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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

June 2, 1988
RA:881178:MM:KMF

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

916-449-5454

Budget and Finance Committee
Sacramento, California 95814

Honorable Members in Session:

SUBJECT: Sales and Use Tax Expenditure Review

SUMMARY

This report requests that the Budget and Finance Committee recommend that the City Council adopt the attached resolution that authorizes the City Manager to execute a consultant and professional services agreement with Municipal Resource Consultants to perform a City Sales and Use Tax expenditure review on a 50% contingent fee basis.

BACKGROUND

On April 1, 1986 the City entered into an agreement with Municipal Resource Consultants (MRC) to perform Sales and Use Tax audits on behalf of the City. The fee to be paid to MRC was 25% of the additional income, if any, that resulted directly from MRC's audits. To date, the City's expected net return from the MRC audits is in excess of \$225,000.

On May 12, 1988 MRC proposed to expand the sales tax audit service to analyze the City's Sales and Use Tax expenditures in order to identify and recover any unnecessary payments to suppliers and/or state and local tax jurisdictions (see attached Exhibit 1). MRC's fee for the expanded service is 50% of the tax savings produced for the City. Tax savings is defined as overpayment refunds and/or credits plus any interest earned and included in the recoveries.

DISCUSSION

MRC is a reputable firm that has performed Sales and Use Tax audits for many California cities. The expanded service is a new venture for the firm but is within the general scope of the firm's professional expertise. City staff does not possess the technical knowledge necessary to perform this analysis.

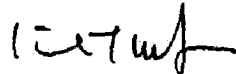
FINANCIAL

MRC's fee is contingent upon the actual recovery of monies by the City. Therefore, the City has no risk and may realize a recovery of monies expended. Additionally, the City would avoid future overpayments if any are identified. The monies recovered would be returned to the fund of origin.

RECOMMENDATION


It is requested that the Budget and Finance Committee recommend that the City Council adopt the attached resolution that authorizes the City Manager to execute a consultant and professional services agreement with Municipal Resource Consultants to perform a City Sales and Use Tax expenditure review on a 50% contingent fee basis.

Respectfully Submitted,



MICHAEL L. MEDEMA
Revenue Manager

RECOMMENDATION APPROVED:



JACK R. CRIST
Deputy City Manager

All Districts
June 21, 1988

MUNICIPAL RESOURCE CONSULTANTS

EXHIBIT 1

32123 W. Lindero Canyon Rd.
Suite 209
Nestlake Village, CA 91361
(818) 991-5220

9874 Tea Party Lane
Fresno, CA 93710
(209) 432-6039

May 12, 1988

Mr. Michael L. Medema
Revenue Officer
City of Sacramento
915 I Street-#104
Sacramento, CA 95814

Re: Sales Tax Services

Dear Mr. Medema:

Pursuant to our recent conversation, Municipal Resource Consultants (MRC) hereby proposes to provide expanded sales tax consulting services to the City of Sacramento (City). The purpose, scope of service, timing and compensation are set forth as follows:

1. PURPOSE

MRC proposes to analyze the City's sales and use tax expenditures in order to identify and recover any unnecessary payments to suppliers and/or state and local tax jurisdictions.

2. SCOPE OF SERVICE

To the extent applicable, our proposed service includes the following procedures and tasks:

- o Initial meeting with City personnel to review workplan and identify locations of records and names of contact personnel in key departments (e.g., purchasing, accounting, data processing, etc.).
- o Conduct brief interviews with respect to procedures and systems for determination and payment of sales and use taxes. (Note: With the exception of these brief interviews, our service requires no effort on the part of City staff).
- o Analyze records and source documents in order to identify unnecessary sales/use tax payments to state and local tax jurisdictions and suppliers.
- o Prepare documentation to substantiate the claim for refund or credit, including audit deficiency offset or vendor credit memo, for each overpayment.
- o Meet with City to informally discuss our findings and recommendations.
- o Interface with tax jurisdictions to actively pursue reduction of City's tax liability.
- o Represent City as necessary at all administrative hearings, both formal and informal.
- o Provide additional assistance as necessary to support City in realizing tax recoveries.
- o Provide management report with recommendations for future reduction of City's sales/use tax liability.

3. TIMING

We are prepared to commence the assignment within 30 days following authorization with the objective of completing the analysis and preparing the refund/credit claims documentation within 60 to 90 days thereafter.

4. COMPENSATION

As compensation for services rendered, City agrees to pay Consultant an amount equal to fifty percent (50%) of the tax savings Consultant produces for City. Tax savings is defined as overpayment refunds and/or credits plus any interest earned and included in the recoveries. Earned compensation will be billed upon the City's realization of the tax savings.

5. CONCLUSION

We appreciate this opportunity to be of continued service to the City of Sacramento.

Should you have any questions regarding the proposed service or our compensation, we are prepared to respond promptly.

Please indicate your acceptance of this proposal by returning an executed copy to my attention. The original is for your records. Thank you.

ACCEPTED FOR
CITY OF SACRAMENTO

MUNICIPAL RESOURCE CONSULTANTS

By: _____

By: Allen C. Charkow
Allen C. Charkow

Title: _____

Title: Partner

Date: _____

Date: May 12, 1988

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE
A CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT
WITH MUNICIPAL RESOURCE CONSULTANTS TO PERFORM A CITY
SALES AND USE TAX EXPENDITURE REVIEW ON A 50%
CONTINGENT FEE BASIS

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

The City Manager is hereby authorized to execute a consultant and professional services agreement with Municipal Resource Consultants to perform a City Sales and Use Tax expenditure review on a 50% contingent fee basis.

MAYOR

ATTEST:

CITY CLERK



DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

June 22, 1988
RA:881177:MLM:KMF

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

916-449-5454

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Sales and Use Tax Expenditure Review

SUMMARY

The Budget and Finance Committee recommends that the City Council adopt the attached resolution that authorizes the City Manager to execute a consultant and professional services agreement with Municipal Resource Consultants (MRC) to perform a City Sales and Use Tax expenditure review on a 50% contingent fee basis.

DISCUSSION

The attached Budget and Finance Committee report discusses the potential expenditure recovery that may result from the MRC City Sales and Use Tax expenditure review.

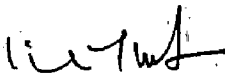
RECOMMENDATION

The Budget and Finance Committee recommends that the City Council adopt the attached resolution that authorizes the City Manager to execute a consultant and professional services agreement with Municipal Resource Consultants (MRC) to perform a City Sales and Use Tax expenditure review on a 50% contingent fee basis.

RECOMMENDATION APPROVED:

WALTER J. SLIPE
City Manager

Respectfully Submitted,


MICHAEL L. MEDEMA
Revenue Manager

All Districts
July 5, 1988