

**PROFESSIONAL SERVICES AGREEMENT
BUSINESS LICENSE TAX AND TRANSIENT OCCUPANCY TAX SERVICES
HDL SOFTWARE, LLC**

THIS AGREEMENT is entered into this _____ day of _____ 2018, between the CITY OF STOCKTON, a municipal corporation ("City"), and **HdL Software, LLC** whose address is **160 Via Verde, Suite 150, San Dimas, CA 91773** and telephone number is **909-861-4335** ("Consultant").

RECITALS

A. Consultant is qualified to and experienced in facilitating collaboration, teamwork and strategic planning efforts for the purposes specified in this Agreement.

B. City finds it necessary and advisable to use the services of the Consultant for the purposes provided in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and conditions in this Agreement, City and Consultant agree as follows:

1. **Consultant's Services.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide **Business License Tax and Transient Occupancy Tax services** to City described in **Exhibit A**. Consultant shall provide said services at that time, place and in the manner specified in **Exhibit A**.

2. **City Assistance, Facilities, Equipment and Clerical Support.** Except as set forth in **Exhibit A**, Consultant shall, at its sole cost and expense, furnish all facilities and equipment that may be required for furnishing services pursuant to this Agreement. City shall furnish to Consultant only the facilities and equipment listed in **Exhibit A**, according to the terms and conditions set forth in **Exhibit A**.

3. **Term.** This Agreement shall commence on the date written above and shall expire on **June 30, 2023**; provided, however the parties may agree to change either the commencement or expiration date.

4. **Compensation.** City shall pay Consultant for services rendered pursuant to this Agreement as described more particularly in **Exhibit A**. The payments shall be made on a monthly basis, in accordance with the fee schedule attached as **Exhibit B**, and upon receipt and approval of Consultant's invoice. Total compensation for fixed fee services, contingency fees, and reimbursement for costs shall not exceed **\$1,000,000 for the term of the contract**.

a. Invoices submitted by Consultant to City must contain a brief description of work performed, time used and City reference number. Payment shall be made within thirty (30) days of receipt of Consultant's invoice and approved by City.

b. Upon completion of work and acceptance by City, Consultant shall have sixty (60) days in which to submit final invoicing for payment. An extension may be

granted by City upon receiving a written request thirty (30) days in advance of said time limitation. The City shall have no obligation or liability to pay any invoice for work performed which the Consultant fails or neglects to submit within sixty (60) days, or any extension thereof granted by the City, after the work is accepted by the City.

5. **Sufficiency of Consultant's Work.** All reports, drawings, designs, plan review comments and work product of Consultant shall be adequate and sufficient to meet the purposes for which they are prepared.

6. **Ownership of Work.** All reports, work product, and all other documents completed or partially completed by Consultant in the performance of this Agreement shall become the property of the City. Any and all copyrightable subject matter in all materials is hereby assigned to the City and the Consultant agrees to execute any additional documents that may be necessary to evidence such assignment. All materials shall be delivered to the City upon completion or termination of the work under this Agreement. If any materials are lost, damaged or destroyed before final delivery to the City, the Consultant shall replace them at its own expense. Consultant shall keep materials confidential. Materials shall not be used for purposes other than performance of services under this Agreement and shall not be disclosed to anyone not connected with these services, unless the City provides prior written consent.

7. **Proprietary Information of Consultant.** As used in this Section, the term "proprietary information" means any information that relates to Consultant's computer or data processing programs; data processing applications, routines, subroutines, techniques or systems; or business processes. City shall hold in confidence and shall not disclose to any other party any of Consultant's proprietary information in connection with this Agreement, or otherwise learned or obtained by City in connection with this Agreement, unless disclosure is required under federal or state law, including without limitation the Freedom of Information Act or the Public Records Request Act. Consultant shall retain ownership and rights to all proprietary information. The obligations imposed by this Section shall survive any expiration or termination of this Agreement.

8. **Changes.** City may request changes in the scope of services to be provided by Consultant. Any changes and related fees shall be mutually agreed upon between the parties and subject to a written amendment to this Agreement.

9. **Consultant's Status.** In performing the obligations set forth in this Agreement, Consultant shall have the status of an independent contractor and Consultant shall not be considered to be an employee of the City for any purpose. All persons working for or under the direction of Consultant are its agents and employees and are not agents or employees of City.

10. **Termination for Convenience of City.** The City may terminate this Agreement at any time by mailing a notice in writing to Consultant. The Agreement shall then be deemed terminated and no further work shall be performed by Consultant. If the Agreement is so terminated, the Consultant shall be paid for that percentage of the work actually completed at the time the notice of termination is received.

