

PROJECT #: None
PROJECT NAME: Revenue Audit and Revenue Recovery Services
DEPARTMENT: Finance
DIVISION: Revenue

CITY OF SACRAMENTO

CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is made at Sacramento, California, as of August 1, 2006, by and between the **CITY OF SACRAMENTO**, a municipal corporation ("CITY"), and

*MBIA MuniServices Company
7335 N. Palm Bluffs Avenue, Fresno, CA 93711
(559) 271-6800 Phone / (559) 275-0171 Fax*

("CONSULTANT"), who agree as follows:

1. **Services.** Subject to the terms and conditions set forth in this Agreement, CONSULTANT shall provide to CITY the services described in Exhibit A. CONSULTANT shall provide said services at the time, place, and in the manner specified in Exhibit A. CONSULTANT shall not be compensated for services outside the scope of Exhibit A unless prior to the commencement of such services: (a) CONSULTANT notifies CITY and CITY agrees that such services are outside the scope of Exhibit A; (b) CONSULTANT 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 Municipal Code.
2. **Payment.** CITY shall pay CONSULTANT 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 CONSULTANT for the services rendered pursuant to this Agreement unless pursuant to Section 1, above, CITY approves additional compensation for additional services. CONSULTANT 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 CONSULTANT uses for billing clients similar to CITY.
3. **Facilities and Equipment.** Except as set forth in Exhibit C, CONSULTANT 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 CONSULTANT 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 CONSULTANT and made a part of 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 Municipal Code Chapter 3.54, Non-Discrimination in Employee Benefits by City Contractors. The requirements of Sacramento Municipal Code Chapter 3.54 are summarized in Exhibit E. CONSULTANT 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 CONSULTANT hereby represents and warrants that he/she is fully authorized to sign this Agreement on behalf of CONSULTANT and to bind CONSULTANT 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.

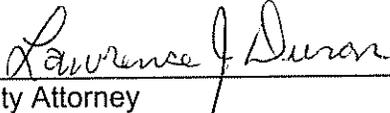
Executed as of the day and year first above stated.

CITY OF SACRAMENTO
A Municipal Corporation

By: _____
Print name: _____
Title: _____

For: Ray Kerridge, 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

CONSULTANT:

MBIA Muni Services Company
NAME OF FIRM

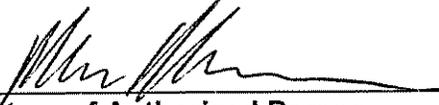
13-3528885
Federal I.D. No.

State I.D. No.

125001
City of Sacramento Business Op. Tax Cert. No.

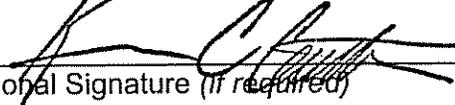
TYPE OF BUSINESS ENTITY (check one):

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



Signature of Authorized Person

Marc Herman, President
Print Name and Title



Additional Signature (if required)

Kevin Cerutti, CFO
Print Name and Title

**DECLARATION OF COMPLIANCE
Equal Benefits Ordinance**

Name of Consultant: MBIA MuniServices Company

Address: 7335 N. Palm Bluffs Avenue, Fresno, CA 93711

The above named Consultant ("Consultant") hereby declares and agrees as follows:

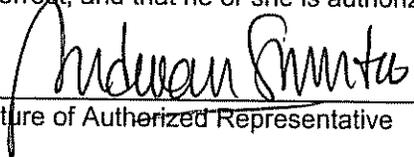
1. Consultant has read and understands the Requirements of the Non-Discrimination In Employee Benefits Code (the "Requirements") attached hereto as Exhibit E.
2. As a condition of receiving this Agreement, Consultant agrees to fully comply with the Requirements, as well as any additional requirements that may be specified in the City of Sacramento's Non-Discrimination In Employee Benefits Code codified at Chapter 3.54 of the Sacramento Municipal Code (the "Ordinance").
3. Consultant 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

Consultant agrees that if Consultant offers any of the above-listed employee benefits, Consultant 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. Consultant understands that Consultant 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, Consultant will not be required to provide the benefit, nor shall it be deemed discriminatory, if Consultant requires the employee to pay the monetary difference in order to provide the benefit to the domestic partner or to the spouse.
 - b. If Consultant is unable to provide a certain benefit, despite taking reasonable measures to do so, if Consultant provides the employee with a cash equivalent Consultant will not be deemed to be discriminating in the application of that benefit.
 - c. If Consultant provides employee benefits neither to employee's spouses nor to employee's domestic partners.
 - d. If Consultant provides employee benefits to employees on a basis unrelated to marital or domestic partner status.

