

City of Napa Proposal for Revenue Audit and Consulting Services

October 29, 2014



MuniServices, LLC
Doug Jensen, SVP Client Services
7625 N. Palm Ave., Ste. 108
Fresno, CA 93711
800.800.8181 ext. 5012
Doug.Jensen@MuniServices.com

Table of Contents

Certificate of Consultant	
Letter of Transmittal.....	1
1. Company History	3
2. Background and Capabilities	3
3. Consultants Understanding of the Services in this RFP	3
4. Detailed Approach.....	4
Property Tax	4
Property Tax Information Services	5
Sales and Use Tax Audit and Recovery	7
Sales Tax Analysis and Reporting Service (STARS).....	11
Transient Occupancy Tax.....	13
Business Tax Discovery and Audit	16
Local Tax Compliance Administration	20
Turn-key Tax Administration.....	21
Service Customizations for City.....	24
Franchise Fee Audits	24
5. Key Personnel & Staffing	26
6. Detailed Breakdown of Costs.....	32
Cost Summary	32
Property Tax Audit.....	32
PropertyLINK™ and Reports (Optional).....	32
Sales and Use and Transactions and Use Tax Audit Services.....	32
Sales Tax Analysis and Reporting Service.....	33
Transient Occupancy Tax.....	33
Business Tax Discovery and Audit	34
Business Tax Turn-key Administration Services	34
Franchise Fees Compliance Reviews	35
Additional Consulting	36
7. Willingness and Availability to Present to the City	36
8. References	36
9. Sample Reports	37
10. Audited Financial Report	37
11. Contract Exceptions	37
12. Additional Relevant Information.....	39
Client Testimonials.....	39
Exemplary Customer Service	39
Focus on Vital Components: Data, Reports, Meetings and Documentation	40
Superior Technology/Leading-Edge Data Management	40
Comprehensive Review Approach Including Interaction with the SBE	40

CERTIFICATE OF CONSULTANT

I HEREBY CERTIFY that I am the Doug Jensen, SVP Client Services, and a duly authorized representative of the firm of MuniServices, LLC, whose address is 7625 N. Palm Ave., Ste. 108, Fresno, CA 93711, and that neither I nor the above firm I here represent has:

- a) Employed or retained for a commission, percentage, brokerage, contingent fee, or other consideration, any firm or person (other than a bona fide employee working solely for me or the above consultant) to solicit to secure this Agreement.
- b) Agreed, as an express or implied condition for obtaining this contract, to employ or retain the services of any firm or person in connection with carrying out the Agreement; or
- c) Paid, or agreed to pay, to any firm, organization or person (other than a bona fide employee working solely for me or the above consultant) any fee, contribution, donation, or consideration of any kind for, or in connection with, procuring or carrying out the Agreement;

Except as here expressly stated (if any);

I acknowledge that this certificate is subject to applicable State and Federal laws, both criminal and civil.

October 27, 2014
Date



Signature



Letter of Transmittal

October 29, 2014

Tracy Thompson
Finance Department
City of Napa
955 School Street
Napa, CA 94559

Re: Proposal for Revenue Audit and Consulting Services

Dear Ms. Thompson:

As the fiscal challenges linger from the great recession, it is important that you choose the revenue enhancement firm that will generate the most net revenue to the City. As evidenced in our proposal, we believe that you will find that MuniServices proven track record of substantial revenue generation to the City of Napa offers the greatest opportunity for increased revenues from the Revenue Audit and Recovery Services proposed. MuniServices has worked in partnership with and for the City since 1988 and to-date has recovered over \$5 million from the full-service tax compliance services provided for the City. MuniServices provides full-service tax compliance for the City that includes Business Tax Discovery and Audit (over \$130,000 recovered), Sales and Use (over \$4.9 million recovered), Transient Occupancy Tax Audits (over \$20,000 recovered), and information and forecasting services to assist the City's budgeting and economic development needs.

Audit Momentum: Other vendors, who may wish to supplant MuniServices' Sales and Use Tax Audit efforts, would take a minimum of six to nine months to fully implement their programs in order to submit their initial misallocation reports to the State Board of Equalization. After submitting the report, it can take up to a year or more to see revenue recovery. Therefore, with any other provider, the City can expect to wait a minimum of nine to twelve months for revenue recovery to begin. Furthermore, other vendors do not have the proven track record MuniServices has for identifying and correcting transactions as well as use tax misallocations and deficiencies. With another vendor, the City's tax recoveries would significantly decline.

Experience and Capabilities: Our long-standing partnership with the City of Napa's Finance, Revenue and Economic Development departments provides us with the institutional knowledge to identify revenue recovery opportunities. Our complete understanding of the City's unique sales and use tax base is extremely beneficial to consistent forecasting. It would take new firm years to acquire a similar knowledge base. For over 35 years, MuniServices has provided revenue enhancement, administration, information, and consulting services to over 900 municipalities nationally. MuniServices is the only revenue enhancement firm to offer effective services for all general fund revenues. We have recovered over \$2.4 billion in new tax revenue for our local jurisdiction clients.

A Comprehensive Approach: MuniServices employs multiple audit routines and pursues complex tax issues, going well beyond the "low-hanging-fruit" approaches (such as simple boundary errors) used by competitors. Our professional and positive relationship with the SBE staff facilitates corrections without appeals. We also tenaciously pursue misallocations through the SBE administrative process to ensure that the City receives all of the sales/use and transaction/use tax revenue to which it is entitled. Other firms claim to only have 1/5th the amount of appeals, which is



clear indication they don't pursue the more complex items that often require appealing the SBE decisions. MuniServices 19 terabyte data warehouse and business discovery systems are unmatched in the industry at accurately finding unlicensed business. MuniServices Utility Users Tax audit covers every type of utility and over 2/3rds of the Franchise Fees collected in California.

Experience and Understanding of the City of Napa: MuniServices enjoyed a long and very positive relationship working with the City's Finance, Revenue, and Economic Development departments. Our partnership with these departments provides our team with the institutional knowledge to identify revenue recovery opportunities. Our regional presence and complete understanding of the City's unique sales and use tax base is extremely beneficial to consistent forecasting. We are the only firm that is full-service and can offer each of the services the City is requesting. MuniServices provides a concierge-level customer service to the City of Napa to galvanize our partnership.

Government Relations: Our offerings are complemented by a dedicated Government Relations team domiciled in the League of California Cities Sacramento office that provides federal, state and local government advocacy and consulting. Their efforts have surfaced and successfully resolved numerous major issues, thereby preserving and expanding the tax base for its clients. The team includes staff dedicated to researching, tracking, and analyzing issues on behalf of clients. Each service section of our response highlights the importance and role our Government Relations team plays in enhancing and protecting the City's revenues.

As MuniServices' Senior Vice President of Client Services, I am designated as MuniServices designated Project Manager for the City of Napa. I am duly authorized to represent MuniServices and empowered to submit this bid, authorized to sign a contract with the City and represent the firm in all oral presentations and negotiations. I can be reached by phone at 800.800.8181 extension 5012 or by e-mail at Doug.Jensen@MuniServices.com.

We are confident that MuniServices offers the City of Napa the greatest opportunity for success and look forward to continuing to provide the excellent service the City has come to expect.

Sincerely,

A handwritten signature in blue ink that reads "Doug Jensen".

Doug Jensen, SVP Client Services
MuniServices, LLC
7625 N. Palm Ave., Ste. 108
Fresno, CA 93711
Phone: 800.800.8181 ext 5012
Email: Doug.Jensen@MuniServices.com



1. Company History

MuniServices, LLC, a Delaware Limited Liability Company, was founded in 1978 as Municipal Resource Consultants (MRC). The firm flourished throughout California and quickly branched out into other regions. In 1998, MRC was acquired and combined with other entities, forming what is known today as MuniServices, LLC. Over the years, MuniServices expanded its services, strengthened its client base, and established a track record of impressive results. In 2008, MuniServices became a wholly owned subsidiary of The PRA Group [NASDAQ: PRAA].

MuniServices and its government services group employ over 200 professional level staff members. Our offices are strategically located across the nation, including offices in Sacramento and Fresno California.

2. Background and Capabilities

In 1978, MuniServices pioneered the concept of revenue enhancement and administration services and has an established track record of providing its clients with consistent and quantifiable results. MuniServices, and its staff of over 100, has partnered with jurisdictions of varying types and sizes in terms of population, business base, tax structures and geographical regions, including Alabama, Arizona, California, Florida, Georgia, Louisiana, Michigan, Nevada, North Carolina, Pennsylvania, Texas, Washington, and the District of Columbia. MuniServices currently provides services to 900 jurisdictions nationally. We have earned our solid reputation as the premiere revenue enhancement partner to the public sector through our revenue recovery, forecasting, information services, and reporting tools. These information assets allow local governments to make informed business decisions and create sound policies. We have an established track record of providing our clients with consistent and quantifiable results recovering over \$2.4 billion in combined new tax revenue for our clients

We believe that the depth and quality of our revenue enhancement programs is unmatched. Our experience working with local government, coupled with our high quality of data management, tax investigation techniques and the tenure of our highly experienced staff are all contributing factors to our ability to excel in the area of revenue enhancement, administration, information and consulting.

3. Consultants Understanding of the Services in this RFP

MuniServices understands that the City is seeking a firm who can provide to the City (1) complete and accurate remittance of property taxes, and to maintain and enhance the City's property tax revenue base; (2) provide sales/use tax-related services; specifically, audit, management analysis, legislative updates and consultation; (3) provide to the City to ensure complete and accurate remittance of TOT, and to maintain and enhance the City's TOT revenue base; (4) provide to the City to ensure complete and accurate remittance of business license taxes, and to maintain and enhance the City's business license tax revenue base. Specifically for Lead Detection/Discovery, Audits, Administration, and Consultation; (5) complete and accurate remittance of franchise fees, compliance with franchise agreements and related City ordinances, and to maintain and enhance the City's franchise fee revenue base; and (6) provide additional services as required.

MuniServices complete understanding and detailed approach are described in the pages that follow.



4. Detailed Approach

As a result of our expansive partnerships, breadth of services and experience as the most successful revenue enhancement services firm in the country, MuniServices knows how to approach these services to maximize the City’s tax revenue. The following chart summarizes our full service approach for the performance of the services and juxtaposes our value to other firms. Following the chart is a service-by-service review.

	Revenue recovered to date for Napa	Comprehensive Audits	Management Analysis	Multi-year Forecasting	Client Software	Online Reporting Portal	Industry Experts	Government Relations	Face-to-Face Meetings	Customized Reports	Client Relations Team	Specialized Training	Competitor(s)	Accounting Firms
Property Tax		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Yes	Some
Sales & Use Tax	4.9M	✓	✓	See Sales Tax Reporting			✓	✓	✓	✓	✓	✓	Yes, Limited	No
Sales Tax Reports		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Yes	No
Transient Occupancy Tax	20K	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	No	Some
Business Tax Discovery & Audit	130K	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Yes (new)	No
Franchise Fees		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	No	Yes

Property Tax

We understand that Property tax is the single largest tax revenue source in the City of Napa, generating \$23.0 million in FY 2012/13 (\$24 million in FY 2013/14 - unaudited) and is expected to grow at an average rate of 3.4% per year over the next five years. To ensure complete and accurate remittance of property taxes, and to maintain and enhance the City’s property tax revenue base, MuniServices will continue to assist the City and Successor Agency in recovering all of the revenue to which it is entitled from its Property Tax.

Audit Procedures

- Contact City/Successor Agency’s designated staff to review service objectives, scope, work plan schedule, public relations and logistical matters. MuniServices will also establish an appropriate liaison with the City/Successor Agency’s coordinator and logical checkpoints for progress reviews.
- Represent the City/Successor Agency for purposes of examining records pertaining to property taxes to identify and confirm any errors/omissions that are resulting in deficient payment of tax revenues to the City/Successor Agency.
- For each error/omission identified and confirmed, prepare documentation to substantiate and facilitate recovery of revenue due from prior periods plus applicable interest and penalties (collectively “Misallocations”).



- Meet with designated City/Successor Agency official(s) as necessary to review our findings and recommendations.
- Prepare and forward to the appropriate parties requests for corrective action and revenue recovery for misallocations. The date appropriate parties receive and acknowledge these requests are the Date of Knowledge (DOK).
- From the DOK, the County Assessor's office will review the identified Misallocations, and for those misallocations for which a correction is required, an Assessor's Roll Correction (ARC) will be processed by the County correcting those Misallocations, typically triggering a reallocation. The Roll Year in which the assessments first appear corrected is the Date of Correction. Corrected assessments result in proper allocations in subsequent Roll Years ("Corrected Allocations").
- Provide additional assistance as necessary to support the City/Successor Agency in recovering and preventing tax allocation errors/omissions.
- MuniServices shall establish a comprehensive inventory of every parcel located within the City including the database elements needed to facilitate a comparison analysis with City secured and unsecured taxable values.
- MuniServices shall also conduct an audit of the City/Successor Agency local secured and unsecured valuations, on a parcel-by-parcel basis to determine tax rate area (TRA) miscoding errors and omissions.

Reporting

MuniServices shall provide the City/Successor Agency with audit progress reports to include but not limited to the following:

- Actual revenue produced for the City/Successor Agency by MuniServices on an annual and cumulative basis;
- Projected revenue forthcoming to the City/Successor Agency as a result of MuniServices' audit service, specified according to source, timing and one-time payment versus ongoing;
- Listing of all errors and omissions detected for the City/Successor Agency including, for each, the account number, correction status, payment amount received by the City/Successor Agency, period to which payment is related and payment type (e.g. reallocation, deficiency assessment, etc.); and
- Status of the work including copies of reports provided by the City addressing each reporting error and omission individually, the Incorrect Parcel Number, Correct Parcel Number, Assessee, Correct TRA assignment, Business ID, Address, Secured and Unsecured Valuation, Exemptions, and Net Total Valuation of misallocated assessments.