11. **Non-Assignability.** The Consultant shall not assign, sublet, or transfer this Agreement or any interest or obligation in the Agreement without the prior written consent of the City, and then only upon such terms and conditions as City may set forth in writing. Consultant shall be solely responsible for reimbursing subcontractors.

12. **Indemnity and Hold Harmless.** To the fullest extent permitted by law, Consultant shall hold harmless, defend at its own expense, and indemnify the City of Stockton, its officers, employees, agents, and volunteers, against any and all liability, claims, losses, damages, or expenses, including reasonable attorney's fees, arising from all acts or omissions of contractor or its officers, agents, or employees in rendering services under this contract; excluding, however, such liability, claims, losses, damages, or expenses arising from the City of Stockton's sole negligence or willful acts. The duty to defend and the duty to indemnify are separate and distinct obligations. The indemnification obligations of this section shall survive the termination of this agreement.

13. **Insurance.** During the term of this Agreement, Consultant shall maintain in full force and effect at its own cost and expense the insurance coverage as set forth in the attached **Exhibit C** and shall otherwise comply with the other provisions of **Exhibit C**.

14. **Notices.** All notices herein required shall be in writing and shall be sent by certified or registered mail, postage prepaid, addressed as follows:

Consultant: HdL Software, LLC
160 Via Verde, Ste 150
San Dimas, CA 91773

City: City Manager
City of Stockton
425 N. El Dorado Street
Stockton, CA 95202

15. **Conformance to Applicable Laws.** Consultant shall comply with all applicable Federal, State, and Municipal laws, rules, and ordinances. Consultant shall not discriminate in the employment of persons or in the provision of services under this Agreement on the basis of any legally protected classification, including race, color, national origin, ancestry, sex or religion of such person.

16. **Licenses, Certifications and Permits.** Prior to the City's execution of this Agreement and prior to the Consultant's engaging in any operation or activity set forth in this Agreement, Consultant shall obtain a City of Stockton business license, which must be kept in effect during the term of this Agreement. Consultant covenants that it has obtained all certificates, licenses, permits and the like required to perform the services under this Agreement.

17. **Records and Audits.** Consultant shall maintain all records regarding this Agreement and the services performed for a period of three years from the date that final payment is made. At any time during normal business hours, the records shall be made available to the City to inspect and audit.

18. **Confidentiality.** Consultant shall exercise reasonable precautions to prevent the unauthorized disclosure and use of City reports, information or conclusions.

19. **Conflicts of Interest.** Consultant covenants that other than this Agreement, Consultant has no financial interest with any official, employee or other representative of the City. Consultant and its principals do not have any financial interest in real property, sources of income or investment that would be affected in any manner of degree by the performance of Consultant's services under this Agreement. If such an interest arises, Consultant will immediately notify the City.

20. **Waiver.** In the event either City or Consultant at any time waive any breach of this Agreement by the other, such waiver shall not constitute a waiver of any other or succeeding breach of this Agreement, whether of the same or of any other covenant, condition or obligation.

21. **Governing Law.** California law shall govern any legal action pursuant to this Agreement with venue for all claims in the Superior Court of the County of San Joaquin, Stockton Branch or, where applicable, in the federal District Court of California, Eastern District, Sacramento Division.

22. **No Personal Liability.** No official or employee of City shall be personally liable to Consultant in the event of any default or breach by the City or for any amount due Consultant.

23. **Exhibits.** All exhibits referred to herein are attached hereto and are by this reference incorporated herein.

24. **Scope of Agreement.** This writing constitutes the entire Agreement between the parties. Any modification to the Agreement shall be in writing and signed by both parties.

THIS AGREEMENT executed the date and year first above written.

CITY OF STOCKTON

Kurt O. Wilson, City Manager

ATTEST:

Bret Hunter, City Clerk

APPROVED AS TO FORM:
John M. Luebberke, City Attorney

Deputy City Attorney

HDL SOFTWARE, LLC

By: _____

Signature

Print name

Title: _____

[If Consultant is a corporation
signature(s) must comply with
Corporations Code §313.]

**EXHIBIT A
SCOPE OF WORK**

A. STATEMENT OF WORK

Consultant shall provide the following services including City and City's business community access to Consultant's on-line web application:

1. BUSINESS LICENSE TAX

Consultant shall implement a Business License Tax Compliance Management program designed for discovery, audit and collections of various locally administered municipal businesses. Consultant shall 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.