- e. If Consultant 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"). Consultant 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. Consultant 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 Consultant 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 Consultant cannot end discrimination in employee benefits despite taking all reasonable measures to do so, Consultant provides a cash equivalent to eligible employees for whom employee benefits are not available. Unless otherwise authorized in writing by the City Manager, Consultant 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. Consultant understands that failure to comply with the provisions of Section 4(a) through 4(i), above, will subject Consultant 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. Consultant 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. Consultant further agrees to maintain a copy of each such letter provided, in an appropriate file for inspection by authorized representatives of the City. Consultant also agrees to prominently display a poster informing each employee of these rights.
7. Consultant understands that Consultant 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. Consultant 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 Consultant.

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 Consultant to the provisions of this Declaration.



Signature of Authorized Representative

7/6/06

Date

RIDWAN SASMITA

Print Name

DIRECTOR OF FINANCE & ACCOUNTING

Title

EXHIBIT A

CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT

SCOPE OF SERVICES

1. Representatives.

The CITY Representative for this Agreement is:

*Russell Fehr / Director of Finance
915 I Street, Fifth Floor
Sacramento, CA 95814
(916) 808-5832 / Fax: (916) 808-5755 / rfehr@cityofsacramento.org*

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

The CONSULTANT Representative for this Agreement is:

*Doug Jensen / Director of Client Services
1400 K Street, Suite 212
Sacramento, CA 95814
(800) 800-8181 x 5012 / Fax: (559) 312-2920 / doug.jensen@muniservices.com*

All CITY questions pertaining to this Agreement shall be referred to the CONSULTANT Representative. All correspondence to CONSULTANT 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 ___ is not X [check one] required for this Agreement. (See Exhibit D, Section 11, for complete insurance requirements.)

3. Scope of Services.

The services provided shall be as set forth in Attachment 1 to Exhibit A, attached hereto and incorporated herein.

4. Time of Performance. The services described herein shall be provided for an initial three (3) year period, from August 1, 2006 through July 31, 2009, and shall automatically renew for two (2) additional one-year terms unless either party provides notice of its intention not to renew 15 days prior to the end of the then current term. All terms and conditions of this agreement shall remain effective during any additional term.

**ATTACHMENT 1 TO EXHIBIT A
SCOPE OF SERVICES**

SALES AND USE TAX AUDIT (SUTA) ADDENDUM

OBJECTIVES AND METHODS

MMC's sales and use tax audit service is designed to maximize the City's income - and minimize the cost of lost revenue - by detecting and documenting misallocations of local district tax (also known as Transactions & Use Tax), Bradley-Burns sales tax and local use tax activity within the statute of limitations on recoverability.

In performing the sales and use tax audit program MMC shall:

- Identify and correct the sales/use tax reporting errors of businesses that, based on the nexus of their activities, are not properly registered with the City.
- Identify and correct the reporting of businesses that are improperly reporting tax to state and county pools (i.e. classifying sales tax as use tax) and thereby depriving the City of sales tax revenue.
- Detect, document and correct sales/use tax reporting errors/omissions and thereby generate new, previously unrealized revenue for the City.
- Ensure through comprehensive audit measures that the revenue information used for ongoing economic analysis includes all sales/use tax generators.
- Assist the City with strategies to preserve and even enhance sales and use tax revenue generated by existing businesses within the City.

MMC's proposed sales/use tax allocation audit services for the City includes five distinct types of audits:

- Taxable Nexus Field audits
- Permitization audits
- Deficiency assessment audits
- Accounts payable audits
- Quarterly Distribution Report audits

TAXABLE NEXUS FIELD AUDITS

MMC's initial and periodic taxable nexus field audits include a physical canvassing and evaluation of sales/use tax generating businesses located in the City. In the absence of this undertaking, significant misallocations will remain undetected. MMC's field audits focus on those businesses located in the City from which the City has not been receiving sales/use tax revenue. The result is new or 'found' revenue for the City.

