

Meeting Date: 7/22/2014

Report Type: Consent

Report ID: 2014-00500

Title: Agreement for Revenue Audit, Recovery Services, and Business Tax System

Location: Citywide

Recommendation: Pass 1) a Resolution authorizing MuniServices, LLC to examine sales or transactions and use tax records of the State Board of Equalization; and 2) a Motion authorizing the City Manager or the City Manager's designee to execute (a) a professional services agreement with MuniServices, LLC to provide revenue audit, recovery services, and a business tax system in an amount not-to-exceed \$550,000 plus contingency fees for the initial term of five years, and (b) the option for a one-year extension of the agreement specified above, provided that sufficient funds are available in the budget adopted for the applicable fiscal years.

Contact: Brad Wasson, Revenue Manager, (916) 808-5724, Department of Finance

Presenter: None

Department: Finance

Division: Revenue Services

Dept ID: 06001221

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Resolution
- 4-Contract

City Attorney Review

Approved as to Form
Steve Itagaki
7/17/2014 10:40:22 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 7/15/2014 3:02:12 PM

Description/Analysis

Issue Detail: The City should maintain a computer system to bill business operation tax accounts and continually audit and seek the recovery of revenue for General Fund operations in order to provide essential City services. Since 1986, the City of Sacramento has utilized MuniServices, LLC (Muni) to provide revenue audit and recovery services. Muni has recovered over \$97 million dollars in one-time and ongoing money on behalf of the City. Our current contract expires on July 31, 2014.

The City recently conducted a Request for Proposal (RFP) P14061211001 for professional revenue audit and recovery services. The City received three bids from contractors to provide these services. A selection committee reviewed the bids and evaluated them based on the firms' qualifications, experience, proposed scope of service, and the cost of those services. Muni was selected as the most qualified and experienced to perform the services requested.

Muni also provides BizLink, the system the City currently uses to bill business operation tax accounts. However, the business tax system was not included in the RFP process due to projected costs and timelines related to the implementation of a new business tax system.

Policy Considerations: The billing, collection, and recovery of tax revenues due the City underscores the City's commitment to collect funds for General Fund operations in order to provide essential City services. The recommendations in this report are consistent with provisions of City Code Chapter 3.64 and AP-4102 regarding contracts for professional services. The portion of the agreement relating to the business tax system was not included in the RFP's competitive process because it is in the City's best interest to use a sole source procurement method to continue to use the systems and software for the collection of business operation tax revenues currently in place and provided by Muni.

Economic Impacts: None.

Environmental Considerations: This action is not subject to CEQA because it is an administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines §§ 15061(b)(3), 15378(b)(2), 15378(b)(5).)

Sustainability: None.

Commission/Committee Action: None.

Rationale for Recommendation: Muni was the highest ranked firm that responded to the City's RFP for revenue and audit recovery services. They have provided an essential service by reviewing sales and use tax for misallocations, performing audits of the City's other major tax revenue streams, and providing varied sales and use tax reporting and analysis. Their efforts to date have resulted in an additional \$1 million of revenue to the City annually. As stated above, Muni also provides BizLink, the system the City uses to bill business operation tax accounts. A competitive selection process was not utilized for the procurement of a business tax system because it is in the best interest of the City to continue using the systems and software for the collection of business operation tax revenues currently in place and provided by Muni.

Financial Considerations: City staff has negotiated a five-year professional services agreement with a one-year extension option for a total not-to-exceed amount of \$550,000 plus contingency fees. Sufficient funding for the first year of the five-year term is available in the Finance Department's

FY2014/15 operating budget. The extension of the contract will be subject to funding availability in the adopted fiscal year's budget.

The list below breaks down the fees.

Audit or Recovery Service	Fee
BizLink Online File and Pay (new service)	\$15,000 set up fee \$1.00 per transaction
BizLink System (for Business Operation Tax)	\$30,000 annual fee \$50 per user per quarter for up to 30 users
Business Tax Discovery and Audit	30% contingency fee on discovered revenue
Medical Marijuana Tax Audit	\$150/hour with a maximum of 50 hours per audit
Sales and Use and Transactions and Use Tax Audit Services	15% contingency on discovered revenue for the quarter found and four subsequent quarters
Sales Tax Analysis and Reporting Service	\$16,000 annual fee
Transient Occupancy Tax Audit	Phase 1 - \$600 per property Phase 2 - \$900 per property Out-of-pocket not to exceed - \$2,000
Utility User Tax Audit	\$45,000 annual fee plus 20% contingency on discovered revenue for the quarter found and eight subsequent quarters

Local Business Enterprise (LBE): MuniServices, LLC is a LBE.

Background:

The scope of work in the subject agreement contains two parts:

1. Revenue audit and recovery services

A Request for Proposal (RFP), P14061211001, for Revenue Audit and Recovery Services, was issued on March 5, 2014. Muni was selected as the most qualified and experienced to perform the services requested.

2. Business operations tax billing system

This RFP did not include a billing system for the City's business operation tax. It is in the best interest of the City to use a sole source procurement method to continue to use our current billing system for business operation tax, BizLink provided by MuniServices, due to the cost of switching to a new system.

The current business tax system is fully operational and allows for the timely billing of business tax accounts on a quarterly basis. The current system costs are paid for on an ongoing quarterly basis and are allocated for within the Finance Department's current budget. Migrating to another vendor system would result in the interruption and disruption General Fund revenues (approximately \$8.7 million in FY2013/14) and the expenditure of funds not currently budgeted for procurement and implementation of a new business tax system. Additionally, staff is presently fully trained in the operation and use of the current system. Implementing another vendor system at this time would potentially impact performance levels.

RESOLUTION NO.

Adopted by the Sacramento City Council

AUTHORIZING MUNISERVICES, LLC TO EXAMINE SALES OR TRANSACTIONS AND USE TAX RECORDS OF THE STATE BOARD OF EQUALIZATION

BACKGROUND

- A. The City of Sacramento (“City”) has adopted a sales and use tax, and transaction and use tax ordinance (or ordinances) in accordance with Sections 7200, et seq. and 7251 et seq. of the California Revenue and Tax Code.
- B. Pursuant to California Revenue and Taxation Code Section 7056, the City, by resolution, may designate any officer, employee, or any other person to examine all of the sales or transactions and use tax records of the State Board of Equalization (“Board”) pertaining to sales or transactions and use taxes collected for the City.
- C. The City has entered into an agreement for revenue audit and recovery services with the firm of MuniServices, LLC, and wishes to authorize MuniServices, LLC to examine all of the sales or transactions and use tax records of the Board pertaining to the ascertainment of those taxes for the City.
- D. All legal prerequisites prior to the adoption of this Resolution have occurred.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The Revenue Manager, or other officer or employee of the City or any other person designated in writing by the City Manager to the Board, is authorized to examine sales or transactions and use tax records of the Board pertaining to sales or transactions and use taxes collected for the City by the Board pursuant to the contract between the City and the Board. The information obtained by examination of Board records shall be used only for purposes related to the collection of City sales, transaction, and use taxes by the Board pursuant to that contract.
- Section 2. The Revenue Manager, or other officer or employee of the City or any other person designated in writing by the City Manager to the Board, is authorized to examine those sales or transactions and use tax records of the Board, for purposes related to the governmental functions of the City.
- Section 3. MuniServices, LLC is authorized to examine all of the sales or transactions and use tax records of the Board pertaining to sales or

transactions and use taxes collected by the Board for the City of Sacramento.

Section 4. Pursuant to California Revenue and Taxation Section 7056(b), the City Council of the City of Sacramento certifies that MuniServices, LLC meets all of the following conditions:

- a. Has an existing contract with the City to examine sales and use tax records;
- b. Is required by that contract to disclose information contained in, or derived from, those sales or transactions and use tax records only to an officer or employee of the City who is authorized by resolution to examine the information;
- c. Is prohibited by the contract from performing consulting services for a retailer during the term of the contract; and
- d. Is prohibited by the contract from retaining the information contained in, or derived from, those sales or transactions and use tax records, after the contract has expired.

PROJECT #: P14061211001
PROJECT NAME: Revenue Audit and Recovery Services
DEPARTMENT: Finance
DIVISION: Revenue

CITY OF SACRAMENTO

PROFESSIONAL SERVICES AGREEMENT *

THIS AGREEMENT is made at Sacramento, California, as of August 1, 2014, by and between the **CITY OF SACRAMENTO**, a municipal corporation ("CITY"), and

MuniServices, LLC
7625 N. Palm Ave., Ste 108, Fresno, CA 93711
800-800-8181 /fax 559-312-2920

("CONTRACTOR"), who agree as follows:

- 1. Services.** Subject to the terms and conditions set forth in this Agreement, CONTRACTOR shall provide to CITY the services described in Exhibit A. CONTRACTOR shall provide said services at the time, place, and in the manner specified in Exhibit A. CONTRACTOR shall not be compensated for services outside the scope of Exhibit A unless prior to the commencement of such services: (a) CONTRACTOR notifies CITY and CITY agrees that such services are outside the scope of Exhibit A; (b) CONTRACTOR estimates the additional compensation required for these additional services; and (c) CITY, after notice, approves in writing a Supplemental Agreement specifying the additional services and amount of compensation therefor. CITY shall have no obligations whatsoever under this Agreement and/or any Supplemental Agreement, unless and until this Agreement or any Supplemental Agreement is approved by the Sacramento City Manager or the City Manager's authorized designee, or by the Sacramento City Council, as required by the Sacramento City Code.
- 2. Payment.** CITY shall pay CONTRACTOR for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit B. The payments specified in Exhibit B shall be the only payments to be made to CONTRACTOR for the services rendered pursuant to this Agreement unless pursuant to Section 1, above, CITY approves additional compensation for additional services. CONTRACTOR shall submit all billings for said services to CITY in the manner specified in Exhibit B, or, if not specified in Exhibit B, according to the usual and customary procedures and practices that CONTRACTOR uses for billing clients similar to CITY.
- 3. Facilities and Equipment.** Except as set forth in Exhibit C, CONTRACTOR shall, at its sole cost and expense, furnish all facilities and equipment that may be required for furnishing services pursuant to this Agreement. CITY shall furnish to CONTRACTOR only the facilities and equipment listed in Exhibit C according to any terms and conditions set forth in Exhibit C.
- 4. General Provisions.** The General Provisions set forth in Exhibit D, that include indemnity and insurance requirements, are part of this Agreement. In the event of any conflict between the General Provisions and any terms or conditions of any document prepared or provided by CONTRACTOR and made a part of

* This form to be used for all professional services, except professional services related to a construction project and professional services performed by architects, landscape architects, professional engineers, or professional land surveyors.

this Agreement, including without limitation any document relating to the scope of services or payment therefor, the General Provisions shall control over said terms or conditions.

5. **Non-Discrimination in Employee Benefits.** This Agreement is subject to the provisions of Sacramento City Code Chapter 3.54, Non-Discrimination in Employee Benefits by City Contractors. The requirements of Sacramento City Code Chapter 3.54 are summarized in Exhibit E. CONTRACTOR is required to sign the attached Declaration of Compliance (Equal Benefits Ordinance), to assure compliance with these requirements.
6. **Authority.** The person signing this Agreement for CONTRACTOR hereby represents and warrants that he/she is fully authorized to sign this Agreement on behalf of CONTRACTOR and to bind CONTRACTOR to the performance of its obligations hereunder.
7. **Exhibits.** All exhibits referred to herein are attached hereto and are by this reference incorporated as if set forth fully herein.

Executed as of the day and year first above stated.