Property Tax Information Services

MuniServices proposes its Property Tax Information Services (PropertyLINK™) data management software as the solution to the City's requested Property Tax Audit and Consulting Service. PropertyLINK™ brings the client's secured and unsecured property tax data to the client's fingertips, tracks, analyzes, and utilizes property tax revenue data that allows for detailed analysis and provides essential reports for an RDA successor agency. PropertyLINK™ can also be used for economic development, budgeting and forecasting, policymaking, and land monitoring. Additional capabilities include geocoding, ad hoc standard reporting options, and vast query abilities that provide customized uses.

PropertyLINK™ contains pre-defined GEO areas, City-only, City-wide, and City-defined areas of interest such as former RDA project areas. All pre-defined reports are available at the GEO area level or Citywide. Our software is subject to licenses and terms that will be provided upon installation or



access. PropertyLINK™ is a software as a service delivered via the Internet with functions that include: Property Tax Data Warehouse; Geocoding defined areas within your municipality for special tracking; Successor Agency (such as Tax Increment/RPTIF projections, Assist with ROPS, Estimates of residual balance amounts to taxing agencies, information for oversight board, and annual projections); Planning Tool; and Ad-Hoc and Standard Reporting.

Property Tax Reports

The PropertyLINK reports include all of the reports listed below with 1 click and the database for ad hoc queries. Listed here are the reporting tools to help bring value to the City and help the City to meet its current property tax management objectives.

Standard Reports

- General Fund Revenue Summary
- Historical Growth of Taxable Value
- Listing of City/RDA owned properties
- Secured Assessed Value Change Analysis
- Tax Increment Revenue Summary by TRA
- Taxable Value by Land Use w/ graph
- Taxable Value Change Summary by TRA
- Top XX Assessed Value Decreases
- Top XX Assessed Value Increases
- Top XX Assessee (city)
- Top XX Assessee (RDA)
- Top XX Assessee detail
- Top XX Assessments (sec, uns or both)
- Top XX Value Changes (sec, uns or both)
- Taxable Value Summary by TRA, Land Use & Tax Type

Forecast

- Preliminary forecast in June
- Updated forecast in February

CAFR Basic Package

- Assessed and Estimated Market Value (city-wide, city-only and/or RDA)
- Principal (Top 25) Property Tax Payers
- Direct & Overlapping Property Tax Rates
- Property Tax Land Use Distribution
- Principal (Top 25) Sales Tax Producers

Ad Hoc Reports (Upon Request)

- Transfer of ownership summary
- 1% Property Tax Distribution
- Airplane listing w/ values
- Commercial Property Sales – Detail
- Parcel number change listing
- Recent Residential Sales Analysis (SFR)
- Value Summary by Type (sec, uns, unitary)

- Absentee owner listing
- Boat listing w/ values
- Industrial Property Sales - Detail
- Recent Residential Sales-detail
- Prop 13 Analysis

Assessment Appeals

- Assessment Appeals Summary
- Pending Appeals within Top 20
- Prior Appeals' History and Success Rate
- Pending Appeals' Detail
- Top 20 Assesseees
- Resolved Appeals within Top 20
- Pending Appeals' Impact Projection
- Resolved Appeals' Detail

Successor Agency Reports

- Tax Increment/RPTTF projections
- Monitor county distributions on RPTTF including pass thru, SB2557, and residual distributions
 - Facilitate communications with Assessor and Auditor-Controller regarding successor agency needs
 - Cash flows for Successor Agencies
 - Assist with ROPS
 - Estimates of residual balance amounts to taxing agencies
 - Provide property tax information to the Oversight Board as needed
 - Assist in the preparation of annual reports
 - Assist in the preparation of bond refunding requirements
 - Assist in the preparation of official statement requirements
 - Assessment Appeals

Legislative and Regulatory Updates

MuniServices will monitor proposed state and federal legislation to identify issues affecting the City's Property Tax revenues, and, if justified, make recommendations to the City and its lobbyists. Our Government Relations team works in collaboration with stakeholders including representatives from



the League of California Cities, the California Society of Municipal Finance Officers, California Assessors, California Economic Development Association, as well as City advocates, and others. We invest in the necessary tools and resources that give our team access to real-time data and information, and which helps us to focus and provide useful information to our clients on legislative trends at the State and Federal level. We communicate via written policy updates and other mediums while providing salient points of interest so that City representatives are able to make independent decisions on proposals. A historical collection of presentations, policy updates and the issues reported and advocated on clients' behalf can be accessed at www.muniservices.com.

The issues we cover with respect to property tax revenues are broad and include bills related to eminent domain, post-redevelopment, and vehicle license fees, property tax swap, etc. Our history includes joining the League of California Cities and other partners in opposing Proposition 90 from 2006 that purported to offer a reasonable reform with respect to eminent domain. MuniServices joined the League of Cities and the California Redevelopment Association and supported Proposition 22 (2010) and Proposition 1A (2004). We have also encouraged clients to consider Federal legislation including H.R. 4128 the proposed Private Property Tax Rights Protection Act of 2005 and H.R. 4772 that would have affected local governments' property taxes. We also supported and joined our local government partners and supported AB 564 (Mullin/ 2013) which sought to provide more certainty for "successor agencies" with respect to their "findings of completions" and SB 659 (Padilla/ 2012) which would have temporarily postponed the Feb 1, 2012 dissolution deadline for redevelopment. This year we are also working with our clients and stakeholders to encourage the adoption of new economic development tools, as well as measures, including AB 1582 (Mullin/ 2014), that ease implementation issues that have had the impact of negativity with (post-redevelopment) Successor Agencies.

Consultation

MuniServices provides ongoing consultation services aimed at maintaining and enhancing Property Tax revenues, covering such topics as revenue forecasting, statewide trends, and successor agency information such as residual balance tax increment, ROPS, and RPTTF. MuniServices will be available to the City for answers regarding property tax and successor agency questions.

Sales and Use Tax Audit and Recovery

MuniServices understands Sales and Use Tax (SUTA) is the City's second largest revenue source, generating \$14.3 million in General Fund revenue in FY 2012/13 (\$15.2 million in FY 2013/14 - unaudited) and is expected to grow at an average rate of 4% per year over the next five years, including incremental projected sales tax revenues from new development.

Audit Momentum

MuniServices has great audit momentum and has generated over \$4.9 million in new and ongoing Sales and Use Tax revenues for the City of Napa, and we currently have 8 accounts pending correction that are estimated to generate \$250,000 in new revenue. We discover an average of 10-15 new errors each year and submit timely our findings to the State Board of Equalization (SBE) on behalf of the City.

Confidentiality Provisions

Through a Resolution that will need to be executed by City Council, and the agreement that City and MuniServices enter into, MuniServices will be authorized to examine transaction tax, sales tax, and use tax records of the SBE provided to City pursuant to contract under the Bradley-Burns Uniform Sales and Use Tax Law and California Revenue & Taxation Code applicable to transactions and use



taxes. If the City adopts a new transaction tax or taxes after the effective date of the agreement entered into between the City and MuniServices the intent is for the work to include that tax or taxes.

MuniServices is required to disclose information contained in, or derived from, those sales, transaction, and use tax records only to an officer or employee of the City who is authorized by resolution to examine the information. MuniServices is prohibited from performing consulting services for a retailer during the term of this Agreement.

MuniServices is prohibited from retaining the information contained in, or derived from, those sales, transaction, and use tax records, after the Agreement has expired.

The Agreement, and MuniServices' and City's obligations with respect to confidentiality of taxpayer data pursuant to the Bradley Burns Revenue and Taxation Code, shall continue until final payment for all services rendered.

Interaction with the California State Board of Equalization

MuniServices interacts with and the California State Board of Equalization (SBE) on a daily basis, tenaciously pursuing misallocated revenue in complex cases from board staff through to Board Member hearing level of the appeals process when necessary. We are at the SBE's Sacramento headquarters weekly to research taxpayer returns, facilitate correction of errors and build professional working relationships with SBE staff. Our office presence in downtown Sacramento provides easy and frequent face-to-face client representation with the SBE. MuniServices qualifies under Section 7056 of the Revenue and Taxation Code to review (Bradley-Burns) confidential taxpayer information and documentation before the SBE. Our in-house Sales and Use Tax Counsel has the most complete knowledge and understanding of the intricate legal, administrative, and decision-making process, and is resolute in matters of correcting misallocations and maximizing client revenues.

Audit

MuniServices will continue to utilize the methods identified below plus its proprietary Transactions and Use Tax (TUT) methods to maximize the City's combined SUTA revenues by detecting and documenting misallocations of sales and use tax activity within the limitation on administrative recoverability. MuniServices will represent the City for purposes of examining SBE records pertaining to sales and use tax to identify errors and omissions.

MuniServices' Audit Procedures will:

- Acquire SBE records, including registration control record information, and compare them to all relevant and available public and private data sources to develop a comprehensive electronic inventory of every business in the City.
- Augment this electronic database with physical canvassing of every commercial and industrial area of the City to find taxable nexus within the City that is not properly being allocated to the City.
- Monitor and analyze the Quarterly Distribution Reports (QDR) to ensure on-going reporting accuracies.
- Identify and correct the SUTA reporting errors of businesses that, based on the location of their activities, are not properly registered with the City or are improperly classifying and reporting sales tax as use tax.
- Contact personnel in sales, operations and/or tax accounting at each business of interest to determine whether a point-of-sale reporting error exists, if an error is found, assist the taxpayer and SBE to make the necessary corrections and collect eligible back quarter amounts.



- Coordinate with the business and SBE to make the necessary corrections plus retroactive adjustments for eligible amounts of sales and use tax improperly distributed in prior quarters.
- Respond to negative findings by the SBE with timely reconfirmation documentation in order to preserve the City’s original dates of knowledge.
- Represent the City, as necessary, in the appeals of rejected misallocation inquiries under SBE processes.
- Assist the City with strategies to preserve and enhance SUTA revenue generated by existing businesses within the City.
- Aggressively pursue revenues due to the City that are not currently receiving due to inaccurate policy, regulatory and legislative tax applications.
- Apprise the City of federal and state legislation or regulations that may impact SUTA revenues and provide recommendations on steps to take to preserve or enhance these City tax revenues.

MuniServices’ Audit Types

- Taxable Nexus Field Audits: Taxable Nexus Field Audits resulting new revenue for the City. MuniServices initial and periodic Taxable Nexus Field Audits include a physical canvassing of the City’s borders in addition to the commercial and industrial areas of the City, and an evaluation of sales and use tax generating businesses located in the City. In the absence of this labor-intensive and time-consuming effort, significant misallocations may remain undetected.
- Permitization Audits: Permitization Audits enable the identification and correction of improperly registered permits for companies having point-of-sale or use operations in the City. Wholesalers, contractors, manufacturers and other non-retail businesses will frequently not have a sales or use tax permit properly registered to the City in which they are located because SBE records may indicate their business operations do not include a point-of-sale qualifying activity. However, these companies will often generate local sales and use tax from new or changed operations, the self-accrual of use tax on purchases through direct payment permits, and SBE audit deficiency assessments.
- Quarterly Distribution Report (QDR) Audits: The QDR Audit enables MuniServices to conduct the QDR audit each and every quarter to minimize the potential of lost revenue to the City. MuniServices QDR audits have the same objective as the Taxable Nexus Field Audit and Permitization Audits, which are to detect, document and assist in correcting errors. However, MuniServices QDR audits focus on those accounts where MuniServices observes a substantial decline in the SUTA revenue allocation for a particular business entity in a given quarter. Every three months, the City and MuniServices receive a QDR from the SBE with the local allocation amount reported by permit number. Timely review of QDR data is critical because cities and counties may only recover misallocated revenue for three quarters prior to the SBE being notified of the reporting error.
- Deficiency Assessment Audits: Deficiency Assessment Audits leverage MuniServices experience and intellectual property to detect and correct SBE deficiency assessment misallocations when the SBE taxpayer audits for sales and use tax compliance can generate substantial deficiency assessments due to underpayments and/or under collections. In many cases, the City’s portion of the deficiency assessment is incorrectly distributed to the State pool, county pools, or other jurisdictions. The Deficiency Assessment Audits ensure the City is given its full share of the deficiency assessment.
- Use Tax Accrual Audits: Use Tax Accrual Audits involve MuniServices auditing use tax accrual activity to ensure that the City receives its share of the sales and use tax revenue. When California taxpayers purchase tangible personal property directly from out-of-state



retailers, the transactions are subject to use tax (rather than sales tax). The Use Tax is often collected by the vendor who in turn remits it to the SBE, with the local allocation typically distributed statewide or county-wide through the pools. However, under certain conditions, the seller must allocate the local tax by situs or the purchaser may elect to self-accrue the use tax and remit it directly to the SBE. In these cases, the local portion will come back to the City in the same manner as sales tax.

- **Accounts Payable Audits:** Accounts Payable Audits enable MuniServices to prepare the documentation to facilitate the issuance of a direct payment permit (use tax) to the City and provide assistance in preparing and filing the tax returns. MuniServices accounts payable audits will include, upon request by the City, a review of the City's purchases to identify opportunities for the City to capture the 1% local tax on purchases subject to use tax.

