

## **SERVICES AGREEMENT**

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the City of Merced, a California Charter Municipal Corporation, whose address of record is 678 West 18<sup>th</sup> Street, Merced, California 95340, (hereinafter referred to as "City") and HdL Companies, a California Corporation, whose address of record is 120 S. State College Blvd., Suite 200, Brea, California 92821, (hereinafter referred to as "Contractor").

WHEREAS, City is undertaking a project to complete an ordinance/fee study and review business license compliance; and,

WHEREAS, Contractor represents that it possesses the professional skills to provide ordinance/fee study and business license compliance services in connection with said project.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants hereinafter recited, hereby agree as follows:

1. **SCOPE OF SERVICES.** The Contractor shall furnish the following services: Contractor shall provide the ordinance/fee study and business license compliance services described in Exhibit "A" attached hereto.

No additional services shall be performed by Contractor unless approved in advance in writing by the City, stating the dollar value of the services, the method of payment, and any adjustment in contract time. All such services are to be coordinated with City and the results of the work shall be monitored by the Finance Officer or designee. However, the means by which the work is accomplished shall be the sole responsibility of the Contractor.

2. **TIME OF PERFORMANCE.** All of the work outlined in the Scope of Services shall be completed in accordance with the Schedule outlined in Exhibit "A" attached hereto and incorporated herein by reference. By mutual agreement and written addendum to this Agreement, the City and the Contractor may change the requirements in said Schedule.

3. **TERM OF AGREEMENT.** The term of this Agreement shall commence upon the day first above written and end on December 31, 2028.

4. **COMPENSATION.** Payment by the City to the Contractor for actual services rendered under this Agreement shall be made upon presentation of an invoice detailing services performed under the Scope of Services, in accordance with the fee schedule set forth in Exhibit "A" attached hereto and incorporated herein by reference. The Contractor agrees to provide all services required under the Scope of Services in Exhibit "A" within the compensation amount set forth in Exhibit "A".

5. **METHOD OF PAYMENT.** Compensation to Contractor shall be paid by the City after submission by Contractor of an invoice delineating the services performed.

6. **RECORDS.** It is understood and agreed that all plans, studies, specifications, data magnetically or otherwise recorded on computer or computer diskettes, records, files, reports, etc., in possession of the Contractor relating to the matters covered by this Agreement shall be the property of the City, and Contractor hereby agrees to deliver the same to the City upon termination of the Agreement. It is understood and agreed that the documents and other materials including but not limited to those set forth hereinabove, prepared pursuant to this Agreement are prepared specifically for the City and are not necessarily suitable for any future or other use.

Notwithstanding the foregoing, this section does not include any software, programs, methodologies or systems used in the creation of such work product, nor does it include any drafts, notes or internal communications prepared by Contractor in the course of performing the Services that were not otherwise provided to City in either hardcopy or electronic form, all of which may be protected by Contractor or others' copyrights or other intellectual property.

7. **CONTRACTOR'S BOOKS AND RECORDS.** Contractor shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to the City for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to the Contractor to this Agreement. Any records or documents required to be maintained shall be made available for inspection, audit and/or copying at any time during regular business hours, upon oral or written request of the City.

8. INDEPENDENT CONTRACTOR. It is expressly understood that Contractor is an independent contractor and that its employees shall not be employees of or have any contractual relationship with the City. Contractor shall be responsible for the payment of all taxes, workers' compensation insurance and unemployment insurance. Should Contractor desire any insurance protection, the Contractor is to acquire same at its expense.

In the event Contractor or any employee, agent, or subcontractor of Contractor providing services under this Agreement is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Contractor shall indemnify, protect, defend, and hold harmless the City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Contractor or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding the foregoing, in no event will Contractor be (a) liable for claims, liabilities or damages (i) that could not reasonably have been foreseen upon entry into this Agreement; (ii) arising from any action or inaction by Contractor in response to specific direction from Client; (iii) in connection with any Client monies not collected by Contractor; nor (iv) in connection with the issuance, non-issuance or revocation of any registration, license, permit, or exemption; nor (b) required to provide a defense in connection with any indemnification or hold harmless provisions under this Agreement.