CITY OF SACRAMENTO
A Municipal Corporation

By: _____

Print name: _____

Title: _____

For: John F. Shirey, City Manager

APPROVED TO AS FORM:

City Attorney

ATTEST:

City Clerk

Attachments

- Exhibit A - Scope of Service
- Exhibit B - Fee Schedule/Manner of Payment
- Exhibit C - Facilities/Equipment Provided
- Exhibit D - General Provisions
- Exhibit E - Non-Discrimination in Employee Benefits

CONTRACTOR:

MuniServices, LLC
NAME OF FIRM

75-3078675
Federal I.D. No.

State I.D. No.

153042
City of Sacramento Business Op. Tax Cert. No.

TYPE OF BUSINESS ENTITY (*check one*):

- Individual/Sole Proprietor
- Partnership
- Corporation (*may require 2 signatures*)
- Limited Liability Company
- Other (*please specify: _____*)



Signature of Authorized Person

Doug Jensen, SVP Client Services
Print Name and Title

Additional Signature (*if required*)

Print Name and Title

DECLARATION OF COMPLIANCE
Equal Benefits Ordinance

Name of Contractor: MuniServices, LLC

Address: 7625 N. Palm Ave., Ste 108, Fresno, CA 93711

The above named Contractor (“Contractor”) hereby declares and agrees as follows:

1. Contractor has read and understands the Requirements of the Non-Discrimination In Employee Benefits Code (the “Requirements”) attached hereto as Exhibit E.
2. As a condition of receiving this Agreement, Contractor agrees to fully comply with the Requirements, as well as any additional requirements that may be specified in the City of Sacramento’s Non-Discrimination In Employee Benefits Code codified at Chapter 3.54 of the Sacramento City Code (the “Ordinance”).
3. Contractor understands, to the extent that such benefits are not preempted or prohibited by federal or state law, employee benefits covered by the Ordinance are any of the following:
 - a. Bereavement Leave
 - b. Disability, life, and other types of insurance
 - c. Family medical leave
 - d. Health benefits
 - e. Membership or membership discounts
 - f. Moving expenses
 - g. Pension and retirement benefits
 - h. Vacation
 - i. Travel benefits
 - j. Any other benefit offered to employees

Contractor agrees that if Contractor offers any of the above-listed employee benefits, Contractor will offer those benefits, without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouses and domestic partners of such employees.

4. Contractor understands that Contractor will not be considered to be discriminating in the provision or application of employee benefits under the following conditions or circumstances:
 - a. If the actual cost of providing a benefit to a domestic partner or spouse exceeds the cost of providing the same benefit to a spouse or domestic partner of an employee, Contractor will not be required to provide the benefit, nor shall it be deemed discriminatory, if Contractor requires the employee to pay the monetary difference in order to provide the benefit to the domestic partner or to the spouse.
 - b. If Contractor is unable to provide a certain benefit, despite taking reasonable measures to do so, if Contractor provides the employee with a cash equivalent Contractor will not be deemed to be discriminating in the application of that benefit.

domestic partners.

- d. If Contractor provides employee benefits to employees on a basis unrelated to marital or domestic partner status.
 - e. If Contractor submits written evidence of making reasonable efforts to end discrimination in employee benefits by implementing policies that will be enacted before the first effective date after the first open enrollment process following the date this Agreement is executed by the City of Sacramento ("City"). Contractor understands that any delay in the implementation of such policies may not exceed one (1) year from the date this Agreement is executed by the City, and applies only to those employee benefits for which an open enrollment process is applicable.
 - f. Until administrative steps can be taken to incorporate nondiscrimination in employee benefits. The time allotted for these administrative steps will apply only to those employee benefits for which administrative steps are necessary and may not exceed three (3) months from the date this Agreement is executed by the City.
 - g. Until the expiration of a current collective bargaining agreement(s) if employee benefits are governed by such collective bargaining agreement(s).
 - h. Contractor takes all reasonable measures to end discrimination in employee benefits by either requesting that the union(s) involved agree to reopen the agreement(s) in order for Contractor to take whatever steps are necessary to end discrimination in employee benefits or by ending discrimination in employee benefits without reopening the collective bargaining agreement(s).
 - i. In the event Contractor cannot end discrimination in employee benefits despite taking all reasonable measures to do so, Contractor provides a cash equivalent to eligible employees for whom employee benefits are not available. Unless otherwise authorized in writing by the City Manager, Contractor understands this cash equivalent must begin at the time the union(s) refuse to allow the collective bargaining agreement(s) to be reopened or not longer than three (3) months after the date this Agreement is executed by the City.
5. Contractor understands that failure to comply with the provisions of Section 4(a) through 4(i), above, will subject Contractor to possible suspension and/or termination of this Agreement for cause; repayment of any or all of the Agreement amount disbursed by the City; debarment for future agreements until all penalties and restitution have been paid in full and/or for up to two (2) years; and/or the imposition of a penalty, payable to the City, in the sum of \$50.00 for each employee, for each calendar day during which the employee was discriminated against in violation of the provisions of the Ordinance.
6. Contractor understands and agrees to provide notice to each current employee and, within ten (10) days of hire, to each new employee, of their rights under the Ordinance. Contractor further agrees to maintain a copy of each such letter provided, in an appropriate file for inspection by authorized representatives of the City. Contractor also agrees to prominently display a poster informing each employee of these rights.
7. Contractor understands that Contractor has the right to request a waiver of, or exemption from, the provisions of the Ordinance by submitting a written request to the City's Procurement Services Division prior to Agreement award, which request shall identify the provision(s) of the Ordinance authorizing

such waiver or exemption and the factual basis for such waiver or exemption. The City shall determine in its sole discretion whether to approve any such request.

8. Contractor agrees to defend, indemnify and hold harmless, the City, its officers and employees, against any claims, actions, damages, costs (including reasonable attorney fees), or other liabilities of any kind arising from any violation of the Requirements or of the Ordinance by Contractor.

The undersigned declares under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that he or she is authorized to bind the Contractor to the provisions of this Declaration.



Signature of Authorized Representative

June 30, 2014
Date

Doug Jensen
Print Name

SVP Client Services
Title

EXHIBIT A

PROFESSIONAL SERVICES AGREEMENT

SCOPE OF SERVICES

1. **Representatives.**

The CITY Representative for this Agreement is:

*Brad Wasson / Revenue Manager
City of Sacramento, Revenue Division, 915 I Street, Room 1201, Sacramento, CA 95814
916-808-5844 / fax 916-808-5248 / bwasson@cityofsacramento.org*

All CONTRACTOR questions pertaining to this Agreement shall be referred to the CITY Representative or the Representative's designee.

The CONTRACTOR Representative for this Agreement is:

*Doug Jensen / Senior Vice President Client Services
7625 N. Palm Ave., Ste 108, Fresno, CA 93711
800-800-8181 x5012 / fax 559-312-2920 / doug.jensen@muniservices.com*

All CITY questions pertaining to this Agreement shall be referred to the CONTRACTOR Representative. All correspondence to CONTRACTOR shall be addressed to the address set forth on page one of this Agreement. Unless otherwise provided in this Agreement, all correspondence to the CITY shall be addressed to the CITY Representative.

2. **Professional Liability Insurance.** Professional Liability (Errors and Omissions) insurance is X is not _____ [check one] required for this Agreement. If required, such coverage must be continued for at least 1 year(s) following the completion of all Services and Additional Services under this Agreement. (See Exhibit D, Section 11, for complete insurance requirements.)

3. **Conflict of Interest Requirements.**

A. **Generally.** Under the California Political Reform Act, Government Code §§ 81000 et seq., designated employees of the CITY are required to comply with the CITY's Conflict of Interest Code. The term "designated employees" is a term of art and includes individuals who are working for contractors who are providing services or performing work for the CITY and who are considered to be "consultants" under the Political Reform Act. The term "consultant" generally includes individuals who make, or participate in making, governmental decisions or who serve in a staff capacity. Individuals who perform work that is solely clerical, ministerial, manual or secretarial are not "consultants."

The CITY's Conflict of Interest Code requires designated employees, including individuals who qualify as "consultants", to file the following statements of economic interests:

- (2) Annual statements of economic interests while the agreement remains in effect, to be filed not later than April 30 of each year; and
- (3) A “leaving office” statement of economic interests to be filed within 30 days of completion of the contract.

The above statements of economic interests are public records subject to public disclosure under the California Public Records Act.

The CITY’s Conflict of Interest Code also requires individuals who qualify as “consultants” under the Political Reform Act to comply with the conflict of interest provisions of the Political Reform Act, which generally prohibit individuals from making or participating in the making of decisions that will have a material financial effect on their economic interests.

- B. **Conflict of Interest Statements.** The individual(s) who will provide services or perform work pursuant to this Agreement are “consultants” within the meaning of the Political Reform Act and the CITY’s Conflict of Interest Code: yes no *[check one]*

If “yes” is checked above, CONTRACTOR shall cause the following to occur within 30 days after execution of this Agreement:

- (1) Identify the individuals who will provide services or perform work under this Agreement as “consultants”;
- (2) Cause these individuals to file with the CITY Representative the “assuming office” statements of economic interests required by the CITY’s Conflict of Interest Code.

Thereafter, throughout the term of the Agreement, CONTRACTOR shall cause these individuals to file with the CITY Representative annual statements of economic interests, and “leaving office” statements of economic interests, as required by the CITY’s Conflict of Interest Code. The CITY may withhold all or a portion of any payment due under this Agreement until all required statements are filed.

4. Scope of Services.

The services provided shall be as set forth in Attachment 1 to Exhibit A [Revenue Audit and Recovery Services] and Attachment 2 to Exhibit A [BizLink Statement of Work], attached hereto and incorporated herein.

5. **Time of Performance.** The services described herein shall be provided during the five (5) year period, from July 1, 2014 to June 30, 2019. The City shall have one (1) option to extend the time of performance for one (1) additional year for CONTRACTOR to complete the correction of misallocations identified during the initial term of this Agreement that have not yet been corrected by the State Board of Equalization.

ATTACHMENT 1 TO EXHIBIT A

SCOPE OF SERVICES

Sales and Use Tax Audit and Recovery

Overview

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. MuniServices is 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. MuniServices' 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 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, 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.¹
- 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.

Transactions & Use Tax Audit, Recovery, Analysis and Reporting Service

MuniServices' proposed Transactions & Use Tax Audit, Recovery, Analysis and Reporting (TUT) service meets Sacramento's objectives while also providing revenue optimization, accurate and timely information reporting, prompt and efficient customer service, and ongoing additional consulting services. MuniServices pioneered the successful audit procedures required for Transactions and Use Tax.

It is important to note that Sales & Use Tax (Bradley Burns is point-of-sale aka "situs" allocation) and Transactions and Use Tax (destination-based sourcing) are NOT the same type of tax and are governed by different rules.

Because this tax is sourced to the destination, MuniServices leverages its 19 Terabyte data warehouse to build a massive inventory of businesses both in California and out-of-state. This allows MuniServices to discover transactions coming into an area subject to district tax. No other firm can claim a better ability to recover the maximum amount of revenue for Transactions and Use Tax. MuniServices uses additional auditing methodologies to identify and correct errors or deficiencies for each. Our TUT audit techniques and audit results dispel the misconception that the correction of a sales tax error will automatically correct a transaction tax error. In the same way one would not audit Solid Waste Haulers with utility user audit techniques, SUTA audit techniques should not be used to discover and correct TUT errors and deficiencies.

MuniServices has developed unique intellectual property that enables us to be the only firm to successfully and comprehensively audit TUT. As such, we cannot divulge our TUT audit methods in a public response to this RFP. However, we will discuss our SUTA methods,

reserving our discussion of TUT audit methodologies for an oral presentation. Our exclusive and long standing partnerships with the major transportation authorities in California, which rely significantly on TUT revenues, evidence our unmatched superiority in this field.