MuniServices' Deliverables

- MuniServices will provide quarterly reports identifying each taxpayer reporting error individually submitted to the SBE on the City's behalf, including business name, address, telephone number, California sales tax permit number, individuals contacted, date(s) of contact, nature of business, reason(s) for error, recommended corrective procedure and, if available, estimated sales and use tax revenue that should be forthcoming to the City.
- MuniServices will provide status reports on sales tax inquiries filed on behalf of the City with the SBE. These status reports will include a list of accounts filed with the SBE including taxpayer name and address, date of knowledge (DOK), sales tax permit number, current status of accounts including estimate of amount of local tax due the City, and additional information as requested by the City.
- MuniServices will conduct, at the request of the City, sales and use tax technical seminars and sales and use tax audit training.

Legislative and Regulatory Updates

MuniServices will monitor proposed state and federal legislation to identify issues affecting the City's Sales and Use Taxes and Transactions and Use Tax revenues, and, if justified, make recommendations to the City and its lobbyists. Our government relations advocacy work with respect to sales and use taxes is supported with a full research unit and advocacy team. Our Government Relations team also works in collaboration with stakeholders including representatives from the League of California Cities, the California Society of Municipal Finance Officers, the California Municipal Revenue Tax Association, Special Districts Association, City advocates, the State Board of Equalization, and others. We invest in the necessary tools and resources that give our team access to real-time data and information, and which helps us to focus and provide useful information to our clients on legislative trends at the State and Federal level. We communicate via written policy updates and other mediums while providing salient points of interest so that City representatives are able to make independent decisions on proposals. A historical collection of presentations, policy updates and the issues reported and advocated on clients' behalf can be accessed at www.muniservices.com.

While we have focused on the 1955 Bradley-Burns law our policy work has expanded and includes a wider spectrum of advocacy efforts. From a regulatory perspective our team was instrumental in interested parties meetings convened by the State Board of Equalization staff for the drafting and adoption of Regulations 1807 (Bradley Burns) and 1828 (Transactions and Use Tax) related to enhancing and expediting the appeals process for petitions for reallocation of local sales and use taxes. Our team also provided input for the adoption to the latest revisions to the Compliance Policy and Procedure Manual Chapter 9, related to local and district tax reallocations, including enhancements to the local tax reallocation process. We also provided input and supported Regulation



1684 related to the collection of use taxes (Amazon). Our team has also worked in collaboration with City staff and the City's lobbyist on several proposed State issues related to sales and use taxes. This year SB 983 (Hernandez/ 2014) is a measure that while focused on the place of sale with respect to card lock fuel has opened up a broader discussion on sales tax law with respect to revenue sharing as well as whether or not the governing sales tax law should be expanded to meet current economic development needs while maintaining local control. Other examples include AB 658 (Calderon/ 2012) that sought to reverse a superior court decision related to local tax allocation which had not yet been reviewed on appeal. Another illustration is MuniServices-led opposition to SB 1559 (Bowen/2004) that would have created unintended and serious consequences for local and State government finances, as well as confusion over many Bradley-Burns revenue allocation rules. Specifically, the bill would have altered the definitions of "negotiation" and "place of business," two key terms governing allocation of local sales taxes under Regulation 1802. Congressional proposals are also an area of focus for our Government Relations team, including the Marketplace Fairness Act (MFA) that would require out-of-state merchants to collect use taxes for electronic and mail sales. MuniServices supported last year's MFA proposal contained in S 763.

Consultation

MuniServices provides ongoing consultation services aimed at maintaining and enhancing Sales Tax revenues, covering such topics as revenue forecasting, statewide trends, opportunity and threat identification to the City. MuniServices often provides expert speakers on technical and Legislative topics for municipal meetings and will be available to present updates to the City. MuniServices does all of this at no extra charge.

Sales Tax Analysis and Reporting Service (STARS)

MuniServices understands the City's desire for a consultant to Provide, on a quarterly basis, useful management information, in hard copy and electronic formats for local and district add-on sales and use taxes, including, but not limited to, the following: analysis of revenue performance, trends, gains, declines, projections, and pertinent issues.

Analysis

MuniServices consistently meets with the City on a quarterly basis providing reports which include three key features: STARS Digest, STARS Query System & Accompanying Database, Quarterly Sales Tax Review Meetings and Consulting. The majority of our clients utilize STARS as a critical tool for planning, forecasting and intelligence building on SUTA revenues.

STARS Digest

The STARS Digest is a summary that features a general analysis regarding statewide trends that may affect sales and use tax plus a specific analysis of sales and use tax composition, changes and performance. The STARS Digest will provide historical analysis of sales and use tax economic base and performance. Utilizing this vast database, MuniServices will also provide ad hoc analysis, geo-areas, custom reports, information and consulting services such as revenue forecasting and revenue presentations.

STARS Query System & Accompanying Database

The STARS Query System & Accompanying Database enables City staff to analyze the contribution of SUTA revenue from each taxpayer on an individual, grouped or sorted-order basis by business name, business type, permit number, size ranking, street address, development, shopping center, and geographic area. Reports may be generated by any year (i.e. calendar, fiscal, benchmark) or for any particular quarter for all periods stored in the historical database. All sales tax data processed by



MuniServices is located on the Query System. Each business can be called up by account number, business name or address. Each geo-area and economic segment can be analyzed in total and by each individual business. Historical amounts for each account can be accessed through the Query System.

MuniServices developed the Query System to be simple and user-friendly, incorporating different types of name and address searches to capture hard to find accounts. For example, the address search requires only the street name to enable the “auto-fill” feature that adds in the direction and proper abbreviation for the street type. Each quarter, MuniServices will provide an updated Accompanying Database with information from SBE on CD-ROM. The data will be provided in a format allowing staff to export SUTA information from the Query System. All queries may be exported and saved into .dbf or .xls formats.

Quarterly Sales Tax Review Meetings & Consulting

The Quarterly Sales Tax Review Meetings allow staff to meet with their MuniServices’ Client Services Manager/Project Manager on an individualized basis to provide consulting services – the capstone of STARS value. MuniServices will meet with staff as frequently as desired to discuss forecasts and consulting reports that explain the revenue received from the SBE, which includes cash receipts analysis, regional comparison report, quarterly changes report, per capita charts, historical trend analysis, top 100 businesses, legislative and regulatory updates, and related other topics.

Quarterly STARS Digest Executive Summary/Economic Outlook Newsletter

The STARS Digest Executive Summary is the first of MuniServices’ two-part quarterly newsletter for its clients. This Executive Summary contains a general economic overview of sales tax revenue trends and performance. The second part of the newsletter is the Economic Outlook report, which provides a review of national and regional economic news affecting sales tax revenue. The Economic Outlook report also provides an overview of macro and microeconomics information about, inflation, the job market, manufacturing activity, construction spending, etc.

The Forecast

Of the many exceptional reports MuniServices provides, the five-fiscal year sales and use tax forecast is the most valued by our Clients. Your dedicated Client Services Manager delivers an updated forecast every quarter. The forecast not only integrates business-level adjustments based on business-by-business projections, microeconomic trends from the data itself, macroeconomic trends from multiple sources, anomalies, future developments, and threatened business, but also integrates those adjustments into three forecast scenarios. The scenarios integrate with a month-by-month Triple Flip cash flow tracking model. The accuracy of the tracking model has been used to identify mistakes at the SBE and Counties in the handling of Triple Flip sales tax payments. The proprietary process provides a customized, accurate forecast. The forecast brings value to many different levels of management.

1. Finance can better estimate long term revenues for the City by reviewing year-by-year forecasts, the month-by-month sales tax and Triple Flip cash flow, the accrual models, clearly identified anomalies, one-time events, regional impacts and the option to run various growth scenarios.
2. Administration benefits from the information being able to communicate to city councils from items such as the summary pages showing prior performance and projected year forecasts for both the Bradley Burns local 1% and the Triple Flip-impacted cash collections. An additional summary page shows the adjustments by economic category and segments along with various accrual models providing valuable details on how the forecast is developed.



3. Economic Development benefits from the option to run scenarios based on future development, business retention, and economic health of the city and geographic regions of the City.
4. Public benefits include a non-confidential third-party generated summary page of City revenue information that can be used as the basis for City communications with the public about the economy impacting the City and provides transparency on how estimates are developed.

Client Relations and Analysis Team

In addition to the monthly and quarterly reports, MuniServices offers a dedicated team of analysts to research and evaluate specific questions from the City staff. In answering questions, we give the City a complete report, support and education resource. MuniServices’ analysts are trusted advisors to the City’s staff. As an always-available experienced team, our analysts function as a go-to source for the City’s special requests, research, analyses and customized reporting needs in across all services.

Transient Occupancy Tax

MuniServices understands that Transient Occupancy Tax (TOT) revenue is the City’s third single largest revenue source, generating \$13.5 million in General Fund revenue in FY 2012/13 (\$15.2 million in FY 2013/14 - unaudited). The City estimates TOT is projected to grow by an average of 9% per year over the next five years, primarily due to anticipated new hotel development. There are currently 83 lodging establishments paying TOT, divided into three main categories: 22 hotel/motels; 18 bed & breakfasts and vacation clubs, and 43 single-family home vacation rental units.

Shown below is a sample workflow chart and detailed work plan of our process.



I. Pre-Audit Activity: Pre-audit activity is designed to build a strong foundation for a customized compliance program. In this stage, MuniServices will:

- Schedule a kick-off meeting with City contacts to review the timeline and data required.
- Establish a comprehensive inventory of all lodging properties subject to taxation by the City.
- Determine the database elements (public and private databases) needed to facilitate further analysis.
- Review the City's Transient Occupancy Tax Ordinance.



- Review lodging provider return information from the most recent 48 months (or less, if the City so desires), in order to identify unusual or suspicious reporting and/or activities that warrant further review.

II. Discovery: *In this stage of the review, MuniServices gathers all the necessary data to carefully assess every lodging provider within the City. Typically, the Discovery process consists of the following:*

- Identify data sources: We use a number of for-fee and public-domain data sources to establish the true geographical area of the City, identify the business community participants and to gather important demographic information for those participants. Over the last 30 years we have isolated the most reliable, accurate and useful datasets to improve the accuracy of our lists and to reduce the costs of projects. We are able to pass those cost savings on to our clients.
- Integrate data with records in our data warehouse: We have developed an enormous data warehouse containing over 19 terabytes of data. We integrate the data for this project into the warehouse, combining it with other records to complete the picture of each entity.
- Conduct unobtrusive collection of information on each property, including number of rooms, occupancy rate, property's condition, and business dynamics.

III. Analysis: *In this stage of the review, MuniServices will analyze the data we have gathered and:*

- Provide a detailed Analysis of Data report to the City. MuniServices will send out project instructions to the City upon contract execution. The analysis report will provide a detailed analysis report to the City identifying lodging providers who might require additional investigation or review to determine their compliance with the City's TOT ordinance. The report will be issued 90 days following full provision of returns and information detailed in the instructions. An interactive review of the analysis report will be held soon thereafter if desired.
- Data analysis: After we have scrubbed and standardized the new data we run the data through proprietary systems designed to identify potentially non-compliant entities and cross check the data against your existing list of compliant entities. We continually analyze the output from our proprietary systems to ensure the identified entities match the target objectives.
- Human factor: Once our system completes its analysis we refine the list further through human analysis. Analysts comb through the output listing and conduct additional research to confirm, exclude or add additional entities to the final list.
- When we receive the returns, we enter the data into our worksheets to develop trends, property comparison, exempt rent to gross rent variation, etc. We research the statistics on the city and properties. Based on this data, we select specific properties for audit (if the City hasn't requested specific properties). The City will receive a hard copy Analysis Report identifying the properties and why they were selected.
- Coordinate with City official(s) as necessary to review the data gathered: Once the City approves the hotels selected for audits, we will forward the City Announcement Letters that need to be mailed to the properties on City letterhead. Once the City sends out the letters to the properties, we request they send us a copy of the signed letters.

IV. Audit and Compliance Review Hotels and Motels: *Based on the results of the Discovery & Analysis phase, MuniServices may recommend certain lodging properties (hotels and motels) progress to a Comprehensive Review that consists of the following:*

- Verify accuracy of filed TOT returns with daily and monthly activity summaries.
- Review a random sample of the daily and monthly summaries to determine if the daily summaries reconcile to the monthly summaries.



- Review secondary and tertiary documentation such as bank statements to verify that deposits reconcile with the reported revenue on the TOT returns or other tax filings.
- Review exempted revenue for proper supporting documentation.
- Submit a compliance review that includes documentation necessary to facilitate recovery of revenue due for prior periods for each error/omission identified and confirmed. A report will be provided for each lodging provider reviewed.
- Draft notices of deficiency determination, commendation and warning letters as applicable.
- Assist the City in reviewing any matters submitted by lodging providers contesting a deficiency determination.
- Prepare and document any changes to the compliance review findings.

V. *Final Report to the City:* *At the conclusion of the Discovery, Analysis and Audit Compliance, the City can expect to receive:*

- *Compliance Review Report.* After conducting all the phases MuniServices will submit a written compliance review report to the designated City staff member(s) that include our findings; the documentation necessary to facilitate recovery of revenue due for prior periods for each error/omission identified and confirmed; and draft notices of deficiency determination, commendation and warning letters as applicable, and recommendations. A report will be provided for each lodging provider reviewed.
- Provide assistance to the City in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination; and
- Prepare and document any changes to the compliance review findings and provide revised tax, interest or penalty amounts due the City.

