



## AGENDA REPORT

**Meeting Date:** November 5, 2013

**Item Number:** D-5

**To:** Honorable Mayor & City Council

**From:** Mark A. Brower, Utility Billing & Customer Services Manager

**Subject:**

- A. A RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS DESIGNATING A CONSULTANT (HDL COMPANIES) AS THE AUTHORIZED CITY REPRESENTATIVE TO EXAMINE SALES AND USE TAX RECORDS; AND
- B. AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND HDL COMPANIES FOR REVENUE ENHANCEMENT SERVICES RELATED TO SALES TAX, PROPERTY TAX, TRANSIENT OCCUPANCY TAX AND BUSINESS TAX; AND
- C. APPROVAL OF A PURCHASE ORDER IN THE AMOUNT OF \$585,000 TO HDL COMPANIES FOR REVENUE ENHANCEMENT SERVICES

**Attachments:**

- 1) Resolution
- 2) Agreement

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### **RECOMMENDATION**

Staff recommends that the City Council move to approve the resolution, purchase order and agreement with HdL Companies for revenue enhancement services.

### **INTRODUCTION**

The City has contracted with MuniServices, LLC to provide revenue enhancement services since 1992. The City recently completed a RFP for revenue enhancement services. Proposals were received from MuniServices, LLC and HdL Companies. Staff is recommending the Council approve an agreement and related actions with HdL Companies.

## **DISCUSSION**

### **Overview**

The City contracts for revenue enhancement services, which includes discovery of non-compliant business entities, business tax, sales tax, property tax and transient occupancy tax revenue enhancement audits. In addition collection and recovery services from non-payment of taxes, compliance audits and information services are used as tools to enhance local revenue.

These services have been contracted since 1992 and this product is considered a vital revenue protection and enhancement tool. HdL Companies works exclusively with the government sector and has the experience and expertise necessary to continue to protect the City's vital general fund revenues.

Over the past twenty years there have been significant advances within the revenue enhancement services industry that resulted in more cost effective and more automated ways to identify unregistered businesses and payment trends. These advancements have led to more accurate results and an opportunity to provide the same or enhanced level of service for a reduced cost.

As a result, Staff requested proposals for the City's existing services. Additionally, a comprehensive evaluation of the City's current needs was completed to determine if the previously contracted services were necessary.

After a comprehensive analysis of the City's revenue operations, it was determined that revenue enhancement services are still critical to the protection and enhancement of the City's business tax, sales tax, property tax and transient occupancy tax. Together these revenue sources account for nearly 76% (\$140 million) of the City's general fund revenue. Further, it was determined that HdL would provide the highest level of service for the most competitive price.

Founded in 1983, HdL has delivered revenue insight and efficiency to local governments for 30 years. They provide revenue enhancement services to over 355 local governments in California and have recovered more than \$1.5 billion in revenue for its clients.

Through HdL's services and audits of the City's business and transient occupancy taxes, audits of point of sale reporting of sales tax to the State and review of property tax allocations, the City will be assured that revenues in these vital areas are continually monitored and errors and omissions, by both tax payers and other taxing authorities are caught and corrected. In addition, HdL Companies will provide research and information related to the City's economic base aiding the economic development efforts of City staff and the Chamber.

### **Operational Details**

The City has a full time business tax staff of three (3), who are responsible for the daily management of over 11,000 accounts. This work consists of daily customer service support, processing new business tax applications, discovery of businesses that are operating within the City without the required certificate, conducting random field audits of businesses and conducting filed audits of businesses that are not compliant with the City's municipal code.

This team also monitors and audits the City's transient occupancy tax. This team is additionally responsible for the annual business tax renewal process, which collects over \$37 million dollars from 11,000 customers in a one and a half month period.

### *Business Tax*

In order to protect the City's business tax along with the other three main tax revenues, it is critical to supplement Staff's activities with a contractor that specializes in municipal revenue enhancement services.

The work related to municipal revenue enhancement is very complex and labor intensive. Additionally, it is not cost effective or practical to build the internal capabilities necessary to conduct this work in-house.

HdL has the ability to cull business information from all available sources including but not limited to the City's databases, professional association lists, Board of Equalization data, and online directories. Additionally, they conduct annual field audits where HdL Staff are employed to physically canvass the City to identify all operating businesses. This data is compared and a list of unregistered businesses is identified. HdL contacts these businesses and educates them on the City's requirements and walks them through the steps necessary to register.

This specialized and labor intensive process is very effective and is best conducted by the City's vendor. The City's Revenue Investigators are best used to address non-compliant businesses.

Additional work to be completed by HdL includes supplemental businesses audits, assistance with municipal code enforcement, conducting specialized quarterly projects such as strategic business audits, detailed analysis of payment trends, and education and outreach programs for local businesses. A comprehensive scope of services is attached.

### *Sales Tax*

The sales tax analysis is even more specialized and requires the collection and analysis of Board of Equalization data along with available gross receipt information. This work also requires extensive knowledge of arcane allocation rules by which the Board of Equalization is guided. Using HdL's proprietary data analysis tools along with their extensive database of Beverly Hills data that dates to 1991, they will conduct trend analysis to determine if a business is under or misreporting their sales tax. HdL will also compare the business tax records to the records of businesses paying sales tax to identify unregistered or underreporting businesses.

Additionally, HdL will meet quarterly with the City's finance and economic develop teams to discuss sales tax trends which will aid in the development in business enhancement and retention programs and ensure the City's budgeted sales tax amounts are in line with the projected actual receipts.

HdL will provide additional enhanced services that are outlined in the attached scope of services.

### *Property Tax*

Property tax analysis is also very complicated due to there being two broad categories of property (real and personal); three tax rolls (secured, unsecured and state assessed), and numerous peculiarities such as possessory interests. Additionally, the revenue generated by the property tax system are distributed to a myriad of taxing entities including cities, counties, schools, and special districts, both directly and as pooled allocations.

HdL's property tax information system is designed to address these subtleties and effectively incorporates purchased real estate data and publically available data to analyze tax roll information.

#### *Transient Occupancy Tax (TOT)*

HdL will work closely with the City's transient occupancy tax contributors (primarily hotels) to educate them on the proper accounting and payment of the required tax. Through proactive educational efforts, the City will be able to reduce the occurrences of misreported tax amounts and as a result, will decrease the penalties and interest these businesses incur.

HdL will also monitor Transient Occupancy Tax (TOT) filings and payment activity to ensure consistent scrutiny of monthly returns. Based on their findings, HdL will reactively provide additional educational support to misreporting businesses in order to quickly resolve reporting issues.

They will also provide audit resources and other TOT administration items directed by the City. Similar to the audit program for business tax, HdL will serve in a support capacity allowing the City to direct the activities as needed based on monthly monitoring results.

