

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: CHUCK MCBRIDE, ASSISTANT CITY MANAGER/CHIEF  
FINANCIAL OFFICER  
FINANCE DEPARTMENT  
SUBJECT: PROFESSIONAL SERVICES AGREEMENT WITH  
MUNISERVICES, LLC FOR REVENUE AUDIT AND  
CONSULTING SERVICES

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Chief Financial Officer that the Council, by resolution, approve a Professional Services Agreement with MuniServices LLC, a Delaware Limited Liability Company based in El Dorado Hills, California, for a five-year duration, in an amount not to exceed \$600,000, to provide revenue auditing and consulting services to the City.

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EXECUTIVE SUMMARY

The City issued RFP 19-45 on June 28, 2019 for Revenue Audit and Consulting Services. The City received three responses, two from the same firm, which were initially reviewed by the Deputy Director of Finance Alan Alton and Revenue Operations Supervisor Manny Silverio. MuniServices, LLC was chosen because their proposal included all services requested under one contract, at significantly lower fees. The contract for this service would be for a five-year period, with two (2) one-year renewal options. The fees for service would be approximately \$600,000 for the initial five-year duration.

BACKGROUND

The City currently has a contract with MuniServices, LLC to provide Revenue Audit and Consulting Services. The scope of service includes auditing local business to ensure proper remittance and compliance with sales tax, utility users (UUT) tax, and other local tax sources. In addition, MuniServices, LLC provides consulting services for property tax analysis and has assisted with cannabis tax ordinance analysis. The City would like to extend this relationship with MuniServices, LLC by entering into the new contract described in the Executive Summary.

Under the proposed contract, 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 which are used to help develop the City's annual General Fund revenue budget. Under this contract, MuniServices, LLC will also provide audit services for cannabis operations.

#### ANALYSIS

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 last contract, the City paid approximately \$550,000 in fees, but received over \$2 million in additional revenues.

The fees proposed by MuniServices, LLC are lower than the fees proposed for their previous contract and include the new cannabis audit services. In total, the not-to-exceed amount of \$600,000 is the same as the previous contract issued in 2014.

#### PRIOR CITY COUNCIL REVIEW

Not applicable

#### FISCAL IMPACT

This contract impacts the General Fund budget; however, it is net revenue positive with more revenue generated than contract fees. Budget is available for the first year of the contract. Contract costs for future years will be included in subsequent annual budget requests.

#### ENVIRONMENTAL IMPACT

The Council finds that the proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under section 15061(b)(3) and 15378 in that there is no possibility that the proposed activity may have significant effects on the environment, and that no further environmental review is required.

#### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

#### NOTIFICATION

Not Applicable

ATTACHMENTS

- Resolution / Exhibit A – Professional Services Agreement with MuniServices, LLC

CONTACT

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