

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER
FINANCE DEPARTMENT
SUBJECT: FIRST AMENDMENT TO PROFESSIONAL SERVICES
AGREEMENT WITH MUNISERVICES, LLC/AVENU INSIGHTS &
ANALYTICS, LLC FOR REVENUE AUDIT AND CONSULTING
SERVICES
AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution, 1) approve a First Amendment to Professional Services Agreement Number F002076A with MuniServices, LLC, now operating as Avenu Insights & Analytics, LLC, a Limited Liability Company, Centreville, Virginia to extend the term of the Agreement by two-years and to increase compensation by \$853,020 for a total not to exceed amount under the contract of \$1,453,020; and 2) authorize the City Manager to execute any agreement related to the vendor's corporate name change. The purpose of this agreement is to provide revenue auditing and consulting services to the City.

EXECUTIVE SUMMARY

The City of Santa Rosa (the City) entered into contract with MuniServices LLC on November 19, 2019, for Revenue Audit and Consulting Services. The contract for these services was for a five-year period through September 2024, with two (2) one-year renewal options. The City seeks to amend the agreement to add funds through the current term and extend for a two-year period in the amount of \$853,020, for a not to exceed total of \$1,453,020.

BACKGROUND

The City established a contract with MuniServices LLC to provide Revenue Audit and Consulting Services in 2019. In 2021, MuniServices LLC changed its name to Avenu Insights & Analytics, LLC. The scope of service remained the same and included auditing local business to ensure proper remittance and compliance with sales tax, utility users (UUT) tax, and other local tax sources. In addition, Avenu/MuniServices LLC provides consulting services for property tax analysis and has assisted with cannabis tax ordinance analysis.

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Under the proposed First amendment, Avenu/MuniServices LLC will continue to perform the City's existing revenue audit services. In addition, they will continue to provide detailed confidential sales tax reports, and property tax forecasts, and cannabis service which are used to help develop the City's annual General Fund revenue budget.

PRIOR CITY COUNCIL REVIEW

On November 19, 2019, the City Council, by Resolution, No. RES-2019-170, approved a Professional Services Agreement with MuniServices, LLC for \$600,000.

ANALYSIS

MuniServices LLC, now Avenu/MuniServices LLC, charges fees contingent upon a percentage of revenue recovered from the audits, or by flat fee per audit, depending on the service. The additional revenue received as a result of these audits has been consistently more than the cost for the services. Over the term of the current contract, the City paid approximately \$600,000 in fees, and reclaimed over \$2.6 million in additional revenues.

The objective of Avenu/MuniServices' Sales, Transactions and Use Tax Audit (SUTA) and Recovery service is to maximize the City's income and minimize the cost of lost revenue through the timely detection and correction of sales and use taxes misallocated to another jurisdiction, another city-wide pool or the statewide pool, and misreported sales taxes that should be allocated to the City. The audits pursue improvement of all misallocations allowable within the statute of limitations on recoverability.

The current agreement amount was estimated and Finance requests additional funding to continue services through 2024. The City would also like to extend this relationship with Avenu/MuniServices LLC by amending the agreement's time of performance through 2026. This essential service ensures consistency and fairness of municipal tax claims.

The 2019 contract is due to expire in September 2024. The agreement allows for two (2) one-year extensions which the Finance Department supports being exercised together to take advantage of established lower rates, to minimize disruption of potential changes in provider and, to promptly increase compliance by businesses. The fee structure/rates of the original 2019 Avenu/MuniServices LLC contract has been negotiated to remain the same through the two-year extension, ending September 2026.

In addition to extending the contract term by two years, Staff recommends that Council increase compensation by a total of \$853,020, which includes \$264,368 through the

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remaining one year of the current term (ending September 2024) and \$588,652 to pay for services to be performed through the extended two year term (ending September 2026). If the First Amendment is approved by Council, the term will expire in September 2026 and the new not-to-exceed amount will be \$1,453,020.

FISCAL IMPACT

This amendment is solely to renew the City's contract with Avenu/MuniServices LLC, which is a net positive contract, generating more revenue than the contract fees. Funding for this contract has already been budgeted as part of the Fiscal Year 23/24 Annual Budget in both the General Fund and Special Revenue Funds. Approving this amendment will have no further impact on the General Fund budget.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibit A – First Amendment

PRESENTER

Alan Alton, Chief Financial Officer