PERMITIZATION AUDITS

Wholesalers, contractors, processors, manufacturers and other non-retail businesses will frequently not have a sales tax permit properly registered to the City in which they are located because their business operations do not include a point-of-sale qualifying activity. However, these companies will often generate local sales/use tax from the State Board of Equalization (SBE) audit deficiency assessments, occasional sales (i.e., mergers and acquisitions), and self-accrual of use tax on purchases. MMC's field audits facilitate the identification and correction of improperly registered permits for companies having point-of-sale operations in the City.

DEFICIENCY ASSESSMENT AUDITS

When the California State Board of Equalization audits taxpayers for sales/use tax compliance, it is not uncommon for the taxpayer to receive a substantial deficiency assessment due to underpayments and/or under-collections. In many cases, the local allocation portion of the deficiency assessment is distributed in error to the State pool, county pools, or other jurisdictions. Accordingly, MMC has developed proprietary criteria and techniques to detect and correct SBE deficiency assessment misallocations and thus expand the benefits produced by MMC's allocation audit service.

ACCOUNTS PAYABLE AUDITS

When California taxpayers purchase tangible personal property for which title passes out-of-state, the transactions are subject to use tax (rather than sales tax) which is collected by the vendor who in turn remits it to the SBE, with the local allocation typically distributed statewide or countywide through the pools.

Under certain conditions, the seller may allocate the local tax by situs or the City may elect to self-accrue the use tax and remit it directly to the SBE, in which case the local portion will come back to the City in the same manner as sales tax.

MMC's accounts payable audit will include a review of the City's purchases to identify opportunities for the City to capture the 1% local allocation on purchases subject to use tax and the local district tax where applicable. In this regard, MMC will prepare the documentation to facilitate the election, including assistance in preparing and filing the tax returns.

QUARTERLY DISTRIBUTION REPORT AUDITS

Every three months, the City and MMC receive a Quarterly Distribution Report (QDR) from the SBE with the local allocation amount reflected by permit number.

MMC's QDR audits detect and correct taxpayer reporting errors and thereby generate new, previously unrealized sales/use tax revenue for the City. MMC's QDR audits focus on those accounts where MMC observes a substantial decline in the sales/use tax revenue allocation for a particular business entity in a given quarter. In most cases, accounts showing zero balances have either relocated or simply reported late, in which case the payments will not be reflected until the next quarter's QDR. Therefore, six months must lapse before the QDRs indicate whether a zero balance account can be attributed to a late payment or a misallocation.

Cities and counties may only recover misallocated Bradley-Burns sales tax revenue for three quarters prior to the SBE being notified of the reporting error and misallocated District tax revenues for between three quarters and three years. Therefore QDR audits must be conducted in a timely manner in order to preserve the opportunity for the City to recover misallocated revenue. MMC shall conduct the QDR audit each and every quarter to minimize the potential of lost revenue to the City.

SUTA DETECTION AND DOCUMENTATION

MMC shall represent the City for purposes of examining SBE records pertaining to sales and use tax to identify errors and omissions. MMC's procedures for detecting and documenting misallocations are as follows:

- Review applicable provisions of the City's municipal code and ordinance adopted by the City to determine applicability.
- Procure a computer tape of sales/use tax permit records from the State Board of Equalization (SBE).
- Analyze sales tax distribution reports provided by the SBE for five or more of the most recent consecutive quarters.
- Clean-up, standardize and computerize data from City's quarterly sales tax distribution reports provided by SBE for previous quarters, current quarter and each future quarter service is provided.
- Prepare an aggregated list of business entities on electronic media; this list is derived from multiple private and public sources (hard copy and electronic), including specialized business listings and directories, the City's sales and use tax payment files, and an electronic copy of the City's Business License Tax registry, updated no less than twice per year.
- Clean, standardize and integrate, in address-order, each entity's business name, address and payment file information, to eliminate redundancies, using MMC's proprietary software.
- Physically canvas commercial/industrial area within the City's borders.
- Develop a target list of potential point of sale/use reporting errors/omissions based on:
 - 1) An electronic comparison of MMC's comprehensive inventory against the SBE's quarterly distributions for the City, and
 - 2) An analysis of each potentially misallocated account based on proprietary guidelines established by MMC.
- Meet with designated City official(s) to review service objectives and scope, MMC workplan schedule, public relations and logistical matters.
- Contact personnel in sales, operations and/or tax accounting at each target business to determine whether a point-of-sale/use reporting error exists. (Note: this is accomplished with the highest regard to discretion and professional conduct. MMC's allocation audits are predicated on a non-controversial, constructive public relations approach which emphasizes the importance of each business to the City and the mutual benefits of correcting reporting errors.)
- Provide to the City and SBE reports addressing each taxpayer reporting error individually, including the 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/use tax revenue which should be forthcoming to the City.

