

APPROVED  
BY THE CITY COUNCIL

JUN 22 1999

OFFICE OF THE  
CITY CLERK



1.10

DEPARTMENT OF  
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

CITY HALL  
ROOM 104  
915 I STREET  
SACRAMENTO, CA  
95814-2696

REVENUE  
ADMINISTRATION  
916-264-5724

June 8, 1999  
RA99063:MLF:gwg

AG 99-102  
CC 99-329  
CC 99-330  
CC 99-331

City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: REVENUE RECOVERY SERVICES CONTRACT AWARD TO MUNICIPAL RESOURCE CONSULTANTS (MRC) IN AN AMOUNT NOT TO EXCEED \$500,000 ANNUALLY**

**LOCATION AND COUNCIL DISTRICT:** City-wide

**STAFF RECOMMENDATION**

1. Adopt the attached resolution (page 5) to award a contract to Municipal Resource Consultants (MRC) in an amount not to exceed \$500,000 (contingency basis on percent of new revenue recovered to City).
2. Adopt the attached resolution (page 6) amending the FY 1998/99 budget of the Administrative Services Department, Revenue Division, by \$261,000 for Senate Bill (SB) 90 reimbursement.
3. Adopt the attached resolution (page 7) amending the FY 1999/2000 budget of the Administrative Services Department, Revenue Division, by \$221,000 for Senate Bill (SB) 90 reimbursement.

**CONTACT PERSON**

Margaret Freeman, Revenue Manager, 264-5724  
Walker Black, Accountant/Auditor III, 264-5833

**FOR COUNCIL MEETING OF**

June 22, 1999

City Council

**REVENUE RECOVERY SERVICES CONTRACT AWARD TO MUNICIPAL  
RESOURCE CONSULTANTS (MRC) IN AN AMOUNT NOT TO  
EXCEED \$500,000 ANNUALLY**

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**SUMMARY**

Revenue recovery services have been provided by MRC since 1986. Services provided by MRC are one of the resources utilized for the Revenue Division's Revenue Recovery Program. The SB 90 State Mandate payment for Business Operations Tax State reporting that was reimbursed and will be reimbursed to the Revenue Division will provide the necessary hardware and software resources required by staff for optimal internal revenue recovery efforts including payment of MRC's Business License Information Services (BLIS).

**COMMITTEE/COMMISSION ACTION**

None required.

**BACKGROUND INFORMATION**

- The City has utilized the services of MRC since 1986. The sales/use tax audit revenue recovery service has added significant new sales/use tax revenue to the City of Sacramento by capturing revenue which had been allocated in error to other taxing jurisdictions.
- Under the most current agreement with MRC, revenue recovery services results have included:
  - ▶ Transient Occupancy Tax (TOT) Audit: \$221,009 revenue collected by the City
  - ▶ Increased TOT monthly collections resulting from compliance due to the TOT audit
  - ▶ Over \$500,000 in sales tax revenue related to audit/reallocation servicesPayment to MRC for the above revenue recovery has been on a contingency basis.

The services to be included in the agreement include:

- **Business License Information Services (BLIS):** a business inventory management system that maintains a current, comprehensive and valid inventory of all the City's businesses. Benefits of the service have been increased BOT revenues and satisfying the State's SB 90 Business Tax Reporting requirement.
- **Revenue Enhancement Audit Program (REAP):** an audit program designed to assist the City in realizing all of the revenue to which it is entitled for sales and use tax, business operations tax, real property transfer tax, utility users tax, and other taxes. Also included is the Sales Tax Analysis and Reporting Service (STARS) currently utilized by the City.
- **Geobased Revenue Information Program (GRIP):** an integrated computerized data base of all the City's land parcels for identifying and reporting all the major sources of general revenue.

**FINANCIAL CONSIDERATIONS**

The revenues and expenditures related to MRC services are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
<b>Contingency Basis/Annually:</b>		
Business License Inventory Service (BLIS)		\$132,126
SB 90 Reimbursement for BLIS	\$132,126	
Revenue Enhancement Audit Program (REAP)		
Contingency compensation at 25%		125,000
New revenue to City	500,000	
Geobased Revenue Information Program (GRIP)		
Annual Fee		28,200
MRC Audit Efficiency Credit	<u>28,200</u>	_____
SUBTOTAL	\$660,326	\$285,326
<b>Fee Basis:</b>		
Sales/Use Tax Reporting (STARS)		17,000
TOTALS	\$660,326	\$302,326
<b>ESTIMATED ANNUAL NET REVENUE TO CITY</b>		<b>\$358,000</b>

Net revenue to City annually is estimated to be \$358,000.

BLIS is entirely eligible for SB 90 reimbursement and MRC's compensation is not payable until the City has received the service and the State has reimbursed the City for BLIS. In the event the State does not fully reimburse the City for BLIS, the amount not reimbursed by the State is not due to MRC.