#### **FISCAL IMPACT**

Funds are budgeted and are available in the General Fund (0101704) for this purpose. The purchase order for HdL Companies for FY 2013/14 is not to exceed \$585,000. This amount will be prorated for the current fiscal year.

The annual cost of the previous agreement was \$900,000 per year. The recommended agreement with the new vendor is for a maximum of \$585,000 per year, a savings of \$315,000 per year.

Additionally, the work outlined in the proposed agreement will lead to the identification and collection of additional general fund revenue. This additional revenue will help offset the cost of this service.

  
Don Rhoads  
Finance Approval

# **Attachment 1**

**RESOLUTION NO. 13-R-**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS  
DESIGNATING A CONSULTANT (HDL COMPANIES) AS THE AUTHORIZED  
CITY REPRESENTATIVE TO EXAMINE SALES AND USE TAX RECORDS**

**WHEREAS**, pursuant to California Revenue and Taxation Code Section 7200, et. seq., the City of Beverly Hills has adopted a sales and use tax ordinance (BHMC Section 3-1-101 et. seq.) which imposes a tax and provides a measure that can be administered and collected by the State Board of Equalization (or "Board") along the same and existing statutory and administrative procedures followed by the State Board of Equalization in administering and collecting the California State Sales and Use Taxes; and

**WHEREAS**, pursuant to California Revenue and Taxation Code Section 7056, the City of Beverly Hills, by resolution, may designate any officer, employee or any other person to examine all of the sales and use tax records of the Board pertaining to sales and use taxes collected for the City; and

**WHEREAS**, the City of Beverly Hills has entered into an agreement for a sales tax audit and information services with the firm of HdL Companies, to designate HdL Companies as the authorized Consultant to examine such sales tax records maintained by the Board on behalf of the City of Beverly Hills; and

**WHEREAS**, all legal prerequisites prior to the adoption of this Resolution have occurred.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Beverly Hills as follows:

Section 1. In all respects as set forth above, the City Council of the City of Beverly Hills hereby certifies to the State Board of Equalization that HdL Companies is the designated representative of the City of Beverly Hills to examine all of the sales and use tax records of the Board pertaining to sales and use taxes collected by the Board on behalf of the City of Beverly Hills.

Section 2. Pursuant to California Revenue and Taxation Section 7056(b), the City Council of the City of Beverly Hills certifies that HdL (hereinafter referred to as "Consultant") meets all of the following conditions:

- a. Consultant has an existing contract with the City to examine sales tax records;
- b. Consultant is required by that contract to disclose information contained in, or derived from, those sales tax records only to an officer or employee of the City who is authorized by resolution to examine the information;
- c. Consultant is prohibited by the contract from performing consulting services for a retailer during the term of the contract; and

- d. Consultant is authorized by the contract to continue retaining the information contained in, or derived from, those sales tax records for three (3) years after the contracts have expired.

Section 3. The City Clerk shall certify to the adoption of the Resolution and shall cause the Resolution and his certification to be entered in the Book of Resolutions of the Council of the City.

Adopted:

\_\_\_\_\_  
JOHN A. MIRISCH  
Mayor of the City of  
Beverly Hills, California

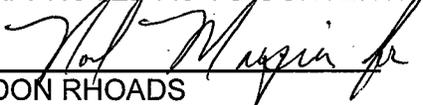
ATTEST:

\_\_\_\_\_(SEAL)  
BYRON POPE  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

  
\_\_\_\_\_  
DON RHOADS  
Director of Administrative Services/  
Chief Financial Officer

# **Attachment 2**

AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND HdL  
COMPANIES FOR REVENUE ENHANCEMENT SERVICES RELATED TO  
SALES TAX, PROPERTY TAX, TRANSIENT OCCUPANCY TAX AND  
BUSINESS TAX

NAME OF CONSULTANT: HdL Companies

RESPONSIBLE  
PRINCIPAL OF  
CONSULTANT: Robert Gray, President

CONSULTANT'S  
ADDRESS: 1340 Valley Vista Drive, Suite 200  
Diamond Bar, CA 91765  
Attention: Josh Davis, Vice President

CITY'S ADDRESS: City of Beverly Hills  
455 N. Rexford Drive  
Beverly Hills, CA 90210  
Attention: Don Rhoads  
Director, Administrative Services/CFO

COMMENCEMENT DATE: November 6, 2013

TERMINATION DATE: November 30, 2016, unless extended pursuant to  
Section 2 of the Agreement

CONSIDERATION: Not to exceed \$40,416 per months for the month of November,  
2013 and December, 2013. Commencing January 1, 2014, not to  
exceed \$485,000 per calendar year as further described in Exhibit  
B

AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND HdL  
COMPANIES FOR REVENUE ENHANCEMENT SERVICES RELATED TO  
SALES TAX, PROPERTY TAX, TRANSIENT OCCUPANCY TAX AND  
BUSINESS TAX

THIS AGREEMENT is made by and between the City of Beverly Hills (hereinafter called "CITY"), and HdL Companies (hereinafter called "CONSULTANT").

RECITALS

A. CITY desires to have certain services and/or goods provided as set forth in Exhibit A (the "Scope of Work"), attached hereto and incorporated herein.

B. CONSULTANT represents that it is qualified and able to perform the Scope of Works.

NOW, THEREFORE, the parties agree as follows:

Section 1. CONSULTANT's Scope of Work. CONSULTANT shall perform the Scope of Work described in Exhibit A in a manner satisfactory to CITY and consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing in the same locality under similar conditions. CITY shall have the right to order, in writing, changes in the Scope of Work. Any changes in the Scope of Work by CONSULTANT must be made in writing and approved by both parties. The cost of any change in the Scope of Work must be agreed to by both parties in writing.

Section 2. Time of Performance. CONSULTANT shall commence its services under this Agreement upon receipt of a written notice to proceed from CITY. CONSULTANT shall complete the performance of services by the Termination Date set forth above and/or in conformance with the project timeline established by the City Manager or his designee.

The City Manager or his designee may extend the time of performance in writing for two additional one-year terms or such other term not to exceed two years from the date of termination pursuant to the same terms and conditions of this Agreement.

Section 3. Compensation.

(a) Compensation. CITY agrees to compensate CONSULTANT for the services and/or goods provides under this Agreement, and CONSULTANT agrees to accept in full satisfaction for such services, a sum not to exceed the Consideration set forth above and more particularly described in Exhibit B, attached hereto and incorporated herein.

(b) Expenses. The amount set forth in paragraph (a) shall include reimbursement for all actual and necessary expenditures reasonably incurred in the performance of this Agreement (including, but not limited to, all labor, materials, delivery, tax, assembly, and installation, as applicable). There shall be no claims for additional compensation for reimbursable expenses.

(c) Additional Services. CITY may from time to time require CONSULTANT to perform additional services not included in the Scope of Work. Such requests for additional services shall be made by CITY in writing and agreed upon by both parties in writing.