9. INDEMNITY. Contractor shall indemnify, protect, defend (with legal counsel selected by the City), save and hold City, its officers, employees, and agents, harmless from any and all claims or causes of action for death or injury to persons, or damage to property resulting from intentional or negligent acts, errors, or omissions of Contractor or Contractor's officers, employees, volunteers, and agents during performance of this Agreement; Contractor shall indemnify, protect, defend (with counsel selected by the City) save and hold City, its officers, employees and agents harmless from any and all claims or causes of action for any violation of any federal, state, or municipal law or ordinance, to the extent caused, in whole or in part, by the willful misconduct, negligent acts, or omissions of Contractor or its employees, subcontractors, or agents, or by the quality or character of Contractor's work, or resulting from the negligence of the City, its officers, employees, volunteers and agents, except for loss caused by the sole negligence or willful misconduct of the City or its officers, employees, volunteers

or agents. It is understood that the duty of Contractor to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code. Acceptance by City of insurance certificates and endorsements required under this Agreement does not relieve Contractor from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall survive the termination of this Agreement and shall apply to any damages or claims for damages whether or not such insurance policies shall have been determined to apply. By execution of this Agreement, Contractor acknowledges and agrees to the provisions of this Section and that it is a material element of consideration.

10. INSURANCE. During the term of this Agreement, Contractor shall maintain in full force and effect at its own cost and expense, the following insurance coverage:

a. Workers' Compensation Insurance. Full workers' compensation insurance shall be provided with a limit of at least One Hundred Thousand Dollars (\$100,000) for any one person and as required by law, including Employer's Liability limits of \$1,000,000.00 per accident. The policy shall be endorsed to waive the insurer's subrogation rights against the City.

b. General Liability.

- (i) Contractor shall obtain and keep in full force and effect general liability coverage at least as broad as ISO commercial general liability coverage occurrence Form CG 0001.
- (ii) Contractor shall maintain limits of no less than One Million Dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage.
- (iii) The City, its officers, employees, volunteers and agents are to be named as additional insureds under the policy, as respects liability arising out of work or operations performed by or on behalf of the Contractor.
- (iv) The policy shall stipulate that this insurance will operate as primary insurance for work performed by Contractor and its sub-contractors, and that any other insurance or self-insurance maintained by City or other named insureds shall be excess and non-contributory.

- (v) Contractor shall maintain its commercial general liability coverage for three (3) years after completion of the work and shall add an additional insured endorsement form acceptable to the City naming the City of Merced, its officers, employees, agents and volunteers for each year thereafter for at least three (3) years after completion of the work. Copies of the annual renewal and additional insured endorsement form shall be sent to the City within thirty (30) days of the annual renewal.

c. Automobile Insurance.

- (i) Contractor shall obtain and keep in full force and effect an automobile policy of at least One Million Dollars (\$1,000,000) per accident for bodily injury and property damage.
- (ii) The City, its officers, employees, volunteers and agents are to be named as additional insureds under the policy, as respects automobiles owned, leased, hired or borrowed by the Contractor.
- (iii) The policy shall stipulate that this insurance will operate as primary insurance for work performed by Contractor and its sub-contractors, and that any other insurance or self-insurance maintained by City or other named insureds shall be excess and non-contributory.

d. Professional Liability Insurance. Contractor shall carry professional liability insurance appropriate to Contractor's profession in the minimum amount of One Million Dollars (\$1,000,000). Architects and engineers' coverage is to be endorsed to include contractual liability.

e. Qualifications of Insurer. The insurance shall be provided by an acceptable insurance provider, as determined by City, which satisfies all of the following minimum requirements:

- (i) An insurance carrier admitted to do business in California and maintaining an agent for service of process within this State; and,
- (ii) An insurance carrier with a current A.M. Best Rating of A:VII or better (except for workers' compensation provided through

the California State Compensation Fund).

f. Certificate of Insurance. Contractor shall complete and file with the City prior to engaging in any operation or activity set forth in this Agreement, certificates of insurance evidencing coverage as set forth above and which shall provide that no cancellation or expiration by the insurance company will be made during the term of this Agreement, without thirty (30) days written notice to City prior to the effective date of such cancellation—including cancellation for nonpayment of premium. In addition to any other remedies City may have, City reserves the right to withhold payment if Contractor's insurance policies are not current.