City Obligations

For MuniServices to conduct the requested audits, the City will need to assist MuniServices by providing necessary information and assistance to include, but not be limited to, the following:

- Send Audit Announcement Letter to each lodging provider to be examined with a copy to MuniServices.
- Inform MuniServices of any circumstances concerning existing payees.
- Inform MuniServices of the development of new lodging properties no later than a Certificate of Occupancy being granted.
- *Data.* The City will need to provide copies of returns submitted by all domiciled lodging providers for the most recent thirty-six (36) to forty-eight (48) months to MuniServices prior to the start of Phase I. If the City has the full return data digitized, submitting such in electronic format would be preferable.

Consultation

MuniServices will continue to provide ongoing consultation services aimed at maintaining and enhancing TOT, covering such topics as revenue forecasting, statewide trends, and other relevant topics. MuniServices provides expertise on this tax type, and available typically at no additional cost to the City.

Legislative and Regulatory Updates

MuniServices will monitor proposed state and federal legislation to identify issues affecting the City's Transient Occupancy Taxes (TOT) revenues, and, if justified, make recommendations to the City and its lobbyists. MuniServices has long-reported and advocated on proposals that seek to treat all hotel sales the same in regards to payment of local taxes, regardless of method of purchase to ensure



consistency and fairness. Our Government Relations team works in collaboration with stakeholders including the hotel and motel associations and online travel company representatives. The Internet has created inconsistent treatment of hotel-related taxes for local government entities. Examples of advocacy include SB 848 (Hollingsworth) which was a late addition to the 2010-11 budget package, and that would have authorized online travel companies to remit TOT on the wholesale rate of the hotel instead of on the rate paid by the consumer. MuniServices joined the League, local labor groups, and other industry representatives to voice opposition to the bill. The issue continues to gain national attention especially with respect to policy regarding online travel companies and the collection and remittance of sales taxes on the retail room rate charged customers.

AB 1916 (Maddox/2004) made changes to the State's TOT law (does not apply to charter cities). MuniServices first alerted its clients to the bill because it did not favor cities and worked with the author and stakeholders on amendments that provided safeguards to cities and the proper application of a city's TOT. The bill established mechanisms and procedures to facilitate calculation and assessment of transient occupancy taxes (TOT or hotel room tax) owed by a lodging proprietor in tax audits and for property transfers, and established a four-year statute of limitations for the local governing body to file an action to collect past due TOTs. The bill intended to provide a measure of standardization on three key issues: claims for exemptions from tax for government employees, successor owner liability for back taxes, and a statute of limitations for back taxes.

Business Tax Discovery and Audit

Audit Momentum

MuniServices understands the City of Napa levies a Business Tax that is a combination of gross receipts and flat tax system. For business tax discovery, MuniServices has notified 3,300 businesses that are potentially unlicensed, identified \$129,000 in new business tax revenue. We have invoiced 473 and 367 have paid in full generating \$93,300 in receipts so far. MuniServices is confident that our work will continue to increase the number of licensed businesses and revenue generated to the City.

Our Business Tax Services are intended to complement the current efforts by bringing to the City more sophisticated technology, data and field investigations that may not presently be available to the City. Listed below is a summary of our processes and timeline and then a more complete and detailed description follows.

Program Objectives and Methods

Our Business Tax service is designed to assist the City in locating tax revenue that the City may not be receiving from its local tax registry. MuniServices provides detection, documentation and correction of errors and omissions causing deficiencies thereby producing new revenue that would not otherwise have been realized by the City. Moreover, our team works in full and collaborative partnership with City revenue staff to supplement the operations and procedures currently in place.

The Business Tax service also aims to reduce future errors by informing the businesses that are identified as having errors or omissions about the proper methods of compliance. Informing business owners of the requirements of the ordinance helps to prevent future mistakes by businesses making future enforcement efforts by the City less burdensome for the City.

Business Tax Discovery Services

Business operations discovery services are designed to provide a full service solution to City's Business Tax enforcement procedures. It does not replace current functions, but provides a focused



and full-time solution to the identification of entities subject to taxation by Sacramento, which are not properly registered, or otherwise not reporting taxes to the City.

In performing the Discovery Services, MuniServices will:

- Establish a comprehensive inventory of the entities subject to taxation by the City and the database elements needed to facilitate a comprehensive comparative analysis with the City's records of those entities that are properly registered;
- Compare MuniServices' database of business records with the City's records to identify potential non-reporting and non-registered entities subject to taxation;
- For each unregistered or non-reporting entities identified and confirmed, assist the entities, as necessary, to complete the City's applicable registration form(s) and determine the amount of tax due for current and prior periods (plus applicable interest and penalties, where appropriate);
- Invoice entities (including supporting documentation) on behalf of the City for the amount of identified deficiencies, with payment to be remitted to MuniServices;
- Ensure that all submitted registration forms are completed correctly and in their entirety;
- Forward all completed registration forms and associated payments to the City in batches at the frequency directed by the City. Applications will be forwarded with copies of the payments and payments deposited into an account designated by the City;
- Collect the amount of identified deficiencies, together with supporting documentation, and remit payment received to the City in weekly batches. (MuniServices will follow the City's business rules in collecting partial payments or the tax in full at the City's direction.);
- Establish a call center open during normal business hours to assist entities with questions concerning application of the City's taxes, and reporting and remittance requirements;
- Educate entities regarding the City's reporting requirements to prevent recurring deficiencies in future years;
- Contact personnel in sales, operations and/or tax accounting at each target business to determine whether a Business Tax fee is due, when necessary and appropriate. This is accomplished with the highest regard to discretion and professional conduct. MuniServices' Business Tax audits are predicated on a non-controversial, constructive public relations approach that emphasizes the importance of each business to the City and the mutual benefits of correcting non-reporting errors;
- Provide reports addressing each taxpayer not reporting, including the business name, address, and telephone number to the City; and
- Monitor and analyze the business operations registration files of the City each quarter in order to determine non-reporting businesses.

Deficiency Audit Services

Business Tax Deficiency Audit Services are designed to identify entities subject to taxation by the City of Napa not properly reporting the full amount of tax to which they are subject to under the City's ordinances. These Audit Services identify entities that are potentially underreporting, or not reporting all applicable taxes, and MuniServices reviews the entity's records to ensure compliance with Napa's taxes.

In performing the Audit Services, MuniServices will:

- Compare MuniServices' records with the City's records to identify potential under-reporting entities subject to taxation;
- Meet with designated City staff to review and discuss potential audit candidates and mutually agree which entities will be subject to review. Only entities mutually agreed by MuniServices and the City to be reviewed shall be subject to MuniServices' audit services;



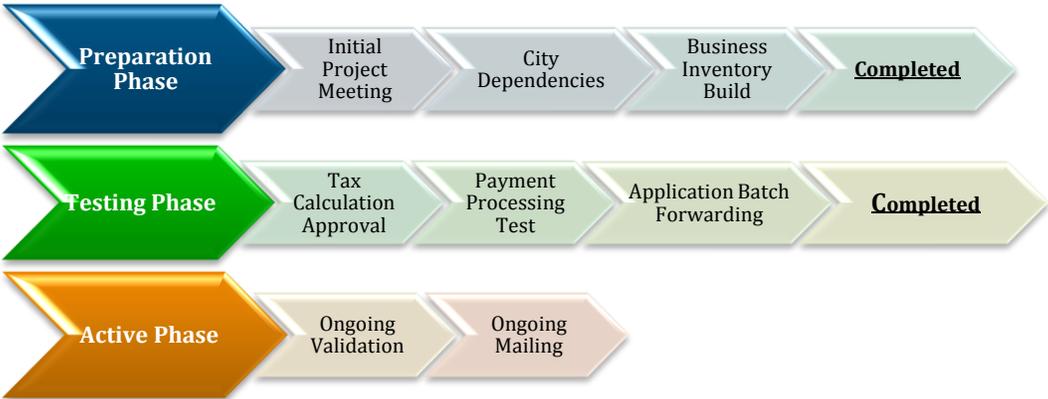
- For potential under-reporting entities identified, MuniServices will obtain authorization from the City to conduct a review of the entities’ records and determine the amount of tax due for current and prior periods (plus applicable interest and penalties, where appropriate);
- Submit audit summaries (also referred to as “Deficiency Notice”) to the City to permit the City to determine the amount of a deficiency owed, if any;
- Invoice entity for the amount of identified deficiencies, together with supporting documentation, and remit payment received to the City;
- If the City elects to have MuniServices conduct payment deposit services, applications will be forwarded with copies of the payments and payments deposited into an account designated by the City; and
- Educate entity regarding Napa’s reporting requirements to prevent recurring deficiencies in future years.

Additional Performance Metrics

- Meet with the City’s designated staff to review service objectives, scope, work plan schedule, public relations and logistical matters. MuniServices will also establish an appropriate liaison with Napa’s coordinator and logical checkpoints for reviewing progress;
- Review applicable provisions of the City’s municipal code and ordinances adopted by the City;
- Represent Napa for purposes of examining records pertaining to the Business Tax to identify and confirm any errors/omissions that are resulting in deficient payment to the City;
- As necessary, meet with designated City officials to review MuniServices’ findings and recommendations; and
- Provide additional assistance, as necessary, to support the City in recovering and preventing tax deficiencies.

Timeline for Project Implementation

MuniServices is already in the Active Phase of our discovery project. No additional City staff resources would be required should the City remain with MuniServices. Other firms would start from scratch creating significant time investments of staff not to mention potential disruptions within the business community.



- Phase 1: Preparation Phase - Completed**
Initial Project Meeting/Draft Work Plan Review – Completed
City Dependencies - Completed
- Registration Database - Completed
 - Supporting City Data Files - Completed



- Registration Forms - Completed
 - Accompanying Documents to the Business Registration Forms - Completed
- Business Inventory Build- Completed

Phase 2: Testing Phase - Completed

- 1st Test Mailing - Completed
- Invoice & Tax Calculation Approval - Completed
- Payment Process Test - Completed
- Application & Batch Forwarding - Completed

Phase 3: Active Phase - Ongoing

Stated simply, this phase is the execution of the work plan developed by MuniServices for the notification and registration of non-compliant entities. During the active phase, MuniServices will continue to work with the City to refine the processes and ensure accuracy prior to the volumes associated with this phase. MuniServices will continue to modify the timing related to new milestones of the active phase as the project continues.

Ongoing Data and Target Validation

Upon completion of the testing phase, MuniServices will review the processes with the City and review any additions or modifications to the procedures outlined in the work plan. MuniServices will then prepare a final operation version of the work plan and submit to the City for approval.

Ongoing Mailing - Active Phase

The active phase begins with MuniServices first bulk mailing. Each mailing will continue the processes refined during the testing phase and continue on a weekly basis throughout the duration of the project.

Responsiveness and Professional Customer Service

MuniServices has built a solid reputation in the local government industry of providing a very high degree of customer service. We assign each client a Client Services Executive who will provide a dedicated point of contact for each client. This dedicated point of contact will maintain a high degree of communications with the City ensuring that our service standards met and to provide continuity and understanding of your unique needs. Your assigned Client Services Manager will be responsible for the overall delivery of our Business Tax Audit services.

MuniServices responsiveness is typically measured within the hour of the request and nearly always the same day response. When a client's need requires additional time, our clients are always kept informed through proactive communications. MuniServices also strives on innovation and implement best practices using client feedback as the starting point.

As a foundational practice, MuniServices will communicate frequently with the City and participate in regularly scheduled quarterly in-person meetings with staff to review and report progress on our work.

Legislative and Regulatory Updates

MuniServices will monitor proposed state and federal legislation to identify issues affecting the Business Tax revenues, and, if justified, make recommendations to the City and its lobbyists. Our Government Relations team works in collaboration with stakeholders including the California Municipal Revenue Tax Association (CMRTA) representatives and members. We invest in the necessary tools and resources that give our team access to real-time data and information, and which



helps us to focus and provide useful information to our clients on legislative trends at the State and Federal level. We communicate via written policy updates and other mediums while providing salient points of interest so that City representatives are able to make independent decisions on proposals. A historical collection of presentations, policy updates and the issues reported and advocated on clients’ behalf can be accessed at www.muniservices.com. Our team has worked in collaboration with stakeholders and clients on a spectrum of issues related to local business licensing, the underground economy, etc. We have also worked with clients including the City to ensure that tools are in place that enable a locality to identify whether a business is properly licensed. In 2013, our team assisted clients in advocacy for the enactment of SB 2011 (Hernandez) which would continue a State program related to the disclosure of information between the Franchise Tax Board and cities.

Consultation

MuniServices will continue to make our time available for any questions that may arise in the Business Tax arena. MuniServices would be happy to provide consultation on the City’s ordinance, how it compares to other cities, and any other questions that may arise.

Local Tax Compliance Administration

MuniServices now serves over 400 local jurisdictions for their tax administration service, processing close to \$800 million in taxes annually, over 2.4 million in complex tax transactions (one million performed online) and over 400,000 in unique tax forms.

In addition to the above comprehensive Business License Tax Discovery and Audit services, MuniServices can also provide the City with a complete turn-key Tax Administration program related to the City’s business tax processing, renewals, collections, and on-going monitoring and administration of the business tax. The service will be performed utilizing MuniServices’ internal programs and processes.





Turn-key Tax Administration

The following are processes and procedures that MuniServices performs for the City on a turn-key Tax Administration program:

1. New application processing including review and verification of applications and application data, establishing processes for established departmental prerequisites to licensure;
2. Annual renewal application processing including mailing of renewal applications and processing of completed renewal applications; and generating business license certificates;
3. Processing of special short term licenses; and
4. For taxpayers that do not return their annual renewal application, MuniServices will send two additional notices and make one follow up phone call. To the extent these efforts do not result in taxpayer compliance, the account will be handled under MuniServices' Discovery Service.

