



City of Palo Alto

City Council Staff Report

(ID # 10181)

Report Type: Consent Calendar

Meeting Date: 4/22/2019

Summary Title: Approval of Amendment No.2 with MuniServices LLC for Sales Tax Consulting Services

Title: Approval of Amendment Number 2 to Contract Number S17167994 With MuniServices, LLC for Sales Tax Consulting Services to Increase the Amount by \$40,000 for a new Not-to-Exceed Amount of \$125,000 and to Extend the Term Through August 31, 2019

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that Council approve and authorize the City Manager or his designee to execute Contract Amendment No. 2 to Contract No. S17167994 with MuniServices, LLC for sales and use tax audit and information services to increase compensation by \$40,000 for a total not to exceed amount of \$125,000 and to extend the contract term from May 1, 2019 to August 31, 2019 (Attachment A).

Background

The City of Palo Alto engages with MuniServices to provide sales and use tax audit and information services. Quarterly sales and use tax analysis reports are reviewed by the City and the Consultant to inform and provide analysis to the City of its top revenue producers; shifts in the local, state, and national economy and legislature related to sales and use tax; and sales and use tax performance of certain geographical areas of business category.

Discussion

The City contracts with MuniServices to provide sales and use tax audit and information services, which includes identifying and ensuring receipt of misallocated or underreported tax revenues. Revenue reporting services includes quarterly written reports and briefings concerning revenue performance, trend analysis, gains and declines, revenue projections, enhanced recovery options and an analysis of present and future issues related to revenue recovery.

Quarterly sales and use tax reports from MuniServices provide the foundation for the City's sales and use tax revenue projections. Analysis includes information from the California

Department of Tax and Fee Administration (CDTFA), the state agency that administers sales and use tax, of the city's top revenue producers, indication of revenue changes by business and economic category, identification of major businesses that influence change in the City's tax revenue, analysis of key business that grew or declined during the reporting period, identification of the top revenue generators in the City, and an analysis of their potential growth or decline. In addition, analysis from MuniServices includes reports by geographical area and revenue forecasting reports that are used in the City's Long Range Financial Forecast (LRFF).

MuniServices is compensated at a rate of 20 percent for revenue received as a direct result of MuniServices detecting and documenting point-of-sale or use taxpayer reporting errors and/or omissions with the CDTFA. Detailed listings of these findings are provided by MuniServices, along with the correction status of the item. MuniServices is compensated at a rate of 20 percent for these sales and use tax recovery services.

A Request for Proposal (RFP) was issued in 2014 for sales and use tax consulting services. Two consulting firms responded to the RFP and MuniServices was selected based on the firm's experience with engagement of similar scope and complexity. The existing contract with MuniServices expires May 2019 for a total not to exceed of \$85,000. Staff requests Council authorization to extend the term of the contract to August 31, 2019 and to increase the total not to exceed by \$40,000, bringing the contract total to \$125,000. The additional contract amount will extend services for another four months and compensate MuniServices for increased revenue recovery efforts.

Resource Impact

Additional contract funds needed through the end of the fiscal year will be absorbed by the City Auditor's Operating Budget. The FY 2020 Operating Budget assumes funding for sales and use tax audit and information services.

Environmental Review

These services do not constitute a project for the purposes of the California Environmental Quality Act.

Attachments:

- Attachment A: Muni Services Contract Amendment No 2

Attachment A

AMENDMENT NO. 2 TO CONTRACT NO. S17167994 BETWEEN THE CITY OF PALO ALTO AND MUNISERVICES, LLC FOR PROFESSIONAL SERVICES

This Amendment No. 2 to Contract No. S17167994 ("Contract") is entered into May 2, 2019, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and MUNISERVICES, LLC, a Delaware Limited Liability Company, located at 7625 N. Palm Ave., Ste. 108, Fresno, CA 93711 ("CONSULTANT").

RECITALS

A. The Contract was entered into between the parties for the provision of sales and use tax audits.

B. City intends to extend the contract term and increase the compensation by \$40,000.00 from \$85,000.00 to \$125,000.00 for continuation of the services as specified in EXHIBIT "A" SCOPE OF SERVICES.

C. The parties wish to amend the Contract.

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section 2. TERM is hereby amended to read as follows:

"SECTION 2. TERM.

The term of this Agreement shall be from the date of its full execution through August 31, 2019 unless terminated earlier pursuant to Section 19 of this Agreement."

SECTION 2. Section 4. NOT TO EXCEED COMPENSATION is hereby amended to read as follows:

SECTION 4. NOT TO EXCEED COMPENSATION. The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit "A" ("Basic Services"), and reimbursable expenses, shall not exceed One Hundred Twenty Five Thousand Dollars (\$125,000.00). CONSULTANT agrees to complete all Basic Services, including reimbursable expenses, within this amount. The applicable rates and schedule of payment are set out at Exhibit "C-1", entitled "HOURLY RATE SCHEDULE," which is attached to and made a part of this Agreement. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.


Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit "C". CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit "A".

SECTION 3. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

CITY OF PALO ALTO

MUNISERVICES, LLC

DocuSigned by:

532D22A2ED324AE...
Doug Jensen

Senior Vice President

APPROVED AS TO FORM: