



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

**FINANCE, BUDGET AND AUDIT COMMITTEE
NOVEMBER 5, 2014**

SUBJECT: TRANSACTION & USE TAX RECOVERY AND FORECASTING SERVICES

ACTION: AWARD CONTRACT FOR TRANSACTION & USE TAX RECOVERY AND FORECASTING SERVICES

RECOMMENDATION

Authorize the Chief Executive Officer to award a non-competitive, five year contract to MuniServices for a period of three years, plus two-one year options. The three-year base contract amount is \$60,000 plus a percentage of tax recovery. Each one-year option is \$20,000 plus a percentage of tax recovery. Pricing for these services is as follows:

- A. Sales Tax Forecasting: \$20,000 per year or \$60,000 for the base period plus 2 one year options for another \$40,000.
- B. Transaction and Use Tax Recovery Services is priced on a percentage of recovery basis and paid only if revenues are recovered through a review of sales tax submissions to the State Board of Equalization utilizing the following rates:

Recovery Amount	Percentage Fee
Less than \$5M	17%
\$5M to \$10M	14%
\$10M to \$15M	11%
Over \$15M	9%

ISSUE

Los Angeles County Metropolitan Transportation Authority (LACMTA) requires sales tax audit services in order to insure the correct collection, allocation, and distribution of Propositions A and C and Measure R sales taxes to LACMTA. In order to recover transaction and use taxes incorrectly allocated to other jurisdictions, LACMTA must examine Los Angeles County businesses' quarterly sales tax reports and file claims with the State Board of Equalization (SBOE) when errors are noted.

DISCUSSION

The current contract with MuniServices was awarded through a competitive procurement in November 2009. MuniServices was the only firm that submitted a proposal. That five-year contract, inclusive of two, one-year renewals, expires on December 31, 2014.

MuniServices has developed proprietary software (Cornerstone Software) to provide the best analysis and recovery for complicated tax errors. Currently 58 local governmental entities, including the City of Los Angeles and Los Angeles County, contract with MuniServices for sales tax audit or forecasting services.

During the past nearly fifteen years of contract work, MMC has recovered, on behalf of Metro, over \$26 million and has received contingency fees of approximately \$4.5 million. Fees for MuniServices revenue recovery services are deducted from actual gross recovered revenues when realized.

DETERMINATION OF SAFETY IMPACT

Approval of this report will not impact the safety of our patrons or employees.

FINANCIAL IMPACT

The funding of \$22,000 for sales tax forecasting is included in the FY15 budget, in Treasury Department cost center #5210, project numbers 100002 (4%), 300076 (43%), and 610340 (53%). Since this is a multi-year contract, the cost center manager and Executive Officer will be accountable for budgeting the cost in future years, including any option exercised. In FY14, \$22,000 was expended on forecasting services.

The funding for this service comes from a combination of General Fund - Prop A, C, TDA Admin (4%), Enterprise Fund, Bus and Rail Operations Fund (43%) and Prop C Discretionary Interest Fund (53%). The Enterprise fund is eligible for bus and rail operating and capital expenditures. This activity will impact operating costs by \$20,000, the cost for sales tax revenue reporting and forecasting. Any recovered revenues from Props A and C and Measure R will increase bus and rail operating funds.

ALTERNATIVES CONSIDERED

The alternative is to perform these services in-house. This is not recommended. LACMTA has neither the staff resources nor in-house expertise to monitor and audit all aspects of sales tax revenue unique to transit districts. LACMTA benefits from the expertise of a specialized contractor as well as gaining an independent forecasting source to compliment other sources of data currently in use. MuniServices is the only known firm that maintains sales tax data applicable to transit districts.

If LACMTA performed the function in-house, LACMTA risks losing sales tax data and revenue.

NEXT STEPS

Upon Board approval execute contract.

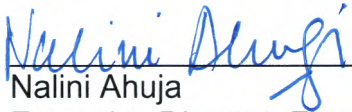
ATTACHMENT

A. Procurement Summary

Prepared by: Mary Morgan, Assistant Treasurer (213) 922-4143
Donna R. Mills, Treasurer (213) 922-4047



Stephanie Wiggins
Executive Director, Vendor/Client Management



Nalini Ahuja
Executive Director, Finance and Budget



Arthur T. Leahy
Chief Executive Officer

PROCUREMENT SUMMARY

TRANSACTION & USE TAX RECOVERY & FORECASTING SERVICES
PS155210TAXREV

1.	Contract Number: PS155210	
2.	Recommended Vendor: MuniServices	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input checked="" type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: N/A	
	B. Advertised/Publicized: N/A	
	C. Pre-proposal/Pre-Bid Conference: N/A	
	D. Proposals/Bids Due: N/A	
	E. Pre-Qualification Completed: October 14, 2014	
	F. Conflict of Interest Form Submitted to Ethics: October 10, 2014	
	G. Protest Period End Date: November 20, 2014	
5.	Solicitations Picked up/Downloaded: N/A	Bids/Proposals Received: 1
6.	Contract Administrator: Linda Rickert	Telephone Number: 213-922-4186
7.	Project Manager: Mary Morgan	Telephone Number: 213-922-4143

A. Procurement Background

This Board Action is to approve a non-competitive contract no. PS155210 for the correct collection, allocation, and distribution of Propositions A and C and Measure R sales taxes to LACMTA.

This non-competitive procurement was conducted in accordance with Metro's acquisition policy.

Revenue & Taxation Code Section 7056 sets the requirements for the collection of data and prohibits disclosure of sales, use, transactions, and use tax data. All data collected shall only be used for the purposes related to the collection of LACMTA's transactions and use tax.

An Internet search and internal review of current vendor qualifications was completed. The search revealed that MuniServices is the only known firm that provides services to government transit agencies and meets the requirements of the Revenue and Taxation Code and the California State Board of Equalization.

B. Evaluation of Proposals/Bids

The proposal submitted by MuniServices was evaluated by Project Management and Procurement and was determined to be acceptable. Proposed fixed fees are lower than the current contract.

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon historical pricing, an independent estimate, technical evaluation, and fact finding.

Proposer Name	Current Contract (Historical Data)	Current Proposal Amount
MuniServices	Base fee \$22,000/year \$110,000 Plus the following recovery: Up to \$5 million 17.0% \$5 million to \$10 million 14.0% \$10 million to \$15 million 11.0% Over \$15 million 9.0%	Base fee \$20,000/year \$100,000 Plus the following recovery: Up to \$5 million 17.0% \$5 million to \$10 million 14.0% \$10 million to \$15 million 11.0% Over \$15 million 9.0%

D. Background on Recommended Contractor

MuniServices was founded in 1978 and maintains an office in Fresno, California. MuniServices serves transportation agencies including BART, OCTA, SANDAG, RCTC and others. MuniServices has developed proprietary software (Cornerstone Software) to provide the analysis and recovery for complicated tax errors.

E. Small Business Participation

The Diversity & Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE) goal for this non-competitive, sole source procurement based on the lack of subcontracting opportunity. MuniServices indicated that the nature of the work and the requirements for strict control of the information gathered does not allow Metro to split off part of the work or allow MuniServices to accept work provided by another vendor. Revenue & Taxation Code Section 7056 prohibits disclosure of sales, use, transactions and use tax data. Any contract involving a third party would be an exception to the code.