- MMC may also provide suggested language for letters to be sent to the taxpayers and/or SBE from the City (or from MMC on behalf of the City) urging cooperation in promptly correcting the distribution error.
- Respond to negative findings by SBE with timely reconfirmation documentation in order to preserve the City's original dates of knowledge.
- Receive and process registration control record information monthly.
- Receive and process sales tax distribution reports quarterly.
- Coordinate with the taxpayer and State Board of Equalization to make the necessary corrections and collect eligible back quarters amounts.
- Monitor and analyze the quarterly distribution reports with an audit focus on the following:
 - 1) Accounts with previously reported point-of-sale/use distribution errors to ensure that the corrections are made for current quarters and all eligible back quarters.
 - 2) Major accounts comprising 90% or more of the City's total sales tax revenue to identify any irregularities or unusual deviations from the normal pattern (e.g. negative fund transfers, significant decreases, unusual increases, etc.) and ensure that the City is not receiving less revenue than it is entitled to.
 - 3) Those accounts receiving deficiency assessments to ensure that the City receives its local allocation
- Identify opportunities for the City to recover local allocation on purchase transactions subject to use tax. MMC will prepare the necessary documentation to facilitate recovery, including assistance in preparing and filing the returns.

COROLLARY CONSULTING

Upon mutual agreement between MMC and the City as to the scope of services to be provided, MMC shall provide to City such additional consulting services as City may request. Consulting services otherwise included in this Addendum will not be subject to MMC's fees for Corollary Consulting as set forth below.

SUTA DETECTION TIMING CONSIDERATIONS

For each misallocated account detected, MMC will coordinate with the business and SBE to make the necessary corrections plus retroactive adjustments for eligible amounts of sales/use tax improperly distributed in prior quarters. MMC coordinates and communicates between typically four parties; sales/operations personnel at the taxpayer's local operation, tax personnel at the company's corporate headquarters, and State Board of Equalization personnel and the in-state/out-of-state district offices. Correction of the account is considered to have been made once the payments on identified taxpayer accounts are being properly allocated by the taxpayer to the City in the period in which the payment was made.

As needed, MMC will represent the City before state officials, boards, commissions and committees for the purpose of correcting sales tax distribution errors that have deprived the City of revenue to which it is entitled.

TIMING

MMC shall commence auditing the sales/use tax and preparing the sales tax Query System within 10 working days of receipt of a fully executed contract and Confidentiality Resolution designating MMC as the authorized City Consultant to examine sales and use tax records.

CONFIDENTIALITY PROVISIONS

MMC is authorized by this Agreement to examine district tax, sales tax and use tax records of the State Board of Equalization provided to City pursuant to contract under the Bradley-Burns Uniform Sales and Use Tax Law and California Revenue & Taxation Code applicable to transactions and use taxes.

MMC is required to disclose information contained in, or derived from, those sales and use tax records only to an officer or employee of the City who is authorized by resolution to examine the information.

MMC is prohibited from performing consulting services for a retailer during the term of this Agreement.

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

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

SALES/USE TAX ANALYSIS & REPORTING SERVICE (STARS) ADDENDUM

OBJECTIVES AND METHODS

MMC's STARS Digest provides a summary that features a general analysis regarding statewide trends that may affect the City's sales tax plus a specific analysis of the City's sales tax composition, changes and performance. Report graphically illustrates the data and analysis presented in the Summary. Each MMC STARS Digest includes the Quarterly Management Summary. The MMC STARS Digest also includes specialized reports that provide analysis of the City's sales tax economic base and performance for the latest complete quarter and benchmark year.