Section 4. Method of Payment. Unless otherwise provided for herein, CONSULTANT shall submit to City a detailed invoice, on a monthly basis or less frequently, for the services performed pursuant to this Agreement. Each invoice shall itemize the services rendered during the billing period and the amount due. Within 30 days of receipt of each invoice, CITY shall pay all undisputed amounts included on the invoice. CITY shall pay CONSULTANT said Consideration in accordance with the schedule of payment set forth in Exhibit B, attached hereto and incorporated herein.

Section 5. Independent Contractor. CONSULTANT is and shall at all times remain, as to CITY, a wholly independent contractor. Neither CITY nor any of its agents shall have control over the conduct of CONSULTANT or any of CONSULTANT's employees, except as herein set forth. CONSULTANT shall not, at any time, or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of CITY.

Section 6. Assignment. This Agreement shall not be assigned in whole or in part, by CONSULTANT without the prior written approval of CITY. Any attempt by CONSULTANT to so assign this Agreement or any rights, duties or obligations arising hereunder shall be void and of no effect.

Section 7. Responsible Principal(s)

(a) CONSULTANT's Responsible Principal set forth above shall be principally responsible for CONSULTANT's obligations under this Agreement and shall serve as principal liaison between CITY and CONSULTANT. Designation of another Responsible Principal by CONSULTANT shall not be made without prior written consent of CITY.

(b) CITY's Responsible Principal shall be the City Manager or his designee set forth above who shall administer the terms of the Agreement on behalf of CITY.

Section 8. Personnel. CONSULTANT represents that it has, or shall secure at its own expense, all personnel required to perform CONSULTANT's Scope of Work under this Agreement. All personnel engaged in the work shall be qualified to perform such Scope of Work.

Section 9. Permits and Licenses. CONSULTANT shall obtain and maintain during the Agreement term all necessary licenses, permits and certificates required by law for the provision of services under this Agreement, including a business license.

Section 10. Interests of CONSULTANT. CONSULTANT affirms that it presently has no interest and shall not have any interest, direct or indirect, which would conflict in any manner with the performance of the Scope of Work contemplated by this Agreement. No person having any such interest shall be employed by or be associated with CONSULTANT. Notwithstanding the above, in no event shall CONSULTANT perform services for a retailer during the term of the Agreement.

Section 11. Insurance.

(a) CONSULTANT shall at all times during the term of this Agreement carry, maintain, and keep in full force and effect, insurance as follows:

(1) A policy or policies of Comprehensive General Liability Insurance, with minimum limits of Two Million Dollars (\$2,000,000) for each occurrence, combined single limit, against any personal injury, death, loss or damage resulting from the wrongful or negligent acts by CONSULTANT.

(2) A policy or policies of Comprehensive Vehicle Liability Insurance covering personal injury and property damage, with minimum limits of One Million Dollars (\$1,000,000) per occurrence combined single limit, covering any vehicle utilized by CONSULTANT in performing the Scope of Work required by this Agreement.

(3) Workers' compensation insurance as required by the State of California.

(4) Professional Liability Insurance. A policy or policies of Professional Liability Insurance (errors and omissions) with minimum limits of One Million Dollars (\$1,000,000) per claim and in the aggregate. Any deductibles or self-insured retentions attached to such policy or policies must be declared to and be approved by CITY. Further, CONSULTANT agrees to maintain in full force and effect such insurance for one year after performance of work under this Agreement is completed.

(b) CONSULTANT shall require each of its sub-contractors to maintain insurance coverage which meets all of the requirements of this Agreement.

(c) The policy or policies required by this Agreement shall be issued by an insurer admitted in the State of California and with a rating of at least a B+;VII in the latest edition of Best's Insurance Guide.

(d) CONSULTANT agrees that if it does not keep the aforesaid insurance in full force and effect CITY may either immediately terminate this Agreement or, if insurance is available at a reasonable cost, CITY may take out the necessary insurance and pay, at CONSULTANT's expense, the premium thereon.

(e) At all times during the term of this Agreement, CONSULTANT shall maintain on file with the City Clerk a certificate or certificates of insurance on the form set forth in Exhibit C, attached hereto and incorporated herein, showing that the aforesaid policies are in effect in the required amounts. CONSULTANT shall, prior to commencement of work under this Agreement, file with the City Clerk such certificate or certificates. The general and auto liability insurance shall contain an endorsement naming CITY as an additional insured. All of the policies required under this Agreement shall contain an endorsement providing that the policies cannot be canceled or reduced except on thirty (30) days prior written notice to CITY, and specifically stating that the coverage contained in the policies affords insurance pursuant to the terms and conditions as set forth in this Agreement.

(f) The insurance provided by CONSULTANT shall be primary to any coverage available to CITY. The policies of insurance required by this Agreement shall include provisions for waiver of subrogation.

(g) Any deductibles or self-insured retentions must be declared to and approved by CITY. At the option of CITY, CONSULTANT shall either reduce or eliminate the deductibles or

self-insured retentions with respect to CITY, or CONSULTANT shall procure a bond guaranteeing payment of losses and expenses.

Section 12. Indemnification. CONSULTANT agrees to indemnify, hold harmless and defend CITY, City Council and each member thereof, and every officer, employee and agent of CITY, from any claim, liability or financial loss (including, without limitation, attorneys fees and costs) arising from any intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of CONSULTANT or any person employed by CONSULTANT in the performance of this Agreement.

Section 13. Termination.

(a) CITY shall have the right to terminate this Agreement for any reason or for no reason upon thirty calendar days' written notice to CONSULTANT. CONSULTANT agrees to cease all work under this Agreement on or before the effective date of such notice.

(b) In the event of termination or cancellation of this Agreement by CITY, due to no fault or failure of performance by CONSULTANT, CONSULTANT shall be paid based on the percentage of work satisfactorily performed at the time of termination. In no event shall CONSULTANT be entitled to receive more than the amount that would be paid to CONSULTANT for the full performance of the services required by this Agreement. CONSULTANT shall have no other claim against CITY by reason of such termination, including any claim for compensation.

Section 14. CITY's Responsibility. CITY shall provide CONSULTANT with all pertinent data, documents, and other requested information as is available for the proper performance of CONSULTANT's Scope of Work.

Section 15. Confidentiality-Disclosure

(a) CITY's Confidential Information. Pursuant to the terms of this Agreement, CITY may provide CONSULTANT with certain information, and/or access to certain information including financial information which was or will be obtained by CITY pursuant to a License Agreement with a third party, or which is the proprietary information of CITY, or which is not publicly known (the "Information"). CONSULTANT, its employees, agents, representatives, contractors and subcontractors shall hold the Information which at the time of disclosure is identified as being confidential and confirmed in writing as "Confidential," private and confidential, and shall not:

- (i) Use the Information, nor cause the Information to be used for any purpose other than in performance of its duties to CITY,
- (ii) Participate in the wrongful use, illegal use, or unauthorized disclosure of the Information, or
- (iii) Sell, release, free trade, assign, or provide access to the Information, directly or indirectly, to third parties.

