

0150-10356-0000

TRANSMITTAL

TO
The City Council

DATE
3/31/15

COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
n/a

**Authority for the Director of Finance to execute a contract with
MuniServices, LLC for Business Tax Discovery Services.**

Transmitted for your consideration. See the attached City Administrative Officer reports.



MAYOR

(Ana Guerrero)

Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Analysis of Proposed Contract
(\$25,000 or Greater and Longer than Three Months)

To: The Mayor		Date: 03-26-15	C.D. No.	CAO File No.: 0150-10356-0000			
Contracting Department/Bureau: Office of Finance			Contact: Ken White				
Reference: Transmittal from the Office of Finance dated February 5, 2015							
Purpose of Contract: To implement a City Tax Discovery Program.							
Type of Contract: (X) New contract () Amendment			Contract Term Dates: Three years, plus two additional one year renewal options				
Contract/Amendment Amount: For Fully Compensated accounts: 19 percent of net revenues collected up to \$10 million; 18% of net revenues collected between \$10 million and \$15 million; and, 16 percent of net revenues collected over \$15 million. For Partially Compensated accounts: 9.5 percent of net revenues collected up to \$10 million; 9 percent of net revenues collected between \$10 million and \$15 million; and, 8 percent of net revenues collected over \$15 million.							
Source of funds: Funding will be provided as a contingency payment from the receipts collected.							
Name of Contractor: MuniServices, LLC							
Address: 7625 North Palm Avenue, Suite 108, Fresno, California 93711							
	Yes	No	N/A*	8. Contractor has complied with:	Yes	No	N/A*
1. Council has approved the purpose		X		a. Equal Employmt. Oppty./Affirm. Action	X		
2. Appropriated funds are available			X	b. Good Faith Effort Outreach**	X		
3. Charter Section 1022 findings completed	X			c. Equal Benefits Ordinance	X		
4. Proposals have been requested	X			d. Contractor Responsibility Ordinance	X		
5. Risk Management review completed	X			e. Slavery Disclosure Ordinance	X		
6. Standard Provisions for City Contracts included	X						
7. Workforce that resides in the City: 1%							

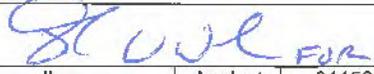
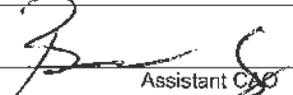
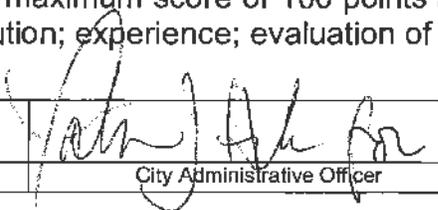
*N/A = not applicable ** Contracts over \$100,000

COMMENTS

The Office of Finance (Finance) requests approval to execute the attached three-year contract with two one-year extension options with MuniServices, LLC (MuniServices) for the City Tax Discovery Program (Program). Under this program, MuniServices will identify, contact, register, and obtain payment from businesses that are conducting business in the City that are not registered with the Office of Finance. The City Attorney approved the contract as to form and content on December 17, 2014.

Services for the Tax Discovery Program were previously provided by a contract with MuniServices that expired on November 8, 2010. A Request for Proposals (RFP) was issued on September 20, 2010 for Tax Discovery Program services and a vendor was selected. After lengthy negotiations, the selected vendor ultimately declined to proceed with the awarded contract.

On April 2, 2014, Finance released a subsequent RFP for these services. A mandatory Proposer's Conference was held on April 17, 2014 and attended by four firms. Finance received a total of three proposals in response to the RFP. Each proposal could receive a maximum score of 100 points and was evaluated based on quality, responsiveness and technical solution; experience; evaluation of key

 JL	Analyst	01150049c	 Assistant CAO	 City Administrative Officer
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personnel; and, the fee structure. The average scores ranged from 60.7 to 91.3. Upon completion of the RFP review, MuniServices received the highest combined score based on these categories.

Under the proposed agreement, MuniServices would (1) complement the City’s existing tax discovery programs; (2) perform database-matching capability between the City’s LATAx database and their newly developed tax discovery system; (3) provide a method(s) to pursue a limited number of taxpayers that the City has identified as owing additional taxes and/or where the taxpayer has failed to respond to the City’s notice(s) of additional tax liability; and (4) furnish all personnel, hardware, software, and process management in regards to the items above for a percentage of those revenues collected.

MuniServices will be compensated on a contingency basis as follows:

- **FULLY COMPENSATED ACCOUNTS:** Where Revenues are collected as a direct result of MuniServices’ efforts:

Net Revenue Collected	Compensation to Contractor
\$0 to \$10 million	19 percent of net revenue collected
\$10 million to \$15 million	18 percent of net revenue collected
Over \$15 million	16 percent of net revenue collected

- **PARTIALLY COMPENSATED ACCOUNTS:** Where revenues are collected from accounts resulting from collaborative efforts between MuniServices and City staff:

Net Revenue Collected	Compensation to Contractor
\$0 to \$10 million	9.5 percent of net revenue collected
\$10 million to \$15 million	9 percent of net revenue collected
Over \$15 million	8 percent of net revenue collected

- **UNCOMPENSATED ACCOUNTS:** Where revenues are uncollected or unrecoverable, MuniServices will not be compensated.

