City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 25-1032 **Agenda Date:** 10/15/2025 **Agenda #:** 7.

DATE: October 15, 2025

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

TITLE: **PROFESSIONAL SERVICES AGREEMENT WITH HINDERLITER, DE LLAMAS & ASSOCIATES DBA HDL COMPANIES FOR TRANSIENT OCCUPANCY TAX AUDITING SERVICES**

RECOMMENDATION

Staff recommends that the City Council approve a Professional Services Agreement (PSA) with Hinderliter, De Llamas & Associates dba HdL Companies (HdL) for transient occupancy tax (TOT) auditing services, in the amount of $45,000 for fiscal year 2025-26 and total contract amount not to exceed $148,950 for a three-year term with an option to administratively extend for two additional one-year terms; and authorize the City Manager to execute the agreement.

BACKGROUND AND ANALYSIS

In accordance with Chapter 34, Article III of the Oceanside Municipal Code, TOT is levied on transients (tourists) for the privilege of occupying lodging facilities in the City for 30 days or less. The tax is collected from tourists by lodging operators and remitted to the City at the close of their quarterly or monthly reporting period. In April 1992, the City Council adopted the TOT rate of ten (10) percent of the gross rent charged by the lodging operator effective May 15, 1993.

In March 2010, the City Council approved the establishment of the Oceanside Tourism and Marketing District (OTMD), a special benefit district as permitted under California law, to provide funding for a collective marketing effort to benefit tourism. Visit Oceanside serves as the OMTD Owners' Association and is responsible for the operations of the OTMD. Since inception the OTMD special district has been renewed in 2014, 2019 and 2025.

In June of 2019, the City Council approved a modification from the original OTMD assessment rate of one and a half (1.5) percent for all lodging operators to two and a half (2.5) percent for hotel/motel operators and one and a half (1.5) percent for vacation rentals. The OTMD assessment is remitted to the City at the same time and manner as TOT. The OTMD assessment is passed through to Visit Oceanside from the City.

The most recent audit of TOT returns was conducted in early 2020, during which a small percentage of lodging operators had their TOT and OTMD records reviewed to ensure accurate reporting. The audit was carried out by City Finance staff. With the growing popularity of Short-Term Rentals (STRs) and the adoption of the City's STR regulations, there has been a significant increase in the number of registered lodging operators. The City now has approximately 31 hotels and motels, along with 1,191 registered STR properties. Business License staff have an active role in the STR Permitting process and are responsible for all business license applications and processing including Sidewalk Vendors and the Shopping Cart Containment program and administrative tasks of the Tobacco Retail Program. As a result, it is no longer feasible for City Finance staff to conduct TOT audits internally.

In July 2025, staff issued a Request for Proposals (RFP) for TOT audit services in accordance with the City's procurement policies. Under the scope of work, the consultant shall conduct approximately 20 audits annually of registered lodging facilities, with approximately 10 being hotel/motels and 10 being STRs. The audit would ensure lodging operators are properly remitting TOT and OTMD funds, accurately documenting taxable and non-taxable room revenues and reporting of exemptions. The consultant will prepare an annual audit report which will include a summary of procedures, audit findings, and if needed an assessment of any over or underreported taxes. In response to the RFP, five proposals were received by the City.

A team of five Finance staff evaluated proposals for clarity, audit approach, firm and staff qualifications, experience with similar engagements, and cost. The top three vendors were interviewed by the RFP team. The evaluation team rated HdL as the top provider.

HdL brings over 40 years of experience in providing revenue enhancement and consulting services to local governments. The firm currently serves approximately 300 cities and counties within California, and more than 900 cities, counties, and special districts across the United States. HdL has extensive TOT administration and compliance experience in California and are well versed in the operations of STRs and understand the lodging tax landscape has significantly evolved with the rise of STRs. HdL has supported the City in a variety of engagements in the past and they have always provided exceptional service to the City and maintained positive relationships with the business community.

FISCAL IMPACT

The cost of the agreement for fiscal year 2025-26 is $45,000 and total costs for the three-year agreement is not to exceed $148,950. The total cost will be charged to the Revenue Management account 211010101.5305. It is expected the recovered funds will increase TOT revenues; therefore, staff is requesting to appropriate $45,000 to the Revenue Management account 211010101.5305 and Transient Occupancy Tax revenue account 1101.4116 to offset contract costs. Future contract years will be budgeted during the annual budget process. Contract costs are a flat rate per audit.

Description	Amount	Account Number
PSA with HdL Companies	$45,000	211010101.5305
Request to Appropriate	$45,000	1101.4116

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced document has been reviewed by the City Attorney and approved as to form.

Prepared by: Jennifer Rhoades, Management Analyst
Reviewed by: Jill Moya, Financial Services Director
Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:
1. Staff Reports
2. Request for Proposals
3. Professional Services Agreement