(b) CONSULTANT shall disclose information contained in, or derived from, sales tax records only to an officer or employee of CITY who is authorized by resolution of CITY to examine the information. CONSULTANT shall retain the information contained in, or derived from those sales tax records for a minimum of three years after the Agreement has expired.

(c) The provisions of this section shall survive the expiration or termination of this Agreement for any reason.

Section 16. Information and Documents.

(a) Except as otherwise indicated in paragraph 16(b), all data, information, documents and drawings prepared for CITY and required to be furnished to CITY in connection with this Agreement shall become the property of CITY, and CITY may use all or any portion of the work submitted by CONTRACTOR and compensated by CITY pursuant to this Agreement as CITY deems appropriate.

(b) Proprietary Information of CONSULTANT

(1) As used herein, the term "proprietary information" means any information which 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 the CITY in connection with this Agreement. CONSULTANT shall retain ownership and rights to all proprietary information. The obligations imposed by this paragraph shall survive any expiration or termination of this Agreement.

(2) Any data, information and documents for issuance of debt and/or for continuing disclosure statements may not be attributed to CONSULTANT without written authorization from CONSULTANT.

(c) CONSULTANT acknowledges that CITY is subject to the California Public Records Act (the "Act") and that some or all of the data, information, documents and drawings (collectively "information") provided by CONSULTANT may be disclosable thereunder. In the event a public records act request for CONSULTANT's information is received, CITY shall use its best efforts to provide CONSULTANT with written or verbal notice of such request, prior to compliance. However, nothing herein shall prevent CITY from complying with the requirements of the Act. In the event CITY determines that any documents containing CONSULTANT's information are not disclosable, and litigation is commenced to compel production of such documents, CONSULTANT agrees to defend and indemnify CITY, with counsel of CITY's choice, as to any claims, liabilities, costs, and/or judgments that may be incurred by CITY as a result of such litigation. The provisions of this section shall survive the expiration or termination of this Agreement for any reason.

Section 17. Records and Inspections. CONSULTANT shall maintain full and accurate records with respect to all matters covered under this Agreement for a period of 5 years. CITY shall have access, without charge, during normal business hours to such records, and the right to examine and audit the same and to make copies and transcripts therefrom, and to inspect all program data, documents, proceedings and activities.

Section 18. Notice. Any notices, bills, invoices, etc. required by this Agreement shall be deemed received on (a) the day of delivery if delivered by hand during the receiving party's regular business hours or by facsimile before or during the receiving party's regular business hours; or (b) on the second business day following deposit in the United States mail, postage prepaid to the addresses set forth above, or to such other addresses as the parties may, from time to time, designate in writing pursuant to this section.

Section 19. Attorney's Fees. In the event that either party commences any legal action or proceeding to enforce or interpret the provisions of this Agreement, the prevailing party in such action shall be entitled to reasonable attorney's fees, costs and necessary disbursements, in addition to such other relief as may be sought and awarded.

Section 20. Entire Agreement. This Agreement represents the entire integrated agreement between CITY and CONSULTANT, and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both CITY and CONSULTANT.

Section 21. Exhibits; Precedence. All documents referenced as exhibits in this Agreement are hereby incorporated in this Agreement. In the event of any material discrepancy between the express provisions of this Agreement and the provisions of any document incorporated herein by reference, the provisions of this Agreement shall prevail.

Section 22. Governing Law. The interpretation and implementation of this Agreement shall be governed by the domestic law of the State of California.

Section 23. City Not Obligated to Third Parties. CITY shall not be obligated or liable under this Agreement to any party other than CONSULTANT.

Section 24. Severability. Invalidation of any provision contained herein or the application thereof to any person or entity by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, or the application thereof to any other person or entity, and the same shall remain in full force and effect.

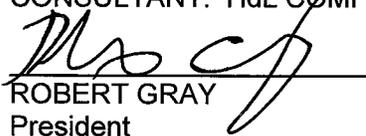
EXECUTED the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at Beverly Hills, California.

City of Beverly Hills  
A Municipal Corporation

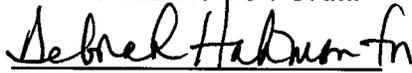
\_\_\_\_\_  
JOHN A. MIRISCH  
Mayor of the City of  
Beverly Hills, California

ATTEST:

\_\_\_\_\_  
BYRON POPE  
City Clerk

CONSULTANT: HdL COMPANIES  
  
\_\_\_\_\_  
ROBERT GRAY  
President

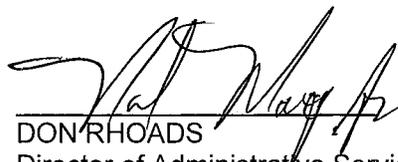
APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

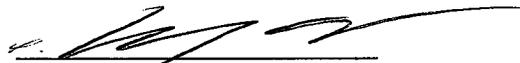
APPROVED AS TO CONTENT:

\_\_\_\_\_  
JEFFREY C. KOLIN  
City Manager

[Signatures continue]



DON RHOADS  
Director of Administrative Services/CFO



KARL KIRKMAN  
Risk Manager

## EXHIBIT A

### SCOPE OF WORK

CONSULTANT shall perform the following services:

CONSULTANT shall provide to CITY comprehensive revenue enhancement services for Business Tax, Transient Occupancy Tax (TOT), Sales Tax and Property Tax. A detailed scope of services for each activity is listed below.

#### **I. BUSINESS TAX**

##### **Business Tax Analysis, Discovery and Audit Services**

The program to discover new businesses operating within CITY without a business tax certificate will be managed and performed by CONSULTANT.

CITY will retain overall direction and control of processes and procedures for the program including:

- Language of Correspondence
- Timing
- Operational Items

The business audit program will be managed closely by CITY, and CONSULTANT's role will be to support CITY's efforts by providing:

- Data
- Reports
- Procedural Recommendations and Guidance
- Audit Resources as directed by CITY.

CONSULTANT shall provide one full-time employee dedicated to CITY's activities to provide administrative and customer service support to CITY. This resource will be used for a variety of operational and customer service aspects as well as provide support to CITY staff such as:

- Corresponding with Taxpayers
- Assisting with Tax Calculations and Renewals

CONSULTANT's staff member shall also serve as a liaison between CITY and CONSULTANT staff with regard to the concurrent programs being run. Additional onsite support during peak volume periods, staffing shortages, or other special projects shall be provided on a case by case basis as requested by CITY. Additional hours can be shifted from other projects or added to workflow as mutually agreed to by CITY and CONSULTANT.

As a part of the business discovery and audit process, CONSULTANT shall process CITY's existing databases as they relate to business license through a series of data cleanup routines. CONSULTANT shall conduct data cleaning and key database updates to CITY registry file and provide those updates to CITY electronically or through direct entry into CITY system.

