



## City of Needles, California Request for City Council Action

CITY COUNCIL  NPUA

Regular  Special

**Meeting Date:** March 24, 2026

**Title:** Approve Agreement with Hinderliter, de Llamas and Associates (HdL) for Sales and Use Tax Audit and Information Services and Authorize the City Manager to Execute the Agreement

**Background:** The City of Needles has utilized Hinderliter, de Llamas and Associates (HdL) since 2015 to audit and monitor sales and use tax revenues, ensure proper allocation, and recover misallocated funds.

The 2015 agreement established HdL's role in providing ongoing audit, reporting, and recovery services, including coordination with businesses and the California Department of Tax and Fee Administration (CDTFA) to correct allocation discrepancies and increase revenues to the City.

The proposed agreement is a **new agreement that replaces the 2015 agreement** and establishes updated terms and conditions for continued services. While the scope of services remains consistent, the agreement introduces a defined contract term, updated fee structure, expanded reporting capabilities, and modernized legal provisions.

HdL will continue to operate under a performance-based model, with compensation tied to revenues generated through audit and recovery efforts, along with a monthly service fee for reporting and software access. This structure minimizes financial risk while supporting ongoing revenue optimization.

**Fiscal Impact:** The agreement includes a base fee of \$225 per month (\$2,700 annually) and an 18% contingency fee on new or recovered sales and use tax revenues. The base fee is subject to annual CPI adjustments. The initial term is five (5) years with two (2) one-year renewal options, and may be terminated with 60 days' notice. Optional services may be provided at additional cost if requested. Sufficient funds are included in the FY 2025–26 budget. The agreement is structured to remain revenue-positive.

**Recommended Action:** Approve the Agreement with Hinderliter, de Llamas and Associates to provide sales and use tax audit and information services, and authorize the City Manager to execute the Agreement and any necessary related documents.

**Submitted By:** Patrick Martinez, City Manager

**City Manager Approval:** Patrick J. Martinez

**Date:** 3/19/2026

**Other Department Approval (when required):** Mark C. DeMay, CGFM

**Date:** 03/20/26