## 11. PREVAILING WAGES.

A. Labor Code Compliance. If the work performed under this Agreement falls within Labor Code Section 1720(a)(1) definition of a "public works" the Contractor agrees to comply with all of the applicable provisions of the Labor Code including, those provisions requiring the payment of not less than the general prevailing rate of wages. The Contractor further agrees to the penalties and forfeitures provided in said Code in the event a violation of any of the provisions occurs in the execution of this Agreement.

B. These wage rate determinations are made a specific part of this Agreement by reference pursuant to Labor Code Section 1773.2. General Prevailing Wage Rate Determinations may be obtained from the Department of Industrial Relations Internet site at <http://www.dir.ca.gov/>.

C. After award of the Agreement, and prior to commencing work, all applicable General Prevailing Wage Rate Determinations, if applicable, are to be obtained by the Contractor from the Department of Industrial Relations. These wage rate determinations are to be posted by the Contractor at the job site in accordance with Section 1773.2 of the California Labor Code.

D. Contractor agrees to include prevailing wage requirements, if applicable, in all subcontracts when the work to be performed by the subcontractor under this Agreement is a "public works" as defined in Labor Code Section 1720(a)(1) and Labor Code Section 1771.

## 12. ASSIGNABILITY OF AGREEMENT. It is understood and agreed that this Agreement contemplates personal performance by the Contractor and is

based upon a determination of its unique personal competence and experience and upon its specialized personal knowledge. Assignments of any or all rights, duties or obligations of the Contractor under this Agreement will be permitted only with the express written consent of the City.

13. TERMINATION FOR CONVENIENCE OF CITY. The City may terminate this Agreement upon 45-day notice by mailing a notice in writing to Contractor that the Agreement is terminated. Said Agreement shall then be deemed terminated, and no further work shall be performed by Contractor. If the Agreement is so terminated, the Contractor shall be paid for that percentage of the phase of work actually completed, based on a pro rata portion of the compensation for said phase satisfactorily completed at the time the notice of termination is received.

14. CONFORMANCE TO APPLICABLE LAWS. Contractor shall comply with its standard of care regarding all applicable Federal, State, and municipal laws, rules and ordinances. No discrimination shall be made by Contractor in the employment of persons to work under this contract because of race, color, national origin, ancestry, disability, sex or religion of such person.

Contractor hereby promises and agrees to comply with all of the provisions of the Federal Immigration and Nationality Act (8 U.S.C.A. 1101 *et seq.*), as amended; and in connection therewith, shall not employ unauthorized aliens as defined therein. Should Contractor so employ such unauthorized aliens for the performance of work and/or services covered by this Agreement, and should any agency or instrumentality of the federal or state government, including the courts, impose sanctions against the City for such use of unauthorized aliens, Contractor hereby agrees to, and shall, reimburse City for the cost of all such sanctions imposed, together with any and all costs, including attorneys' fees, incurred by the City in connection therewith.

15. WAIVER. In the event that either City or Contractor shall at any time or times 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 any other covenant, condition or obligation. Waiver shall not be deemed effective until and unless signed by the waiving party.

16. INCONSISTENT OR CONFLICTING TERMS IN AGREEMENT AND EXHIBITS. In the event of any contradiction or inconsistency between any attached document(s) or exhibit(s) incorporated by reference herein and the

provisions of the Agreement itself, the terms of the Agreement shall control.

Any exhibit that is attached and incorporated by reference shall be limited to the purposes for which it is attached, as specified in this Agreement. Any contractual terms or conditions contained in such exhibit imposing additional obligations on the City are not binding upon the City unless specifically agreed to in writing, and initialed by the authorized City representative, as to each additional contractual term or condition.

17. **AMBIGUITIES.** This Agreement has been negotiated at arms' length between persons knowledgeable in the matters dealt with herein. Accordingly, any rule of law, including, but not limited to, Section 1654 of the Civil Code of California, or any other statutes, legal decisions, or common-law principles of similar effect, that would require interpretation of any ambiguities in this Agreement against the party that drafted this Agreement is of no application and is hereby expressly waived.