This shall include:

- Site and Mail Address Cleaning
- Classification Reviews
- Standard Industrial Classification/North American Industry Classification (SIC/NAICS) code updates
- Business Status Resolution
- Parcel Numbers and Other Key Database Element Reviews

CONSULTANT shall work with CITY to prioritize the database updates and continue to work through the course of the Agreement to ensure the highest quality of data maintained by CITY.

CONSULTANT shall provide CITY access to CONSULTANT's software package ("HdL Prime") for use in enforcement activities conducted by CITY. CONSULTANT and CITY will collaborate to determine the most effective deployment method and use for HdL Prime. The basic program deployment shall be provided to CITY at no charge for use as an enforcement tool separate from CITY's primary system for business tax administration. Additional customization to functionality or reporting shall be provided on a time and materials basis as mutually agreed upon by the parties in a written amendment to this Agreement. If CITY moves forward with HdL Prime as its primary business tax software, CONSULTANT shall deploy the full version and enhancements to the software at a discounted rate as mutually agreed in a written amendment to this Agreement.

On an annual basis, CONSULTANT's experienced field crews equipped with mobile mapping/GPS systems, tablet computers pre-loaded with various CITY and state-wide databases, etc.) shall canvass commercial areas of CITY to develop and enhance the leads identified in the Electronic Data Processor (EDP).

## **II. TRANSIENT OCCUPANCY TAX**

### **Transient Occupancy Tax Payment Monitoring, Education and Auditing**

CONSULTANT shall work closely with CITY to monitor Transient Occupancy Tax (TOT) filings and payment activity to ensure consistent scrutiny of monthly returns. In addition to monitoring and support for CITY staff, CONSULTANT shall provide services such as educational components, audit resources, and other TOT administration items directed by CITY. Similar to the audit program for business tax, CONSULTANT shall serve in a support capacity allowing CITY to direct the activities as needed based on monthly monitoring results.

## **III. SALES TAX**

### **Overview**

Using confidential taxpayer records as authorized by Revenue and Taxation Code Section 7056, CONSULTANT shall find and correct errors that result in underpayments of tax to CITY.

CONSULTANT shall employ a series of analyses, comparisons with other data sources and thorough physical field canvassing of CITY to find, document and submit for correction all

taxpayer errors that result in lost CITY revenue or could result in lost revenue in the future. When errors are found, CONSULTANT shall file claims for their correction following Board of Equalization (BOE) procedures and regulations. Thereafter, CONSULTANT shall work with the BOE to ensure prompt recovery of all escaped revenues. Written documentation of errors shall be regularly provided to CITY.

In conducting these activities on behalf of CITY, CONSULTANT shall also provide quarterly reports that accurately reflect CITY's sales tax base, use tax collections and revenues. Reports identifying and comparing the retail composition of various sub-areas of CITY shall also be provided by CONSULTANT.

In addition to standard reports and a web based data portal, CONSULTANT shall provide quarterly database extractions to CITY for use in its internal revenue reporting and Graphical Information System (GIS) systems. These extracts shall provide CITY with the most current data available including quarterly permit and payment information for sales tax as well as annual roll and quarterly supplemental data for property tax.

### **Use Tax Maximization Program**

Major construction projects as well as ongoing business operations often generate significant use tax revenues from purchases of machinery, equipment and other fixed assets and consumables such as fuel, chemicals and catalysts. CONSULTANT shall collaborate with CITY to insure that use tax from medical, research and technical facilities is properly allocated.

CONSULTANT's sales tax team shall review new business startups that might present potential self-assessed use tax opportunities, meet with contractors to advise on sub-permits and reporting procedures and shall provide materials and advice on direct payment permits. CONSULTANT shall monitor major construction projects to insure that any use tax generated is properly allocated to CITY.

CONSULTANT shall assist CITY with inserting provisions in conditional use permits and development agreements to guarantee that use tax maximization procedures are followed and shall monitor projects and subcontractors to insure that sales tax is properly allocated back to CITY. Direct payment permits and purchasing corporations can sometimes be utilized where conditions offer mutual opportunities for CITY to capture additional sales tax revenues and the participating company can increase control of sales and use tax liabilities.

### **Database, Reports and Training**

CONSULTANT maintains CITY's detailed sales tax data back to 1991 and shall provide unlimited access to its web-based sales tax system to facilitate "in-house" analysis and printing of custom reports. The sales tax system allows CITY staff to search, print and export sales tax data for a variety of financial, management, economic and planning functions. CONSULTANT shall provide training on use of its website at no additional charge.

CONSULTANT shall provide quarterly sales tax reports to CITY on both a cash and adjusted basis. CONSULTANT shall provide reports on major sales tax producers in CITY and total sales tax receipts as requested by CITY.

CONSULTANT shall provide additional quarterly reports that include reports by major retail outlets, business category, geo area growth and decline comparisons, historical revenue tables and top 100 taxpayer listings.

CONSULTANT's quarterly analysis shall be done in context with regional market, countywide and statewide trends and compare CITY's economic performance by business category and geographic areas to identify voids and opportunities. CONSULTANT shall provide a non-confidential newsletter to CITY to support CITY's efforts to inform and engage the public.

CONSULTANT staff shall prepare sales and use tax projections for proposed development projects, respond to technical questions relating to sales and use tax processes, procedures and regulations, and monitor revenue sharing agreements.

### **Allocation Audit and Recovery**

Field Surveys: CONSULTANT shall conduct field inventories of CITY's business and industrial areas every 10-12 months to identify businesses located within CITY that appear to be under-reporting revenues or are not on the BOE allocation rolls.

CONSULTANT's specially trained field auditors using mapping, GPS and digital recording technology, shall document the existence of sales tax producing businesses and other relevant factors such as size, presence of a large stock of goods, will-call windows and any specific references to sales activity. This process identifies a wide range of registration errors including erroneous consolidation of multiple outlets, misreporting of point of sale from an erroneous location and delays in reporting new outlets.

Tax Area Code (TAC) Review: CONSULTANT shall review every active account on the BOE's allocation rolls reporting \$50 or more in local tax to ensure proper TAC assignment.

These programs supplement the field reviews since physical canvassing will not reveal businesses with missing or incomplete signage, or those that are home-based. CONSULTANT shall perform a complete TAC review at least once every 9-12 months.

Deviation Assessment: CONSULTANT shall perform a deviation review every three months to determine whether there are significant drops in sales and use tax revenue compared to previous reporting periods. This review is more thorough than a review of the BOE's published Quarterly Distribution Report. The deviation review is applied to direct allocations and to the county pools, and allows for a much broader view and understanding of what has happened in any given quarter.

