



APRIL 11, 2019

AGENDA ITEM # 4

CONTRACT FOR SALES TAX AUDIT AND RECOVERY SERVICES

Action Requested: Authorize Executive Director

Presenter: Timothy Jones, Chief Financial Officer

Recommendation

- Authorize the Executive Director to execute a contract with Muni Services (Muni) to continue performing sales tax audit and recovery services.
- Adopt resolution authorizing Muni Services to examine sales or transaction and use records of the California Department of Tax and Fee Administration (CDTFA).

Background

In December 2007, the Authority engaged Muni to perform sales tax audits in an effort to capture additional revenue that may not otherwise have been collected. Some sales tax remitting entities underreport sales tax collections to the California Department of Tax and Fee Administration (CDTFA). Although the CDTFA employs sales tax auditors, in some cases they don't catch all underreported sales taxes. Therefore, the STA contracts with Muni to identify underreported sales tax, notify the CDTFA for follow-up with the violators, and collect additional revenue as warranted. The STA has been paying Muni a 30% commission for any additional sales tax revenue collected. The 2007 contract was for a three-year term which automatically renewed every three-years (referred to as an evergreen clause) without action by the Authority. Under the evergreen clause, the contract has renewed automatically four times, for a total of 12 years.

Discussion

The contract is set to automatically renew in December 2019. Given the opportunity ahead of time to reach out to the only other vendor providing similar services in California – Hdl Companies – the Authority requested a bid. The current market is much more competitive, so the fees have come down considerably. The new rate offered by Muni for the same services is a 15% commission, which is less than its competitor. The contract includes revenue forecasting services twice annually for an additional \$2,500. STA uses this information for budgeting and mid-year financial planning.

Given the better rate for sale tax audit and recovery services and Muni's acceptance of a standard three-year contract (no evergreen clause), staff recommends engaging Muni for a three-year term at the better rate retroactive to April 1, 2019.

Attachments