1.1 General Services

1.1.1 Project Planning and Implementation

Consultant's project management team shall work in partnership with the City to develop a detailed outline of the work plan and specific services/options deployed. During the project planning period, the City will review and approve general timelines and milestones for project implementation as well as project details such as language for business correspondence and other operational items. Consultant shall provide flexible project plans that evolve with the program, allowing Consultant and the City to quickly make course corrections along the way to address needs or concerns that may arise.

1.1.2 Communication

Consultant understands that the key to any partnership is communication. Consultant shall ensure the free flow of information between the City and the Consultant's Compliance Management team by establishing clear guidelines during project planning. Consultant shall provide multiple points of contact for City personnel and shall provide scheduled progress meetings via teleconference, webinars, and in person meetings.

1.1.3 Consulting and Support

In addition to the Discovery and Audit services delivered by Consultant under the Compliance Management Program, the Consultant shall provide a team of experts that include Certified Revenue Officers(CRO), former Finance Directors and City Managers and other team members with decades of

experience in servicing local government for the City to use. Consultant shall make these resources available to the City to provide support on complicated tax nexus issues, best practice approaches, sample documents and forms, ordinance reviews and other tax compliance and management related issues.

1.1.4 Reporting

Consultant shall deliver a suite of reporting options that capture a summary of the activities as well as details performed under the individual programs. Consultant shall provide a variety of standard weekly, monthly, quarterly and annual reports as well as the option to customize and develop unique reporting solutions to meet the City's ad-hoc requests.

1.1.5 Online Services

Consultant shall provide City and its business community online functionality to the Consultant's Compliance Management Program. The City will have access to a variety of services such as reporting and account lookups, and the City's business community will have access to file their applications, make payments, correspond with tax specialists and receive assistance for their business questions all online.

1.1.6 Dispute Resolution

Whether a dispute arises from a newly registered business or from a deficiency determination on an existing business, Consultant shall support the City in resolving disputes arising from the City's business community. Consultant's shall utilize its dispute resolution process to assist the City in resolving taxpayer issues by providing ordinance reviews and interpretation, best practices, case law updates, expertise on nexus issues, refund defense, and other services tailored to assist the City in administering business.

1.2 Business License Tax Discovery Services

Consultant shall apply the Business License Tax Discovery component of their Compliance Management Program to identify businesses that are subject to taxation under the City Municipal Code which are not registered and not paying the Business License Tax. Consultant shall identify businesses physically located within the boundaries of the City, and those businesses that may conduct business within the City while having an intermittent or no physical presence. The Consultant's performance of the Business License Tax Discovery Program services shall include:

1.2.1 Enriched Data Portfolio / Lead Identification

Utilizing data provided by the City, as well as the Consultant's Enriched Data Portfolio (EDP), Consultant shall build a comprehensive inventory and an enhanced listing of businesses subject to taxation in the City. Consultant shall facilitate a comprehensive comparative analysis with the City's records of those business that are registered. Consultant shall match these businesses electronically to the existing files of the City using advanced data matching algorithms, allowing Consultant to identify which businesses are non-reporting, non-registered and not compliant, and which businesses require follow up.

1.2.2 Field Surveys

Consultant's experienced field crews, equipped with the most advanced tools available (mobile mapping/GPS systems, tablet computers pre-loaded with various City and state-wide databases, etc.) shall physically canvass commercial areas of the City to develop and enhance the leads identified in the EDP and to validate businesses identified as unregistered or nonreporting. The Field Surveys shall provide additional inventories of active businesses, and provide on-site verifications of data culled from other sources.

1.2.3 Exception Resolution

Consultant shall review City records and filter out records that may lead to erroneous contacts. Consultant shall review City records to locate duplicate entries, unclosed businesses, change in deed information/new ownership. This extra step allows Consultant to find additional revenues not otherwise identifiable through electronic means and assists in reducing potential complaints levied at City staff and management.

1.2.4 Compliance Communication and Outreach

Upon completion of the exception resolution process, Consultant shall initiate contact with the identified and confirmed, unregistered or non-reporting businesses to educate the businesses regarding the City's business license tax requirements, reporting and renewal requirements, assist the businesses in completing the City's applicable registration form(s) and determine the amount of business license tax and penalties due for the current and prior periods. Consultant shall simplify the process for businesses and shall utilize a variety of City approved communication methods including mail, telephone, email and web-site access to notify potential non-compliant entities of their options to comply or dispute their non-compliant status. Initial notification packets prepared by Consultant shall include everything a business needs to

become compliant and multiple methods of resolving their accounts.