18. **VENUE.** This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this agreement shall be held exclusively in a state court in the County of Merced.

19. **AMENDMENT.** This Agreement shall not be amended, modified, or otherwise changed unless in writing and signed by both parties hereto.

20. **INTEGRATION.** This Agreement constitutes the entire understanding and agreement of the parties and supersedes all previous and/or contemporaneous understanding or agreement between the parties with respect to all or any part of the subject matter hereof.

21. **AUTHORITY TO EXECUTE.** The person or persons executing this Agreement on behalf of the parties hereto warrants and represents that he/she/they has/have the authority to execute this Agreement on behalf of their entity and has/have the authority to bind their party to the performance of its obligations hereunder.

22. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts with each counterpart being deemed an original. No counterpart shall be deemed to be an original or presumed delivered unless and until the counterparts executed by the other parties hereto are in the physical possession of the party or parties seeking enforcement thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first above written.

CITY OF MERCED  
A California Charter Municipal  
Corporation

BY: \_\_\_\_\_  
D. Scott McBride  
City Manager

ATTEST:  
D. SCOTT MCBRIDE, CITY CLERK

BY: \_\_\_\_\_  
Assistant/Deputy City Clerk

APPROVED AS TO FORM:  
CRAIG J. CORNWELL, CITY ATTORNEY

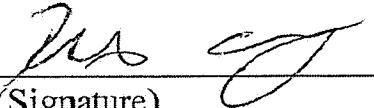
BY: Craig Cornwell 1-12-2026  
City Attorney Date

ACCOUNT DATA:  
M. VENUS RODRIGUEZ, FINANCE OFFICER

BY: \_\_\_\_\_  
Verified by Finance Officer

{Signatures continued on next page}

CONTRACTOR  
Hinderliter de Llamas & Associates

BY:   
(Signature)

Robert Gray  
(Typed Name)

Its: Vice President  
(Title)

BY:   
(Signature)

Gary Lott  
(Typed Name)

Its: COO  
(Title)

Taxpayer I.D. No. 33-0008507

ADDRESS: 120 S State College Blvd.  
#200 Brea, CA 92821

TELEPHONE: 714-879-5000  
FAX: \_\_\_\_\_  
E-MAIL: contracts@hdlcompanies.com

## **Business License Tax and Fees Administration**

### **SCOPE OF SERVICES**

Consultant will provide the following Services relative to Client's business license tax administration.

#### **1. Business License Tax Ordinance / Fee Study**

- 1.1. Current Tax Registry Analysis – Consultant will conduct an analysis of the City's business tax registration database. Data will be compiled on the number of businesses, current tax revenues received by the City, categories, and other related information to provide a baseline of the City's current tax structure and to allow consultant to model the potential impact of changes to the current model. Contingent on data availability, this analysis will include the following:
  - 1.1.1. A calculation of the effective tax rate paid by small, medium, and large businesses in the City. (Consultant will use estimated or actual gross receipts to create these categories.)
  - 1.1.2. An analysis of the length of tenure of currently active businesses in the City.
  - 1.1.3. An analysis of the trends within major economic sectors, including whether revenue is tracking the measure of the tax (or if the current tax structure is deviating from the trend of the underlying input/measure of the tax).
  - 1.1.4. An analysis of the net growth in numbers of inside businesses.
  - 1.1.5. An analysis of the top 100 businesses (by the City's current business license measure) looking at their contribution to the total revenue and key trends, if any, in the top 100 businesses.
  - 1.1.6. A review of the existing municipal code structure for both business license and TOT to indicate any opportunities for administrative improvements.
- 1.2. Fee Analysis and Comparative Study – Using the data compiled from the registration analysis, as well as data compiled from other sources, such as revenue data from the State, Consultant will prepare a report comparing the City model to those of neighboring cities. Contingent on data availability, this analysis will include the following:
  - 1.2.1. Identification of a set of nine similar jurisdictions to use for comparison.
  - 1.2.2. Review of the total revenue trends for each of the ten jurisdictions (nine comparison jurisdictions and the City) along with key attributes like population and number of businesses, the last substantial update to the code, and primary business tax measure.
  - 1.2.3. Visualization of the City's business license tax revenue per capita and per business compared to the other nine jurisdictions.
  - 1.2.4. Trend of the overall growth of business tax revenue for each of the ten jurisdictions, benchmarked against the highest year of revenue for the City.
  - 1.2.5. Creation of a basket of hypothetical businesses and comparison of how each of the ten jurisdictions would tax those hypothetical businesses. The hypothetical businesses will be drawn from composites of small, medium, and large businesses in your City.
- 1.3. Modified Tax Structure Options – As a result of the findings of the comparison report, Consultant will prepare a report with three options for tax structure changes. Contingent on data availability, this analysis will include the following:
  - 1.3.1. An analysis of how the taxes paid by the hypothetical businesses in the basket of business identified in the comparison study would change for each model.
  - 1.3.2. An analysis of how the effective tax rate would be changed for small, medium, and large businesses (as identified in the Current Registry Analysis).
  - 1.3.3. An analysis of the models' impact on locally owned and small businesses. (Consultant defines a "locally owned business" as one with a physical and mailing address within the City.)

