



CITY OF LONG BEACH

R-14

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • 562.570.6726

August 2, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute an agreement with MuniServices, LLC, for continued sales and use tax auditing, projection, recovery and consultant services for an amount not to exceed \$100,000 annually for a three year term, ending September 30, 2015, and authorize the City Manager to execute amendments to extend the term by up to four additional years. (Citywide)

DISCUSSION

Since 1983, the City has contracted for services of revenue recovery firms to provide sales and use tax auditing, projection, recovery and consultant services. The City has retained MuniServices LLC, (MuniServices) since 2007 to provide technical expertise to perform these services, which are not available within the City. MuniServices provides a high level of service in sales and use tax management, including strong analytics, forecasting tools and reports, as well as immediate access to professional staff, if required. Further, the fee for service is primarily performance-based and is contingent upon MuniServices' audits, producing new revenue that would not otherwise have been realized by the City.

MuniServices' primary responsibilities include providing sales and use tax projections by economic category and business segments, auditing State Board of Equalization (SBE) reports for potential point of sales and use tax reporting errors, and facilitating the correction of these reporting errors. They also prepare various reports of economic activity, business category comparisons, and audit reports for City staff. Additionally, MuniServices will support the development and implementation of a use tax self-accrual program, train City staff to assist businesses with its implementation, provide auditing services of the City's franchise fee revenues and provide the City with a user-friendly database containing monthly sales tax data from the SBE.

The Request for Proposals (RFP) for the sales and use tax auditing, projection, and recovery services was advertised on the City's website, notifying 460 potential bidders. Of those potential bidders, 35 downloaded the RFP via our electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update

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on Open Bid Opportunities, which was sent to seven Minority-owned Business Enterprises (MBEs), five Woman-owned Business Enterprises (WBEs), six Small Business Enterprises (SBEs) and two locally-owned businesses. We received three responses; none were MBE, WBE or locally-owned businesses, and one was an SBE.

The Department of Financial Management formed a team consisting of representatives from the Budget and Performance Management Bureau; the Business Services Bureau and the Redevelopment Bureau of the Department of Development Services to evaluate the RFP submissions and make a selection recommendation.

Finalists were judged based on (1) firm experience, (2) demonstrated competence in sales and use tax projection and auditing, (3) operational expertise, (4) and ability to meet the needs of the City in the implementation of the new use tax program.

Based on a review of the proposals, and the specific criteria outlined above, it is recommended the City's sales and use tax auditing, projection, recovery and consultant services be awarded to MuniServices, LLC (not an MBE, WBE, SBE, or Local).

This matter was reviewed by Deputy City Attorney Amy R. Burton on July 7, 2011 and by Budget and Performance Management Bureau Manager Lou Palmer on June 10, 2011.

TIMING CONSIDERATIONS

City Council action is requested on August 2, 2011 to authorize the timely disposition of the new agreement.

FISCAL IMPACT

Industry standard compensation for sales and use tax auditing services, as per the contract, is a contingency fee of 20 percent of the new revenue collected in the first six reporting quarters, all eligible prior quarters, as well as three retroactive quarters from the date of the original determination date of sales tax misallocation. The proposed contract also provides for a quarterly payment of \$2,391 for software, analysis and consultant services. Additionally, MuniServices' compensation for the implementation of a use tax recovery program will be 20 percent for 12 quarters or 25 percent for the life of any construction projects resulting in new use tax revenue paid directly to the City. As a requisite to payment, the new revenue must be a direct result of MuniServices' detection, documentation and correction of related point of sale and use tax reporting errors.

The sales tax projection, reporting and information services portion of the contract represents approximately \$10,000 of the projected \$100,000 annual reimbursement amount. The remainder is based on the ability of MuniServices to detect and prove sales tax misallocations and improve the City's use tax allocation. Under the previous contract, MuniServices recovered \$2.9 million in misallocated revenue for the City.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

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APPROVED:



PATRICK H. WEST
CITY MANAGER