

City Council Agenda Report

Meeting Date: July 18, 2023
From: Scott Williams, Director of Finance
Department: Finance
Submitted by: Marisela Martinez, Buyer

Subject

Change Order to Purchase Contract FI-0042 with MuniServices, LLC

Recommendation

Approve and authorize a Change Order to Purchase Contract FI-0042 with MuniServices, LLC for Sales, Transactions, and Use Tax Audit and Reporting Services for \$265,000 making the total contract amount not-to-exceed \$298,268.75.

Background

On January 31, 2023, the City Administrator approved the issuance of Purchase Contract FI-0042 with MuniServices, LLC (MuniServices) for Sales, Transactions, and Use Tax Audit consulting services for a total not to exceed \$33,268.75. The contract included multiple components including:

1. Clearview Sales/Use Tax Analytics and Reporting to provide analytics services, including sales tax revenue forecasts, local business performance, online reporting, and specialized data analytics, for an annual fee of \$7,500, totaling \$22,500 for three years;
2. Sales and Use Tax Audit (SUTA) to provide recovery of incorrectly reported/distributed sales and use tax revenues back to the City for a 15% contingency fee on the recovered tax revenue amount for six quarters after the date of correction, estimated at \$10,000 based on historical recoveries; and
3. CPI adjustment of 2%-5% estimated at \$768.75.

As part of the SUTA audit services provided by MuniServices, the firm was to identify and correct point of sale distribution errors thereby generating new sales tax revenue which would not otherwise have been realized by the City. As noted above, MuniServices would then collect a 15% contingency fee (commission) on the recovered tax revenue amount for a limited period of time thereafter. At the time the initial Purchase Contract was approved, staff estimated the fee amount to be \$10,000. However, given the number of distribution errors identified and corrected by MuniServices as described below, the commission amount billed by MuniServices is significantly more than anticipated. The City's revenue is maximized by MuniServices' detection and correction Sales and Use Tax misallocations.

During the fourth quarter of 2022, MuniServices reported a correction of \$737,512.22 which resulted in an invoice for a total of \$110,626.84. Pursuant to Section 3.32.030 (B) of the Vernon Municipal Code, if in the 12 months preceding the effective date of a proposed new, renewed, or otherwise amended contract, the City has paid more than \$100,000 pursuant to the contracts with the vendor, the proposed amended contract shall be approved only by City Council. Finance would like to request an additional \$265,000 to cover the fees on Invoice INV06-016624, as well as invoices billed for subsequent quarters covered by the contract. Due to the projected sales tax revenue recovery estimates provided by MuniServices, the remainder of the proposed change order is to cover the 15% contingency fee of the forecasted recovered revenues.

Fiscal Impact

The fiscal impact of the proposed Change Order for Contract FI-0042 is \$265,000.00 bringing the total contract value to \$298,268.75 in General Fund, Finance Department, Professional Services – Other Account No. 011-010-130-529215 over the remaining term. Funds have not been budgeted but are recovered 100% with the revenue received and recorded to the General Fund, Sales and Use Tax Revenue account 011-400-000-401200. Based on the contract terms, the City's contingency amount due to MuniServices shall reflect only 15% of the recovered amounts.

Attachments

1. Invoice #INV06-016624