

**13. 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.

# 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



# INVOICE

**MuniServices / Avenu**  
5860 Trinity Parkway, Suite 120 Centreville, VA 20120

Invoice #: INV06-016624  
Invoice Date: 05/30/2023  
Due Date: 06/29/2023

**Bill To:**  
**City of Vernon**  
Attn: Accounts Payable  
4305 Santa Fe Ave.  
Vernon, CA 90058

Reference #: SUTA CA - Q4, 2022    Terms: Net 30

Item	Description	Unit	Quantity	Unit Price	Amount
SUTA - SERVICE - CA	SUTA Services for the tax quarter ending December 31, 2022	Each	1	\$110,626.84	\$110,626.84
Subtotal					\$110,626.84
Total					\$110,626.84

**\*\*\*Please note our new remittance instructions\*\*\***

Please remit payment to:

**Via EFT – ACH or Wire (Preferred):**

Bank Name: Wells Fargo  
Account Name: MuniServices/Avenu Insights & Analytics  
ABA/Routing #: 121000248  
Account Number (USD): 4941513962

**Via Check:**

MuniServices  
Or Avenu Insights & Analytics  
PO Box 200886  
Dallas, TX 75320-0886

Please contact the Billing Department at [billing\\_department@avenuinsights.com](mailto:billing_department@avenuinsights.com), or call 571-375-8598, should you have any questions or comments



May 30, 2023

Carlos Fandino  
City Administrator  
City of Vernon  
4305 Santa Fe Avenue  
Vernon, CA 90058

Re: Sales Tax Audit Progress Report

Dear Carlos Fandino:

The purpose of this letter is to report our progress through the tax quarter ending December 31, 2022 in providing sales tax audit services to the City.

The City of Vernon authorized Avenu Insights & Analytics to provide sales tax audit services in order to detect and correct point of sale distribution errors and thereby generate new sales tax revenue which would not otherwise have been realized by the City.

As of this date, we have provided the City and California Department of Tax and Fee Administration with reports identifying 19 businesses from which the City had not been receiving the sales tax revenue to which it is entitled.

As of the 4th Quarter 2022, Avenu's sales tax audit service has resulted in the correction of 16 accounts that have produced more than \$817,418 of new revenue for the City, of which \$817,418 is subject to Avenu's performance based compensation (performance graph attached).

For your convenience and budget planning purposes, the actual and projected results of our sales tax audit service are summarized as follows:

	<u>Sales Tax Revenue Produced From Avenu's Audit Service</u>	<u>Avenu's Compensation</u>	<u>Net New Sales Tax Revenue to the City</u>
Actual	\$817,418	\$122,612 (15%)	\$694,806 (85%)
Projected (Next 4 qtrs)	<u>425,793</u>	<u>61,460 (14%)</u>	<u>364,333 (86%)</u>
Totals	<u>\$1,243,211</u>	<u>\$184,072 (15%)</u>	<u>\$1,059,139 (85%)</u>

Through the 4th Quarter 2022, the City has realized a 567% return on its investment in Avenu's services. Stated another way, for every \$1.00 City of Vernon has invested in Avenu's sales tax audit services, the City has received \$5.67 in return.



Avenu Insights & Analytics  
7625 North Palm Avenue Suite #108  
Fresno, California 93711  
Phone: 800.800.8181 Fax: 559.312.2801  
<http://www.avenuinsights.com/>

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Carlos Fandino  
May 30, 2023  
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Based on our experience with other California cities and the actual results achieved City of Vernon (absent audit adjustments and fund transfer reallocations), the City can expect to continue receiving approximately \$395,793.00 per year of ongoing sales tax revenue from the corrected accounts, for which Avenu Insights & Analytics does not participate.

If you have any questions or we can provide any additional information, please let me know.

Sincerely,

A handwritten signature in black ink that reads 'Janis Varney' in a cursive script.