Use Tax Errors and Opportunities: BOE Regulation 1802(d) allows for direct allocation of local use tax on qualifying individual sales or purchases over \$500,000. Under Regulation 1699.6, businesses and organizations (including local government agencies) with aggregate purchases subject to use tax of at least \$500,000 per year can apply for a Use Tax Direct Payment Permit, allowing for direct allocation of the corresponding local share. Finally, under a resolution adopted by the BOE in December of 1994, a construction contractor who enters into a contract equal to or greater than \$5,000,000 may elect to obtain a sub permit for the jobsite resulting in a direct allocation of local use tax to the jurisdiction where the jobsite is located. CONSULTANT shall analyze the use tax allocation pools of the 58 counties and the state each quarter to identify instances where a taxpayer may have misidentified a transaction as use tax rather than sales tax.

Regulation 1699 Evaluations: BOE Regulation 1699 controls when and where a permit should be issued to a given business location. Wholesalers, contractors, processors, manufacturers and other non-retail businesses that do not normally sell merchandise often conduct occasional sales, self-accrue use tax or are levied deficiency assessments by the state. CONSULTANT shall identify companies that should be taking out permits so that those revenues are properly allocated to CITY.

### **Recovery of Misallocated Revenue**

Development of Correction Data: Preliminary lead lists developed through any of the aforementioned audit programs shall be further culled by CONSULTANT using a variety of programs and databases to reduce the need for taxpayer contact. Companies remaining in the audit database shall be contacted by CONSULTANT's audit unit whose members are specifically selected and trained to interview tax preparers and marketing, warehouse and management staff. Taxpayer interviews shall be conducted in a professional, non intrusive manner that emphasizes cooperation and protection of confidentiality.

Documentation: Telephone contacts are often accompanied by a written follow-up questionnaire concerning business activities, a specific one-time transaction or a written confirmation of CONSULTANT's findings. This documentation shall be filed with the BOE petition to minimize BOE processing time.

Preparation and Submittal of Petitions to BOE: Petitions shall be prepared (BOE Form 549 S or 549 L) to notify and describe to the BOE the existence and nature of the misallocation. All relevant and available supporting documentation shall be included. Copies of all transmittal forms and correspondence with the BOE and taxpayers shall be provided to CITY staff.

Continuous Follow-up with BOE: CONSULTANT will employ a full-time case manager whose responsibility is to monitor and follow-up on case inventory. An aging report shall be updated and reviewed on a monthly basis and the appropriate follow up shall be initiated in cases that are taking an inordinate amount of time to correct. This follow up emphasizes partnership and cooperation with BOE Allocation Group staff. CONSULTANT'S continuous efforts to check on the status of submittals are made to ensure that corrections are being pursued.

### **On-Going Consultation**

Each quarter, a principal of the CONSULTANT's firm shall analyze CITY's data in detail and meets with appropriate CITY officials to review trends, point out businesses that should be contacted as part of CITY's business retention program and discuss and make recommendations regarding the economic and budget implications of the quarter's data.

CONSULTANT shall be "on-call" to provide sales tax estimates for proposed projects, assist with budget projections and answer sales and use tax questions related to economic development, budgeting and related revenue collection. When requested by CITY, CONSULTANT's principals shall also meet with committees, the City Council and other groups to explain sales tax regulations and their importance to CITY tax base.

CONSULTANT shall, when requested by CITY, and at least once per year, conduct technical seminars for CITY personnel on California sales and use tax processes. To support in-house

efforts to maximize use tax, the seminars shall cover the fundamentals of direct payment permits, purchasing corporations and maximizing “use tax” from construction projects.

### **Sample Sales Tax Reports**

The following reports shall be available to CITY either through the online portal or shall be provided to CITY at the regularly scheduled quarterly tax overview meetings:

- Reports and analyses to support budget projections:
  - Sales Tax Allocation Summary
  - Budget Projection
  - Quarterly Deviation Analysis
  - Economic Updates
  - 5 Year Forecast
- Quarterly printouts of top sales tax generators used to track trends, and identify companies which should be contacted by CONSULTANT
- Major Business Type changes compared with countywide and state trends
- Quarterly analysis of sales by business type, including per capita and per outlet comparisons with state and county averages for identification of suspected business saturation points as well as market voids.
- Quarterly customized newsletters summarizing sales tax highlights presented in a manner to protect community businesses’ confidentiality and that can be shared with the community.
- Special Reports as requested by CITY for economic development and other purposes.
  - Market Competition Comparisons including Agencies, Top Geos and Restaurant and Hotels
  - Proposition 30 and New Transaction Tax Districts Update
  - Countywide Trends
  - Samples of Ongoing Issue Papers
  - Legislative Updates
  - Issue Updates
  - Headlines—Trends Affecting California’s Economy (Bi-Monthly Newsletter)

## **IV. PROPERTY TAX**

### **General Strategy**

CITY will provide a map to CONSULTANT with street names and delineating CITY boundaries for use in auditing the secured property database.

CONSULTANT annually purchases secured, unsecured and Board of Equalization (BOE) tax roll data from Los Angeles County and BOE respectively. This data is then updated with other purchased real estate data to reflect the most current owner of record, sale prices, deed

information and if necessary is used to complete CITY parcel record with current situs and mailing addresses.

Sales history and current and historical appeal data are additional datasets that are purchased to augment the Assessor's released data and made available on CONSULTANT's web-based property tax software. These additional datasets also provide reports for better understanding changes to the property tax roll between release dates. All data necessary to update the original lien date set from the Assessor and the procurement of the lien date rolls is purchased by CONSULTANT and provided quarterly to CITY as a part of this service.

### **Objectives and Methodology**

The methodology that CONSULTANT shall follow in identifying, correcting and recovering property tax errors includes the following:

- Task I:** Establish a county tax roll data set and reconcile the annual auditor-controller assessed valuation report to the assessor's lien date rolls to identify discrepancies.
- Task II:** Identify and correct errors by performing a secured parcel audit and unsecured review.
- Task III:** Prepare reports, review and analyze the data in preparation for quarterly meetings with CITY staff to discuss year to year changes and trending.
- Task IV:** Develop ongoing analysis, appeal updates, transfer of ownership updates, remittance advice review and budget projections.

### **Timeline for CONSULTANT's Property Tax Analysis and Audit Services:**

- County assessment rolls are purchased annually in July.
- The property data program shall be available to CITY for access via CONSULTANT's web-based application within 30 days of the execution of the Agreement. Parcel data shall be updated by CONSULTANT monthly to include the most current ownership information due to parcel transfers.
- The secured audits for CITY shall be completed by CONSULTANT and corrections will be submitted to the County Assessor for corrective action within 90 days of receipt of county rolls. The audit and timing is contingent upon CITY providing the requested map(s). CITY will receive file copies of submittals simultaneous with submissions to the County Assessor.
- Data collection from the County Assessor's and Auditor Controller's offices for CONSULTANT'S annual reports is performed in August and September of each year and preliminary reports will be delivered to CITY prior to the end of November annually.