While it has been several years since the expiration of the previous contract, Finance continues to perform business tax discovery efforts, as this Program supplements the discovery work performed by Finance. Furthermore the Los Angeles Municipal Code Section 21.19 allows the City to go back as far as eight years for newly discovered businesses. Therefore, the City will still be able to collect any identified revenues during the time period when the Tax Discovery Program contract was not in place.

The Personnel Department has determined that City employees can perform the work set forth in the proposed contract. However this Office finds that the work can be performed more feasibly by a contractor due to the following: the services are of limited duration, require immediate staffing due to time constraints, and exceed staffing availability (see attached CAO Charter Section 1022 Determination).

Finance reports that under the previous contract, MuniServices recovered approximately \$40.27 million in additional revenues to the City and received compensation totaling \$7.9 million.

RECOMMENDATION

That the Mayor and Council authorize the Office of Finance to execute the attached three-year contract, with two one-year extension options with MuniServices, LLC to provide City Business Tax discovery services.

FISCAL IMPACT STATEMENT

The recommendation in this report is in compliance with the City's Financial Policies in that funding is provided on a contingency basis to the contractor and is paid out of additional General Fund revenues.

Attachments

Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Charter Section 1022 Determination

TO: (Department/Bureau and Division) Office of Finance	Contact: Ken White	Phone: 213-978-1510	Date: 03/18/2015
Activity/Service to be Contracted: Business Tax Discovery Program		Type of Contract: (Check one) <input checked="" type="checkbox"/> NEW <input type="checkbox"/> AMEND Term: 3 years + 2, one-year renewal options	
Personnel Department Finding: CITY EMPLOYEES <u>HAVE</u> THE EXPERTISE TO PERFORM THE WORK. (Attach Personnel Department Contract Review Report).			

A. FEASIBILITY FINDINGS

This Office finds that, in accordance with Charter Section 1022, the work proposed to be contracted can be performed more feasibly by a contractor than by City employees for the following reason(s):	
<input checked="" type="checkbox"/>	There is insufficient existing City staff to perform the work proposed to be contracted and additional staff cannot be employed and trained in a timely manner to meet the department's needs.
<input checked="" type="checkbox"/>	The work is of limited scope or intermittent nature and it is unlikely that the City would be able to continue the employment of persons hired for this project.
<input type="checkbox"/>	Independent review is needed and/or the contractor has proprietary knowledge the City needs.
<input type="checkbox"/>	Council has declared an emergency pursuant to Charter Section 371 (e) (5) or (6), and neither existing nor additional staff is available in a timely manner to perform the work.
<input type="checkbox"/>	Other – see Comments Section below.

B. ECONOMIC FINDINGS

<input type="checkbox"/>	This Office finds that, in accordance with Charter Section 1022, the work proposed to be contracted can be performed more economically by a contractor than by City employees as summarized below. (Attach Contract Cost Analysis Form (CAO/ERD-2) completed by requesting department).				
	ESTIMATED COST OF CITY FORCES	TOTAL		PROPOSED CONTRACT COSTS	TOTAL
1	Cost of Civilian Positions		1	Proposed Contract Labor Costs	
2	Cost of Sworn Positions		2	Other Pertinent Contract Costs (if provided)	
3	Other Pertinent Costs (if applicable)		3	Civilian Department Contract Administration Costs	
			4	Sworn Department Contract Administration Costs	
	TOTALS	\$0		TOTALS	\$0

C. CONTRACTING IS NOT WARRANTED

<input type="checkbox"/>	This Office finds that, in accordance with Charter Section 1022, City employees have the expertise to perform the work proposed to be contracted, and it is not more feasible or economical to contract.
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D. COMMENTS

<p>The Personnel Department has confirmed that there are City employees (Tax Compliance Officer and Senior Systems Analyst) that can perform this work within the Finance Department and the other City departments. However, the proposed work requires expertise in the application of the City's Business Tax ordinances. To hire new Tax Compliance Officers would delay the City's ability to discover new businesses and collect business tax due to the lengthy training process. The Department reports that it takes approximately three years to fully train a Tax Compliance Officer. If existing City employees were to be placed in this program, Finance would be required to reassign them from other revenue generating tasks. Furthermore, City departments and Finance do not have the additional resources available to perform the proposed work, as they do not have the budgeted funding or position authority allocated for this purpose. The proposed work to be contracted is also intermittent in nature and does not warrant full-time staff. The Business Tax Discovery Program supplements the work performed by Finance staff and is expected to generate additional General Fund revenue.</p>
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0150-10356-0000	JL	JWW	BC
Work Assignment Number	Analyst	Chief	Assistant CAO