Due to the efficiencies realized by MRC from common tasks accomplished and data developed in providing multiple revenue audit services and GRIP services, MRC will provide the City a credit of \$28,000 in the form of Audit Efficiency Credits to reduce the earned compensation to be paid MRC. In order to qualify for the credit, the City must utilize all revenue recovery services offered and submit the appropriate SB 90 claim to the State.

City Council

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RESOURCE CONSULTANTS (MRC) IN AN AMOUNT NOT TO EXCEED  
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June 8, 1999

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The Revenue Division has also submitted the Revenue Division's SB 90 State Mandate reimbursements for annual Business Operations Tax (BOT) State reporting file maintenance. The FY 98/99 reimbursement was not included in FY 1998/99 budget and the budget resolutions appropriating funds for a new Revenue Division BOT automated system would be fully covered by the funds received from the State. Total reimbursement, MRC and the Revenue Division, for 1999/2000 is estimated at \$221,000.

**ENVIRONMENTAL CONSIDERATIONS**

Council action in adopting the resolutions is exempt from the California Environmental Quality Act (CEQA) because it will have no conceivable effect on the physical environment.

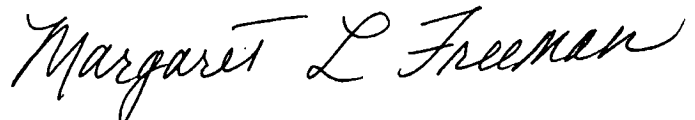
**POLICY CONSIDERATIONS**

- Collection and recovery of monies due the City is consistent with City Council's policy of funding General Fund operations in order to provide required City services. Approval of the City agreement with MRC will make information available to City staff which will enhance revenue generation and provide data for economic development planning by the City.

**ESBD CONSIDERATIONS**

There are only five known firms that specialize in providing revenue recovery/audit services. None of those firms is a certified EBE/SBE firm. MRC is the only firm that provides a comprehensive program of all revenue recovery/audit services. MRC has demonstrated that it has the capability to provide the most comprehensive and effective services to the City.

Respectfully submitted,



Margaret L. Freeman  
Revenue Manager

RECOMMENDATION APPROVED:



Robert P. Thomas, City Manager

Attachments

**APPROVED**  
BY THE CITY COUNCIL

**JUN 22 1999**

OFFICE OF THE  
CITY CLERK

**RESOLUTION NO.** 99-329

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION APPROVING THE CONTRACT BETWEEN  
THE CITY OF SACRAMENTO AND MUNICIPAL  
RESOURCE CONSULTANTS (MRC) FOR SALES/USE TAX  
AUDITING AND OTHER RELATED REVENUE RECOVERY  
SERVICES IN AN AMOUNT NOT TO EXCEED \$500,000.00**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The City Council awards a contract for sales/use tax audit and related revenue recovery services with Municipal Resource Consultants (MRC) to commence on February 1, 1999, for a one year period with automatic renewal of two one-year terms, unless sooner terminated by either party.

The services to be provided include:

- (a) the Business License Information Service (BLIS)
- (b) the Revenue Enhancement Audit Program (REAP)
- (c) the Geobased Revenue Information Program (GRIP)

2. The City Council approves the payment of future contingent fees billed by MRC, from sales/use tax revenues and audit revenues generated by MRC and collected by the City directly as a result of MRC's services and efforts.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

**APPROVED**  
BY THE CITY COUNCIL

**JUN 22 1999**

OFFICE OF THE  
CITY CLERK

**RESOLUTION NO. 99-330**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION AMENDING THE FINANCE DEPARTMENT,  
REVENUE DIVISION FY 1998/1999 REVENUE AND  
OPERATING BUDGET BY AN INCREASE OF \$261,000**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The General Fund, Revenue Division revenue budget is hereby amended by an increase of \$261,000 as received for SB 90 State Mandate reimbursement for Business Operations Tax reporting.
2. The General Fund, Revenue Division operating budget is hereby amended by an increase of \$261,000 for the acquisition of computer hardware and software associated with Business Operations Tax data base maintenance and Revenue Division Revenue Recovery Program. Expenditures are to be: reimbursement to MRC of \$169,900 and \$91,100 for acquisition of an automated system.

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MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

**APPROVED**  
BY THE CITY COUNCIL

**JUN 22 1999**

OFFICE OF THE  
CITY CLERK

99-  
**RESOLUTION NO. 331**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION AMENDING THE FINANCE DEPARTMENT,  
REVENUE DIVISION FY 1999/2000 REVENUE AND  
OPERATING BUDGET BY AN INCREASE OF \$221,000**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The General Fund, Revenue Division revenue budget is hereby amended by an increase of \$221,000 as received for SB 90 State Mandate reimbursement for Business Operations Tax reporting.
2. The General Fund, Revenue Division operating budget is hereby amended by an increase of \$221,000 for the acquisition of computer hardware and software associated with Business Operations Tax data base maintenance and Revenue Division Revenue Recovery Program. Expenditures are estimated to be: reimbursement to MRC of \$132,000 and \$89,000 for final implementation of an automated system.

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MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

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