



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 17, 2015

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: Professional Services Agreement For Property Tax Management Services

RECOMMENDATION: That Council:

- A. Approve and authorize the Finance Director to execute a professional services agreement with HdL Coren & Cone to provide property tax management services, secured and unsecured parcel audits, budget projections, and Successor Agency support; and
- B. Allocate \$14,000 from General Fund appropriated reserves to the Fiscal Year 2016 Finance Department budget to cover the cost of the contract.

DISCUSSION:

For many years, the City of Santa Barbara has contracted for revenue recovery services, auditing services and revenue forecasting services for both sales tax and utility users' tax revenues. The revenue recovery and auditing services have resulted in additional sales and utility users' tax revenues for the City for many years. In addition, periodic reports provided through these agreements outlining the City's annual and quarterly results, year-to-date comparisons charts and segmented multi-year revenue projections have enabled the Finance Department to more accurately forecast sales tax and utility users' tax revenues as part of the annual budget process.

Through Fiscal Year 2015, rather than utilizing contracted services, the Finance Department has primarily used data provided by the County of Santa Barbara to establish property tax revenue estimates on an annual basis.

Revenue projections are impacted by numerous factors, including ownership changes, assessment appeals, and Proposition 8 changes in value. However, the data provided by the County of Santa Barbara relative to these factors is limited or non-existent, and are not specific to a jurisdiction but rather are provided on a county-wide basis. As such, it is difficult to project current and future property tax revenues, which is the General Fund's largest revenue at \$29 million.

Staff recommends securing the services of a professional property tax management firm that would be able to provide comprehensive information of the City's property tax revenues, similar to what is provided for sales tax and utility users' tax, and that would be specific to the City. This would enable Finance staff to more accurately project property tax revenues as well and ensure the City is accurately receiving its share of these revenues from the County.

After evaluating the proposals and qualifications of the two leading firms in this area, HdL Coren & Cone and MuniServices, staff recommends contracting with HdL Coren & Cone (HdL). HdL is experienced in property tax revenue forecasting and property data audits and has proposed a scope of work that would provide revenue forecasting services, audits of secured and unsecured parcels, and Successor Agency revenue reporting. Included in the scope of work is a detailed revenue analysis and periodic reporting as well as ad-hoc reports available to the City via HdL's web application.

The fees associated with the proposed agreement with HdL are comprised of a fixed annual fee of \$14,000 for base property tax management services, budget projections and Successor Agency support; and a contingency fee of 25% of the misallocated revenues identified in the secured and unsecured parcel audits.

BUDGET/FINANCIAL INFORMATION:

Staff recommends allocating \$14,000 from the General Fund appropriated reserves to the Finance Department to cover the cost of these services. Costs for the audit services will be offset by any revenues identified and collected as a result of the audits and, therefore, no appropriation authority is needed.

PREPARED BY: Julie Nemes, Treasury Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office