



2.8

DEPARTMENT OF FINANCE
REVENUE AND ECONOMIC ANALYSIS DIVISION

CITY OF SACRAMENTO
CALIFORNIA

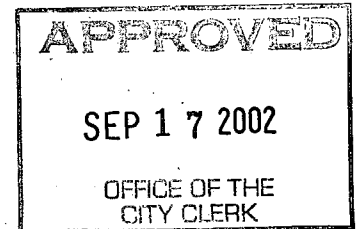
921 10TH St., Room 401
SACRAMENTO, CA 95814

PH 916-264-0146
FAX 916-264-7673

September 6, 2002

City Council
Sacramento, California

06 2002 - 166



Honorable Members in Session:

SUBJECT: REVENUE AUDIT AND REVENUE RECOVERY CONSULTANT SERVICES AGREEMENT AWARD TO MBIA MUNISERVICES COMPANY (MMC)

LOCATION/COUNCIL DISTRICT: City-wide (all districts).

STAFF RECOMMENDATION:

Staff recommends that the City Council adopt the following resolution authorizing the City Manager and City Clerk to enter into a Consultant Services Agreement with MBIA Muniservices Company (MMC) to provide revenue audit and revenue recovery services. The Agreement for audit and recovery services is to be paid on a contingency basis on a percent of new revenues recovered by the City due to MMC's audit and recovery services plus an annual fixed fee amount not to exceed \$50,000.

CONTACT PERSONS: Joe Chinn, Revenue and Economic Analysis Manager, 264-0146

FOR COUNCIL MEETING OF: September 17, 2002

SUMMARY:

Revenue audit and recovery services have been provided by MBIA Muniservices Company and related entities since 1986 (former contract was with MRC who was purchased by MBIA). The City received three (3) bids from contractors to provide these services for these services. A Selection Committee interviewed the two most qualified firms, and the Committee selected MMC as the most qualified and experienced to perform the services requested.

BACKGROUND:

The City has utilized MBIA Muniservices Company (MMC) and related entities since 1986 (former contract was with MRC who was purchased by MBIA).

The sales and use tax audit and revenue recovery services has added significant new sales and use tax revenue to the City over the last fifteen years. For example, the sales and use tax audit and recovery services generated \$1.4 million in additional sales and use tax revenue to the City of Sacramento in FY01-02 and \$1.9 million in FY00-01 by capturing revenue which had been allocated in error to other taxing jurisdictions or not collected at all.

The utility user tax (UUT) recovery services have generated approximately \$174,000 of additional utility user tax revenue to the City over the last two years from companies otherwise not remitting the proper amount of UUT to the City. In addition, periodically when warranted MMC will conduct a comprehensive audit related to remittance from a specific company that could lead to sizable payments to the City from under-reported UUT revenue.

The services to be included in the new agreement include:

- Sales and Use Tax services – provide audit services and represent of the City with the State Board of Equalization (BOE), the collector and distributor of sales and use tax proceeds;
- Sales tax analysis and reporting services on a quarterly basis;
- Transient occupancy tax audit service to be triggered when City determines to conduct audit;
- Utility users tax revenue protective services – includes compliance review services and UUT revenue protective services;
- Property tax and Redevelopment Area tax increment audit service if City determines to have an audit conducted; and
- Business operations tax discovery and compliance assistance when the City determines to conduct this audit service.

FINANCIAL CONSIDERATIONS:

The MMC audit and compliance services provide the City with additional General Fund revenue revenues that the City would otherwise likely not collect. The following services are paid on a contingent basis based on the amount of new revenue received by the City due to MMC services.

The MMC audit service fees is 25% of additional revenues received by the City as a result of MMC's services for the following services:

- Sales and use tax audit services;

- Transient occupancy tax audit services;
- Utility users tax compliance services; and
- Property tax and RDA tax increment audits.

For the business operation tax audit, MMC fees are 30% of additional revenues received by the City as a result of MMC's services.

The sales tax analysis and reporting service, and utility users tax revenue protection services portions of the contract are for a total fixed fee of \$47,000.

ENVIRONMENTAL CONSIDERATIONS:

None.

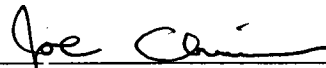
POLICY CONSIDERATIONS:

Collection and recovery of monies due the City is consistent with City Council's policy of collecting funds for General Fund operations in order to provide required City services. Approval of the City agreement with MMC will increase revenues to the City, make information available to City staff that could enhance revenue generation, and provide data for economic development planning by the City.

ESBD CONSIDERATIONS:

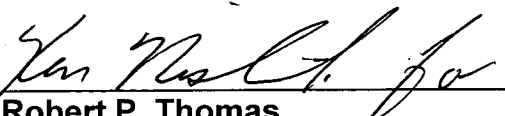
The City gave a preferential bonus for firms that are either EBE certified or SBE certified in the evaluation process. However, there are only two firms to the City's and other contacted local agencies knowledge that specialize in providing sales tax recovery and audit services. Neither of these firms are a certified EBE/SBE firm. MMC is the only firm that provides a comprehensive program of all revenue recovery/audit services. MMC has demonstrated that it has the capability to provide the most comprehensive and effective services to the City.

Respectively submitted,



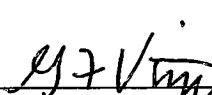
Joe Chinn
Revenue and Economic Analysis Manager

RECOMMENDATION APPROVED:

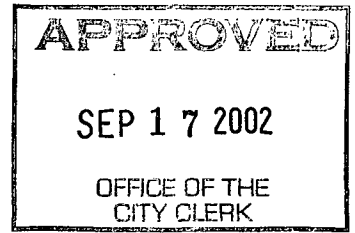


Robert P. Thomas
City Manager

APPROVED:



Gustavo Vina
Finance Director



RESOLUTION NO. 2002-624

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING THE CITY MANAGER AND CITY CLERK TO SIGN AND EXECUTE A CONSULTANT SERVICES AGREEMENT WITH MBIA MUNISERVICES COMPANY FOR REVENUE AUDIT AND REVENUE RECOVERY SERVICES

BE IT RESOLVED BY THE SACRAMENTO CITY COUNCIL THAT:

The City Manager and City Clerk are authorized to sign and execute a Consultant Services Agreement with MBIA Muniservices Company (MMC) to provide revenue audit and revenue recovery services. The Agreement for audit and recovery services is to be paid on a contingency basis on a percent of new revenues recovered by the City due to MMC's audit and recovery services plus an annual fixed fee amount not to exceed \$50,000.

MAYOR

ATTEST:

CITY CLERK

FOR CITY COUNCIL USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

2.9

This Item moved to
Staff Reports - 4.5