- 1.3.4.A comparison of the per-capita and per-business revenue for each of the three models against the ten comparison jurisdictions and, where useful, against additional high-revenue cities identified by Consultant.
- 1.3.5.A visualization of the proposed tax rates in the models compared to other tax rates, like sales tax.
- 1.3.6.A comparison of the % of revenues from the top 100 businesses pre- and post-change, assuming that one of the models is adopted.
- 1.4. Additional Support – the following activities are included at no additional cost.
  - 1.4.1.Staff Meetings – Consultant will schedule the following meetings to review deliverables and questions with City staff.
    - 1.4.1.1. Kick-off meeting
    - 1.4.1.2. Review and approve the comparison jurisdictions
    - 1.4.1.3. Review of the interactive model
    - 1.4.1.4. Review of the first draft of the report
    - 1.4.1.5. Review of the revised final report
  - 1.4.2.Meetings with Committees and Council - Consultant will make ourselves available for the following meetings with reasonable advance notice.
    - 1.4.2.1. A presentation of the draft report to a committee
    - 1.4.2.2. The presentation of a revised, final draft report to the committee. (Consultant can make changes that take less than a total of two hours to revise at no additional cost. Changes beyond that two-hour limit will be made on a time and material basis after written approval from the City.)
    - 1.4.2.3. Presentation of the final report to City Council
    - 1.4.2.4. A second meeting with Council to answer technical questions post-polling
  - 1.4.3.Technical Support for Community Meetings
    - 1.4.3.1. Consultant will provide responses to the City to technical questions raised by community stakeholders in any community meetings the City holds.
    - 1.4.3.2. Consultant will also provide a list of the top businesses that the City may want to contact to discuss the potential impact on their businesses.
  - 1.4.4.Deliverables – The deliverables from the study will be:
    - 1.4.4.1. Comparison jurisdiction set
    - 1.4.4.2. Interactive model
    - 1.4.4.3. Draft of report
    - 1.4.4.4. PowerPoint for presentation of the report to the committee, Council, or both
    - 1.4.4.5. Final report
    - 1.4.4.6. List of potential businesses for community outreach
  - 1.4.5.Additional Support Activities
    - 1.4.5.1. Consultant will also review and work with the City Attorney's office to draft new ordinance language supporting a chosen model
    - 1.4.5.2. Consultant will provide reasonable support to assist any polling or ballot firm the City chooses to understand the models
  - 1.4.6.Timeline - Once the contract is signed by both parties and the data is available to Consultant, the clock on the below timeline begins to run. For the timeline, Week 1 is the week on which the clock starts to run.
    - 1.4.6.1. Schedule the kick-off meeting. (By week 2)
    - 1.4.6.2. Meet to review the Jurisdiction comparisons (By week 3)
    - 1.4.6.3. Meet to review the interactive model (By week 6)
    - 1.4.6.4. Deliver the first draft report. (By week 10)

- 1.4.6.5. Deliver PowerPoint for presentations. (By week 11)
- 1.4.6.6. Deliver the final report. (TBD based on presentations to the Council and staff direction.)
- 1.4.7. A Note on Implementation—Once a model is chosen and initial polling is completed, Consultant can meet with the City to discuss options for implementation. Changing the code also requires changes in forms, software set-up, process, and likely some community outreach ahead of renewal season. Consultant will be happy to meet with the City to discuss the additional scope of that work.