- The final tax ratio percentages are normally available from the Auditor Controller's office annually in February/March. An addendum package of reports will be prepared using this updated data and delivered to CITY prior to the end of April each year.
- Preparation of a General Fund Revenue Spreadsheet to assist CITY in its budgeting process will be provided annually in February.

### **Reporting Services**

CONSULTANT shall furnish to CITY a variety of reports detailing property and revenue trends for the entire CITY and for custom defined geographic areas. CONSULTANT shall also provide CITY with quarterly reports of pending assessment appeals and quarterly sales transaction and trending analyses.

The secured and unsecured tax roll data is available annually from the County Assessor in July/August. The lien date rolls are reconciled to the certified value reports received by CITY from the Auditor Controller in August and after verifying that the data reconciles, CONSULTANT processes the property data. CONSULTANT shall research discrepancies between the Assessor's and Auditor Controller's data and report them to CITY quarterly.

CONSULTANT shall provide the following reports based on the 2013-14 lien date rolls and will provide the reports annually, quarterly or monthly as appropriate: Reports are also available from prior years if needed.

Reports in the portfolio of deliverables include but are not limited to:

- City/Agency Roll Summary Graph – 5 year history
- Top 40 Net Taxable Change History – summary
- Top 40 Value Change Listing – detailed history
- Category Summary Year to Year Growth - 2 year comparison
- Transfer of Ownership Summary
- Transfer of Ownership Listing
- Negative Value Change Parcels
- Median/Average Sales Price of Property Sales
- Comparison of Peak Sale Price to Current Sale Price
- Proposition 8 Historical Reductions
- City/Agency Roll Summary
- Tax Dollar Breakdown Graph
- Top Secured/Unsecured Property Owner/Taxpayer Summary Reports for the Top 10, 25 and 50 Property Owners. A Top 100 report is also available.
- Use Category Summary
- Revenue Calculation for CITY
- General Fund Spreadsheet, General Fund and Special Districts
- Non-Residential New Construction- Gann Limit - Proposition 111
- Foreclosure Data Reports
- Real Estate Owned (REO) Reports

### **Analysis and Identification of Misallocation Errors**

CONSULTANT shall perform an analysis of the Secured Roll to identify all parcels on the secured tax roll and verify that parcel assessed valuations and the resulting taxes are correctly allocated to CITY. This analysis is accomplished through the use of specialized computer software, assessor maps, CITY maps, GIS maps, CITY records, other pertinent documents, and field investigations. The review shall include the lien date secured data for the 2013-2014 tax year and future tax years, as well as historical data back to the 2010-2011 tax year after excluding previous audit misallocations identified by CITY or its current consultant.

CONSULTANT shall analyze all secured parcels within CITY to identify errors resulting in the misallocation of property taxes. CONSULTANT shall audit the secured property records two ways: first reviewing the entire county to find parcels miscoded to other jurisdictions; and second, reviewing the parcels within CITY, county or agency to ensure that each is coded to the appropriate taxing entity. CONSULTANT shall file audit results with the County Assessor in a timely manner, which will assure that the repetitive errors from previous years will not re-occur.

### **Unsecured Audits**

Addresses are a critical field of data required for auditing unsecured property as it is reported based on situs address. CONSULTANT's software uses the addresses connected with each unsecured tax bill to cross reference this tax bill data to secured parcels. By this cross referencing, CONSULTANT can determine if a business property has been properly assigned to a secured parcel. CONSULTANT shall perform an unsecured review for misallocations and also check for errors in previous years going back to the five previous tax years.

### **Review of Completed New Construction**

Upon CITY providing complete new construction notices for taxable events, CONSULTANT shall match the permits with the appropriate parcels and track new construction activity after the release of subsequent tax rolls.

### **On-Going Consultation**

CONSULTANT shall assist CITY property tax staff. All requests by CITY or other authorized consultants for information based upon CITY's property tax data sets shall be provided without additional costs. Requests for special reports and research beyond this Scope of Work may entail additional fees, if mutually agreed upon by CONSULTANT and the City Manager on behalf of CITY by written amendment.

### **Property Tax Website Application**

CONSULTANT's web-based software application provides CITY with a tool to access CITY's property tax data. CONSULTANT shall provide monthly updates to reflect changes in ownership and deed recordings. Assessment appeals data shall be updated quarterly. As modifications and enhancements are made to the program, CITY shall receive the enhanced version of the software at no additional cost. CITY shall be granted a "site license" for the application, which does not limit the number of users.

CONSULTANT's software can be used to access secured, unsecured, cross reference, possessory interest, mineral rights and BOE non-operating unitary tax bills.

CONSULTANT shall provide training for CITY staff annually at no additional cost to CITY, and CONSULTANT staff shall be available to answer questions, provide phone assistance or trouble shoot issues that arise between scheduled training events.

#### **V. ADDITIONAL RESOURCES**

CONSULTANT shall provide an annual Regional Economic Profile (REP) report from Beacon Economics to CITY.

#### **VI. OPTIONAL AND ADDITIONAL SERVICES TO BE APPROVED BY WRITTEN AMENDMENT:**

- A. **Optional Services.** CONSULTANT shall perform the following services if approved by written amendment signed by CONSULTANT and the City Manager on behalf of CITY.

**Regional Intelligence Report:** Beacon's Regional Intelligence Report (RIR) is a six-page quarterly document designed to provide perspective on the local economy. The RIR focuses on the client's geography (city, county, or Metropolitan Statistical Area ("MSA")), with short narratives on the national and state economy for comparison. It's designed to help local governments better understand the economic realities they face relative to the broader economies. Quarterly updates allow clients to stay on top of current economic trends.

**Employment Report Card:** Beacon's Employment Report Card (ERC) is a two-page quarterly report that provides perspective on local employment trends. Unlike the REP or RIR, the ERC is more graphically-oriented, and provides local governments with a snapshot of the local labor market compared to state and national trends for context.

- B. **Additional Services:** CONSULTANT shall perform additional services outside the Scope of Work set forth in this Exhibit if mutually agreed upon by CONSULTANT and the City Manager on behalf of CITY by written amendment.

## Exhibit B

### SCHEDULE OF PAYMENT AND RATES

#### I. Annual Fixed Fee

For the months of November and December of 2013, a fixed fee of \$40,416 per month shall be payable by CITY as of the effective date of this Agreement. Commencing January 1, 2014, the Annual Fixed Fee of Four Hundred Eighty-Five Dollars (\$485,000) per calendar year shall be payable in equal quarterly installments and shall be invoiced quarterly on a calendar basis in advance. CONSULTANT shall submit to CITY for its services performed quarterly an invoice form approved by CITY which shall include a description of the services, the employee providing the services and the time spent on each task. CITY shall pay CONSULTANT the amount of such undisputed billing within thirty (30) days of receipt of such invoice.