The general scope of work for TUT includes the following procedures and tasks for the detection of misreporting businesses:

1. Receive and process the quarterly transactions and use tax payment distribution reports provided by the SBE.
2. Identify and investigate potential transactions/use tax reporting errors/omissions to generate new, previously unrealized revenue for Sacramento.
3. Contact personnel in sales, operations and/or tax accounting departments at each target business to determine whether a delivery *fuse* tax reporting error exists. MuniServices' audits are predicated on a non-controversial, constructive, public relations approach that emphasizes the importance of each business to Sacramento and the mutual benefits of correcting reporting errors.
4. Provide to Sacramento reports addressing each taxpayer reporting error individually, including the business name, address, telephone number, 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 which should be forthcoming to Sacramento.
5. Respond to negative findings (denials of correction) by SBE with timely reconfirmation documentation in order to preserve validity of original dates of knowledge; and appeal all the way up to the elected Board Member hearings any necessary account.
6. Monitor and analyze the sales, transactions and use tax Payment Distribution Reports (DR) on a quarterly basis with audit focus on the following:
 - a) Those accounts with previously detected reporting errors to ensure that the corrections are made for current quarters plus any retroactive adjustments for amounts improperly distributed or previously unpaid in prior periods.
 - b) Identify and investigate significant aberrations (e.g. negative fund transfers, declines, deficiencies, etc.).
 - c) Those accounts receiving deficiency assessments to ensure that Sacramento receives the correct amount of sales and use tax.
7. Maximize Sacramento's income and minimize Sacramento's cost of lost revenue by detecting and documenting misallocations and deficiencies before the revenues become unrecoverable by submitting timely write ups and establishing early dates of knowledge in order to preserve the sales and use tax and transaction and use tax revenues for the City during and through completion of the appeals process..

Legislative and Regulatory Updates

The MuniServices Government Relations team is a Sacramento-based government affairs team. The MuniServices Government Relations team will work cooperatively with the City and its staff to provide legislative services designed to protect all of the City's existing and future tax revenues. MuniServices' program includes monitoring and advocacy efforts at the various levels of legislative and regulatory proceedings that affect transaction and use taxes. MuniServices

will publish comprehensive legislative and regulatory updates when needed to communicate and inform the City on issues of interest and concern.

From a regulatory perspective, MuniServices was instrumental during the interested parties meetings convened by the State Board of Equalization staff for the drafting and adoption of Regulations 1828 (Transaction and Use Tax) related to enhancing and expediting the appeals process for petitions for reallocation of local transaction and use taxes. Many of our suggested changes and processes were included in the final adopted regulations.

Consultation

MuniServices provides ongoing consultation services aimed at maintaining and enhancing Transaction and Use Tax revenues. Being a relatively new revenue source for the City of Sacramento, MuniServices assists the City in understanding the unique intricacies of this destination-based sourced tax type. MuniServices also is assisting the City in identifying not only uncollected district taxes, but also working with the SBE to get their collections more accurate. MuniServices does all of this at no extra charge.

Sales Tax Analysis and Reporting Service

Analysis

In conjunction with MuniServices' comprehensive SUTA service, MuniServices' Sales Tax Analysis Reporting Service (STARS) service includes 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 .xis 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 sales ^{ct} 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.

Business Operations Tax Discovery and Audit

MuniServices understands the City of Sacramento levies a Business Operations Tax (BOT) this is a combination of gross receipts and flat tax system. MuniServices has generated over \$3.6 million in business operations tax revenue for the City and have identified over \$4 million in new tax revenue. We expect to continue to discovery and collect \$170- \$200 thousand per year. MuniServices is confident that our work will continue to increase the number of licensed businesses and revenue generated to the City.

Our BOT Services are intended to complement the current efforts by bringing to the City more sophisticated technology, data and door-to-door 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 BOT 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 BOT 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 Operations Discovery Services

Business operations discovery services are designed to provide a full service solution to City's business operations 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:

1. 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;

2. Compare MuniServices' database of business records with the City's records to identify potential non-reporting and non-registered entities subject to taxation;
3. 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);
4. Invoice entities (including supporting documentation) on behalf of the City for the amount of identified deficiencies, with payment to be remitted to MuniServices;
5. Ensure that all submitted registration forms are completed correctly and in their entirety;
6. 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;
7. 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.);
8. 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;
9. Educate entities regarding the City's reporting requirements to prevent recurring deficiencies in future years;
10. Contact personnel in sales, operations and /or tax accounting at each target business to determine whether a business operations tax fee is due, when necessary and appropriate. This is accomplished with the highest regard to discretion and professional conduct. MuniServices' BOT 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;
11. Provide reports addressing each taxpayer not reporting, including the business name, address, and telephone number to the City; and
12. Monitor and analyze the business operations registration files of the City each quarter in order to determine non-reporting businesses.

Deficiency Audit Services

Business Operations Deficiency Audit Services are designed to identify entities subject to taxation by the City of Sacramento 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 Sacramento's taxes.

In performing the Audit Services, MuniServices will:

1. Establish a comprehensive inventory of the registered entities subject to taxation by the City and the database elements needed to facilitate an analysis of records of those entity's current and prior year's tax remittance;
2. Compare MuniServices' records with the City's records to identify potential under-reporting entities subject to taxation;
3. 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;
4. 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);
5. 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;
6. Invoice entity for the amount of identified deficiencies, together with supporting documentation, and remit payment received to the City;
7. 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
8. Educate entity regarding Sacramento's reporting requirements to prevent recurring deficiencies in future years.

Additional Performance Metrics

1. 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 Sacramento's coordinator and logical checkpoints for reviewing progress;
2. Review applicable provisions of the City's municipal code and ordinances adopted by the City;
3. Represent Sacramento 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;
4. As necessary, meet with designated City officials to review MuniServices' findings and recommendations; and
5. 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

1. Registration Database - Completed
2. Supporting City Data Files - Completed
3. Registration Forms- Completed
4. 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 Executive 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 operations 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 Operations 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.

Medical Marijuana Tax Deficiency Audit Services

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

In performing the Deficiency Audit Services, MuniServices will:

1. Establish a comprehensive inventory of the registered entities subject to taxation by the City and the database elements needed to facilitate an analysis of records of those entity's current and prior year's tax remittance;
2. Compare MuniServices' records with the City's records to identify potential under-reporting entities subject to taxation;
3. 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.
4. Review applicable provisions of the City's municipal code and ordinances adopted by the City;
5. Represent the City 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;
6. Analysis into compliance with the IRC § 501(c) requirements for non-profits
7. 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).
8. Submit audit summaries to the City to permit the City to determine the amount of a deficiency owed, if any (MuniServices will calculate as part of the summary the amount we determine that is owed, but this step allows the City discretion in pursuing the deficiencies);
9. Invoice entity for the amount of identified deficiencies, together with supporting documentation;
10. Educate entity regarding the City's reporting requirements to prevent recurring deficiencies in future years.

Audit Procedures

In the review process an auditor will perform a physical inspection of the business location. Further inquiries will be made to the owner or manager as to the business transactions and compliance with the City's ordinances. MuniServices will conduct short tests before starting a complete verification of three years operations of a business. An extensive examination may not be justified. If the short tests indicate the taxpayer has not properly reported their tax liability, then more extensive tests will be conducted.

When conducting the audit, a preliminary discussion with the taxpayer or with the person who is in charge of the records is performed to determine the exact nature of the business activity. The following briefly describes the books, records and detail that may be used in any given audit:

1. The General Ledger accounts may be examined for debits and credits, which may represent unreported transactions.
2. Review of payroll records and employee information filed with the State or other government agencies
3. Compare tax returns with business tax returns.

Kick Off Meeting

To begin the Audit project, the service will start with a kick off meeting to establish logistics, communication, and to set forth the procedures the City wants to establish.

1. Initial Meeting. MuniServices meets with the City staff to review the procedures and objectives of the service, business entity relations and logistical matters, including establishing an appropriate liaison with City management and staff and logical checkpoints for measuring progress (the "Initial Meeting"). MuniServices and the City will schedule the meeting within 10 days after MuniServices receives the fully-signed copy of the Agreement from the City.
2. Workplan. Based on the Initial Meeting, MuniServices develops a workplan that incorporates the logistical matters agreed to in the Initial Meeting and describes in detail how the objectives of the BOT service will be met (the "Workplan").
3. Commencement of Services. After the Workplan is developed, MuniServices will begin providing the services described. MuniServices' obligation to provide services is contingent on the City providing the necessary information and cooperation.

Legislative and Regulatory Updates

MuniServices will monitor proposed state and federal legislation to identify issues affecting the City's revenues with respect to medical marijuana related revenues, and, if justified, make recommendations to the City and its lobbyists. Our Government Relations team works in collaboration with stakeholders including the League of California Cities, the California Municipal Revenue Tax Association (CMRTA) representatives and members, and others.

We understand that last year the League along with law enforcement organizations defeated four different medical marijuana bills in the legislature. Each of these measures to varying degrees sought to override or undermine local control and each failed to adequately address the many public safety issues presented by dispensaries and efforts to regulate them. This year our team is monitoring and participating in discussions with regards to SB1262 (Correa), which is being sponsored by the California Police Chiefs Association and cosponsored by the League of California Cities that will protect local control and public safety. We have historically followed and monitored for client impact measures including SB 626 (Calderon/ 2011) BOE: cannabis and cannabis products: study/ SB 676 (Leno/ 2001) industrial hemp. SB 626 would have required the State Board of Equalization to establish a voluntary task force to conduct a study to determine the most efficient means to obtain compliance under the Sales and Use Tax Law by sellers of cannabis and cannabis products. The Governor also vetoed SB 676 which would have created an eight-year, four-county pilot project with respect to the cultivation and processing of industrial hemp. The Governor said: "Federal law clearly establishes that all cannabis plants, including industrial hemp, are marijuana, which is a federally regulated controlled substance. Failure to obtain a permit from the U.S. Drug Enforcement Administration prior to growing such plants will, subject a California farmer to federal prosecution. Although I am not signing this measure, I do support a change in federal law. Products made from hemp, clothes, food, and bath products are legally sold in California every day. It is absurd that hemp is being imported into the state, but our farmers cannot grow it."

Consultation

MuniServices offers to provide ongoing consultation services in the medical marijuana taxation area. Akin to a gross receipts audit, most of the audit should be straight forward. There may likely be consultation that MuniServices will provide, in close collaboration with the City, over the non-profit requirements. As you have come to expect from MuniServices, we typically provide all the extra consultation at no additional cost.

Utility Users Tax and Franchise Fees

MuniServices Utility Users Tax (UUT) and Franchise Fee (FF) services will continue to be performed in conjunction with the legal and "protective" services of the City's outside counsel, Donald H. Maynor, A Professional Law Corporation to establish and implement a program that allow participating California public agencies to preserve, protect and enhance their Utility Users Tax and Utility Franchise revenues.

UUT Compliance: General Compliance Reviews

- UUT Tax Application: MuniServices will perform compliance reviews of major utility providers, with a focus on common client issues, to assure that the UUT is being properly applied to taxable services and charges. MuniServices will use the expertise of Donald H. Maynor Esq. on matters requiring legal analysis or an interpretation of ordinances, laws, and IRS letter rulings, which will be coordinated with the City Attorney.
- 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 utility providers.