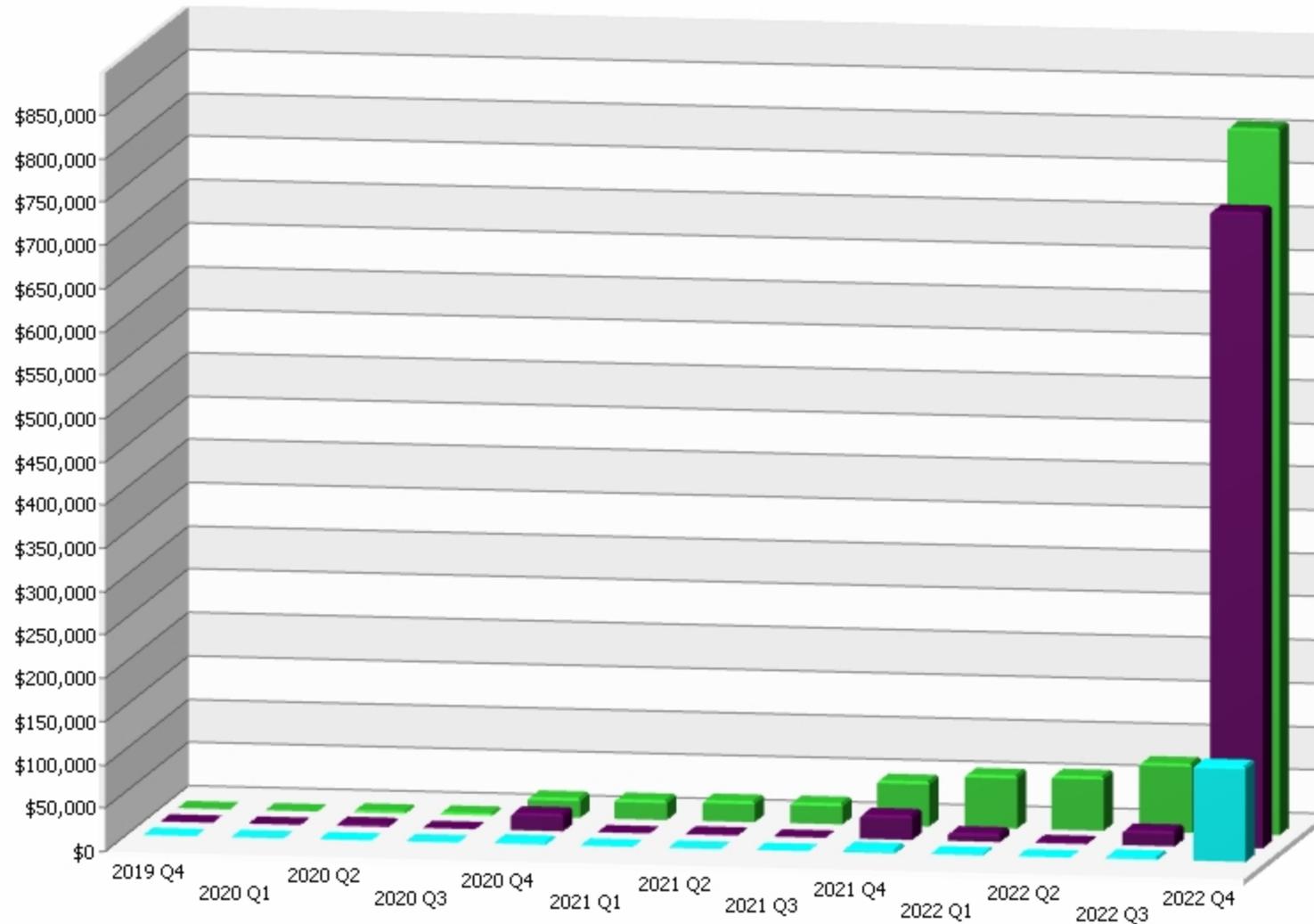
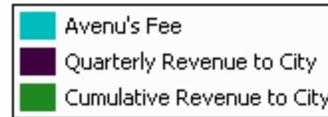
Janis Varney

JV:tw

Progress.ltr

# CITY OF VERNON

## Sales Tax Recovered by Avenu Insights & Analytics



**City's Return-On-Investment for Avenu's Sales Tax Audit Services = 567 %**

*This chart provides the most current 5 years. If you would like additional history, please call 1 (800) 800-8181 x6946.*