



## Legislation Text

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Report regarding a resolution authorizing the City Manager to execute an amendment to the consulting services agreement with MuniServices, LLC to extend its terms for an additional two-year period ending on June 30, 2024, for access to the Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services and a resolution authorizing the examination of sales or transactions and use tax records by MuniServices, LLC. (*Karen Chang, Director of Finance*)

### **RECOMMENDATION**

**It is recommended that the City Council adopt a resolution authorizing the City Manager to execute an amendment to the consulting services agreement with MuniServices, LLC to extend for an additional two-year period ending on June 30, 2024, for access to the Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services, and a resolution authorizing the examination of sales or transactions and use tax records by MuniServices, LLC.**

### **BACKGROUND/DISCUSSION**

The City and MuniServices, entered into a Consulting Services Agreement on or about July 1, 2017 (hereinafter “Agreement”) for a five-year term ending on June 30, 2022, with an option to extend for an additional two-year period, to perform Sales Tax Analytics & Reporting and Forecasting Services and Sales and Use Tax Audit Services. Over the past 5 years, MuniServices was successful to recover over \$5 million (\$4.6 million of Bradley Burns and \$0.4 million of District tax) in sales tax revenues. Based on the quality of services provided, the City desires to exercise the option contained in the Agreement and extend the contract term for an additional two years. The proposed Amendment No. 1 would memorialize this extension.

Pursuant to Ordinance Nos. 02-2016, the City of South San Francisco entered into a contract with the State Board of Equalization (“Board”) to perform all functions incident to the administration and collection of the Transactions and Use Tax Ordinances and the local sales and use taxes. The City deems it necessary for authorized representatives of City to examine confidential sales and transactions and use tax records of the Board or its successor agency, the California Department of Tax and Fee Administration, (collectively, or in the alternative, the “Agency”) pertaining to sales and transactions and use taxes collected for the City by the Agency.

Section 7056 of the California Revenue and Taxation Code sets forth certain requirements and conditions for the disclosure of Agency records and establishes criminal penalties for the unlawful disclosure of information contained in, or derived from sales or transactions and use tax records of the Agency. Section 7056 of the California Revenue and Taxation Code requires that any person designated by City shall have an existing contract to examine City’s sales and transactions and use tax records. The proposed amendment to the contract will include additional language that complies with Section 7056 requirements. The extension of the current contract will require adoption of a resolution to designate MuniServices as such authorized reviewer, which is

also included with this staff report.

### **FISCAL IMPACT**

For Fiscal Year 2022-23, the fee for quarterly Sales, Transaction & Use Tax Reporting service will be \$1,454.14 per quarter which is an increase of 7.05% (CPI) from 2021 to 2022. The current price for Sales, Use and Transaction Tax Auditing services is up to a contingency fee of 15% depending on the total sales tax recovered. Sales tax adjustment/correction fees of:

- 15 percent for recoveries up to \$1 million,
- 10 percent for recoveries between \$1 million and \$2 million, and
- 5 percent for recoveries over \$2.0 million.

### **RELATIONSHIP TO STRATEGIC PLAN**

Sales tax revenues are general fund revenues of the City and supports Priority Area 3, Financial Stability.

### **CONCLUSION**

Approval of an amendment extending the services agreement with MuniServices, LLC will permit the City of South San Francisco to receive prudent, timely and insightful sales tax advisory services and auditing services at a competitive rate.