- **UUT Business Detection:** MuniServices will perform periodic compliance discovery reviews of utility providers and utilize detection tools to verify whether such companies are doing business within the City, and identify possible non-complying companies to the City's staff for enforcement actions. MuniServices will assist the City in developing compliance correspondence and enforcement procedures.
- **UUT Payment Calculations and Deviations:** If the City provides MuniServices with regular and accurate UUT payment history, MuniServices will identify possible gaps in payments, calculation mistakes, and other payment errors for the City's staff. MuniServices will assist the City in developing compliance correspondence and enforcement procedures. On request, MuniServices will provide the City, on a semi-annual basis, with a spreadsheet reflecting the City's UUT payments (based remittance data provided by the City to MuniServices).
- **SB 278 Non-Core Gas and Electric Direct Access Review:** MuniServices will analyze, using its proprietary methods, the SB 278 information provided by the gas and electric distribution companies to identify situations where the city is not receiving UUT from customers purchasing these commodities directly from third-party providers. Occasionally, both utilities and users may have questions regarding the proper application of the UUT. MuniServices will use its vast experience to assist the city in answering these inquiries.
- **UUT Exemption Review:** Review for accuracy the gas and electric exemption lists and telecommunication exemption certificates for non-residential customers, as provided by the City, and identify possible errors to the City's staff.
- **Tax Application Reviews (Customer Bill Analysis):** MuniServices will assist the city in responding to questions of citizens (residential and business) regarding their utility bills and the computation of the UUT.
- **Refund Requests:** MuniServices will review the request and provide data in support of a recommendation to refund or deny the refund request.
- **Bankruptcy Notices:** MuniServices will review the City's payment histories to determine if the entities have met their full remittance obligations prior to the bankruptcy notice or, if not, provide the City with an estimated amount for a claim.
- **UUT Revenue Management Reports & Forecasting (Annually):** MuniServices will provide an analysis of the City's UUT revenues by utility business segment (electric, gas, CATV, and telecommunications) and provide forecasts of the City's UUT revenues by each utility segment.

City-Specific Reviews – UUT Compliance

When mutually agreed upon, MuniServices will provide the City with a Utility User Tax Review designed to verify the accuracy of the utility provider's (Franchise Fees, Natural Gas, Electric, Cable Television and Telephone) payments to the City. MuniServices' review verifies for the City that it is receiving the UUT due from its specified utility provider.

In conducting a City-Specific UUT review, MuniServices will:

- Obtain from the City a letter of authorization, copies of the UUT ordinance and any subsequent amendments, and a three-year history of UUT payments;
- Review ordinances relating to Sacramento's UUT;
- Obtain from the specified utility provider the information needed to complete MuniServices review;
- Review the work papers and supporting documentation utilized to calculate the UUT;
- Review and analyze the utility provider's list of revenue accounts to ensure their proper application to the city's UUT ordinance. Compare and analyze the data for reasonableness, completeness, and accuracy as related to the UUT remittances;
- Analyze sample customer billings for accurate tax applications;
- Analyze the subscriber address base to verify that subscribers are correctly coded to the proper jurisdiction. If the utility provider provides data on electronic media, a 100% test of their base can be performed;
- Compare the utility provider's list of exempted customers and determine if they apply to ordinance stipulations;
- Provide the City with progress reports as required;
- Prepare a written report with findings that describe and explain 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 specified utility provider.

City-Specific Reviews – Utility Users Tax and 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:
 - o Determine revenues that are to be included or excluded from the franchise fee computation; and
 - o Review the revenue excluded from the computation, if any, and determine 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 utility and customer records (hard copy and data format) necessary to assure compliance with the City's UUT ordinance or franchise agreement 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.

Required Documentation from the City

To conduct any UUT / Franchise Fee City Specific Reviews, MuniServices would require the same amount of City support as provided in the past, including items such as copies of payment information, annual copy of SB 278 data, etc.

Legislative Updates (and Risk Analysis Reporting Services)

MuniServices will continue to 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 UUT 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.

Ordinance Update

Provide a comprehensive review and recommended update of the City's existing UUT ordinance; thereafter, provide periodic reviews and recommended updates to the UUT ordinance, administrative rulings and standard utility franchise agreements to address new issues that may arise because of deregulation, litigation, changes in laws or regulations, the unbundling of traditional utility services, or the introduction of new technologies to provide utility services. Such recommendations will clarify or add procedural protections to the existing ordinance, and should not require a Proposition 218 election approval.

Prepare *aqd* maintain an accurate copy of the City's UUT ordinance and its administrative rules and interpretations on the www.uutinfo.org website, and otherwise assist the City in complying with Public Utilities Code § 495.6.

Ongoing Consultation Services and Assist City's Internal UUT Staff

- Provide legal and technical assistance to existing City staff and the City Attorney's office, and provide timely analysis and draft responses to tax application inquiries from taxpayers or tax-collecting entities.
- Provide the City's staff and the City Attorney's office with legal advice on specific issues that arise in the enforcement of the tax ordinance, and compliance correspondence and legal notices, as required by ordinance and due process.
- Assist the City's staff and the City Attorney's office in gaining access to audit-related information under existing legal authorities.
- Provide workshops, seminars and Webcasts hosted by MuniServices On evolving technologies, market trends and legislative activities that may affect the City's future UUT revenue collections.
- Prepare and maintain on the www.uutinfo.org website (and provide a link to the City's web page, if desired) the City's UUT ordinance and administrative rules and rulings, frequently asked questions, e-mail inquiry feature, and model forms for exemption applications, UUT remittances, information requests, and other tax compliance documents.
- Assist the City's staff in obtaining SB 278 lists, tax compliance information, exemption lists of utility service providers, and in determining the exempt status of utility customers pursuant to the exemption provisions of the City's UUT ordinance or federal excise tax law relating to telecommunications.
- Provide staff with revenue forecasts based on industry trends, historical trends, and other relevant factors.

Legislative and Regulatory Updates

MuniServices will continue to monitor proposed state and federal legislation to identify issues affecting the City's Utility Users Tax (UUT) or utility franchise revenues, and, if justified, make recommendations to the City and its lobbyists. MuniServices uses the expertise of Donald H. Maynor, Esq., a Professional Law Corporation on matters requiring legislative and legal analysis. Our Government Relations team works in collaboration with Mr. Maynor and other 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, utility providers, the Public Utilities Commission, Board of Equalization, and others. This year we will continue to collaborate with the City in finding a mechanism to address the collection of local revenues from prepaid wireless services; last year we collaborated with the City and their lobbyists on AB 300 (Perea/2013) and in 2014 AB 1717 (Perea). As with previous year's we have commenced our work and will work with the City for the further protection of revenues including advocacy efforts on Federal bills affecting taxation of broadband telecommunication networks; taxation of wireless services; and taxation of, r-line sales and certain digital goods. MuniServices regularly interacts with City's staff and respective, lobbyists on policy issues that affect Sacramento's revenues. MuniServices is a Business Partner with the US Conference of Mayors allowing further access to policy decision makers and stakeholders on revenues issues, especially on Federal proposals.

Transient Occupancy Tax

The focus of the Transient Occupancy Tax (TOT) program is two-fold: first, to ensure TOT is being properly collected, returned and paid to the City; and second, to inform the lodging provider of accurate and correct application of the local tax and appropriate recordkeeping to prevent future underreporting.

We have structured a two-phase process that includes (1) Discovery & Analysis and (2) Comprehensive Review. Based on the results of the Discovery & Analysis Phase, MuniServices may recommend certain lodging properties undergo a more detailed Compliance Review. Thus, it is possible the City will recover the revenue to which it is entitled without having to disturb all of its lodging providers with a more obtrusive Compliance Review. This approach will make the program more cost-efficient to the City while satisfying Equal Protection requirements.

Pre-Audit Activity

MuniServices will perform pre-audit activity designed to build a strong foundation for development of a customized compliance program tailored to your local tax.

MuniServices will do the following:

- Schedule a kick-off meeting with the City to discuss the project, meet City contacts and review the timeline, data required, etc.

- Establish a comprehensive inventory of all lodging properties subject to taxation by the City and 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;
- Conduct unobtrusive collection of information on each property, including number of rooms, occupancy rate, property's condition, business dynamics;
- Coordinate with City official(s) as necessary to review the data gathered; and
- Develop a customized audit project plan that includes all of the lodging providers subject to the TOT in the City.

Scope of Work

As authorized by the City, MuniServices will conduct an on-site examination of the records of the lodging properties. In the course of the audit we will verify accuracy of filed lodging tax, 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 bank statements to verify that deposits reconcile with the reported revenue on the lodging tax returns', review exempted revenue for proper qualifying documentation, review a random sample of exempted guest revenue and trace registration and/or other source documents to verify compliance with the City ordinance, and for each error/omission identified and confirmed, submit substantiating documentation to the City in order to facilitate collection of revenue due from lodging providers.

Where possible, we will compare the State and federal tax filings with the lodging tax returns. We will also meet with the City, as necessary, to review findings and recommendations provide assistance 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 review findings and provide revised tax, interest or penalty amounts due the City. Listed below are the descriptions of what each phase is comprised of.

Phase 1: Discovery & Analysis

- Establish a comprehensive inventory of all lodging properties subject to taxation by the City and the database elements (public and private databases) needed to facilitate further analysis;
- Upon reviewing the City's Transient Occupancy Tax Ordinance, analyze 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;
- Conduct unobtrusive collection of information on each property, including number of rooms, occupancy rate, property's condition, business dynamics;
- 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;
- Coordinate with City official(s) as necessary to review the analysis report; and

- Develop with the designated City staff a list of lodging providers to be subject to a compliance review of lodging and tax records.

Phase II: Compliance Review

MuniServices will conduct a compliance review of the lodging providers approved by the City for further review. Typically the Compliance Review procedures will consist of the following:

- Provide City staff with a detailed list of all records required from the lodging providers for the reviews, together with a draft engagement announcement letter to be sent to each lodging provider;
- Examine records pertaining to TOT for each lodging provider selected for a compliance review;
- 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;
- If MuniServices believes such a review is necessary, 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 to designated City staff a compliance review report that includes MuniServices' findings; documentation that MuniServices believes is necessary to facilitate recovery of revenue due from lodging providers for prior periods for each error/omission identified and confirmed; and draft notices of deficiency determination, commendation and warning letters as applicable, and recommendations.
- Coordinate with designated City official(s) to review compliance review report;
- 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.

Reports to be issued

- Submit a written compliance review report to the designated City staff that includes our findings; documentation that we believe is necessary to facilitate recovery of revenue due from lodging providers 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.
- Coordinate with designated City official(s) to review compliance review report;

- 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.

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.

Consultation

MuniServices will provide ongoing consultation services aimed at maintaining and enhancing Transient Occupancy Taxes, 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.

Property Tax

MuniServices' Property Tax Audit 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(Optional)

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
 - o Facilitate communications with Assessor and Auditor-Controller regarding successor agency needs
 - o Cash flows for Successor Agencies o Assist with ROPS
 - o Estimates of residual balance amounts to taxing agencies
 - o Provide property tax information to the Oversight Board as needed o Assist in the preparation of annual reports
 - o Assist in the preparation of bond refunding requirements
 - o Assist in the preparation of official statement requirements o 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.

Real Property Transfer Tax

MuniServices Real Property Transfer Tax (RPT) Audit and Discovery Service is two-fold; Misallocation Audit and Discovery Audit.

Misallocation Audit

The following steps are taken in conducting MuniServices RPT misallocation audit:

- Contact City designated staff to review service objectives, scope, workplan schedule, public relations and logistical matters. MuniServices will also establish an appropriate liaison with the City's coordinator and logical checkpoints for progress reviews.

- Represent the City for purposes of examining records pertaining to RPT to identify and confirm any errors/omissions that are resulting in deficient payment of tax revenues.
- Establish a comprehensive inventory of every parcel located within the City, including the database elements needed to facilitate a comparative analysis between RPT receipts by the City and transfers which have occurred within the City.
- Procure from the County, an electronic copy of detailed listing indicating all parcels transferred within 2 years of the list date.
- On a semi-annual basis, review County listing of transferred parcels for proper allocation.
 - Prepare and forward a list of any misallocated transfers resulting in deficiencies to the City.
 - If necessary, MuniServices is prepared to meet with the Sacramento County Clerk to discuss a program which is mutually agreeable to reallocated identified misallocated transactions.