1.2.5 Business Assistance Center

Consultant shall maintain a Business Assistance Support and Service Center for the City's business community to access support during normal business hours. Consultant shall establish a toll-free line for City's businesses to call and the toll-free line shall have minimal hold times along with access to a variety of options which include filing support, payment options, resolution of specific tax issues and other services designed to reduce the burden of registering and filing taxes. Consultant's experts, including resident Certified Revenue Officers (CRO), shall implement a business friendly and education centric approach to supporting the business community in all aspects of the compliance process.

1.2.6 Business Assistance Center Online

Consultant shall provide to City's online businesses a range of services that are available on-line, 24 hours a day, seven days a week. These services include Consultant's Flex File which allows businesses to file their new business registration as well as make payments via Consultant's on-line filing portal. In addition to filing and paying for taxes, City's businesses can obtain copies of Business License applications, general support and FAQs, schedule appointments and request copies of their tax registration.

1.2.7 Document Submission/Processing

Prior to Consultant processing each Business License application received from businesses located in the City limits, Consultant shall review the application for completeness and accuracy. As a pre-requisite or courtesy to the businesses, Consultant shall request or forward additional documentation needed to complete the approval of a submission, such as a home occupation permit, to other City departments. All submissions shall be filed and stored electronically by Consultant and made available to the City via the remittance process described below or upon request.

1.2.8 Invoicing

Consultant shall approve the Business License application, and forward invoices to the business indicating detailed tax calculations and balances owed. Consultant shall provide businesses the opportunity to pay their balances via mail, online, or over the phone services. Consultant shall provide businesses continued access to Consultant's Business

Support Center for any questions or disputes arising from the invoice process.

1.2.9 Remittance

Consultant shall ensure that the amount of payment received from businesses is correct. Upon collection of all requirements including the payment from the businesses, business license application, registration forms and/or other documentation, Consultant shall prepare a remittance package for the City that includes payment, as well as, copies of all taxpayer correspondence and other relevant information. Consultant shall submit remittances to the City no less than once per week, and by the next business day following the City's fiscal year end (June 30th) each year.

Consultant may submit remittance packages electronically via the Consultant's electronic remittance process. If Consultant is utilizing the electronic remittance option, completed and approved business license applications together with all relevant information shall be provided to the City in an electronic image format with revenues distributed to the City in one payment net Consultants fees. Consultant's use of the electronic remittance option allows the City to upload the data directly to the City's database saving data entry time.

2. COMPLIANCE AUDIT SERVICES:

Consultant shall use its Business Tax Audit program to confirm that registered businesses are compliant with local reporting requirements and shall educate the business community in proper renewal and reporting procedures. Consultant shall establish a comprehensive inventory of the registered businesses subject to taxation by City and perform an analysis of records of those entity's current and prior year's tax remittances. Consultant shall ensure businesses are reporting accurately, and shall ensure City is receiving the business license tax revenues. The Business License Tax Audit Program shall include:

2.1 Analysis and Selection

Consultant shall select potential audit candidates and meet with designated City staff to review and discuss potential audit candidates and mutually agree which business will be subject to audit review. Consultant shall provide to City preliminary analysis reports on each business selected prior to moving through the audit phases. Consultant shall only review/audit those businesses approved or requested by City.

2.2 Audit Notification and Scheduling

Consultant shall send a letter two (2) weeks in advance of the proposed audit date to the approved business notifying them of a scheduled Compliance Analysis Audit. Consultant shall make every effort to promote a positive experience for the taxpayer. Consultant shall include in the letter a detailed description of the requirements and relevant documentation required for the audit. If the business is unable meet the audit date selected by the City all efforts to reschedule the audit to a more accommodating date shall be made by the Consultant. Consultant shall provide businesses the opportunity to schedule flexible appointment times by contacting Consultant's Business Support Center or visiting Consultant's online support center.

2.3 Compliance Analysis and Audit

Consultant's audit team shall audit the financial records of the business to determine compliance with business tax regulations. Consultant shall compare audit records with City's records to identify potential under reporting or misclassified businesses subject to City's license tax. Consultant shall validate taxing variables such as gross receipts and other relevant information for determining compliance. In addition to identifying underreporting issues, the Consultant shall also focus on other compliance related issues such as assuring correct classifications, multiple location allocation, apportionment issues, and identifying business to business relationships that may create tax liability for 3rd parties. Consultant shall determine the amount of deficient tax owed for current and prior periods including applicable penalties. Consultant shall submit audit summaries to City for review and approval of calculated deficient tax owed.