TIMING & REPORTS

MMC shall:

- Provide the City with quarterly updated STARS Digests.
- Install the STARS Query System on a City designated PC
- Update quarterly the City's sales tax registration and allocation data from the State Board of Equalization (SBE) from MMC's proprietary STARS Query System on IBM compatible PCs with Microsoft Access export capacity. (note: STARS is provided in encrypted formats)
- Train authorized City staff in the use of the STARS Query System.

QUARTERLY STARS DIGEST

MMC will provide the City with quarterly updated bound STARS Digests including accounts from which the City receives sales tax revenue. The primary reports included in the STARS Digest are:

- **Allocation Summary** - Reconciles SBE advances, cleanup payments and pool allocations with budget projections to assist the City with revenue forecasting and receipt monitoring.
- **Cash Analysis** - Quarterly aberrations due to SBE audits, fund transfers, and other causes are also identified and analyzed for budget planning and revenue forecasting purposes.
- **Top 100 Five-Year** - Historical performance of the top 100 accounts comparing current benchmark year ranking and sales tax produced with that of prior years.
- **Top 100 Detail** - Sales tax performance of the City's top 100 sales tax accounts is shown in order of sales tax produced with the results for the most recent five quarters prominently displayed. The proportion of City sales tax produced is also shown by each account.
- **Economic Category Performance** - An analysis of the changes that occurred by economic category and segment with the specific businesses responsible for the significant changes delineated.

- ❑ **Significant Change Analysis** – A report reflecting magnitude of change, indicating which key businesses grew or declined, measured in absolute dollars and percentages.
- ❑ **Business Code Classification** - This report shows the various business codes assigned by the SBE and the accounts assigned those codes in order of sales tax produced. Five quarters of sales tax data are shown for each significant account.
- ❑ **Historical Economic Composition** - Data are summarized by economic category and segment by quarters and benchmark years. Percentage of total sales tax generated by each category and segment is also shown to indicate trends in sales tax composition as well as performance.
- ❑ **Geo-Area Reports** - Tracks sales tax performance within designated areas of the City (e.g., key shopping centers, business parks, and downtown /business districts,). Charts and printed reports are included for each geo-area.
- ❑ **Cross-Reference Reports** - These reports allow the user to look up any account shown in the STARS Digest by name, address or account number.

STARS QUERY SYSTEM

MMC shall install the STARS Query System (a software program) on a City designated, IBM-compatible PC. Each quarter, MMC shall provide the City with updated information from SBE on CD-ROM. The data shall be provided in an encrypted format allowing the City to export sales tax information from the Query System in an Access-compatible format.

- ❑ The Query System enables City staff to analyze the contribution of sales/use tax revenue from each taxpayer in the City on an individual, grouped or sorted-order basis by business name, business type, permit number, size ranking, street address, development, shopping center or other 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.

The initial STARS Digest and Sales Tax Query System shall be delivered and installed within 45 working days following receipt of a fully executed contract, confidentiality resolution and the SBE sales tax registration and payment data. Subsequent quarterly Query System updates and STARS reports will be delivered to the City within 30 days following receipt of the quarterly distribution reports from the SBE.

LOCAL TAX COMPLIANCE ADDENDUM

PURPOSE & SCOPE

Upon written authorization for City to proceed, MMC's Local Tax Compliance ("LTC") service assists the City of Sacramento ("City") to realize revenue to which they may be entitled but may not be receiving from their local tax registry. MMC provides the 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 and bolster the operation and procedures currently in place.

LTC works to inform local businesses of accurate compliance with the Local Tax ordinance in a way that minimizes for the City the burden of follow up. The business owner is educated on the requirement of the ordinance to prevent future misapplication.