Collections

1. Collection of Business License taxes and fees for both new licenses, renewals, and special short term licenses with timely remittance or deposit on behalf of the City;
2. Monthly detail reporting of payments received, including monthly reconciliation of payments received to payments remitted or deposited on behalf of the City; Credit Card payment processing will be accepted pursuant to City policy. MuniServices and City will work together to determine the best method for processing credit card payments;
3. For taxpayers who do not remit payment with their application or whose check is not honored by the bank (NSF check), MuniServices will send two additional notices and make one follow up phone call. To the extent these efforts do not result in taxpayer compliance, the account will be handled under MuniServices' Discovery services.

Taxpayer Communications

1. MuniServices will handle all taxpayer communications including general questions, account inquiries, business license application questions and issue resolution
2. MuniServices' National Taxpayer Call Center will be available through a toll free telephone line Monday through Friday, 8:00AM to 5:00PM Pacific Time;
3. MuniServices will respond to taxpayer correspondence via return phone call or written correspondence. All standard correspondence templates will be subject to City approval.

Client Communications

MuniServices will maintain regular and close communications with City staff to communicate project activity and any issues. MuniServices will provide prompt responses to City staff regarding any questions or issues.

City Obligations

In order for MuniServices to provide the Administration service the City will need to:

1. Provide an electronic copy of the City's License Registration File and License Payment History file to MuniServices, together with any other information necessary for MuniServices to compute MuniServices' billing for services, in electronic format, to MuniServices on no less than a quarterly basis during the term of the Agreement and thereafter for so long as MuniServices' right to invoice for services rendered continues. (If MuniServices performs the Tax Administration service for the City, going forward, MuniServices will have the access to the Registration and Payment files);



2. Use reasonable and diligent efforts to collect, or to assist MuniServices in the collection of, deficiencies identified by MuniServices pursuant to the Agreement; and
3. Notify MuniServices within 10 days following receipt by the City of payments, if there is any, resulting from deficiencies identified by MuniServices. Because MuniServices' Discovery and Audit Services may result in collection of deficiencies after termination of the Agreement, the City's obligation to collect fees and notify MuniServices, and MuniServices' right to continue to receive contingency fees, will survive termination of the Agreement for any reason.

The City will have the right, at the City's option, to elect not to proceed with recovery of any identified deficiencies. Deficiencies which are uncollectible due to insolvency or dissolution of the entity liable, or for deficiencies which are otherwise incapable of collection (e.g. statute of limitations expiration or other legal defense and relocation out of Orange County jurisdiction) will not be considered an "election" by the City for the purposes of the Agreement. For deficiencies otherwise collectable but for which the City elects not to collect, the City will notify MuniServices of its election not to pursue ("waive") collection of said deficiencies. MuniServices will be entitled to one-half (1/2) of the fee MuniServices would have been entitled to for the waived portion of the deficiency except when cost of recovery exceeds the deficiency in the sole discretion of the City.

Online File and Pay

MuniServices and our sister company, RDS, have successfully implemented, and continue to support our online file-and-pay option for over 135 of our clients, and have found that online business license filing and payment is the most convenient option for most businesses, and results in expedited filing and payment throughput for our clients.

Our system seamlessly handles the basic processing steps in the filing process:

1. Taxpayer filings and payments are entered using secure website.
2. Online payments are recorded in our system.
3. Automatic reconciliation between payment and application.
4. Online payments deposited automatically.

Typically the process takes most taxpayers no more than five minutes from start to finish. The same portal enables businesses to update their account information, correspond with MuniServices tax specialists and receive assistance for their Business License Tax questions. We encourage businesses to utilize our online file-and-pay option by providing 24/7 access to a secure web-based portal, with support staff available "live" from 7AM-7PM PST..

To assist with "walk-in" registrations, we also offer optional on-site kiosks that will enable businesses to register unassisted at locations determined by the City, and print temporary certificate on-site.

We believe taxpayer education is critical, and, as part of our standard implementation plan for new business license clients, MuniServices conducts hands-on onsite taxpayer education seminars at no cost to the taxpayer.

Reporting

While we administer the tax revenue you are never far from the information. Our online reporting system allows you to access reports and business information whenever you need it.

Here is a list of the reports available online:

- New Account Listing
- Transfer and Distribution Report



- Daily, Weekly and Monthly Reconciliation Reports
- Detailed Payment History Reports
- Delinquency Reports
- Top Remitters Reports
- Business Tax Certificates Issued Report
- Business Tax Certificates On Hold Report
- Business Search Tool
- And more

In addition to the collection of reports and business lookup tool available online, we have a large collection of reports available for electronic transfer. These reports originated from internal analysis or clients suggesting new analysis formats. You will have access to any new reports or features on the online system as soon as they are implemented. All of our clients benefit from the ideas and suggestions of our other clients.

Project Implementation

Following the standard project implementation plan below, which has been developed and successfully implemented on behalf of hundreds of municipalities by our managers and staff business license specialists, the MuniServices project team will:

1. Provide and operate a secure automated system to which electronic records of the City's taxpayers may be transferred. Records will be provided by the City in a mutually agreeable format.
2. Print and mail the initial notification of license renewal to taxpayers, according to a schedule to be verified with the City.
3. Process new applicants and review and verify applications and application data, data input and correspondence, including processing of special short term licenses.
4. Receive process, reconcile, and deposit all payments.
5. Remit funds to the City via Automated Clearing House (ACH), Electronic Funds Transfer (EFT) or check, as directed by the City, within seven (7) calendar days of receipt.
6. Perform all data entry necessary to maintain the City's taxpayer database.
7. Provide day-to-day taxpayer support using a toll free telephone line and email communication. MuniServices' National Taxpayer Call Center will be available through a toll free telephone line Monday through Friday, 8:00AM to 5:00PM Pacific Time;
8. Handle all taxpayer communications including general questions, account inquiries, business license application questions and issue resolution;
9. Respond to taxpayer correspondence via return phone call or written correspondence. All standard correspondence templates will be subject to City's prior written approval;
10. Maintain logs identifying the date of the inquiry, the name and address of the person or entity making the inquiry and the advice or other information provided;
11. Provide NSF check processing and collection as needed for taxpayer payments;
12. Implement delinquency follow-up procedures for accounts that fail to submit a return and payment by the due date set by the City;
13. Calculate preliminary assessments for non-responsive accounts in accordance with City ordinances and fee schedules, and send an invoice to the account;
14. Identify accounts that become delinquent and inform the taxpayer of the delinquency via telephone and printed notices; and
15. Send notices to those businesses advising them of their legal obligation to obtain a business license in accordance with the City's ordinance.



Service Customizations for City

1. Kiosks to enable on-line filing/payment at City offices available at added cost.
2. Validation/desk audit of applications/renewals. Normally this is an added-cost service. (We normally check off, at no charge to ensure that all City-required forms. Permits, inspections, etc. are in place before issuing a license, but do not validate the content of the forms themselves.) Our understanding is that the City's procedure is to require a copy of the latest federal tax return as a condition of licensure, and that the City also wishes to have these returns used to validate the amounts listed on the City's business license application and renewal forms.

MuniServices can offer the following options:

- City receives tax returns and verifies receipt (no charge)
 - MuniServices receives tax returns and verifies receipt of required documentation.
3. Our standard business model, in use with most of our clients, is set up so that we collect our fee out of business license payments as they are remitted, disbursing the balance to the City ("net remit"). This model assumes that payments are due upon application/renewal, and that licenses are issued only upon completion of all necessary forms/documentation and receipt of payment. We have found that this model works to assure timely receipt of payment both to MuniServices and to our clients.

If the City requires that licenses be issued in advance of payment, MuniServices can invoice the City monthly in arrears as licenses are issued, and disburse payments in full as they are received.

Franchise Fee Audits

MuniServices Franchise Fee (FF) audit services will implement an audit program that will assist the City's Franchise revenues.

FF Compliance: General Compliance Reviews

- Franchise Fees: MuniServices will perform compliance reviews of major franchisees to assure that the FF is being properly applied to taxable services and charges.
- Geocode Information and Reviews: MuniServices will develop and maintain a proprietary address range database to assure accurate address range information regarding the City's boundaries. Such databases will reflect the latest available LAFCO information regarding City boundary changes due to annexations or other municipal reorganizations. At the request of the City, this information will be used in confirming jurisdictional boundaries and detecting jurisdictional errors in address coding by franchisees.

Franchise Fee Compliance

When mutually agreed upon, MuniServices will provide the City with a Franchise Fee Review designed to verify that the accuracy of the franchise holders (Natural Gas, Electric, and CATV) payments to the City. MuniServices review verifies for the City that it is receiving the franchise fees due from its specified utility franchise company. The scope of MuniServices' franchise review will include a one-year detailed review of the franchise fee calculations for the franchise holder's last completed calendar year. MuniServices shall determine the application of any exceptions noted, if appropriate, back to all eligible prior periods.



In conducting the franchise review, MuniServices will:

- Obtain from the City a letter of authorization, copies of the franchise agreement and any subsequent amendments, and four-year history of franchise fee payments;
- Obtain and review available documents, reports, work papers, and any prior reports prepared by the internal or external auditors, which concern the computation or methodology for computing franchise fees paid to the City;
- Review ordinances and agreements relating to the City's franchise fees;
- Obtain from the franchise holder information to complete MuniServices review;
- Review the work papers and supporting documentation, used in the computation of the franchise fee calculations;
- Review and analyze the franchise holder's financial statements. Compare and analyze the data for reasonableness, completeness, and accuracy as related to the franchise fee computations;
- Review and analyze all the franchise holder's revenue accounts in detail for the past completed calendar year to:
 - Determine revenues that are to be included or excluded from the franchise fee computation; and
 - Review the revenue excluded from the computation, if any, and determines if they are permitted by franchise agreement and/or ordinance.
- Analyze the franchise holders customer billings for completeness and accuracy;
- Analyze the subscriber base to verify that subscribers are correctly coded to the proper jurisdiction. If the franchise holder provides data on electronic media, a 100% test of their base can be performed;
- Compare the franchise holder's payments, exclusions, and other computations as related to the franchise ordinances and/or agreements. Compare the actual payments made to the City for timeliness and accuracy;
- Provide the City with progress reports as required;
- Prepare a written report with findings that describe the results of the review, potential additional money due the City, and any applicable penalties and interest; and
- Provide assistance to the City in negotiating disputed issues with the franchise holder.

City Approval of Discovery Actions

MuniServices will receive prior authorization from the City's staff to obtain and examine franchise fee and customer records (hard copy and data format) necessary to assure compliance with the City's franchise agreement(s) through the use of administrative subpoenas, nondisclosure agreements, and other procedures required by the utility service provider or franchise holder as a condition of providing access to confidential customer information.

Legislative Updates (and Risk Analysis Reporting Services)

MuniServices will provide corollary legislative services to the City which include monitoring and advocating on proposed state and federal legislation and regulatory proceedings related to the City's FF or utility franchise revenues, and make recommendations to the City and lobbyists of California public agencies. MuniServices will publish updates year round to communicate and inform the City on issues.



5. Key Personnel & Staffing

MuniServices employs over 200 professional level staff members. We will service the City's needs through our western region headquarters located in Fresno, California with support from our other California offices in Sacramento, El Dorado Hills, and Westlake Village. The project team members are linked at all times through the company network and telecommunications systems ensuring easy, prompt access to project components and knowledge.

Executive/Project Management

Doug Jensen, SVP Client Services (Since 1991) Mr. Jensen has over 23 years of experience managing revenue enhancement audits, information, forecasting, and consulting services. Doug has extensive expertise in tax policy, municipal finance, and economic development and consulting. He will work closely with the MuniServices team several times a week on the progress of the project and provide counsel on strategies and approaches. Doug is an expert in the field of municipal revenue enhancement management and local government revenue consulting and ensures the delivery of audit, information, and consulting services, and is the company's west region leader overseeing 90 professionals with breadth and depth of knowledge and experience in local government focused on customer care. **Education:** Doug has a BS in Business Administration with an emphasis in Accounting from California State University, Fresno.

Patrick Scott, VP Client Services and Service Technology Group (Since 1994). Patrick Scott joined MuniServices in 1994 and is responsible for managing MuniServices Service Technology Group having responsibility for supporting all of MuniServices technology needs to maximize revenue and deliver client satisfaction. Patrick is a leader for shaping the Business Tax project to the client's satisfaction. Patrick will have responsibility for the implementation of the Business Tax discovery, collections and compliance projects. Patrick joined MuniServices as a Senior Analyst and was subsequently promoted to Vice President Client Services and Service Technology Group. Patrick is instrumental in the management of tax compliance programs in numerous municipalities, including the District of Columbia, Detroit, Philadelphia, New Orleans, Kansas City, Oklahoma, Michigan, and California. He supervises forty-five employees on and offsite and contributes to contract agreements and specifications. Patrick has over 20 years of direct, day-to-day management experience in the information technology, operations, municipal consulting and compliance. As part of the MuniServices senior management team, Patrick has successfully led partnerships with state and local governments providing revenue enhancement and compliance services to maximize clients revenues, expand their tax base and increase compliance

Property Tax Audit Team

Stephanie Ontiveros, Property Tax Audit and Information Services Manager (Since 1993). Stephanie has over 20 years experience in the local government revenue enhancement industry, and she is currently the Manager of Property Tax Audit and Information Services Department. Stephanie is responsible for the scheduling and preparation of all property tax audits for cities and special districts. Stephanie analyzes secured and unsecured property tax valuations and allocations for verification of correct tax rate area coding assignment. Stephanie has direct responsibility for the oversight of all information and consulting services including PropertyLINK™, successor agency reporting, valuation analysis and all client ad hoc requests. **Education:** Stephanie has a Bachelor Degree in Business Administration from California State University, Fresno.