The Annual Fixed Fee provided for herein is a discounted fee for the bundled service of CONSULTANT's Business License Tax, Transient Occupancy Tax, Property Tax and Sales and Use Tax Audit services as set forth in Exhibit A. At any time that CITY elects to cease receiving any of the services, the other services may be continued upon the terms and conditions set forth in this Agreement but for an adjustment to the compensation to be mutually agreed to in writing by CITY and CONSULTANT.

#### II. Optional Services/Additional Services

(a) CITY may compensate CONSULTANT for additional and optional services as mutually agreed upon by the parties in a written amendment between CONSULTANT and the City Manager on behalf of CITY in an amount not to exceed One Hundred Thousand Dollars (\$100,000) per year.

(b) If CITY requests CONSULTANT to perform the Optional Services described in Exhibit A, the written amendment shall provide for the following rates: CITY shall compensate CONSULTANT Five Thousand Dollars (\$5,000) per quarter or Fifteen Thousand Dollars (\$15,000) for a full year for Beacon's Regional Intelligence Report and Twelve Hundred Dollars (\$1,200) per quarter or Four Thousand Dollars (\$4,000) for a full year of Beacon's Employment Report Card.

#### III. CONSULTANT Expenses

CONSULTANT shall be responsible for all costs and expenses incident to the performance of services for CITY, including but not limited to, all costs of equipment provided by CONSULTANT, all fees, fines, licenses, bonds or taxes required of or imposed against CONSULTANT and all other of CONSULTANT's costs of doing business. CITY shall not be responsible for expenses incurred by CONSULTANT in performing services for CITY, except such expenses that receive prior written approval from CITY.

EXHIBIT C

CERTIFICATE OF INSURANCE

This is to certify that the following endorsement is part of the policy(ies) described below :

**NAMED INSURED**

CITY OF BEVERLY HILLS

**ADDRESS**

455 N. REXFORD DRIVE  
BEVERLY HILLS, CA 90210

**COMPANIES AFFORDING COVERAGE**

- A. Sentinel Insurance Co
- B. Hartford Underwriters Ins Co
- C.

COMPANY (A.B.C.)	COVERAGE	POLICY NUMBER	EXPIRATION DATE	B.I.	LIMITS P.D.	AGGREGATE
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY	72SBAZB3291	11/15/13			1,000,000
A	<input checked="" type="checkbox"/> GENERAL LIABILITY	72SBAZB3291	11/15/13			4,000,000
	<input type="checkbox"/> PRODUCTS/COMPLETED OPERATIONS					
	<input type="checkbox"/> BLANKET CONTRACTUAL					
A	<input type="checkbox"/> CONTRACTOR'S PROTECTIVE					
A	<input checked="" type="checkbox"/> PERSONAL INJURY	72SBAZB3291	11/15/13			2,000,000
A	<input checked="" type="checkbox"/> EXCESS LIABILITY		11/15/13			1,000,000
B	<input checked="" type="checkbox"/> WORKER'S COMPENSATION	72WECPY9832	11/15/13			1,000,000

It is hereby understood and agreed that the City of Beverly Hills, its City Council and each member thereof and every officer and employee of the City shall be named as joint and several assureds with respect to claims arising out of the following project or agreement:

It is further agreed that the following indemnity agreement between the City of Beverly Hills and the named insured is covered under the policy: Contractor agrees to indemnify, hold harmless and defend City, its City Council and each member thereof and every officer and employee of City from any and all liability or financial loss resulting from any suits, claims, losses or actions brought against and from all costs and expenses of litigation brought against City, its City Council and each member thereof and any officer or employee of City which results directly or indirectly from the wrongful or negligent actions of contractor's officers, employees, agents or others employed by Contractor while engaged by Contractor in the (performance of this agreement) construction of this project.

It is further agreed that the inclusion of more than one assured shall not operate to increase the limit of the company's liability and that insurer waives any right of contribution with insurance which may be available to the City of Beverly Hills.

In the event of cancellation or material change in the above coverage, the company will give 30 days written notice of cancellation or material change to the certificate holder.

Except to certify that the policy(ies) described above have the above endorsement attached, this certificate or verification of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policies listed herein. Notwithstanding any requirement, term, or condition of any contract or other document with respect to which this certificate or verification of insurance may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies.

DATE: 10/30/2013

BY: Diana M. Zavala

Authorized Insurance Representative

Senior Account Manager

AGENCY: PARTEE INSURANCE ASSOC., INC.

TITLE:

Address:

584 S. GRAND AVENUE

COVINA, CA 91724-3409

EXHIBIT C

CERTIFICATE OF INSURANCE

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CITY OF BEVERLY HILLS

**ADDRESS**

455 N. REXFORD DRIVE  
BEVERLY HILLS, CA 90210

**COMPANIES AFFORDING COVERAGE**

- A. Sentinel Insurance Co
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- C.

COMPANY (A.B.C.)	COVERAGE	POLICY NUMBER	EXPIRATION DATE	B.I.	LIMITS P.D.	AGGREGATE
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY	72SBAZB3291	11/15/13			1,000,000
A	<input checked="" type="checkbox"/> GENERAL LIABILITY	72SBAZB3291	11/15/13			4,000,000
	<input type="checkbox"/> PRODUCTS/COMPLETED OPERATIONS					
	<input type="checkbox"/> BLANKET CONTRACTUAL					
A	<input type="checkbox"/> CONTRACTOR'S PROTECTIVE					
A	<input checked="" type="checkbox"/> PERSONAL INJURY	72SBAZB3291	11/15/13			2,000,000
A	<input checked="" type="checkbox"/> EXCESS LIABILITY		11/15/13			1,000,000
B	<input checked="" type="checkbox"/> WORKER'S COMPENSATION	72WECPY9832	11/15/13			1,000,000

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It is further agreed that the following indemnity agreement between the City of Beverly Hills and the named insured is covered under the policy: Contractor agrees to indemnify, hold harmless and defend City, its City Council and each member thereof and every officer and employee of City from any and all liability or financial loss resulting from any suits, claims, losses or actions brought against and from all costs and expenses of litigation brought against City, its City Council and each member thereof and any officer or employee of City which results directly or indirectly from the wrongful or negligent actions of contractor's officers, employees, agents or others employed by Contractor while engaged by Contractor in the (performance of this agreement) construction of this project.

It is further agreed that the inclusion of more than one assured shall not operate to increase the limit of the company's liability and that insurer waives any right of contribution with insurance which may be available to the City of Beverly Hills.

In the event of cancellation or material change in the above coverage, the company will give 30 days written notice of cancellation or material change to the certificate holder.

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DATE: 10/30/2013 BY: Diana M. Zavala  
 TITLE: Authorized Insurance Representative  
Senior Account Manager  
 AGENCY: PARTEE INSURANCE ASSOC., INC. Address: 584 S. GRAND AVENUE  
COVINA, CA 91724-3409