2.4 Audit and Compliance Report

Upon Consultant's completion of the audit and analysis, and prior to additional actions, Consultant shall generate a monthly compliance report in a format to be mutually agreed upon by the Consultant and City and specified in the work plan, and review the report with the City. The report shall indicate specific results of the review and recommended future actions. Consultant shall include documentation that substantiates the findings in the report so the City and Consultant can determine the next step of the process,

2.5 Deficiency and Commendation Notification

Upon Consultant's and City's final review of the audit and analysis report, Consultant shall notify businesses that are found to have deficiencies of the findings, as well as, the payment and appeal

processes. Consultant shall work with these businesses to educate each business where the review/audit identified a tax deficiency of the City's reporting and renewal requirements to prevent recurring deficiencies. Consultant shall send a commendation letter to the business license taxpayers who are found to be in compliance thanking them for being in compliance.

2.6 Invoicing and Collections

2.6.1 After approval of audit summary by City, Consultant shall invoice businesses through the standard City approved collections process for deficient tax and penalties owed. Consultant shall provide businesses with documentation supporting audit findings and deficient taxes/penalties owed. Consultant shall provide copies of all invoices and supporting documentation to City no later than three (3) business days after mailing of invoices.

2.6.2 Consultant shall collect balances and remit to City, through the City approved remittance processes, along with supporting documentation.

2.6.3 Consultant shall pursue collection of all deficient taxes and penalties invoiced in accordance with the guidelines for collections established in the work plan.

3. TRANSIENT OCCUPANCY TAX SERVICES (TOT)

Consultant shall perform TOT/TBID to City to increase compliance, recover all of the TOT revenue to which it is entitled, and mitigate errors that may lead to long and drawn out battles for collections and to educate the third-party collectors and remitters of TOT/TBID to ensure maximum future compliance with the City's related codes and ordinances. Consultant shall perform a full administration program including providing monthly monitoring of each TOT/TBID return which removes the burden of administration from the City. Through Consultant's TOT/TBID Administration Program, the City shall benefit from streamlined return processing, online reporting, and increased revenues while the lodging community shall 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.

3.1 Tax Registration Database Management

Consultant shall transfer City's existing databases related to TOT/STR, into Consultant's internal administration tools. Consultant shall maintain the data and provide reports to the City on a quarterly basis.

3.2 Ordinance and Process Review

Consultant shall perform the following tasks:

- 3.2.1 Review City's ordinances and resolutions requiring the collections and remittance of lodging taxes and fees due to the City to identify possible deficiencies, areas subject to legal challenge, or missing provisions such as successor liability. When misapplication is identified, calculate the amount of the deficiency and report back to City.
- 3.2.2 Review City's procedures in applying the ordinance to identify potential challenges based on administration of the ordinance.
- 3.2.3 Compare City's key ordinance provisions to ordinances of cities of comparable size and demographics.
- 3.2.4 Provide a written report to the City identifying provisions of the City ordinance that may warrant further review;
- 3.2.5 Meet with the City to discuss the findings and report, as well as select provisions or administrative recommendations for further review.
- 3.2.6 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.
- 3.2.7 Review hotel operator's internal controls relating to the preparation of the monthly lodging taxes and fees returns to determine the adequacy of those procedures over the calculation and reporting of lodging taxes due to City.

3.3 Return Processing

Consultant shall process TOT/TBID filings within five (5) days of receiving submission from lodging provider taxpayer community. Consultant shall send by email, mail or fax TOT/TBID (each hotel) accounts all applicable forms necessary to complete the renewal process.

3.4 New Account Processing

Consultant shall process any new TOT/TBID registrations for Lodging Establishments that change hands or are newly offered properties.

3.5 Payment Posting/Processing

Consultant shall contact hotel operators to determine that payments remitted were based on verifiable and correctly calculated revenue. Consultant shall process all payments made for new and existing lodging providers. Consultant shall update TOT/TBID accounts with payment information and revenues shall be remitted to the City net Consultant's fees on no less than a monthly basis.

3.6 Customer Support Center

Consultant shall provide lodging providers with multiple support options for registering, filing returns, making payments and for general inquiries. Consultant shall provide lodging providers a Stockton specific local telephone number to in order to access one of the Consultant's tax specialists Monday-Friday 8:00 a.m. to 5:00 p.m. Pacific Standard Time. Consultant shall provide Lodging providers access to support via, e-mail, fax, and via the Support Center On-Line.

3.7 On-Line Filing & Payment Processing

With input from the City, Consultant shall create a custom web site and domain for taxpayers to submit online forms, returns, and payments along with other customer support related items.