Services in a full LTC program include:

SERVICE PROCEDURES

MMC's LTC program is conducted as follows:

- Meet with City staff to review service objectives and scope, procedures, entity relations and logistical matters; establish an appropriate liaison with City management and staff and logical checkpoints for measuring progress;

Discovery Services

Discovery Services are designed to identify entities subject to taxation by City which are not properly registered with City or otherwise not reporting taxes to City. In performing the Discovery Services, MMC shall:

- Establish a comprehensive inventory of the entities subject to taxation by City and the database elements needed to facilitate a comparative analysis with City's records of those entities that are properly registered;
- Compare MMC records with City records to identify potential non-reporting and non-registered entities subject to taxation;
- For each unregistered or non-reporting entity identified and confirmed, assist the entity, as necessary, to complete City's applicable registration form(s) and determine the amount of tax due for current and prior periods (plus applicable interest and penalties, where appropriate);
- Invoice entity on behalf of City for the amount of identified deficiencies, together with supporting documentation therefore, with payment to be remitted by each entity directly to the City or to MMC;
- Establish a call center open during normal business hours to assist entities regarding questions concerning application of City's taxes and entity's reporting and remittance requirements;
- Educate entity regarding City's reporting requirements to prevent recurring deficiencies in future years.

Audit Services

Audit Services are designed to identify entities subject to taxation by City which are not properly reporting the full amount of tax to which they are subject. Audit Services identify entities who are potentially underreporting applicable taxes and MMC reviews the entity's records to ensure compliance with City's taxes. In performing the Audit Services, MMC shall:

- Establish a comprehensive inventory of the registered entities subject to taxation by City and the database elements needed to facilitate an analysis of records of those entity's current and prior years tax remittance;
- Compare MMC records with City records to identify potential under-reporting entities subject to taxation;
- Meet with designated City staff to review and discuss potential audit candidates and mutually agree which entities will be subject to review;
- For potential under-reporting entities identified, obtain authorization from City to conduct a review of the entities' records and determine the amount of tax due for current and prior periods (plus applicable interest and penalties, where appropriate);
- Submit audit summaries (also referred to as "Deficiency Notice") to City to permit City to determine the amount of a deficiency owed, if any;
- Invoice entity on behalf of City for the amount of identified deficiencies, together with supporting documentation therefore, with payment to be remitted by each entity to City or to MMC;
- Educate entity regarding City's reporting requirements to prevent recurring deficiencies in future years;

TIMING

MMC shall commence project planning within 10 working days following authorization.

UTILITY USERS TAX/FRANCHISE COMPLIANCE AND REVENUE PROTECTION PROGRAM

Upon written authorization to proceed, this AGREEMENT is made by and between the City of Sacramento, a municipal corporation (hereinafter referred to as "City") and MBIA MuniServices Company (hereinafter referred to as "MMC"). MMC agrees to provide the City with certain professional services in furtherance of a comprehensive utility users tax/franchise compliance and revenue protection program (hereinafter "PROGRAM"), with broad participation by California public agencies, that is designed to preserve, protect, and enhance its utility users tax (UUT) and utility franchise revenues.

1. PROGRAM OBJECTIVES

MMC's auditing, geocoding, information, and associated services and skills, in conjunction with the legal and "protective" services of the City's outside counsel, Donald H. Maynor, A Professional Law Corporation (LAW FIRM), will be used to establish and implement a PROGRAM that will allow participating California public agencies to preserve, protect and enhance their UUT and utility franchise revenues through a combination of auditing, geocoding, tax application compliance, business detection, ordinance update, legislative monitoring, technology update, and other essential compliance and protective services. An effective compliance PROGRAM will assist the City, and other participating public agencies, in identifying and correcting errors/omissions causing revenue deficiencies, and thereby produce new or previously unrealized revenue for such participants. The PROGRAM's tax preservation services will protect the City's existing UUT revenues from erosion due to new legislation, new technologies, outdated ordinance language and inaccurate information. By offering these essential services through a comprehensive PROGRAM, with widespread participation, there are the additional benefits of: i) achieving lower individual costs for such joint activities; and, ii) developing consensus-based decisions regarding ordinance interpretations and tax implementation that utility industries require of California public agencies.

2. FIXED FEE SERVICES

A. Compliance Review Services

At any time during the term of this AGREEMENT, with the prior consent of the City where specifically indicated, MMC may perform compliance review activity on behalf of the City in any of the following areas:

1. **UUT Tax Application and Franchise Fee Review:** MMC 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, and that the franchise fee formula is being properly applied to the revenue base (as provided in standard franchise agreements). MMC will use the legal expertise of LAW FIRM on matters requiring legal analysis or an interpretation of ordinances, standard utility franchises, laws, and IRS letter rulings, which will be coordinated with the City Attorney.
2. **Geocode Information and Review:** MMC 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. Upon request, this service will be made available to any utility service provider that serves customers within the City.