Lori Church, Property Tax and Doc Transfer Auditor (Since 1998). Lori started with MuniServices in 1998. As a detection analyst for the Sales Tax Department, Lori examined data using detection utilities and special reports to generate targets, send targets to the auditing staff of possible non-compliance or misallocated businesses, and produced audit reports for all client cities. Lori transferred to the Property Tax Department in 2000. Lori has responsibility of the annual client property tax and doc transfer tax



audits. Lori also assists with annual revenue forecasting and special project requests from clients. **Education:** Lori has attained 50 credits towards her AA degree in Business Administration.

Sales and Use Tax and Transactions and Use Tax Compliance Audit Team (SUTA)

Janis Varney, VP Sales Tax Audit (Since 1989). Janis Varney has 25 years of experience working on projects similar to the City's and has broad-based and intricate working knowledge of sales and use tax, and transactions and use tax regulations and laws. Janis will partner with and assist the City staff in developing and implementing strategies to preserve and enhance the City's sales and use tax and transactions and use tax revenue. Janis has management responsibilities to ensure the various deliverables and aspects of services are provided to the City and take the lead role throughout the appeals process to ensure maximum revenue to the City. **Education:** Janis attended California State University, San Jose.

Angel Rivera, SUTA Audit Manager (Since 1996). Angel is responsible for contacting targeted businesses to determine whether allocation reporting errors exist and, for each misallocation detected, and then developing the substantiating documentation to support the necessary establish date of knowledge with the SBE. Angel spends an extensive amount of time interfacing with high level personnel at Fortune 500 companies. Angel has a working knowledge of sales/use tax law, SBE administrative procedures and tax preparer reporting procedures. **Education:** Graduated from Phillips Jr. College with an Associate of Arts degree in Administration-Legal emphasis.

Bob Wils, SUTA Auditor (Since 2009). After working for the State Board of Equalization for 33 years Bob Wils joined MuniServices in 2009. Bob's entire career with the Board was in the Sales and Use Tax Department, and for the last 17 years he specialized in Local Sales and Use Tax. In 1996 Bob was instrumental in developing the appeals procedures for local governments questioning local tax distributions. These procedures were the precursor to the current Regulation 1807. At MuniServices, Bob works closely with Janis Varney, and with MuniServices' Tax Counsel. **Education:** Bob has a Bachelor's degree in Business Administration-Accounting from California State University, Sacramento.

Sandra Heuer, Transactions and Use Tax Auditor (Since 1992). Sandra joined MuniServices in 1992 as a Transactions & Use Tax auditor in the Sales and Use Tax Department. Sandra's experience as a Senior Analyst encompasses both local sales tax and local district/transaction tax. Sandra has focused her attention on district tax since 2002 and oversees MuniServices' District Tax Audits. Sandra has been instrumental in developing current audit methodology in the district tax auditing processes. Prior to joining MuniServices, Sandra was a Senior Buyer for an Electronics Equipment Manufacture and had more than 10 years of experience in both the Original Equipment Manufacturing and Business-to-Business sectors.

Jessica Sato, Sr. Sales/Use Tax Analyst (Since 1992). Jessica began her career with MuniServices in January 1992 as a sales/use tax auditor. In this capacity, she is responsible in researching sales tax payment data anomalies, determining cause and submitting inquiries to the SBE to correct errors made in reporting local allocation of sales, use, and district taxes. In this capacity she is responsible for contacting target list businesses to determine whether allocation reporting errors exist and, for each misallocation detected, developing the substantiating documentation to establish date of knowledge with the SBE. **Education:** Jessica has an AA in Marketing, Merchandising and Accounting from De Anza College.

Eric Myers, Esq., Director Local Tax Strategic Development & Advocacy & Corporate Counsel (Since 2005). Eric represents MuniServices in State Board of Equalization (SBE) Hearings and advises Janis Varney and the correction team. Eric advises our operational staff on issues related to interpretation and application of sales and use tax laws and regulations. Eric is our primary legal resource in helping us pursue cases before the Appeals Division of the SBE and in SBE Board member hearings. Under the guidance of Janis Varney, Eric has helped create a story-telling approach for the cases we pursue through administrative appeals, which approach has been well received by Board Members. In addition to legal knowledge, Eric brings a strong ability to communicate concepts clearly and a passion for systems improvements and knowledge management that help us continuously improve our process. Please note



that while Eric is an attorney he is not the City's attorney. He is in-house counsel and he will provide his services to you in his capacity as an employee of MuniServices and not as an attorney for the City. **Education:** Eric has a BA in Philosophy, graduating cum laude from Brigham Young University, and a J.D. from BYU, graduating summa cum laude.

Client Relations Team (STARS)

Irene Reynolds, Client Relations Manager (Since 2001). Irene manages the Client Relations (STARS) team and coordinates sales tax report processing and geo area report processing. Before joining the Client Relations Team she served as a Team Leader in the Data Intelligence Department where she assisted in directing the data processing for all of MuniServices clients. Her understanding of how to interact with and use the data along the data processing cycle enables her to facilitate client data requests, data processing and report development. **Education:** Irene is working on her Business Administration degree.

Mark Bryson, Analyst (2012). Mark joined MuniServices as a Client Relations Analyst. His primary role includes production of the STARS Digest and developing special analytical reports for MuniServices' sales and use tax clients. **Education:** Mark has a PORTAL Certificate (BA Equivalent) in Business Administration from CSU Dominguez Hills and holds several certifications from ComTIA, Microsoft and Hewlett Packard. Mark is currently working on his Bachelors of Science in Mathematics.

Bret Harmon, MPA, Custom Reporting and Technical Advisor (Since 2003). Bret began his career with MuniServices as an information analyst. Since then he has joined the Client Services Team. He provides custom reporting and is the technical advisor to the Client Relations Team. Bret's background in business operations management, city finance, accounting, land use planning and quantitative analysis contribute directly to the success of his clients. **Education:** Bret attended Brigham Young University and earned a Master of Public Administration degree emphasizing in local government management and a Bachelor of Science degree in business management.

Transient Occupancy Tax Audit Team

Kandance Brem, TOT Manager (Since 2007). Kandi has been in the accounting industry since 2001, seven of those years were in the hospitality industry. Kandi has the insider perspective that gives our clients the edge on lodgings tax revenue enhancement. She will have direct oversight the Transient Occupancy Auditing team. She worked for a hotel management company as the Accounting Manager for 2 years and was quickly promoted to Operations Manager where she trained all hotel staff members and kept all properties up to date on QA Inspections, internal audits, performance and overall growth. **Education:** BA in Accounting, George Mason University, Fairfax, VA.

Gennaro DiMassa, Sr. Auditor (Since 2006). Gennaro, a Certified Public Accountant, inactive, is a senior auditor in the Transient Occupancy Tax group. He is responsible for the audit and analysis of the Transient Occupancy Tax. He has over 10 years of audit experience with a major recovery audit firm and practiced seven years as a CPA with a major CPA firm. **Education:** BA in Business Administration from CSU, Long Beach.

Tami Nguyen, Auditor (Since 2007). Tami is responsible for the coordination of all data collection, administration, and analysis for Transient Occupancy Tax. She conducts on site audits and helps prepare management reports for our client contacts. **Education:** BA from Rutgers University.

Business Tax Compliance

Lisa Varalli, AVP Local Tax Compliance Operations (Since 1987). Lisa has over 27 years experience servicing municipal clients in the day-to-day management of collections of tax and municipal debt, audit and discovery services, receipts and controls, current tax administration and tax base expansion. Clients serviced include Los Angeles, District of Columbia, New Jersey, Oklahoma, Detroit, Philadelphia, Daytona Beach, Bensalem and Harrisburg. Lisa is currently working as the Manager of Local Tax Compliance in MuniServices' New Jersey and Fresno, California offices where she manages a team



providing discovery, audit, collections and compliance services to a number of MuniServices' clients. Lisa has a record of success and excellent leadership skills, directing her team to provide clients with the highest level of customer service and revenue enhancement results. **Education:** Lisa graduated Magna Cum Laude with a Bachelor of Science degree in Accounting from Rowan University, Rohrer College of Business.

Christy Cato, VP of Operations (1997). *Project Role:* Christy manages the Tax Administration and Discovery/Recovery team. She joined RDS in 1997, and quickly became an integral part of the management team that pioneered the outsourced Revenue Discovery/Recovery revenue enhancement concept in the Southeast. In her 15 years with the company, Christy has supervised the implementation and successful completion of more than 250 individual Discovery/Recovery projects that have generated over \$15 million in newly found tax and license revenue for RDS clients. She directed the implementation of RDS' first major contract in Georgia - comprehensive outsourcing of the Administration, Discovery/Recovery & Compliance Auditing for the Occupation Tax, Hotel/Motel Tax and Excise Liquor Tax for Fulton County. The contract was initially awarded in 2007, and in its initial term increased overall revenue from these taxes by 50% resulting in discovery and recovery of more than \$2,900,000 to date. Under Christy's direction, more than 50 managers and FTEs deliver Tax Administration and Discovery/Recovery services to more than 500 local governments, representing more than \$800 million in annual revenues received from over 70,000 business taxpayers. **Education:** Prior to beginning her career with RDS, Christy studied business administration at Coastal Carolina College, and completed additional coursework at Lee University. She has since achieved ACA Collection Manager Certification, Dale Carnegie Leadership and Communication Certification, and Dale Carnegie Leadership and Management Certification.

Raymond Beye, LTC Manager (Since 2014). *Role in project:* Ray is responsible for managing the Local Tax Compliance Group located in Fresno, Ca. Ray has over 30 years experience servicing both commercial and government accounts in client service, client relationship management and collections. Ray is a recent addition to the MuniServices team. In his prior roles, Ray has a proven record of success and leadership guiding his teams to providing excellent customer service and collection results. **Education:** Ray graduated from San Diego State University with B.A. degree in Economics and an MBA from National University.

Rebecca Simonian, Business Tax Processing Supervisor (Since 2003). Rebecca will serve as supervisor for the tax discovery team and responsible for the workflow between MuniServices staff and the City. Rebecca joined MuniServices in 2003 as a compliance analyst for the Local Tax Compliance Department. In November of 2003 she took on the role of Inbound Processing Supervisor. In this position Rebecca oversees the call center, inbound correspondence and payment batch processing for all clients in the Local Tax Compliance Department. Rebecca's responsibilities also include daily quality assurance monitoring, staff training, client billing and invoice reconciliation, point of contact for clients and client activity reports as needed by management. Prior to joining MuniServices Rebecca worked in business management and customer service for 12 years.

Tina Harrison, AVP Operations & Client Relations (Since 2006). *Role in project:* Tina will be responsible for scheduling staff and other resources to assure the timely progress of the project, and successful fulfillment of all contract deliverables. Since joining MuniServices in 2006, she manages the overall operation of the Business License Administration service, as well as other tax types administered. Her responsibilities include client relations, coordinating the activities of the implementation team assigned to each client, scheduling resources required from other departments such as IT, Lockbox, and Revenue, working with suppliers for online filing requirements, defining any system changes/enhancements necessary for new clients, and scheduling client data and manpower necessary to ensure timely mailing of business licenses and payment posting. Tina has supervised the implementation of over 40 new Business license administration clients. **Education:** Tina studied Business Administration at the University of Maryland; more recently, she achieved certification as a Six Sigma Green Belt.



Joyce Ashley, Business License Manager (Since 2004). *Role in project: Joyce is responsible for the ongoing administration of the annual business license cycle on behalf of our clients.* Her responsibilities include ensuring that all business license notices go out in accordance with the specifications and timeline established for each client, overseeing follow-up tasks to ensure taxpayer compliance, monthly reporting, implementing changes to the process required by existing clients, and maintaining overall quality control. Joyce has managed the transition from initial implementation to a regular, recurring annual business license cycle for over 100 clients.

Franchise Fee and Utility Audit Team

Gary Grace, CRE, FF Manager (Since 2008). Gary joined the company in 2008. His utility experience includes 32 years with various AT&T and Bell System companies. It is this experience, understanding and perspective that give him an edge in directing compliance audits of large utility companies. Gary performs audits and manages groups of auditors performing audits in the areas of utility taxes, and franchise fees. Since joining MuniServices Gary has both performed and directed a staff of analysts and auditors in performing compliance reviews in all areas of municipal utility taxes generating tens of millions of additional local taxes. **Education:** Gary holds a degree in engineering from the University of Tennessee and a MBA from Georgia State University. Gary is a Certified Revenue Examiner.

Jonathan Gerth, Esq., VP of Audit (Since 2010). Jonathan manages our Audit Division, and will have overall responsibility for implementation and successful completion of the auditing of the City's medical marijuana ordinance. Jonathan has extensive professional experience in legal, business and accounting environments, including advanced federal, state and local governmental functions and tax compliance. He began his career as a tax attorney and appeals officer for the Internal Revenue Service's Division of Chief Counsel and Compliance in Dallas, Texas. He later worked for a local private tax firm in Birmingham before joining RDS/MuniServices in April 2010. Jonathan has held a wide variety of legal roles in our audit department consisting of legal tax support and strategic analysis on compliance audits, tax controversy and advocacy, regulatory compliance initiatives, reforms in audit, assessment and collection practices, and intensive litigation support. He also serves as the administrative law judge presiding over tax appeals for all 275+ RDS represented jurisdictions throughout Alabama. **Education:** Jonathan received an advanced degree in tax accounting from Spring Hill College and a law degree with a concentration in taxation and corporate law from Thomas Goode Jones School of Law.