Discovery Audit

The following steps are taken in conducting MuniServices RPT discovery audit:

- Establish a comprehensive inventory of every parcel located within the City, including the database elements needed to facilitate a comparative analysis between property sales and RPT imposed by the county and received by the City.
- Procure from the County, an "electronic copy of detailed listing" identifying all parcels transferred within 2 years of the list date.
- Review property transfers occurring within the City of Sacramento for the imposition of a RPT and evaluate documentation for those transactions which were not assessed the tax.
- Prepare and forward a list of any transfers that were not paid to the City.
- If necessary, MuniServices is prepared to meet with the Sacramento County Clerk to represent the City's interests and explain any transfers which did not meet the RPT requirements and the supporting documentation associated with the transaction.

Legislative and Regulatory Updates

MuniServices will monitor proposed state and federal legislation to identify issues affecting the City's Real Property Transfer Tax (RPT) revenues, and, if justified, make recommendations to the City and its lobbyists. We recognize that the RPT became law in 1968 and Charter cities and General Law cities have differences in how the rate is imposed. We support efforts and will continue to encourage legislation such as AB 563 (Furutani/ 2011) that authorized an assessor to share confidential property tax information with cities, as well as SB 816 (Ducheny/2009) that authorizes an assessor to provide confidential information to the county recorder for the purposes of investigating whether the RPT should be imposed. AB 1888 (Ting/2014) is an example of measures that MuniServices will look at carefully and report to clients that will provide more transparency with respect to RPT and ultimately clearer records for paid RPT revenues.

Consultation

MuniServices provides ongoing consultation services aimed at maximizing Real Property Transfer Tax revenues. Throughout the State, many counties are reluctant to make corrections to errors involving Real Property Transfer Tax citing that the errors are made by the title companies, and errors are offset in both directions. MuniServices, should we discover errors, will work in collaboration with the City and County to facilitate corrections.

ATTACHMENT 2 OF EXHIBIT A

BizLINK STATEMENT OF WORK

Background

BizLINK™ is a web-based Business License Management System designed to track CITY's Business Licenses and provide detailed reports for use by various CITY Departments in forecasting future revenue and reviewing business trends. Additionally, BizLINK™ includes features necessary for the production of a Business License, thereby allowing CITY to control the entire Business License process from within one centralized system.

1. Description of Services and Deliverables

BizLINK™ is an Internet based application that allows Users to access the following functions:

- Initial Business License information gathering and issuing
- Automatic SDIC to NAICS Transactions
- Built in Transaction History Log, with unlimited notes capability
- Unlimited Owner and Contract Listings
- Renewal Notification – Mail-Merge Compatible Export
- Renewal processing

The application's pre-defined reports include but are not limited to the following:

- Business Inventory Report
- SIC / NAIC
- Financials (Daily, Weekly, Monthly, Quarterly and Annually)

In addition to standard reports, BizLINK™ provides a detailed Ad-Hoc query capability enhanced by CONTRACTOR's report building tools to allow for:

- Integrated Custom Report Designer allowing complete control of Ad-Hoc Report Generation
- Automatic Report Generation
- Easy to use selection criteria for field selection
- Full control of tabular field selection, sorting and display
- Ability to send selected data to Tabular Data export for Excel, Delimited (Tab/Comma), or XML file formats

2. Implementation

BizLINK has already been implemented since 2009. No implementation section required.

3. System Requirements

CITY shall ensure that its systems meet the following minimum requirements. CONTRACTOR has no obligation to provide Services to CITY if the CITY's systems do not meet the minimum system requirements.

- IBM/PC compatible, 333mhz or higher
- Ram: 256 MB or higher recommended

- 20G hard drive with at least 20MB of free space
- Microsoft Windows 2000 (service pack 3 and above) or XP Operating System (service pack 2)
- Microsoft TCP/IP installed (Confirm via Start > Settings > Control Panel > Network > Protocols or Configuration.)
- Web Browser: Microsoft Internet Explorer 6.0 or higher (Note: The speed of response time for the proposed applications is not under the control of CONTRACTOR and is limited by the Internet availability and connectivity source used by the CITY).
- Microsoft .Net Framework 1.1
- Display: 1024 X 768 resolution for optimum view; 800 x 600 resolution supported
- 17" Monitor or larger (A larger monitor is suggested for better view of displays)

CONTRACTOR shall ensure that BizLink will function properly within Windows 8 and Internet Explorer 11 by December 31, 2014.

4. Project Management

CITY will designate a person, called the City of Sacramento Project Manager (CITY PM), to whom all CONTRACTOR communications may be addressed. This person will ensure that the appropriate CITY resources and personnel are available to provide the necessary information for this project. The responsibilities of the CITY PM include:

- Serve as the interface between the CONTRACTOR project team and the CITY workgroups participating on this project
- Administer project change control
- Help resolve project issues and escalate issues within the CITY organization, as necessary
- Facilitate the approval of all deliverables in a timely manner

The CITY PM will coordinate the reservation of a conference room suitable for the meeting and number of participants and also provide meeting notices to CITY staff.

Online-File-and-Pay

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.

We encourage businesses to utilize our online file-and-pay option by providing 24/7 access to a secure web-based portal.

EXHIBIT B

PROFESSIONAL SERVICES AGREEMENT

FEE SCHEDULE/MANNER OF PAYMENT

1. **CONTRACTOR's Compensation.** The total of all fees paid to the CONTRACTOR for the performance of all services set forth in Exhibit A, including normal revisions (hereafter the "Services"), and for all authorized Reimbursable Expenses, shall not exceed the total sum of \$550,000.00 and any contingency fees established in Attachment 1 to Exhibit B.
2. **Billable Rates.** CONTRACTOR shall be paid for the performance of Services on an hourly rate, daily rate, flat fee, lump sum or other basis, as set forth in Attachment 1 to Exhibit B [Revenue Audit and Recovery Services] and Attachment 2 to Exhibit B [BizLink Compensation], attached hereto and incorporated herein.
3. **CONTRACTOR's Reimbursable Expenses.** Reimbursable Expenses shall be limited to actual expenditures of CONTRACTOR for expenses that are necessary for the proper completion of the Services and shall only be payable if specifically authorized in advance by CITY.
4. **Payments to CONTRACTOR.**
 - A. Payments to CONTRACTOR shall be made within a reasonable time after receipt of CONTRACTOR's invoice, said payments to be made in proportion to services performed or as otherwise specified in Attachment 1 to Exhibit B. CONTRACTOR may request payment on a monthly basis. CONTRACTOR shall be responsible for the cost of supplying all documentation necessary to verify the monthly billings to the satisfaction of CITY.
 - B. All invoices submitted by CONTRACTOR shall contain the following information:
 - (1) Job Name
 - (2) Description of services billed under this invoice, and overall status of project
 - (3) Date of Invoice Issuance
 - (4) Sequential Invoice Number
 - (5) CITY's Purchase Order Number
 - (6) Total Contract Amount
 - (7) Amount of this Invoice (Itemize all Reimbursable Expenses)
 - (8) Total Billed to Date
 - (9) Total Remaining on Contract
 - (10) Updated project schedule. This shall identify those steps that shall be taken to bring the project back on schedule if it is behind schedule.
 - C. Items shall be separated into Services and Reimbursable Expenses. Billings that do not conform to the format outlined above shall be returned to CONTRACTOR for correction. CITY shall not be responsible for delays in payment to CONTRACTOR resulting from CONTRACTOR's failure to comply with the invoice format described below.

D. Requests for payment shall be sent to:

*City of Sacramento, Revenue Division
915 I Street, Room 1201, Sacramento, CA 95814
916-808-5844 / fax 916-808-5248
Attn: Brad Wasson, Revenue Manager*

5. **Additional Services.** Additional Services are those services related to the scope of services of CONTRACTOR set forth in Exhibit A but not anticipated at the time of execution of this Agreement. Additional Services shall be provided only when a Supplemental Agreement authorizing such Additional Services is approved by CITY in accordance with CITY's Supplemental Agreement procedures. CITY reserves the right to perform any Additional Services with its own staff or to retain other contractors to perform said Additional Services.
6. **Accounting Records of CONTRACTOR.** During performance of this Agreement and for a period of three (3) years after completing all Services and Additional Services hereunder, CONTRACTOR shall maintain all accounting and financial records related to this Agreement, including, but not limited to, records of CONTRACTOR's costs for all Services and Additional Services performed under this Agreement and records of CONTRACTOR's Reimbursable Expenses, in accordance with generally accepted accounting practices, and shall keep and make such records available for inspection and audit by representatives of the CITY upon reasonable written notice.
7. **Taxes.** CONTRACTOR shall pay, when and as due, any and all taxes incurred as a result of CONTRACTOR's compensation hereunder, including estimated taxes, and shall provide CITY with proof of such payment upon request. CONTRACTOR hereby agrees to indemnify CITY for any claims, losses, costs, fees, liabilities, damages or injuries suffered by CITY arising out of CONTRACTOR's breach of this Section 7.

ATTACHMENT I TO EXHIBIT B
FEE SCHEDULE / MANNER OF PAYMENT

Cost Summary

Sales and Use and Transactions and Use Tax Audit Services	15% contingency with 4 forward quarters
Sales Tax Analysis and Reporting Service	\$16,000 annual fee
Business Operations Tax Discovery and Audit	30% contingency fee no go forward
Medical Marijuana Tax Audit	\$150/ hour with a maximum of 50 hours per audit
Utility User Tax Audit	\$45,000 annual fee plus 20% contingency on city-specific utility audits with 8 forward quarters
Franchise Fee Audits	20% contingency with 8 forward quarters
Transient Occupancy Tax Audit	Phase I - \$600 per property Phase II - \$900 per property Out-of-pocket NTE \$2,000
Property Tax	20% contingency with no go forward
Property <i>LINK</i> TM (Optional Service)	\$7,500 annual fee
Real Property Transfer Tax	20% contingency fee with no go forward
Additional Consulting	Time and Materials basis, if ever charged. Must be mutually agreed.

Cost Details

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 4 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.

Sales Tax Analysis and Reporting Service

The STARS Digest and Query System will be provided for an annual fee of \$16,000, paid \$4,000 per quarter. The Annual Fee will NOT be adjusted for inflation.

Business Operations Tax Discovery and Audit

Discovery Services

MuniServices' compensation for providing Discovery Services will be a contingency fee of 30% of the additional revenue received by the City from the services. The 30% 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 30%. The 30% 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.

Medical Marijuana 4% Tax

MuniServices' compensation for the Medical Marijuana Tax Audit Service will be \$150 per hour with a maximum of 50 hours per audit. No audit will be conducted without written authorization from the City. This audit is akin to a gross receipts audit with the addition of reviewing compliance with its non-profit status. We are proposing a cap on the total number of hours per audit; however, we will likely have many audits well below the 50 hour cap.

Out-of-Pocket Expenses

For the Medical Marijuana Tax audit 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 \$2,500. If we expect to spend more than \$2,500 we will get prior approval from the City for any amounts over the allotted \$2,500. The out-of-pocket expenses will be invoiced to the City upon delivery of the final report to the City.

Utility Users Tax Program

The City's total annual fee for participating in the Program shall be six-tenths of a percent (0.6%) of the total UUT revenues received by the City (excluding UUT revenues derived from sewer, water, trash or CATV) based on the prior fiscal year, with a maximum amount not-to-exceed ninety-five thousand dollars (\$95,000) per calendar year. MuniServices is offering the City of Sacramento a discounted annual fixed fee of \$45,000.