2. **Compliance Services:** 1) Identify and register businesses which are subject to licensure or taxation, 2) collect known debt as pertains to business license or tax, and 3) identify under-reported tax liability.
  - 2.1. **Discovery Services**
    - 2.1.1. Develop a list of businesses subject to Client licensure or taxation.
    - 2.1.2. Notify non-compliant businesses of their options to comply or dispute their non-compliant status. Notification and support to businesses will be facilitated through the website, mail, email, phone and fax.
    - 2.1.3. Review information and forms submitted by the business for completion and accuracy, inclusive of any additional required documentation (i.e. home occupation permit). All submissions are filed and stored electronically and made available to Client upon request.
    - 2.1.4. Provide businesses with detailed invoicing and options to pay via website, mail, and phone.
    - 2.1.5. Remit revenue to Client no less than monthly, along with all business applications and any additional documentation.
  - 2.2. **Collection Services**
    - 2.2.1. Identify businesses subject to Client licensure or taxation which have known debt to Client and have failed to pay within an appropriate time frame.
    - 2.2.2. Notify businesses of their options to comply or dispute their non-compliant status.
    - 2.2.3. Provide businesses with detailed invoicing and options to pay via website, mail and phone.
    - 2.2.4. Remit revenue to Client no less than monthly.
  - 2.3. **Audit Services**
    - 2.3.1. Identify potential under-reporting and/or misclassified businesses.
    - 2.3.2. Audit businesses mutually agreed to by Client and Consultant that are identified as potential under-reporting businesses.
    - 2.3.3. Submit audit summaries to Client and discuss further actions.
    - 2.3.4. Educate businesses on proper reporting practices.
    - 2.3.5. Invoice and collect identified deficiencies.
3. **Online Payment Processing** – Consultant's services include PCI compliant payment processing services which supports both credit card and eCheck transactions.
  - 3.1. **Client Responsibilities**
    - 3.1.1. As a condition to its receipt of the Service, Client shall execute and deliver any and all applications, agreements, certifications or other documents required by Consultant's payment processor, Networks or other third parties whose consent or approval is necessary for the processing of Transactions by Consultant's payment processor. "Network" is an entity or association that operates, under a common service mark, a system which permits participants to authorize, route, and settle Transactions among themselves, including, for example, networks operated by VISA USA and Mastercard, Inc., NYCE Corporation, American Express, and Discover.
    - 3.1.2. Client hereby grants Consultant the full right, power and authority to request, receive and review any Data or records reflected in a Transaction report. Client represents and warrants that it has the full right and authority to grant these rights.

## Optional Services

### 4. Operations Management Services

- 4.1. Establish and maintain database of Client businesses.
- 4.2. Receive and process applications, renewals and payments in a timely fashion.
- 4.3. Send renewal notices to active businesses within 30 days of the renewal period end date or at another interval specified by Client.
- 4.4. Provide businesses multiple options for submitting applications, renewals, payments, or support requests (including via website, email, mail, phone, and fax. Consultant license specialists will be available for live interactions Monday through Friday, 8:00am to 5:00pm Pacific).
- 4.5. Remit revenue to Client no less than monthly.
- 4.6. Provide Client staff access to website portal offering business registry inquiry, reporting, and electronic department approval capabilities.

## FEES

### 5. Business License Tax Ordinance / Fee Study – Fee is \$50,000.00, due 45% at the project kickoff meeting, 45% upon delivery of the first draft report for review, and 10% upon delivery of the final report.