3.8 Compliance Monitoring & Lodging Provider Audits

Consultant shall ensure accurate filings of TOT/TBID returns by consistently monitoring returns and conducting desk audits as needed. Consultant shall provide full on-site compliance audits as mutually agreed to by the City and Consultant, ensuring all providers are audited at least once every three (3) years.

3.9 Reporting

3.9.1 In addition to standard monthly reports, Consultant shall provide the City with annual analysis reports designed to provide key insights in the lodging provider community and the details on reporting of each lodging provider.

3.9.2 Consultant shall prepare the following reports:

- a. Trend Analysis for Lodging Taxes and Fees: Indicate growth and decline comparison by various categories for forecasting and analysis, on a quarterly basis.
- b. Projections: For budgetary purposes, provide TOT/TBID projections based on optimistic, pessimistic and most likely

economic conditions on a quarterly basis, (including one (1) five-year revenue forecast annually).

3.9.3 Lodging Tax and Fee Legislative Analysis, Risk Analysis, and Reporting Services:

- a. Consultant shall provide quarterly updates of state and federal legislation affecting Lodging Tax and Fee procedures and collections including analysis on economic impact.
- b. Consultant shall provide revenue risk analysis as a result of changes in technology.
- c. Consultant shall make recommendations on ordinance and code changes as appropriate to protect and enhance current and future lodging revenue sources.

3.9.4 The Consultant shall develop a tax collection methodology for online lodging platforms (e.g., VRBO, Airbnb, Couchsurfing, HomeAway).

3.10 Specific Scope – Lodging Provider Audits

3.10.1 Audit Notification & Scheduling

Consultant shall submit a letter to lodging providers selected by Consultant and approved by the City and scheduled the lodging provider for a Compliance Analysis Audit. Consultant shall promote a positive taxpayer experience. Consultant shall remind lodging providers of the documents required for the audit that were discussed in webinars and previous communications. Consultant shall provide lodging providers the opportunity to schedule flexible appointment times by contacting the Consultant's Business Support Center or visiting Consultant's online support center.

3.10.2 Compliance Analysis & Audit

Consultant shall review the books and records of the lodging provider to determine compliance with transient occupancy tax regulations. Consultant shall validate 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.

3.10.3 Audit & Compliance Report

Upon Consultant's completion of the audit and analysis, and prior to additional actions, Consultant shall generate a compliance report enumerating the audit procedures performed and the results of those audits procedures, and review the report with the City. The report shall include a

findings section that shall identify any exceptions, errors, internal control weaknesses, lodging taxes, fees due, and noncompliance and indicate specific results of the reviews and recommended actions. Consultant shall include documentation with the report to assist the City and Consultant in determining the next steps.

3.10.4 Deficiency and Commendation Notification

Upon Consultant's final review of the compliance report with the City, lodging providers that are found to have deficiencies are notified by Consultant of the findings, as well as, payment and appeal processes. Consultant shall schedule appointments with the taxpayers to review the findings and educate taxpayers on proper filing procedures designed to prevent future errors and deficiencies. Consultant shall hold exit conference meetings with the lodging providers and discuss issues identified in the report submitted to the City and the expected next steps. Lodging Providers found to be in compliant, are sent a commendation letter thanking them for their cooperation and compliance.

3.10.5 Invoicing & Collections

Upon request from City, Consultant shall invoice lodging providers found to be underreporting through the Consultant's standard compliance program using City approved processes. Consultant shall provide Taxpayers access to all of the services provided through Consultant's compliance program including the Taxpayer Support Center and online support systems, including options to make payments of outstanding tax balances online. Consultant shall collect balances and shall remit 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.)

3.11 Short Term Rental Services

3.11.1 Consultant's Short-Term Rental (STR) Program, is provided to ensure compliance and education of lodging providers, including short term rental hosts (STR Hosts), in transient occupancy tax regulations and filing procedures, regulatory permits and licensing, and other City specific goals and objectives. Consultant's program ensures a modular, customer service centric approach, that reduces City administrative costs and provides the City with assurances of future compliance and reporting

practices from the City's short-term rental lodging industry.