3. **UUT Business Detection:** MMC will perform periodic compliance reviews of major utility providers and utilize other detection tools to verify whether such companies are doing business within the City, and then identify such possible non-complying companies to the City's staff for enforcement actions. MMC will assist the City in developing compliance correspondence and enforcement procedures.
4. **UUT Payment Calculations and Deviations:** If the City provides MMC with regular and accurate UUT payment history (i.e., copies of all UUT remittances), MMC will identify to the City's staff possible gaps in payments, calculation mistakes, and other payment errors. MMC will assist the City in developing compliance correspondence and enforcement procedures. On request, MMC will provide the City, on a semi-annual basis, with a spreadsheet reflecting the City's UUT payments (based on remittance data provided by the City to MMC).

B. Revenue Protection Services

MMC will work cooperatively with LAW FIRM in providing the following revenue protection services designed to protect the City's existing and future UUT and utility franchise revenues:

1. Ordinance Update and Legislative/Regulatory Review Services

- a. **Ordinance/Franchise and Technology Update.** Provide a comprehensive review and 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.
- b. **State and Federal Legislation.** Monitor proposed state and federal legislation to identify issues affecting the City's UUT or utility franchise revenues, and make appropriate recommendations to the City, the League of California Cities, the National League of Cities and other lobbyists of California public agencies.

- c. **Regulatory Agencies.** Monitor proceedings at the various regulatory proceedings (e.g., California Public Utilities Commission, California Energy Commission, Federal Commerce Commission, Federal Energy Regulatory Commission) that affect the deregulation of the various utilities and make appropriate recommendations to the City.
- d. **Information Services.** Provide the City with periodic newsletters, special communications, and legislative bulletins. LAW FIRM may also provide instruction to the City's staff through workshops and seminars on such subjects as industry deregulation, new technologies, complying with new utility-related legislation, and other timely subjects.

2. **Statutory Compliance and Consulting Services**

- a. **Publication of Ordinance Requirements.** Prepare and maintain an accurate copy of the City's UUT ordinance and its administrative rules and interpretations on the uutinfo.org website, and otherwise assist the City in complying with Public Utilities Code § 495.6.
- b. **Web-Based Data Links.** Prepare and maintain on the 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.
- c. **Access to Client-Only Webpage.** Provide the City's staff (with UUT responsibilities) access to the client-only features of the uutlaw.com webpage and periodic newsletters, including legislative tracking, legal memos, breaking news, special utility issue features (e.g., new technologies), and practice hints.
- d. **Access to Information.** 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.
- e. **Revenue Forecasts.** Provide staff with revenue forecasts based on industry trends, historical trends, and other relevant factors.

3. **Assistance to City's Internal UUT Staff**

- a. **Assist City with Utility Users Tax Technical Task Force Issues.** Assist the City with analysis of UUT TTF issues and recommend appropriate responses. Bring important UUT issues to the attention of the UUT TTF, and recommend appropriate action consistent with the City's interests.

- b. **Timely Response to Tax Application Inquiries.** 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 (e.g., utility providers, hotels, businesses) using Web-based interactive technology.
- c. **Enforcement Assistance.** Provide the City's staff and the City Attorney's office with: i) legal advice on specific issues that arise in the enforcement of the tax ordinance (e.g., nexus issues and questions from taxpayers or tax collectors); and, ii) compliance correspondence and legal notices as required by ordinance and due process.
- d. **Audit Assistance.** Assist the City's staff and the City Attorney's office in, i) gaining access to audit-related information under existing legal authorities; ii) addressing legal issues that arise in the course of an audit; iii) providing exemption analysis; and, iv) reviewing and developing legal measures to improve existing or proposed tax compliance programs, including tax amnesty programs.
- e. **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.

C. MMC Does Not Provide Legal Services.

It is agreed and understood MMC will provide no legal services that may be required under any of the PROGRAM activities described in this AGREEMENT, but rather LAW FIRM will provide such legal services by separate agreement with the City. It is also acknowledged that in providing such legal services, LAW FIRM's client will be the City, and not MMC.

3. CITY-SPECIFIC AUDITS WITH PERFORMANCE-BASED FEE

A. