

Exhibit A

Scope of Work

A. Transactions and Use Tax Audit Program

The following services will be performed by HdL's audit team members under the direction of the Director of Audit Services:

- HdL will obtain Monterey County's taxpayer registration and allocation data from the California Department of Tax and Fee (CDTFA). Once TAMC data from the countywide measure is uploaded and processed, HdL will apply a series of queries and analyses to isolate potential misallocations and deficiencies.
- HdL will develop a target list of potential point-of-sale, delivery and use errors, and senior HdL auditors will contact the appropriate company personnel in sales, operations and accounting to determine if a reporting error exists. A thorough initial audit will be supplemented by ongoing reviews of quarterly distribution reports as new data is released. All countywide payments, including direct allocations, county pool distributions and deficiency assessments will be compared to TAMC distributions to isolate all potential opportunities for revenue recovery.
- HdL will remain cognizant of the statutes governing the administrative process for recovery of misallocated transactions tax revenue (CDTFA Regulation 1828 Section (e)) and the recovery of deficient payments (Sales and Use Tax Law Section 6487) during both initial and ongoing reviews and will target all missing revenue within reach.
- HdL's audit team will also file all necessary documentation with CDTFA on a timely basis to secure the earliest possible date of knowledge. A full-time HdL case manager will actively monitor all outstanding claims and follow up with appropriate CDTFA staff as necessary to ensure prompt correction.
- HdL will research, document, and pursue negative findings following all guidelines and deadlines stipulated by Regulation 1828. This includes formal appeals to the Sales and Use Tax Department, the Appeals Division and when/if necessary the elected Board Members.

B. Transaction Tax Management Services

The following services will be performed by HdL:

Economic Analysis:

HdL will scrub CDTFA's data on an ongoing basis, fixing business addresses and re-categorizing merchants to differentiate brick and mortar retailers from "business-to-business" suppliers and on-line retailers. HdL will further create and group businesses into additional categories not provided by the CDTFA to better track new and emerging economic trends.

Budget Projections & Monitoring:

HdL will prepare initial and mid-year projections for each of the State's seven major economic segments by eliminating payment aberrations and including recent revenue impacts such as newly opened or closed businesses. HdL will also incorporate information gathered from over 90 industry sources and from its quarterly client meetings across the state of California; the results are combined into a single estimate of anticipated revenue. HdL will also provide a single "most-likely" budget estimate, explaining variances when they occur. HdL will further enhance its projections by contacting builders of large-scale development projects to determine the estimated timing and value of potential construction related revenue in its estimates. HdL will also provide five-year forecasts.

Management Support:

HdL will establish a consistent liaison with TAMC's coordinator and define logical checkpoints for reviewing progress towards the agreed upon objectives. Each quarter, a principal of the firm will analyze TAMC's transactions and use tax data in detail and meet with appropriate officials to review trends and make recommendations regarding the economic and budget implications of that quarter's data. When requested by TAMC, HdL principals will also meet with committees of the TAMC Board and the TAMC Board of Directors to explain transactions tax regulations and their importance to TAMC's tax base.

Reports, Transactions Tax Website, and Training:

Within one week of receiving new quarterly data, HdL staff will import TAMC's detailed transactions and use tax data into its web-based sales tax system to facilitate analysis and report preparations. The system will allow TAMC staff to search, print and export their transactions and use tax data for a variety of financial, management and planning functions. HdL will provide the ability to search transactions tax producers by business name, address, CDTFA account number and current and historical allocations. The archived quarterly transactions and use tax reports will also be accessible through the online application. HdL will provide training on use of the web-based application and ongoing upgrades.

HdL will provide quarterly transactions tax reports on both a cash and adjusted basis. Cash reports reconcile to CDTFA payments while adjusted reports accurately provide economic trending data. HdL will provide reports on major tax producers and total tax receipts as requested. The data will be presented in reports for major tax producers, by both rank and category, analysis of tax activity by category and business, district or specific areas that TAMC has specified, analysis of reporting aberrations and per capita and by number of outlet comparisons.

Additional quarterly reports will include reports by major retail outlets, business category, geo area growth and decline comparisons, historical revenue tables and top 100 taxpayer listings. Additionally, HdL will provide historical reports comparing Measure X receipts to Bradley-Burns 1% allocations and identify discrepancies between the two revenue streams.

Exhibit B

Budget

A. Transactions Tax Audit Services

All fees for the allocation and deficiency audit work are billed at 25% for any audit recovery for eight retroactive adjustments only. There is no fee applied to the prospective revenue stream following correction of the error(s) identified. Quarterly invoices will detail on an account by account basis the amount of district tax recovered due to HdL's audit efforts. TAMC will not be invoiced until/unless CDTFA has confirmed the specific allocation error identified and has processed the necessary corrections so that the revenue has been received.

B. Transactions Tax Management Services

Economic Analysis, Management Support, Reports, Transactions Tax Website, Budgets and Quarterly Meetings will be billed at a flat rate of \$750 per month, invoiced quarterly for an amount not-to-exceed \$9,000 per year and \$27,000 for the three-year term of the contract.