- 3.11.2 Consultant shall provide a detailed analysis of STR listing on a variety of published methods, including Airbnb, Home Away, VRBO, etc. This process creates a full inventory of short term rentals within the City's proscribed geographic boundary, including the full name of the owner and the physical address of the unit. Each STR is tracked and updated nightly with valuable data that can include items such as number of nights rented, average occupancy rates, room rates, as well as trend and usage reporting.
- 3.11.3 Following identification, Consultant shall conduct a targeted education and compliance campaign designed to inform STR Hosts of their obligations to file and remit taxes and other requisite licenses and permits as may be needed. Each lodging provider is provided a full overview of the requirements and how to best comply both in the present and the future. During the registration process, Consultant shall provide a variety of support options to the community including online filing, file-by-phone, email, and registration via standard mail. Consultant's tax and license specialists shall be available throughout the process to provide support to the STR community and to assist in the registration process.
- 3.11.4 Once registered, Consultant shall move accounts into a standard administration process. Consultant manages the filing of tax returns and other prerequisites on a quarterly or monthly basis, depending on City requirements. This includes mailing of tax returns, processing of payments, customer support, delinquency follow up, and the development and management of an online portal for registration, filing, payments, and other support related needs.

3.12 STR Identification & Monitoring

Consultant shall compile a list of all actively posted short term rentals available from a wide array of sources. Lists are compiled and aggregated to accommodate duplicate listings from various sites. During the identification and monitoring process, Consultant shall:

- 3.12.1 Scan over 20 different rental sites, including global aggregators like HomeAway/VRBO, Airbnb, Turnkey.com, and Booking.com, national aggregators like Vacasa and Turnkey and small, local property management firms.
- 3.12.2 Match Listings to specific parcels using GIS and property tax assessor data.
- 3.12.3 Create comparison reports to determine which properties may already be compliant or registered and paying taxes.
- 3.12.4 Provide visual map of all listings within the City.
- 3.12.5 Record listing details such as start date, various sites linked to, other information necessary for documenting evidence of STR activity.
- 3.12.6 Continually monitor activity to identify and record new listings and closures to ensure accurate real-time identification and monitoring.

3.13 Education, Registration, and Compliance

Using the list of active STR listings, Consultant shall conduct a series of City approved education-based programs ranging from mailers to direct phone contacts. Each education based packet and contact shall contain all the information necessary to obtain registration and comply with local requirements. Consultant shall assist STR hosts throughout the program with information and support with all aspects of becoming compliant. During this program, Consultant shall:

- 3.13.1 Validate listing to ensure proper identification and filter out records that may lead to erroneous contacts.
- 3.13.2 Notify non-compliant taxpayers with a series of education-based packets designed to garner compliance.
- 3.13.3 Provide a support center for assistance with general questions, support, and assistance with filing and paying renewal returns.

- 3.13.4 Provide online portal with links to FAQs, education packets, and support for registering, filing returns, and making payments online.
- 3.13.5 Follow up with non-compliant lodging provider accounts to obtain registration.
- 3.13.6 Work with City to identify additional requirements and ensure collection of data necessary to enforcement procedures.
- 3.13.7 Establish optional implementation items such as amnesty

**EXHIBIT B
FEE AND REMITTANCE SCHEDULE**

- A. Pursuant with Paragraph 4 of this Agreement, Consultant shall be compensated for the Work described in Exhibit A as follows:

1. Business License Tax

a. Discovery

The fee for performing discovery services shall be a contingency fee of **35%** of the revenues received as a result of the service provided Consultant. This fee applies to monies received for the current tax/license period and any other prior period collected, including monies received for taxes, penalties, interest, and fees.

b. Travel Expenses

Travel and lodging expenses for all meetings; including, process, training, and support, shall be billed at cost. Consultant shall ensure travel costs are required and reasonable.

c. Remittance

Consultant shall submit collected Business License remittances to the City no less than once per week, and by the next business day following the City's fiscal year end (June 30th) each year.

2. Compliance Audit Services

a. Audit

Consultant's fee for performing Audit services shall be a contingency fee of **35%** of the revenues received as a result of the service. This fee applies to monies received for the current tax/license period and any other prior period collected, including monies received for taxes, penalties, interest, and fees.

b. Collection

Consultant's fee for performing collections services shall be a contingency fee of **25%** of the revenues received as a result of the service. This fee applies to monies received for the current tax/license period and any other prior period collected, including monies received for taxes, penalties, interest, and fees.

c. Travel Expenses

Travel and lodging expenses are billed at Consultant's cost and apply to all meetings; including process, training, and support. Consultant shall ensure travel costs are required and reasonable.

3. Transient Occupancy Tax

a. Operations Management Services

Consultant shall be compensated a fixed fee of **\$650** per lodging provider property per year plus annual CPI for performing Operations Management Services related to transient occupancy tax.

b. CPI Adjustment

Fees for Operations Management Services are adjusted at the beginning of each calendar year by the change in the Consumer Price Index –West Urban (CPI-WU) as reported by the Bureau of Labor Statistics.

c. Travel Expenses

Travel and lodging expenses are billed at Consultant's cost and apply to all meetings; including process, training, and support. Consultant shall ensure travel costs are required and reasonable.

d. Remittance

Consultant shall update Business License accounts with payment information and revenues shall be remitted to the City net Consultant's fees on no less than a monthly basis.