The annual fee is paid in four equal quarterly payments with due dates of: March 31, June 30, September 30, and December 31. Invoices for services rendered shall be in arrears (invoiced for the immediately preceding quarter). If the effective date of the Agreement is other than on an invoice date, the City will be invoiced for the first quarterly payment on the immediately following invoice date as set forth herein. The City will be invoiced and responsible for a prorated portion of the preceding quarter based on the effective date of the Agreement.

Utility User Tax and Franchise Fees Compliance Reviews

City-Specific UUT and Franchise Fee Compliance Review Services

With respect to a City-specific compliance reviews under a new agreement, MuniServices will be entitled to contingent fee compensation where MuniServices' compliance review activities result in the City receiving additional revenues from such City-specific compliance review activity. Accordingly, the City will pay MuniServices twenty percent (20%) of the additional revenues, including interest and penalties, that have resulted from its City-specific compliance review activities. MuniServices will seek to recover, or assist the City in recovering the revenue due the City from prior periods, if any, and MuniServices will receive 20% of any retroactive recovery. In the event that MuniServices' compliance activities identify items of UUT misapplication that the City elects to correct on a prospective basis only, the City will pay MuniServices twenty percent (20%) of additional revenues resulting from the correction for a period of eight quarters following the implementation of the correction. The term "additional revenues" includes the value of any other services, credits, property of every kind or nature, or other consideration received by the City in lieu of monetary payment.

Out-of-Pocket Expenses

MuniServices will absorb all expenses incurred by MuniServices in providing its services as described herein. These expenses include items such as employee salaries and benefits, insurance, airfare, auto rentals, meals, lodging, express mail, telephone, copying, directories, on-line resources, and other overhead and miscellaneous expenses.

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.

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.

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 service will be an annual fee of \$7,500, paid in quarterly installments of \$1,875.

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. The Annual Fee will NOT be adjusted for inflation.

Real Property Transfer Tax

MuniServices fee is an amount equal to 20% of the revenue recovered from discovered, misallocated or reallocated RPT revenues, which includes, but is not limited to, amounts recovered, refunded, or credited or any other consideration given to the City as a result of the MuniServices' RPT service. All expenses incurred by MuniServices in providing the RPT service are absorbed by MuniServices.

Additional Consulting

MuniServices has never charged the City of Sacramento 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:
 - o Director: \$150 per hour
 - o Manager: \$125 per hour
 - o Senior Analyst: \$100 per hour
 - o Analyst: \$75 per hour
 - o 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.

ATTACHMENT 2 TO EXHIBIT B

BizLINK COMPENSATION

Annual Fees

The Annual Fee for BizLINK is \$30,000 to be paid in quarterly installments of \$7,500 at the beginning of each calendar quarter after implementation of the Service. In addition, City shall pay MuniServices \$50 per user or \$1,500 per quarter for 30 additional users. Any partial fees for the quarter during which the Service is implemented shall be billed thirty-days (30) from the date of implementation. Thereafter, MuniServices shall invoice City quarterly, at the beginning of each calendar quarter, for Service to be provided during that quarter.

The Annual Fee shall be 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, with the first adjustment to occur at the beginning of the Calendar year following the first full calendar year of service. The adjustments thereafter will be based on the CPI-WU from the last month of the prior calendar year. Each Annual Fee adjustment shall not be less than two percent (2%) or greater than ten percent (10%). The Annual Fee includes:

- 24 Hour access to the BizLINK systems
- User support for up to 5 users (Additional users may be added at an increased Base Price.)
- Periodic maintenance releases of BizLINK

Additional Users may be added for a one-time set-up fee of four hundred dollars (\$400) per additional user plus two hundred dollars (\$200) per additional User in Annual Fees. SecureID's may be transferred to a new user for a one-time transfer fee of one hundred dollars (\$100.00) per transfer. A lost SecureID can be replaced for a one-time fee of three hundred dollars (\$300.00) per replacement. Malfunctioning SecureID's will be replaced at no charge.

Additional costs. Additional fees may apply for consulting services, added data layers, customized upgrades, or other services requested by City. Additional fees shall be agreed upon in writing by both parties prior to any commencement of services.

Training. Additional training classes are available from MuniServices in Fresno, CA for the cost of \$750 per day for up to 5 users. On site training, at the client site, is \$1,200 per day for each group of up to 5 users plus expenses.

Online File and Pay. One-time set up fee of \$15,000 plus \$1.00 per transaction processed through the online file and pay system.

EXHIBIT C

NONPROFESSIONAL SERVICES AGREEMENT

FACILITIES AND EQUIPMENT TO BE PROVIDED BY CITY

CITY shall [*check one*]

X _____ Not furnish any facilities or equipment for this Agreement; or

_____ furnish the following facilities or equipment for the Agreement [*list, if applicable*]:

**EXHIBIT D
PROFESSIONAL SERVICES AGREEMENT**

GENERAL PROVISIONS

1. Independent Contractor.

- A. It is understood and agreed that CONTRACTOR (including CONTRACTOR's employees) is an independent contractor and that no relationship of employer-employee exists between the parties hereto for any purpose whatsoever. Neither CONTRACTOR nor CONTRACTOR's assigned personnel shall be entitled to any benefits payable to employees of CITY. CITY is not required to make any deductions or withholdings from the compensation payable to CONTRACTOR under the provisions of this Agreement, and CONTRACTOR shall be issued a Form 1099 for its services hereunder. As an independent contractor, CONTRACTOR hereby agrees to indemnify and hold CITY harmless from any and all claims that may be made against CITY based upon any contention by any of CONTRACTOR's employees or by any third party, including but not limited to any state or federal agency, that an employer-employee relationship or a substitute therefor exists for any purpose whatsoever by reason of this Agreement or by reason of the nature and/or performance of any Services under this Agreement. (As used in this Exhibit D, the term "Services" shall include both Services and Additional Services as such terms are defined elsewhere in this Agreement.)
- B. It is further understood and agreed by the parties hereto that CONTRACTOR, in the performance of its obligations hereunder, is subject to the control and direction of CITY as to the designation of tasks to be performed and the results to be accomplished under this Agreement, but not as to the means, methods, or sequence used by CONTRACTOR for accomplishing such results. To the extent that CONTRACTOR obtains permission to, and does, use CITY facilities, space, equipment or support services in the performance of this Agreement, this use shall be at the CONTRACTOR's sole discretion based on the CONTRACTOR's determination that such use will promote CONTRACTOR's efficiency and effectiveness. Except as may be specifically provided elsewhere in this Agreement, the CITY does not require that CONTRACTOR use CITY facilities, equipment or support services or work in CITY locations in the performance of this Agreement.
- C. If, in the performance of this Agreement, any third persons are employed by CONTRACTOR, such persons shall be entirely and exclusively under the direction, supervision, and control of CONTRACTOR. Except as may be specifically provided elsewhere in this Agreement, all terms of employment, including hours, wages, working conditions, discipline, hiring, and discharging, or any other terms of employment or requirements of law, shall be determined by CONTRACTOR. It is further understood and agreed that CONTRACTOR shall issue W-2 or 1099 Forms for income and employment tax purposes, for all of CONTRACTOR's assigned personnel and subcontractors.
- D. The provisions of this Section 1 shall survive any expiration or termination of this Agreement. Nothing in this Agreement shall be construed to create an exclusive relationship between CITY and CONTRACTOR. CONTRACTOR may represent, perform services for, or be employed by such additional persons or companies as CONTRACTOR sees fit provided that CONTRACTOR does not violate the provisions of Section 5, below.

- 2. Licenses; Permits, Etc.** CONTRACTOR represents and warrants that CONTRACTOR has all licenses, permits, City Business Operations Tax Certificate, qualifications, and approvals of whatsoever nature

that are legally required for CONTRACTOR to practice its profession or provide any services under the Agreement. CONTRACTOR represents and warrants that CONTRACTOR shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, and approvals that are legally required for CONTRACTOR to practice its profession or provide such Services. Without limiting the generality of the foregoing, if CONTRACTOR is an out-of-state corporation, CONTRACTOR warrants and represents that it possesses a valid certificate of qualification to transact business in the State of California issued by the California Secretary of State pursuant to Section 2105 of the California Corporations Code.

3. **Time.** CONTRACTOR shall devote such time and effort to the performance of Services pursuant to this Agreement as is necessary for the satisfactory and timely performance of CONTRACTOR's obligations under this Agreement. Neither party shall be considered in default of this Agreement, to the extent that party's performance is prevented or delayed by any cause, present or future, that is beyond the reasonable control of that party.
4. **CONTRACTOR Not Agent.** Except as CITY may specify in writing, CONTRACTOR and CONTRACTOR's personnel shall have no authority, express or implied, to act on behalf of CITY in any capacity whatsoever as an agent. CONTRACTOR and CONTRACTOR's personnel shall have no authority, express or implied, to bind CITY to any obligations whatsoever.
5. **Conflicts of Interest.** CONTRACTOR covenants that neither it, nor any officer or principal of its firm, has or shall acquire any interest, directly or indirectly, that would conflict in any manner with the interests of CITY or that would in any way hinder CONTRACTOR's performance of Services under this Agreement. CONTRACTOR further covenants that in the performance of this Agreement, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor, without the written consent of CITY. CONTRACTOR agrees to avoid conflicts of interest or the appearance of any conflicts of interest with the interests of CITY at all times during the performance of this Agreement. If CONTRACTOR is or employs a former officer or employee of the CITY, CONTRACTOR and any such employee(s) shall comply with the provisions of Sacramento City Code Section 2.16.090 pertaining to appearances before the City Council or any CITY department, board, commission or committee.
6. **Confidentiality of CITY Information.** During performance of this Agreement, CONTRACTOR may gain access to and use CITY information regarding inventions, machinery, products, prices, apparatus, costs, discounts, future plans, business affairs, governmental affairs, processes, trade secrets, technical matters, systems, facilities, customer lists, product design, copyright, data, and other vital information (hereafter collectively referred to as "City Information") that are valuable, special and unique assets of the CITY. CONTRACTOR agrees to protect all City Information and treat it as strictly confidential, and further agrees that CONTRACTOR shall not at any time, either directly or indirectly, divulge, disclose or communicate in any manner any City Information to any third party without the prior written consent of CITY. In addition, CONTRACTOR shall comply with all CITY policies governing the use of the CITY network and technology systems, as set forth in applicable provisions of the City of Sacramento Administrative Policy Instructions # 30. A violation by CONTRACTOR of this Section 6 shall be a material violation of this Agreement and shall justify legal and/or equitable relief.
7. **CONTRACTOR Information.**
 - A. CITY shall have full ownership and control, including ownership of any copyrights, of all information prepared, produced, or provided by CONTRACTOR pursuant to this Agreement, except for CONTRACTOR'S software (and the code for the software in any form), the

arrangement of selection of elements in our reports or our software (or both), any data CONTRACTOR purchases or leases from third parties and use in providing reports to City, and CONTRACTOR'S processes for performing services under this Agreement. In this Agreement, the term "information" shall be construed to mean and include: any and all work product, submittals, reports, plans, specifications, and other deliverables consisting of documents, writings, handwritings, typewriting, printing, photostatting, photographing, computer models, and any other computerized data and every other means of recording any form of information, communications, or representation, including letters, works, pictures, drawings, sounds, or symbols, or any combination thereof. CONTRACTOR shall not be responsible for any unauthorized modification or use of such information for other than its intended purpose by CITY.

