhibit A and the other terms of the Agreement, the other terms of this Agreement shall govern.

A. DEFICIENCY/ALLOCATION REVIEWS AND RECOVERY

1. Consultant shall conduct ongoing reviews to identify and correct unreported transactions and tax payments and distribution errors thereby generating previously unrealized revenue for the City. Said reviews shall include:
 - (i) 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 "I" City boundaries, and therefore subject to transactions tax.
 - (ii) 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.
 - (iii) Review of state-wide transactions tax allocations and patterns to identify any obvious errors and omissions.
 - (iv) 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 "I" Transactions Tax District.
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.
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.

B. DATA BASE MANAGEMENT, REPORTS AND STAFF SUPPORT

1. Consultant shall establish a database containing all applicable Department of Tax and Fee Administration (CDTFA) registration data for each business within the Measure "I" 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.
2. 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. Quarterly reconciliation worksheets to assist finance officer with budget forecasting will be included.

3. Consultant shall advise and work with City staff on planning and economic questions related to maximizing revenues, preparation of revenue projections and general information on sales, transactions and use tax questions.
4. Consultant shall make available to City the HdL proprietary software program and Measure "I" 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.

C. CONSULTING AND OTHER OPTIONAL SERVICES

Consultant 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, Consultant 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.

CONFIDENTIALITY; OWNERSHIP/USE OF INFORMATION

- A. 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. Section 7056 specifies the conditions under which a City may authorize persons other than City officers and employees to examine State Sales and Use Tax records.
- B. 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:
 1. Consultant 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 Revenue and Taxation Code section 7200 et. seq.
 2. Consultant 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.
 3. Consultant 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. 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 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 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.

- C. Software Use. Consultant hereby provides authorization to City to access Consultant's Sales Tax website if City chooses to subscribe to the software and reports option. The website shall only be used by authorized City staff. No access will be granted to any third party without explicit written authorization by Consultant. City shall not sublet, duplicate, modify, decompile, reverse engineer, disassemble, or attempt to derive the source code of said software. The software use granted hereunder shall not imply ownership by City of said software, or any right of City to sell said software or the use of same, or any right to use said software for the benefit of others. This software use authorization is not transferable. Upon termination or expiration of this Agreement, the software use authorization shall expire, and all City staff website logins shall be de-activated.
- D. Proprietary Information. As used herein, the term "proprietary information" means all information or material that has or could have commercial value or other utility in Consultant's business, including without limitation: Consultant's (i) computer or data processing programs; (ii) data processing applications, routines, subroutines, techniques or systems; desktop or web-based software; (iii) business processes; (iv) marketing plans, analysis and strategies; and (v) materials and techniques used; as well as the terms and conditions of this Agreement. Except as otherwise required by law, City shall hold in confidence and shall not use (except as expressly authorized by this Agreement) or disclose to any other party any proprietary information provided, learned of or obtained by City in connection with this Agreement. The obligations imposed by this Section shall survive any expiration or termination of this Agreement or otherwise. The terms of this Section shall not apply to any information that is public information.

EXHIBIT B

COMPENSATION FOR CONSULTANT SERVICES

In the event of any conflicts between the provisions in Exhibit B and the other terms of the Agreement, the other terms of this Agreement shall govern.

1.1. Consultant shall be paid **\$100** monthly billed quarterly for the transaction district tax reports that we include with the quarterly sales tax analyses. Consultant shall be paid **25%** of the initial amount of new transactions or use tax revenue received by the City as a result 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 that 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. Consultant may change the non-hourly Fees established above upon at least 30 days' prior written notice to Client (but not more than 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), West Region, as reported by the U.S. Bureau of Labor Statistics (the "CPI Change"), and 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%.

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A. Consultant shall invoice City for any consulting and other optional Services rendered to City in accordance with the above based on the following hourly rates on a monthly or a quarterly basis, at Consultant's option. City shall not be invoiced for any consulting Services totaling less than an hour in any month. The hourly rates in effect as of the Effective Date are as follows:

Principal	\$325 per hour
Programmer	\$295 per hour
Senior Analyst	\$245 per hour
Analyst	\$195 per hour

Consultant may change such hourly rates from time to time, with City consent in writing, upon not less than 30 days' prior written notice to City.