4. Short Term Rental Management Services

Fee for the administration of the Short-Term Rental Services shall be 15%, of revenues collected with a minimum charge of \$5,000.00 for the term of the contract.

5. Invoice

Consultant shall remit invoices to the following:

City of Stockton
Attn: Revenue
425 North El Dorado Street
Stockton, CA 95202

6. Revenue Remittance

Consultant shall issue revenue remittances to the following:

City of Stockton
Attn: Revenue
425 North El Dorado Street
Stockton, CA 95202

EXHIBIT C

INSURANCE REQUIREMENTS FOR PROFESSIONAL SERVICES

Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives, or employees.

MINIMUM SCOPE AND LIMIT OF INSURANCE

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **\$1,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the **general aggregate limit shall be twice** the required occurrence limit.
2. **Automobile Liability:** Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Consultant has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than **\$1,000,000** per accident for bodily injury and property damage.
3. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease. *(Not required if consultant provides written verification it has no employees)*
4. **Professional Liability (Errors and Omissions)** Insurance appropriate to the Consultant's profession, with limit no less than **\$1,000,000** per occurrence or claim, **\$2,000,000** aggregate. (If Claims-made, see below.)

If the Consultant maintains higher limits than the minimums shown above, the City of Stockton requires and shall be entitled to coverage for the higher limits maintained by the consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City of Stockton.

Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

Additional Insured Status

The City of Stockton, its Mayor, Council, officers, representatives, agents, employees and volunteers are to be covered as additional insureds on the CGL

policy and AL policy with respect to liability arising out of work or operations performed by or on behalf of the Consultant including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Consultant's insurance (**at least as broad as** ISO Form CG 20 10 11 85 or both CG 20 10 and CG 20 37 forms if later revisions used).

Primary Coverage

For any claims related to this contract, the **Consultant's insurance coverage shall be endorsed as primary** insurance as respects the City of Stockton, its Mayor, Council, officers, representatives, agents, employees and volunteers. Any insurance or self-insurance maintained by the City of Stockton, its Mayor, Council, officers, representatives, agents, employees and volunteers shall be excess of the Consultant's insurance and shall not contribute with it. The City of Stockton does not accept endorsements limiting the Consultant's insurance coverage to the sole negligence of the Named Insured.

Notice of Cancellation

Each insurance policy required above shall state that **coverage shall not be canceled, except with notice to the City of Stockton.**

Waiver of Subrogation

Consultant hereby grants to City of Stockton a waiver of any right to subrogation which any insurer of said Consultant may acquire against the City of Stockton by virtue of the payment of any loss under such insurance. Consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City of Stockton has received a waiver of subrogation endorsement from the insurer.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the City of Stockton Risk Services. The City of Stockton may require the Consultant to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII if admitted to do business in the State of California; if not admitted to do business in the State of California, insurance is to be placed with insurers with a current A.M. Best's rating of no less than A+:X.

Claims Made Policies

If any of the required policies provide coverage on a claims-made basis:

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.

2. If Claims Made policy form is used, a three (3) year discovery and reporting tail period of coverage is required after completion of work.

Verification of Coverage

Consultant shall furnish the City of Stockton with original certificates and amendatory endorsements required by this clause. All certificates and endorsements are to be received and approved by the City of Stockton Risk Services before work commences. Failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. The City of Stockton reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time, for any reason or no reason.

Consultant shall, prior to the commencement of work under this Agreement, provide the City of Stockton with a copy of its Declarations Page and Endorsement Page for each of the required policies.

Certificate Holder Address

Proper address for mailing certificates, endorsements and notices shall be:

- City of Stockton
- Attention: Risk Services
- 425 N El Dorado Street
- Stockton, CA 95202

City of Stockton Risk Services Phone: 209-937-5037

City of Stockton Risk Services Fax: 209-937-8558

Maintenance of Insurance

If at any time during the life of the Contract or any extension, the Consultant fails to maintain the required insurance in full force and effect, all work under the Contract shall be discontinued immediately. Any failure to maintain the required insurance shall be sufficient cause for the CITY to terminate this Contract.

Subcontractors

Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Consultant shall ensure that City of Stockton is an additional insured on insurance required from subcontractors.

Special Risks or Circumstances

City of Stockton reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.