- B. CONTRACTOR shall fully defend, indemnify and hold harmless CITY, its officers and employees, and each and every one of them, from and against any and all claims, actions, lawsuits or other proceedings alleging that all or any part of the information prepared, produced, or provided by CONTRACTOR pursuant to this Agreement infringes upon any third party's trademark, trade name, copyright, patent or other intellectual property rights. CITY shall make reasonable efforts to notify CONTRACTOR not later than ten (10) days after CITY is served with any such claim, action, lawsuit or other proceeding, provided that CITY's failure to provide such notice within such time period shall not relieve CONTRACTOR of its obligations hereunder, which shall survive any termination or expiration of this Agreement.
 - C. All proprietary and other information received from CONTRACTOR by CITY, whether received in connection with CONTRACTOR's proposal to CITY or in connection with any Services performed by CONTRACTOR, will be disclosed upon receipt of a request for disclosure, pursuant to the California Public Records Act; provided, however, that, if any information is set apart and clearly marked "trade secret" when it is provided to CITY, CITY shall give notice to CONTRACTOR of any request for the disclosure of such information. The CONTRACTOR shall then have five (5) days from the date it receives such notice to enter into an agreement with the CITY, satisfactory to the City Attorney, providing for the defense of, and complete indemnification and reimbursement for all costs (including plaintiff's attorney fees) incurred by CITY in any legal action to compel the disclosure of such information under the California Public Records Act. The CONTRACTOR shall have sole responsibility for defense of the actual "trade secret" designation of such information.
 - D. The parties understand and agree that any failure by CONTRACTOR to respond to the notice provided by CITY and/or to enter into an agreement with CITY, in accordance with the provisions of subsection C, above, shall constitute a complete waiver by CONTRACTOR of any rights regarding the information designated "trade secret" by CONTRACTOR, and such information shall be disclosed by CITY pursuant to applicable procedures required by the Public Records Act.
8. **Standard of Performance.** CONTRACTOR shall perform all Services required pursuant to this Agreement in the manner and according to the standards currently observed by a competent practitioner of CONTRACTOR's profession in California. All products of whatsoever nature that CONTRACTOR delivers to CITY pursuant to this Agreement shall be prepared in a professional manner and conform to the standards of quality normally observed by a person currently practicing in CONTRACTOR's profession, and shall be provided in accordance with any schedule of performance specified in Exhibit A. CONTRACTOR shall assign only competent personnel to perform Services pursuant to this Agreement.

CONTRACTOR shall notify CITY in writing of any changes in CONTRACTOR's staff assigned to perform the Services required under this Agreement, prior to any such performance. In the event that CITY, at any time during the term of this Agreement, desires the removal of any person assigned by CONTRACTOR to perform Services pursuant to this Agreement, because CITY, in its sole discretion, determines that such person is not performing in accordance with the standards required herein, CONTRACTOR shall remove such person immediately upon receiving notice from CITY of the desire of CITY for the removal of such person.

9. Term; Suspension; Termination.

- A. This Agreement shall become effective on the date that it is approved by both parties, set forth on the first page of the Agreement, and shall continue in effect until both parties have fully performed their respective obligations under this Agreement, unless sooner terminated as provided herein.
- B. CITY shall have the right at any time to temporarily suspend CONTRACTOR's performance hereunder, in whole or in part, by giving a written notice of suspension to CONTRACTOR. If CITY gives such notice of suspension, CONTRACTOR shall suspend its activities under this Agreement, as soon as reasonably practicable and as specified in such notice.
- C. CITY shall have the right to terminate this Agreement at any time by giving at least thirty (30) days advance written notice of termination to CONTRACTOR. If CITY gives such notice of termination, CONTRACTOR shall cease rendering Services pursuant to this Agreement on the applicable termination date. If CITY terminates this Agreement:
 - (1) CONTRACTOR shall, not later than five days after the applicable termination date, deliver to CITY copies of all information prepared pursuant to this Agreement.
 - (2) CITY shall pay CONTRACTOR the reasonable value of Services rendered by CONTRACTOR prior to termination, including any contingency fees relating to misallocation notices sent by CONTRACTOR prior to termination and corrected later; provided, however, CITY shall not in any manner be liable for lost profits that might have been made by CONTRACTOR had the Agreement not been terminated or had CONTRACTOR completed the Services required by this Agreement. In this regard, CONTRACTOR shall furnish to CITY such financial information as in the judgment of the CITY is necessary for CITY to determine the reasonable value of the Services rendered by CONTRACTOR. The foregoing is cumulative and does not affect any right or remedy that CITY may have in law or equity.

10. Indemnity.

- A. Indemnity: CONTRACTOR shall defend, hold harmless and indemnify CITY, its officers and employees, and each and every one of them, from and against any and all actions, damages, costs, liabilities, claims, demands, losses, judgments, penalties, costs and expenses of every type and description, including, but not limited to, any fees and/or costs reasonably incurred by CITY's staff attorneys or outside attorneys and any fees and expenses incurred in enforcing this provision (hereafter collectively referred to as "Liabilities"), including but not limited to Liabilities arising from personal injury or death, damage to personal, real or intellectual property or the environment, contractual or other economic damages, or regulatory penalties, arising out

of or in any way connected with any negligent act or omission, recklessness or willful misconduct in the performance of or failure to perform this Agreement by CONTRACTOR, any sub-consultant, subcontractor or agent, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, whether or not (i) such Liabilities are caused in part by a party indemnified hereunder or (ii) such Liabilities are litigated, settled or reduced to judgment; provided that the foregoing indemnity does not apply to liability for any damage or expense for death or bodily injury to persons or damage to property to the extent arising from the negligence or willful misconduct of CITY, its agents, servants, or independent contractors who are directly responsible to CITY, except when such agents, servants, or independent contractors are under the direct supervision and control of CONTRACTOR.

Notwithstanding anything to the contrary herein, the total aggregate liability of CONTRACTOR to City under or in connection with this Agreement or the services provided by the CONTRACTOR hereunder, shall not exceed the total sum of CONTRACTOR'S compensation as set forth in paragraph 1 of Exhibit B.

- B. Insurance Policies; Intellectual Property Claims: The existence or acceptance by CITY of any of the insurance policies or coverages described in this Agreement shall not affect or limit any of CITY's rights under this Section 10, nor shall the limits of such insurance limit the liability of CONTRACTOR hereunder. This Section 10 shall not apply to any intellectual property claims, actions, lawsuits or other proceedings subject to the provisions of Section 7.B., above. The provisions of this Section 10 shall survive any expiration or termination of this Agreement.

- 11. Insurance Requirements.** During the entire term of this Agreement, CONTRACTOR shall maintain the insurance coverage described in this Section 11.

Full compensation for all premiums that CONTRACTOR is required to pay for the insurance coverage described herein shall be included in the compensation specified for the Services provided by CONTRACTOR under this Agreement. No additional compensation will be provided for CONTRACTOR's insurance premiums.

It is understood and agreed by the CONTRACTOR that its liability to the CITY shall not in any way be limited to or affected by the amount of insurance coverage required or carried by the CONTRACTOR in connection with this Agreement.

A. Minimum Scope & Limits of Insurance Coverage

- (1) Commercial General Liability Insurance, providing coverage at least as broad as ISO CGL Form 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. The policy shall provide contractual liability and products and completed operations coverage for the term of the policy.
- (2) Automobile Liability Insurance providing coverage at least as broad as ISO Form CA 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. The policy shall provide coverage for owned, non-owned and/or hired autos as appropriate to the operations of the CONTRACTOR.

No automobile liability insurance shall be required if CONTRACTOR completes the following certification:

"I certify that a motor vehicle will not be used in the performance of any work or services under this agreement." _____ (CONTRACTOR initials)

- (3) Workers' Compensation Insurance with statutory limits, and Employers' Liability Insurance with limits of not less than one million dollars (\$1,000,000). The Worker's Compensation policy shall include a waiver of subrogation for contracts involving construction or maintenance, or if required by the CITY by selecting the option below:

_____ Workers' Compensation waiver of subrogation in favor of the City is required for all work performed by the CONTRACTOR.

No Workers' Compensation insurance shall be required if CONTRACTOR completes the following certification:

"I certify that my business has no employees, and that I do not employ anyone. I am exempt from the legal requirements to provide Workers' Compensation insurance." _____ (CONTRACTOR initials)

- (4) Professional Liability Insurance providing coverage on a claims made basis for errors, omissions or malpractice with limits of not less than one million (\$1,000,000) dollars if required by the CITY under Exhibit A, Section 2.

B. Additional Insured Coverage

- (1) Commercial General Liability Insurance: The CITY, its officials, and employees shall be covered by policy terms or endorsement as additional insureds as respects general liability arising out of activities performed by or on behalf of CONTRACTOR, products and completed operations of CONTRACTOR, and premises owned, leased or used by CONTRACTOR. The general liability additional insured endorsement must be signed by an authorized representative of the insurance carrier for contracts involving construction or maintenance, or if required by the CITY by selecting the option below:

_____ Additional insured endorsement must be signed by an authorized representative of the insurance carrier.

If the policy includes a blanket additional insured endorsement or contractual additional insured coverage, the above signature requirement may be fulfilled by submitting that document with a signed declaration page referencing the blanket endorsement or policy form.

- (2) Automobile Liability Insurance: The CITY, its officials, and employees shall be covered by policy terms or endorsement as additional insureds as respects auto liability.

C. Other Insurance Provisions

The policies are to contain, or be endorsed to contain, the following provisions:

- (1) Except for professional liability, CONTRACTOR's insurance coverage shall be primary insurance as respects CITY, its officials, and employees. Any insurance or self-insurance maintained by CITY, its officials, and employees shall be in excess of CONTRACTOR's insurance and shall not contribute with it.
- (2) Any failure of CONTRACTOR to comply with reporting provisions of the policies shall not affect coverage provided to CITY, its officials, or employees.
- (3) Coverage shall state that CONTRACTOR's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- (4) CITY will be provided with thirty (30) days written notice of cancellation or material change in the policy language or terms, except ten (10) days written notice of cancellation for nonpayment of premium.

D. Acceptability of Insurance

Insurance shall be placed with insurers with a Bests' rating of not less than A:V. Self-insured retentions, policy terms or other variations that do not comply with the requirements of this Section 11 must be declared to and approved by the CITY Risk Management Division in writing prior to execution of this Agreement.

E. Verification of Coverage

- (1) CONTRACTOR shall furnish CITY with certificates and required endorsements evidencing the insurance required. The certificates and endorsements shall be forwarded to the CITY representative named in Exhibit A. Copies of policies shall be delivered to the CITY on demand. Certificates of insurance shall be signed by an authorized representative of the insurance carrier.
- (2) The CITY may withdraw its offer of contract or cancel this Agreement if the certificates of insurance and endorsements required have not been provided prior to execution of this Agreement. The CITY may withhold payments to CONTRACTOR and/or cancel the Agreement if the insurance is canceled or CONTRACTOR otherwise ceases to be insured as required herein.

F. Subcontractors

CONTRACTOR shall require and verify that all sub-consultants and subcontractors maintain insurance coverage that meets the minimum scope and limits of insurance coverage specified in subsection A, above.

12. Equal Employment Opportunity. During the performance of this Agreement, CONTRACTOR, for itself, its assignees and successors in interest, agrees as follows:

- A. Compliance With Regulations: CONTRACTOR shall comply with the Executive Order 11246 entitled "Equal Opportunity in Federal Employment", as amended by Executive Order 11375 and

12086, and as supplemented in Department of Labor regulations (41 CFR Chapter 60), hereinafter collectively referred to as the "Regulations".