Tim Hunter, CRE, Audit Manager (Since 2009). Tim oversees audit operations for all national franchise fee clients. Tim has been with our sister company MuniServices/RDS since 2009, and has developed a specialty practice within the company working on franchise fee engagements. The franchise and utility audits span industries such as telecommunications, cable, electricity, and natural gas. An auditing professional with extensive knowledge of sales tax, use tax, franchise fees, testing methodology, and evaluation of company internal controls, Tim has built a wide array of resources and knowledge specific to each industry. **Education:** Tim, a Certified Revenue Examiner, has a BBA from the University of Montevallo.

Tim Olson, Senior Auditor (Since 2005). Tim has over 20 years of finance and audit related experience. Tim is responsible for monitoring, detection and documentation of noncompliance errors/omissions resulting from MuniServices' utility users tax compliance reviews with the Telecommunications Industry. He interfaces with the telecomm service providers and individual end users to determine whether there is non-compliance with local utility users' tax ordinances. **Education:** BA in Business Administration, California State University San Bernardino.

Michele Chai, Auditor (Since 2005). Michele joined MuniServices in 2005 as an analyst. She is an expert in natural gas distribution and electric generation. She tracks all industry activities and provides information to our client base when activities may affect their FF collection. She also tracks all non-core gas and electric entities ensuring that they meet their collection and remittance responsibilities, and produces yearly Progress Reports and Revenue Management Reports for all clients. Prior to joining



MuniServices Michele worked for a financial institution as a senior Loan Administrator. **Education:** She holds a B.A. Degree in Sociology from UCLA.

Production and IT Team

Kelli Greene, Data Intelligence Service Manger (Since 1995). Kelli manages a staff of 15 employees responsible for standardizing millions of records each year. Kelli is responsible for providing the quality control necessary to eliminate the discrepancies that are imbedded within the data, ensuring accuracy and consistency within all data, supporting continual analysis of all processes in order to increase efficiencies, coordinating the training of staff, and offering technical analysis to the programmers that test all updates, new programs, and improvements to new programs.

Scott Eckman, Manager Database Control Services (1990). Scott will oversee MuniServices' team of Information Technology experts to ensure that all technology and software is meeting the needs of the City. Scott joined MuniServices in 1990 as a GIS Technician. Scott's background in data analysis, designing procedures and programs to process data and communicating with external entities regarding data issues has helped MuniServices compile the vast amount of data that is imperative to its' product base. **Education:** Scott earned a Bachelor of Arts degree in Geography from California State University at Fresno.

Cheri Bivings, Data Control Services (Since 1991). Cheri manages the collection and processing of essential data used to discovery new client revenue. She performs analysis of, data requirement options in order to deliver business solutions to internal MuniServices departments and external clients. **Education:** Cheri graduated from Heald 4C's College in Fresno with an Associate Degree in Business Accounting.

Government Relations

Francesco D. Mancia, MBA, VP of Government Relations (Since 1995). Fran is responsible for overseeing company Legislative, Regulatory, and Government Relations work at the state and federal level as well as business development in the western region of the country. Fran has a strong working knowledge of local government general fund tax laws and state and federal regulatory and legislative issues that impact local governments. He monitors, analyzes and leads company advocacy efforts related to Board of Equalization Board member level misallocation appeals and regulatory changes, as well as legislation, state mandates, and policies that affect client revenue streams in all general fund tax areas. Fran has served as a member of the League of California Cities Revenue and Taxation Policy Committee and was the 2007 and 2008 President of the League's Partner Program. Currently Fran serves as Advisor and Chairman of the California Contract Cities Association, Associate Members Program and is a member of the Board of Trustees of the California City Management Foundation. **Education:** Fran graduated from the University of California, Santa Barbara and earned a Bachelor of Arts degree in Communications, and attended the University of San Francisco where he earned an MBA.

Project Support

Patricia Dunn, Client Services- Operations and Contracts Manager (Since 2006). Patricia will oversee the contract preparation and compliance. She is presently responsible for the reviewing, drafting, and negotiating client and vendor contracts, and provides administrative and technical support to client services managers and senior and executive management. She has over 20 years of paralegal experience. **Education:** Patricia graduated magna cum laude with a BA in Organizational Leadership from Fresno Pacific University and summa cum laude with a MS in Human Resources Management from Chapman University.



6. Detailed Breakdown of Costs

Cost Summary

Property Tax	➤ 20% contingency with no go forward
Property Information	➤ \$11,500 all inclusive for software, reports, assessment appeals, CAFR reports.
Sales and Use Tax Audit Services	➤ 15% contingency with 8 forward quarters
Sales Tax Analysis and Reporting Service	➤ \$5,000 annual fee
Transient Occupancy Tax Audit	➤ Phase I - \$600 per property ➤ Phase II - \$900 per property ➤ Out-of-pocket NTE \$2,000
Business Tax Discovery and Audit	➤ 35% contingency fee no go forward
Franchise Fee Audits	➤ 25% contingency with 12 forward quarters and all retroactive recoveries.
Additional Consulting	➤ Time and Materials basis, if ever charged. Must be mutually agreed.

Property Tax Audit

The Property Tax service will be provided for a contingency fee of twenty-five percent (20%). This contingency fee applies to reallocations for the fiscal year during which the Date of Correction falls and all eligible prior period revenues corrected.

PropertyLINK™ and Reports (Optional)

MuniServices fee for providing the PropertyLINK™ and all information reports, CAFR, assessment appeals reports service will be an annual fee of \$11,500, paid in quarterly installments of \$2,875.

This annual fee includes the following services:

- 24 Hour access to the PropertyLINK™ systems
- User support for up to 5 users (Additional users will increase Price.)
- Periodic maintenance releases of PropertyLINK™

The pricing includes forecasts, client assistance and reports available through PropertyLINK™.

Sales and Use and Transactions and Use Tax Audit Services

MuniServices compensation for the Sales and Use Tax Audit Service will be a 15% contingency fee. This fee applies to 8 quarters after the Date of Correction and all eligible prior quarters back to and including the three quarters prior to the Date of Knowledge quarter. The Date of Knowledge is the quarter during which MuniServices notifies the State Board of Equalization (SBE) of the existence of a misallocation. The Date of Correction refers to the quarter in which the taxpayer has correctly reported the local tax and the SBE distributes the local tax on to City based on the taxpayer's reporting, together with any prior period reallocations. For QDR Misallocations detected and corrected, MuniServices compensation will only include the quarters in which the misallocation actually occurred.



MuniServices will be entitled to full payment of all compensation even if any one or more of City, its personnel, agents, or representatives, or any third party or parties provide(s) information to MuniServices that assists or is used by MuniServices in the identification, detection, and correction of point-of-sale distribution errors or the reporting and/or misallocation of revenue.

In the event that the City identifies, documents, and notifies the SBE of a point-of-sale distribution error, reporting error or misallocation as those terms are used herein, the City will notify MuniServices of the City's discovery no later than ten days after the Date of Knowledge as defined in Title 18 of the California Code of Regulations, Regulation 1807 ("Date of Knowledge"). The City also agrees to notify MuniServices promptly if it is working on a local tax misallocation issue independently of MuniServices and to maintain and promptly make available to MuniServices on request contemporaneous documentation of such work and its timing so we do not duplicate work.

MuniServices' fees apply to all work accomplished during the contract term even if the tax corrects after the term of the contract.

Completion of Services

Notwithstanding any other provision of the Agreement, because MuniServices services performed hereunder result in corrections of misallocations and other revenue after cessation of services by MuniServices for City, City agrees that with regards to misallocations identified to the SBE whose Date of Knowledge occurred during MuniServices performance of services for City or for other revenue resulting from MuniServices actions taken during the term of the Agreement, that City's obligation to pay MuniServices in accordance with the compensation language of the Agreement shall survive expiration or termination of the Agreement for any reason. Additionally, notwithstanding any other provision of the Agreement, if the Agreement is terminated or expires, MuniServices shall continue to pursue corrections of accounts identified during the term of the Agreement that have not been corrected by the SBE as of the effective date of termination or expiration. The period after termination during which MuniServices is pursuing correction of accounts identified before termination is referred to as the "completion period." City shall compensate MuniServices in accordance with the compensation language of the Agreement for corrected misallocations that result from MuniServices efforts during the completion period. City will also take all necessary steps to allow MuniServices to continue to receive the required information from the SBE during the completion period.

Sales Tax Analysis and Reporting Service

The STARS Digest and Query System will be provided for an annual fee of \$5,000, paid \$1,250 per quarter. The Annual Fee will NOT be adjusted for inflation.

Transient Occupancy Tax

Phase I: Discovery and Analysis

MuniServices will charge a fixed fee of \$600 per lodging property. This fee applies to all lodging properties located in the City limits, including lodging properties located via discovery.

Phase II: Compliance Review

The City will pay MuniServices a fixed fee of \$900 per lodging property reviewed.

Based on our experiences, as a result of the Discovery and Analysis Phase (Phase I), typically only 30% of the lodging providers are generally recommended for the Phase II Compliance Review.



Out-of-Pocket Expenses

For the Transient Occupancy Tax services MuniServices will also charge the City out-of-pocket expenses for reasonable travel costs related to the performance of the audits. “Travel Costs” include but are not limited to the costs of car rental, gasoline, and traveling time at a reduced hourly rate of \$50 per hour. These out-of-pocket expenses will not exceed \$2,000. If we expect to spend more than \$2,000 we will get prior approval from the City for any amounts over the allotted \$2,000. The out-of-pocket expenses will be invoiced to the City upon delivery of the final report to the City.

Business Tax Discovery and Audit

Discovery Services

MuniServices’ compensation for providing Discovery Services will be a contingency fee of 35% of the additional revenue received by the City from the services. The 35% will apply to the current tax year, all eligible prior period revenues, zero years forward and any applicable penalties, interest, and late charges. The contingency fee only applies to revenue actually received by the City. The term “current tax year” shall mean the most recent tax year for which local taxes are due and payable to the City, and in which MuniServices has identified deficiencies.

Audit Services

MuniServices’ compensation for the Audit Service will be a contingency fee of 35%. The 35% contingency fee will apply to revenue received by the City as a result of deficiencies identified in the review and will include any eligible prior period revenues together with all applicable penalties, interest and late charges. The City agrees to use reasonable and diligent efforts to collect deficiencies identified by MuniServices.

Business Tax Turn-key Administration Services

MuniServices’ compensation for providing the Business License Tax Administration Services will be:

\$11.00 per license issued and a one-time set up fee of up to \$15,000.

The per-license fee is adjusted at the beginning of each calendar year by the percentage change in the Consumer Price Index – West Urban (CPI-WU) as reported by the Bureau of Labor Statistics. The initial CPI-WU used for the first CPI adjustment will be the CPI-WU for the month in which the agreement is fully signed. The adjustments thereafter will be based on the CPI-WU from December of the prior calendar year. Each annual adjustment will not be less than two percent (2%) or greater than ten percent (10%).

Included in the above compensation for Tax Administration Services are:

1. Printing and Mailing costs (for notifications, license issuance, etc.)
2. Ongoing database management and back-up (taxpayer information)
3. Forms processing and funds disbursement (secure lockbox operation)
4. Development and support of an on-line business license filing and payment application.

Cost for sending the original license/application to the City

MuniServices archives all original licenses/applications. If the City wants a copy of the original license/application, MuniServices will charge the City a fee equal to \$1.75 per business license/application for the mailing or faxing.

Optional Compliance Audit Services

Includes all preparation for the performance of an audit, any research or statistical analysis performed in relation to an audit, examination of the books and records of the taxpayer, preliminary and final assessments of the amount due (if any) and all services related to closing an audit.

**Hourly Rate**

MuniServices will receive an hourly rate of \$90.00 for its Compliance Audit Services. Time is recorded in fifteen (15) minute increments (0.25 hours). There shall be no contingency fees.

Expense Reimbursement: In-State Audits

MuniServices shall be reimbursed for reasonable travel expenses inside the State of California. Normal reimbursable expenses would include mileage, hotel accommodations and meals at current Federal rates, not to exceed 15% of hourly billing. Travel to the State of California is the responsibility of MuniServices and shall not be billed or reimbursed.

Out of State Audits

In the event that a taxpayer's corporate location is headquartered outside the State of California, reasonable travel expenses required to conduct the audit will be pre-approved by the City prior to incurrence and City will reimburse upon billing.

Multi-Jurisdiction Audits

In the event that an audit for the City overlaps with audits for other MuniServices clients, the fees will be shared on a pro-rata basis related to actual time spent per client. Travel expenses will be distributed evenly. There will be no "overlap" of fees or payment for more than 100% of the time billed.

Credit Card Processing Fees, Non-Sufficient Funds, Customary and Required Bank Fees, and Other Related Charges and Fees

MuniServices offers a variety of payment options to businesses seeking a tax certificate. Some of these options incur additional fees and costs. MuniServices understands it is customary and reasonable for certain fees and charges to be absorbed by the issuing party and others to be charged to the taxpayer. MuniServices will follow existing City policy in charging any applicable fees and charges to either the taxpayer or continue to allow the City to absorb those fees and charges.

Credit Card Processing Fee

MuniServices will withhold the exact processing fees charged by the credit card companies when MuniServices remits tax revenues to the City.

Non-Sufficient Funds (NSF) and Associated Penalties

If a business pays its business tax by check without sufficient funds, then MuniServices will charge the business a \$25 NSF charge. If the NSF payment causes the business tax payment to be late, then the associated late penalties and interest will apply.

