



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** December 15, 2015

**TO:** Mayor and Councilmembers

**FROM:** Treasury Division, Finance Department

**SUBJECT:** Professional Services Agreement For Utility Users Tax Management and Audit Services

### **RECOMMENDATION:**

That Council approve and authorize the Finance Director to execute a professional services agreement with MuniServices, LLC, to provide utility users tax management and audit services for a term of three years with two optional two-year extensions.

### **DISCUSSION:**

For many years, the City of Santa Barbara has contracted with MuniServices, LLC for a broad range of revenue management services related to sales tax, business license taxes, utility users tax (UUT), and franchise fees. Work related to the utility users tax has included auditing services, discovery and compliance services, legal guidance, legislative advocacy, and revenue forecasting.

Examples of the varied work performed by MuniServices, LLC related to the utility users tax include assistance in drafting and implementing Measure G (which broadened and reduced the rate for utility users taxes related to telecommunications services), recent assistance in helping the City implement AB 1717 (which allows for UUT to be collected on prepaid wireless telephony services), periodic industry reports that highlights trends in the utility industries, revenue forecasting, and various tax discovery services.

The Finance Department has found that utilizing MuniServices has helped the City be informed of proposed state and federal legislation, stay up-to-date on various trends in the utility users tax industry, ensure that all local businesses are complying with the utility users tax, and maintain thorough and accurate revenue analyses and forecasts.

MuniServices, LLC has proposed a scope of work that would provide utility users tax management services, compliance review services, revenue protection and enforcement, client support services, and audit services. Included in the scope of work are detailed revenue review and forecasting services and reports provided on a periodic basis to the City.

The fees associated with the proposed agreement with MuniServices are comprised of a fixed annual fixed fee of \$18,000 for base utility users tax management and audit services; and a contingency fee of 25% of the misallocated revenues identified during the compliance review and audit activities for certain prior periods and eighteen months into the future. This type of fee structure is similar to the existing agreement between the City and MuniServices for sales tax management and audits. Any additional services beyond the basic scope of the agreement, such as specialized reports and computer programming, may not exceed \$2,000 per year and must be approved in advance and in writing by the Finance Director. The initial term of the agreement is three years, with two optional two-year extensions.

**BUDGET/FINANCIAL INFORMATION:**

No additional budget appropriations are being requested for fiscal year 2016 as staff believes the Department will have sufficient available appropriations to cover the base cost of \$9,000 for the remainder of the current fiscal year. Staff anticipates including the base annual cost of \$18,000 in the Department's fiscal year 2017 budget. All contingency fees will be offset by the additional revenues identified and collected as a result of the audits. Any costs for extra services, up to the maximum annual amount of \$2,000, will be covered by existing available appropriations on an annual basis.

**PREPARED BY:** Julie Nemes, Treasury Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office