- B. Nondiscrimination: CONTRACTOR, with regards to the work performed by it after award and prior to completion of the work pursuant to this Agreement, shall not discriminate on the ground of race, color, religion, sex, national origin, age, marital status, physical handicap or sexual orientation in selection and retention of subcontractors, including procurement of materials and leases of equipment. CONTRACTOR shall not participate either directly or indirectly in discrimination prohibited by the Regulations.
- C. Solicitations for Subcontractors, Including Procurement of Materials and Equipment: In all solicitations either by competitive bidding or negotiations made by CONTRACTOR for work to be performed under any subcontract, including all procurement of materials or equipment, each potential subcontractor or supplier shall be notified by CONTRACTOR of CONTRACTOR's obligation under this Agreement and the Regulations relative to nondiscrimination on the ground of race, color, religion, sex, national origin, age, marital status, physical handicap or sexual orientation.
- D. Information and Reports: CONTRACTOR shall provide all information and reports required by the Regulations, or by any orders or instructions issued pursuant thereto, and shall permit access to its books, records, accounts, other sources of information and its facilities as may be determined by the CITY to be pertinent to ascertain compliance with such Regulations, orders and instructions. Where any information required of CONTRACTOR is in the exclusive possession of another who fails or refuses to furnish this information, CONTRACTOR shall so certify to the CITY, and shall set forth what efforts it has made to obtain the information.
- E. Sanctions for Noncompliance: In the event of noncompliance by CONTRACTOR with the nondiscrimination provisions of this Agreement, the CITY shall impose such sanctions as it may determine to be appropriate including, but not limited to:
- (1) Withholding of payments to CONTRACTOR under this Agreement until CONTRACTOR complies;
 - (2) Cancellation, termination, or suspension of the Agreement, in whole or in part.
- F. Incorporation of Provisions: CONTRACTOR shall include the provisions of subsections A through E, above, in every subcontract, including procurement of materials and leases of equipment, unless exempted by the Regulations, or by any order or instructions issued pursuant thereto. CONTRACTOR shall take such action with respect to any subcontract or procurement as the CITY may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event CONTRACTOR becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, CONTRACTOR may request CITY to enter such litigation to protect the interests of CITY.
13. **Entire Agreement.** This document, including all Exhibits, contains the entire agreement between the parties and supersedes whatever oral or written understanding they may have had prior to the execution of this Agreement. No alteration to the terms of this Agreement shall be valid unless approved in writing by CONTRACTOR, and by CITY, in accordance with applicable provisions of the Sacramento City Code.

14. **Severability.** If any portion of this Agreement or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and shall be enforced to the greatest extent permitted by law.
15. **Waiver.** Neither CITY acceptance of, or payment for, any Service or Additional Service performed by CONTRACTOR, nor any waiver by either party of any default, breach or condition precedent, shall be construed as a waiver of any provision of this Agreement, nor as a waiver of any other default, breach or condition precedent or any other right hereunder.
16. **Enforcement of Agreement.** This Agreement shall be governed, construed and enforced in accordance with the laws of the State of California. Venue of any litigation arising out of or connected with this Agreement shall lie exclusively in the state trial court or Federal District Court located in Sacramento County in the State of California, and the parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.
17. **Assignment Prohibited.** The expertise and experience of CONTRACTOR are material considerations for this Agreement. CITY has a strong interest in the qualifications and capability of the persons and entities that will fulfill the obligations imposed on CONTRACTOR under this Agreement. In recognition of this interest, CONTRACTOR shall not assign any right or obligation pursuant to this Agreement without the written consent of the CITY. Any attempted or purported assignment without CITY's written consent shall be void and of no effect.
18. **Binding Effect.** This Agreement shall be binding on the heirs, executors, administrators, successors and assigns of the parties, subject to the provisions of Section 17, above.
19. **Use Tax Requirements.** During the performance of this Agreement, CONTRACTOR, for itself, its assignees and successors in interest, agrees as follows:
 - A. Use Tax Direct Payment Permit: For all leases and purchases of materials, equipment, supplies, or other tangible personal property used to perform the Agreement and shipped from outside California, the Contractor and any subcontractors leasing or purchasing such materials, equipment, supplies or other tangible personal property shall obtain a Use Tax Direct Payment Permit from the California State Board of Equalization ("SBE") in accordance with the applicable SBE criteria and requirements.
 - B. Sellers Permit: For any construction contract and any construction subcontract in the amount of \$5,000,000 or more, Contractor and the subcontractor(s) shall obtain sellers permits from the SBE and shall register the jobsite as the place of business for the purpose of allocating local sales and use tax to the City. Contractor and its subcontractors shall remit the self-accrued use tax to the SBE, and shall provide a copy of each remittance to the City.
 - C. The above provisions shall apply in all instances unless prohibited by the funding source for the Agreement.

EXHIBIT E

REQUIREMENTS OF THE NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

INTRODUCTION

The Sacramento Non-Discrimination In Employee Benefits Code (the "Ordinance"), codified as Sacramento City Code Chapter 3.54, prohibits City contractors from discriminating in the provision of employee benefits between employees with spouses and employees with domestic partners, and between the spouses and domestic partners of employees.

APPLICATION

The provisions of the Ordinance apply to any contract or agreement (as defined below), between a Contractor and the City of Sacramento, in an amount exceeding \$100,000.00. The Ordinance applies to that portion of a contractor's operations that occur: (i) within the City of Sacramento; (ii) on real property outside the City of Sacramento if the property is owned by the City or if the City has a right to occupy the property; or (iii) at any location where a significant amount of work related to a City contract is being performed.

The Ordinance does not apply: to subcontractors or subcontracts of any Contractor or contractors; to transactions entered into pursuant to cooperative purchasing agreements approved by the Sacramento City Council; to legal contracts of other governmental jurisdictions or public agencies without separate competitive bidding by the City; where the requirements of the ordinance will violate or are inconsistent with the terms or conditions of a grant, subvention or agreement with a public agency or the instructions of an authorized representative of any such agency with respect to any such grant, subvention or agreement; to permits for excavation or street construction; or to agreements for the use of City right-of-way where a contracting utility has the power of eminent domain.

DEFINITIONS

As set forth in the Ordinance, the following definitions apply:

"Contract" means an agreement for public works or improvements to be performed, or for goods or services to be purchased or grants to be provided, at the expense of the City or to be paid out of moneys deposited in the treasury or out of the trust money under the control or collected by the City. "Contract" also means a written agreement for the exclusive use ("exclusive use" means the right to use or occupy real property to the exclusion of others, other than the right reserved by the fee owner) or occupancy of real property for a term exceeding 29 days in any calendar year, whether by singular or cumulative instrument, (i) for the operation or use by others of real property owned or controlled by the City for the operation of a business, social, or other establishment or organization, including leases, concessions, franchises and easements, or (ii) for the City's use or occupancy of real property owned by others, including leases, concessions, franchises and easements.

"Contract" shall not include: a revocable at-will use or encroachment permit for the use of or encroachment on City property regardless of the ultimate duration of such permit; excavation, street construction or street use permits; agreements for the use of City right-of-way where a contracting utility has the power of eminent domain; or agreements governing the use of City property that constitute a public forum for activities that are primarily for the purpose of espousing or advocating causes or ideas and that are generally protected by the First Amendment to the United States Constitution or that are primarily recreational in nature.

“Contractor” means any person or persons, firm partnership or corporation, company, or combination thereof, that enters into a Contract with the City. “Contractor” does not include a public entity.

“Domestic Partner” means any person who has a currently registered domestic partnership with a governmental entity pursuant to state or local law authorizing the registration.

“Employee Benefits” means bereavement leave; disability, life, and other types of insurance; family medical leave; health benefits; membership or membership discounts; moving expenses; pension and retirement benefits; vacation; travel benefits; and any other benefit given to employees. “Employee benefits” shall not include benefits to the extent that the application of the requirements of this chapter to such benefits may be preempted by federal or state.

CONTRACTOR’S OBLIGATION TO PROVIDE THE CITY WITH DOCUMENTATION AND INFORMATION

Contractor shall provide the City with documentation and information verifying its compliance with the requirements of the Ordinance within ten (10) days of receipt of a request from the City. Contractors shall keep accurate payroll records, showing, for each City Contract, the employee’s name, address, Social Security number, work classification, straight time pay rate, overtime pay rate, overtime hours worked, status and exemptions, and benefits for each day and pay period that the employee works on the City Contract. Each request for payroll records shall be accompanied by an affidavit to be completed and returned by the Contractor, as stated, attesting that the information contained in the payroll records is true and correct, and that the Contractor has complied with the requirements of the Ordinance. A violation of the Ordinance or noncompliance with the requirements of the Ordinance shall constitute a breach of contract.

EMPLOYER COMPLIANCE CERTIFICATE AND NOTICE REQUIREMENTS

(a) All contractors seeking a Contract subject to the Ordinance shall submit a completed Declaration of Compliance Form, signed by an authorized representative, with each proposal, bid or application. The Declaration of Compliance shall be made a part of the executed contract, and will be made available for public inspection and copying during regular business hours.

(b) The Contractor shall give each existing employee working directing on a City contract, and (at the time of hire), each new employee, a copy of the notification provided as Attachment “A.”

(c) Contractor shall post, in a place visible to all employees, a copy of the notice provided as Attachment “B.”

Attachment A



YOUR RIGHTS UNDER THE CITY OF SACRAMENTO'S NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

On (date), your employer (the "Employer") entered into a contract with the City of Sacramento (the "City") for (contract details), and as a condition of that contract, agreed to abide by the requirements of the City's Non-Discrimination In Employee Benefits Code (Sacramento City Code Section 3.54).

The Ordinance does not require the Employer to provide employee benefits. The Ordinance does require that if certain employee benefits are provided by the Employer, that those benefits be provided without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouse or domestic partner of employees.

The Ordinance covers any employee working on the specific contract referenced above, but only for the period of time while those employees are actually working on this specific contract.

The included employee benefits are:

- Bereavement leave
- Disability, life and other types of insurance
- Family medical leave
- Health benefits
- Membership or membership discounts
- Moving expenses
- Pension and retirement benefits
- Vacation
- Travel benefits
- Any other benefits given to employees

(Employee Benefits does not include benefits that may be preempted by federal or state law.)

If you feel you have been discriminated or retaliated against by your employer in the terms and conditions of your application for employment, or in your employment, or in the application of these employee benefits, because of your status as an applicant or as an employee protected by the Ordinance, or because you reported a violation of the Ordinance, and after having exhausted all remedies with your employer,

You May . . .

- Submit a written complaint to the City of Sacramento, Contract Services Unit, containing the details of the alleged violation. The address is:

City of Sacramento
Procurement Services Division
5730 24th Street, Bldg. 1
Sacramento, CA 95822

- Bring an action in the appropriate division of the Superior Court of the State of California against the Employer and obtain the following remedies:
 - Reinstatement, injunctive relief, compensatory damages and punitive damages
 - Reasonable attorney's fees and costs

Attachment B



YOUR RIGHTS UNDER THE CITY OF SACRAMENTO'S NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

If your employer provides employee benefits, they must be provided to those employees working on a City of Sacramento contract without discriminating between employees with spouses and employees with domestic partners.

The included employee benefits are:

- Bereavement leave
- Disability, life and other types of insurance
- Family medical leave
- Health benefits
- Membership or membership discounts
- Moving expenses
- Pension and retirement benefits
- Vacation
- Travel benefits
- Any other benefits given to employees

If you feel you have been discriminated against by your employer . . .

You May . . .

- Submit a written complaint to the City of Sacramento, Contract Services Unit, containing the details of the alleged violation. The address is:

City of Sacramento
Procurement Services Division
5730 24th Street, Bldg. 1
Sacramento, CA 95822

- Bring an action in the appropriate division of the Superior Court of the State of California against the employer and obtain reinstatement, injunctive relief, compensatory damages, punitive damages and reasonable attorney's fees and costs.

Discrimination and Retaliation Prohibited.

If you feel you have been discriminated or retaliated against by your employer in the terms and conditions of your application for employment, or in your employment, because of your status as an applicant or as an employee protected by the Ordinance, or because you reported a violation of this Ordinance . . .

You May Also . . .

Submit a written complaint to the City of Sacramento, Contract Services Unit, at the same address, containing the details of the alleged violation.