



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** December 17, 2013

**TO:** Mayor and Councilmembers

**FROM:** Treasury Division, Finance Department

**SUBJECT:** Professional Services Agreements For Cable And Natural Gas Franchise Fee And Utility Users Tax (UUT) Audit Services

### **RECOMMENDATION:**

That Council authorize the Finance Director to execute professional services agreements with MuniServices, LLC, in a form acceptable to the City Attorney, to conduct audits of Franchise Fee and Utility Users Tax collections of Cox Communications and the Southern California Gas Company.

### **DISCUSSION:**

For many years, the City of Santa Barbara has contracted with MuniServices, LLC for a broad range of services including revenue recovery services for sales tax and business licenses, utility users tax (UUT) auditing services, including discovery and compliance services, legal guidance, legislative advocacy, and UUT revenue forecasts.

MuniServices is experienced in franchise fee and UUT audits of utility companies and has proposed a scope of work that would evaluate the accuracy of the reporting and remittance of payments to the City under the approved franchise fee agreements. This year, staff is recommending the audit of two utility companies, Cox Communications and Southern California Gas Company.

The audits of these companies will cover each provider's billing, tax calculation, and remittance process. It will include an extensive analysis of billing data at the individual customer level to determine that the proper amounts of franchise fees and utility users taxes have been levied, collected and remitted to the City for customers located within the City limits.

The fees associated with the proposed agreement with MuniServices will be on a contingency basis, which means that the City will only pay fees to the extent that MuniServices is successful in identifying and generating new revenues. The contingency fee under the proposed agreements is 25% of the additional revenue collected for deficiencies identified by MuniServices for current and prior periods. This

type of fee structure is similar to the existing agreement between the City and MuniServices for sales tax audits.

**BUDGET/FINANCIAL INFORMATION:**

No additional budget appropriations are necessary and the costs for these services will be offset by any revenues identified and collected as a result of the audits.

**PREPARED BY:** Genie Wilson, Treasury Manager

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

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