Franchise Fees Compliance Reviews

City and MuniServices will mutually agree to the preferred pricing option prior to start.

Franchise Audit - Payment Option 1 - \$17,500 per audit for review covering a one year examination; additional years may be added at the lesser of \$5,000 or \$150 per hour.

Franchise Audit - Payment Option 2 - \$150 per hour. When invoicing for services provided under this option, MuniServices to provide detailed timesheet for work performed on an hourly basis.

Franchise Audit - Payment Option 3 - Contingency fee equal to 35% of amounts collected by the City from the franchisee being audited.



Optional Additional Consulting Services (for additional services that may be requested in writing by the City but are not identified in this Agreement) - Depending on the personnel assigned to perform the work, a rate of \$125 (Audit Coordinator/ Management) to \$300 (Principal-VP/ Attorney/CPA) per hour, or a separately negotiated rate or block of hours

Out-of-Pocket Expenses

MuniServices may also charge the City out-of-pocket expenses for reasonable travel costs related to the performance of the audits. "Travel Costs" include but are not limited to the costs of car rental, gasoline, and traveling time at a reduced hourly rate of \$50 per hour. These out-of-pocket expenses will not exceed \$2,000. If we expect to spend more than \$2,000 we will get prior approval from the City for any amounts over the allotted \$2,000. The out-of-pocket expenses will be invoiced to the City upon delivery of the final report to the City.

Additional Consulting

MuniServices has never charged the City of Napa a fee for additional consulting. MuniServices does not anticipate charging additional consulting fees under a new contract. Should both parties mutually agree that an additional project may require additional consulting fees, the following rates may apply.

The following are sample hourly rates based on the job classification:

- Principal: \$200 per hour
- Client Services: \$150 per hour
- Information Technology (IT) support: \$150 per hour
- Operational Support:
 - Director: \$150 per hour
 - Manager: \$125 per hour
 - Senior Analyst: \$100 per hour
 - Analyst: \$75 per hour
 - Administrative: \$50 per hour

These additional consulting services will be invoiced at least monthly based on actual time and expenses incurred. All reimbursable expenses will receive prior approval from the City and will be reimbursed at cost to MuniServices.

7. Willingness and Availability to Present to the City

MuniServices is willing and available to present to the City any and all information necessary for the City to complete this RFP.

8. References

City of Palm Springs

Geoffrey Kiehl, Finance Director

3200 E. Tahquitz Canyon Way, Palm Springs, CA 92262

Phone: 760.323.8221; Email: geoffrey.kiehl@palm Springs-ca.gov.

Services Performed: Sales/Use Tax, Sales Tax Analysis and Reporting, Business License Tax, Transient Occupancy Tax, Utility Users Tax, and Franchise Fee Compliance.



City of Lancaster

Barbara Boswell, Finance Director

44933 North Fern Avenue, Lancaster, CA 93534

Phone: 661.723.6035; Email: bboswell@cityoflanasterca.org.

Services Performed: Sales/Use Tax, Sales Tax Analysis and Reporting, Property Tax, Real Property Transfer Tax, Business License Tax, Transient Occupancy Tax, and Franchise Fee Compliance.

City and County of San Francisco (Since 2006)

Michelle Allersma, Budget and Revenue Manager

City Hall, 1 Dr. Carlton B. Goodlett Place Room 316, San Francisco, CA 94102

Phone: 415.554.4792; Email: michelle.allersma@sfgov.org.

Services Performed: Transaction and Use Tax Audit Service and Forecasting Service, Sales Tax Analysis Reporting Services, and Utility Users Tax Services.

9. Sample Reports

In order to comply with the 40 page limit, MuniServices has included sample reports as a separate package to this RFP response as directed by the City.

10. Audited Financial Report

MuniServices is a wholly-owned subsidiary of PRA Group that began operations in 1996 and has been a publicly-traded company (NASDAQ:PRAA), since 2002. PRA's complete Annual Reports, as well as other SEC filings, are publicly available at <http://ir.pragroup.com>. PRA Group is headquartered in Norfolk, Virginia and has over 4,000 employees.

11. Contract Exceptions

Attachment 2, page 10, Sec. 3.A – Exception. In your sample contract, paragraph 3.A, you set forth compensation language. **Explanation.** We request the opportunity to negotiate these pricing options with you.

Attachment 2, page 10, Sec. 3.B – Exception. Consultant shall submit itemized monthly statements for work performed. **Explanation.** We ask for an exception to monthly billing as we bill SUTA, STARS & PTX services quarterly.

Attachment 2, page 11, Sec. 7 – Exception. At any time and for any or no reason, City shall have the right to terminate this Agreement, take possession of the Consultant's work, e.g., studies, preliminary drawings, computations, specifications, etc., insofar as they are complete and acceptable to the City and use the same, and pay the Consultant such equitable proportion of the total remuneration as the work satisfactorily done by the Consultant at the time of such discontinuance bears to the whole of the work required to be done by the Consultant under the terms of this Agreement. **Explanation.** We appreciate the City's concern to keep our work product if the contract terminates. We would like to discuss language clarify two things: (1) that we are not required to transfer ownership or unlimited licenses of our software or data that we purchase or license; and (2) that we have the right to complete work begun before termination and that payment for that work will not be "proportional" but will be under the same terms as the existing agreement.

Attachment 2, page 12, Sec. 12 – Exception. To the full extent permitted by law, Consultant shall indemnify, hold harmless, release and defend City, its officers, employees and agents from and against any and all actions, claims, demands, damages, disability, losses, expenses including attorney's fees and other defense costs and liabilities of any nature that may be asserted by any ~~third-party person or entity including Consultant~~, in whole or in part, arising out of Consultant's ~~activities hereunder~~ negligence or willful misconduct, errors, or omissions, including the activities of other persons employed or utilized by Consultant in the performance of



this Agreement (including design defects and regardless of City's approval, use or acceptance of the work or work product hereunder) excepting liabilities due to the admitted or adjudicated sole negligence or willful misconduct of City. **Explanation.** Please revise as noted.

Attachment 2, page 12, Sec. 12 – Exception. Please add the following language to the paragraph:

Notwithstanding anything to the contrary herein, the total aggregate liability of Consultant to City under or in connection with this Agreement or the services provided by Consultant hereunder shall not exceed the amount that Consultant has received from City under this Agreement for the specific performance of the services by Consultant giving rise to such liability. **Explanation.** Please add the language to the left as the second paragraph in section 12.

Attachment 2, page 13, Sec. 13.B - Exception. Automobile liability insurance with coverage at least as broad as ISO Form numbers CA 0001 06 92, Code 1 (any auto), for vehicles used in the performance of this Agreement with minimum coverage of not less than \$1,000,000 per accident combined single limit (CSL). Such policy shall contain or be endorsed with the provision that coverage shall not be canceled or materially reduced in coverage--except for any reduction of limits of insurance due to payment of claims-- without thirty (30) days prior written notice ten (10) days for non-payment of premium to City by certified mail. **Explanation.** Please insert the indicated language.

Attachment 2, page 13, Sec. 16 – Exception. Consultant covenants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of its services hereunder. **Explanation.** We do not object to this language but want to clarify that you understand that we do work for other jurisdictions and, as a result, we may file a petition for one of our other customers that may result in a negative adjustment to your sales, transaction, or use tax. You understand this is a result of the nature of the misallocations of local tax and that you consent to our work for other jurisdictions and that it is not a conflict of interest.

Attachment 2, page 14, Sec. 18 – Exception. If Consultant should fail to perform any of his obligations hereunder, within the time and in the manner herein provided or otherwise violate any of the terms of this Agreement, City may terminate this Agreement by giving Consultant written notice of such termination, stating the reason for such termination. In such event, Consultant shall be entitled to receive as full payment for all services satisfactorily rendered and expenses incurred hereunder, an amount which bears the same ratio to the total fees specified in the agreement as the services satisfactorily rendered hereunder by Consultant bear to the total services otherwise required to be performed for such total fee; **Explanation.** Because of the delay between when we submit a suspected error and the time when the County or the SBE acts on our submission, we propose to have language allowing us to complete work on those accounts where we have submitted petitions prior to termination. We would like to discuss this with you if we are selected.

Attachment 2, page 15, Sec. 24 – Exception. Consultant may retain copies of the above-described information but agrees not to disclose or discuss any information gathered, discussed or generated in any way through this Agreement without the written permission of City during the term of this Agreement or until ninety (90) days after receipt of final payment from City. **Explanation.** You express limitations on our right to use and disclose the City's sales and use tax data. We understand the City's caution and would like to clarify the scope of the restriction. Part of the advantage we offer is the ability to see the payment behavior of taxpayers throughout the State. We also aggregate non-confidential data for information and comparative analysis for all our clients. For these reasons, we request that we negotiate a clarification to this language that allows us to use your aggregated-non-confidential data.

Attachment 2, page 13, Sec. 13.D – Exception. Professional liability insurance/errors and omission coverage in an amount no less than \$1,000,000.00 combined single limit (CSL). If insurance is written on a claim-made basis, Consultant agrees to maintain such insurance in effect for at least ~~three (3) years~~ one-year following completion of performance under this Agreement. **Explanation.** We request that you make the indicated change. It is cost prohibitive to purchase additional 3-year reporting periods.



12. Additional Relevant Information

Client Testimonials

To give the review panel an idea of what some of our work product has been with other clients, here are some excerpts from comments made by MuniServices clients (Finance Directors, City Manager and Economic Development Directors) in February and March of 2014:

- *“Reports are easy to read and provide valuable information.”*
- *“MuniServices has always provided the highest quality analysis and has assisted us in evaluating local tax measure calculations which helped with our successful election.”*
- *“[My Client Services Manager] helped me understand sales tax revenues for our City, and went the extra mile to help me consider the projections for operational budgeting. MuniServices makes it easy!”*
- *“The reports are detailed and timely. Our MuniServices consultant is outstanding in both quarterly meetings on site with our staff, and in responding promptly and thoroughly to our occasional request for special research.”*
- *“Very responsive to requests and aware of the importance of timeliness in responses. Very open to brainstorming reasons for the numbers and exploring alternatives. Projections seem very well thought out and have reasonable rationale.”*
- *“MuniServices understands the constraints imposed on local governments, and produce the right answers while saving time and money.”*
- *“MuniServices generates a ton of information that helps me immensely in managing our sales tax program. Their audit services have insured we are receiving the sales tax rightfully assessed by our agency.”*
- *“Excellent reports, proactive in terms of adding meaningful information and very effective communicator of complex material.”*
- *“Absolutely, MuniServices would be the highest-rated if I did a time/value benefit analysis of all the consultants, contractors and auditors that helped the City during my first three months here.”*
- *“Top notch firm! Intelligent professionals and very responsive!”*

Exemplary Customer Service

MuniServices has built a solid reputation in the local government industry of providing a very high degree of customer service. We assign each client a Client Services Executive who will provide a dedicated point of contact that is responsible for maintaining high degree of communication with the City to ensure that our service standards met and to provide continuity and understanding of your unique needs.

MuniServices responsiveness is typically measured within the hour of the request and nearly always the same day response. When a client’s need requires additional time, our clients are



always kept informed through proactive communications. MuniServices also strives on innovation and implement best practices using client feedback as the starting point. Working with over 900 municipalities through the country, we have unique insight into our client's needs and can often anticipate those needs in advance. As a foundational practice, MuniServices will communicate frequently with the City and participate in regularly scheduled quarterly in-person meetings with staff to review and report progress on our work.

Focus on Vital Components: Data, Reports, Meetings and Documentation

Even though MuniServices' various audits, revenue recovery, revenue generation and revenue enhancement services operate smoothly without requiring unnecessary City staff involvement, we appreciate the strong partner relationship we have with City staff across City departments over many years of service. City staff knows MuniServices for our superior results and for the time we spend helping them achieve the City's objectives. MuniServices is more than just a "vendor;" we are trusted advisors and colleagues with the City. There are many ways MuniServices ensures City officials, leaders and staff has what they need. Each of the following has become and will continue to be a vital component of the services we provide.

Superior Technology/Leading-Edge Data Management

MuniServices' Cornerstone software is designed to provide unsurpassed, state-of-the-art data evaluation, non-compliance targeting and misallocation identification services. The software is powered by a 19 terabyte data warehouse and serves as the 'cornerstone' to our revenue enhancement and information services. Over three decades of intensive research and development has been invested in the data sources and algorithms for detecting missing local taxes, and, thereby improving the recovery of revenue. MuniServices adds more data from business activity, as well as physical canvassing of commercial and retail areas with the City's data. Our highly evolved data management capabilities stand unequaled in the revenue enhancement industry. The Cornerstone database covers more than 80% of the State's economic base, and 100% of the sales and use tax registration data, enabling a level of SUTA audit precision that generates greater revenue to the City. MuniServices' SUTA Business Detection Group, utilizing Cornerstone , will provide the City with superior information and expertise to identify businesses operating without the required sales tax permit and assist these taxpayers in becoming compliant.

Comprehensive Review Approach Including Interaction with the SBE

We believe the City will recognize more sales and use tax revenue with MuniServices as its sales and use tax consultant. Approximately 50% of our overall revenue recoveries are from more complicated use tax errors that other firms rarely detect. On behalf of its clients, MuniServices has directed significant efforts at the SBE to clarify situs allocation rules such as regulations 1802 and 1807 to the formal appeals process. These efforts have assisted local government in California to rely on their own economic base to fund vital services.

MuniServices regularly interacts with, and appears before, the SBE and is very familiar with their requirements, processes, and procedures. A partnership with MuniServices is designed to yield more net revenue to the City given the City's economic base.