### 6. Compliance Services

- 6.1. Fees for performing compliance Services apply to all monies received for the current tax/license period and any other prior period collected (including monies received for taxes, penalties, interest, and fees).
  - 6.1.1. Fees for performing discovery Services shall be a contingency Fee of 50% of the revenues received as a result of the Services.
  - 6.1.2. In the event that Client discovers a non-compliant business and reports the business to Consultant (including a calculation of all taxes/fees due), Consultant will categorize the business as a collection service effort and thus apply the lower collection Services contingency Fee rate.
  - 6.1.3. Fees for performing collection Services shall be a contingency Fee of 30% of the revenues received as a result of the Services.
  - 6.1.4. Fees for performing audit Services shall be a contingency Fee of 50% of the revenues received as a result of the Services.
- 6.2. Consultant recognizes Client's authority to waive or reduce the tax/fee debt of a business. Should Client decide to do so for a business whose deficiency was identified by Consultant, Consultant shall be entitled to compensation in the amount of one half (1/2) of the Fees Consultant would have otherwise earned. Deficiencies which are uncollectable due to insolvency or dissolution of the business, or for deficiencies which are otherwise incapable of collection (i.e. statute of limitation or other legal defense) shall not be considered a Client voluntary election to waive, and thus, Consultant would not be entitled to compensation related thereto under this provision.
- 6.3. The fee shall be paid notwithstanding any related Client assistance, work in parallel, and/or incurrence of attorneys' fees or other costs or expenses in connection, with the relevant Services.
- 6.4. Fees related to travel and lodging expenses are billed at cost and applied to all meetings (including implementation, training, operations, and support). Travel expenses only apply to out of scope travel and must therefore be pre-approved by Client.
- 6.5. Fees will be invoiced monthly to Client for Services performed during the prior month. Fees will be netted out of Client's monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.

### 7. Payment Processing – Consultant will configure payment processing services to utilize either a taxpayer funded model (convenience fee) or Client funded model, as directed by Client. Client may switch between

these models upon written request to Consultant. Fees for each of these payment processing models are detailed here.

- 7.1. Taxpayer funded model – Client authorizes Consultant to collect each convenience fee from the taxpayer at time of payment.
  - 7.1.1. Credit and debit card processing – 2.9% of transaction amount, minimum of \$2.00
  - 7.1.2. ACH/eCheck processing - \$2.50 per transaction
- 7.2. Client funded
  - 7.2.1. Credit and debit card processing – 2.9% of transaction amount
  - 7.2.2. ACH/eCheck processing - \$0.75 per transaction
- 7.3. Returned payments/NSF fee – Each occurrence of a card chargeback, returned payment or insufficient funds will incur a fee of \$25.00, to be applied to the taxpayers account.
- 7.4. Consultant reserves the right to review and adjust pricing related to payment processing services on an annual basis. Consultant will communicate any such adjustment to Client in writing, with 60 days advance notice. Items that will be considered in the review of fees may include, but are not limited to: regulatory changes, card association rate adjustments, card association category changes, bank/processor dues and assessments, average consumer payment amounts, card type utilization, and costs of service.

### **Optional Services**

#### **8. Operations Management Services**

- 8.1. Fees for performing operations management Services shall be \$18.00 for each processed account, which is any account for which an application or renewal/return was processed, or active account which was sent a renewal notice.
  - 8.1.1. Fees will be increased as of January 1st of each calendar year with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPI-U), West Region, as reported by the U.S. Bureau of Labor Statistics (the “CPI Change”). Each annual increase in the Fees will be equal to the greater of two percent (2%) or the actual CPI Change and the lesser of ten percent (10%) or the actual CPI Change. For example, if the actual CPI Change is 1.5%, then the annual increase will be 2%, if the actual CPI Change is 3.5%, then the annual increase will be 3.5%, and if the actual CPI Change is 12%, then the annual increase will be 10%.
- 8.2. Implementation fee is \$10,000.00, due 50% upon the project kick-off meeting and 50% upon first production services.
- 8.3. Fees related to travel and lodging expenses are billed at cost and apply to all meetings (including implementation, training, operations and support). Travel expenses only apply to out of scope travel and must therefore be pre-approved by Client.
- 8.4. Fees will be invoiced monthly to Client for Services performed during the prior month. Fees will be netted out of Client’s monthly revenue disbursement. Client will submit payment for any balance due to Consultant within 30 days of receiving the invoice.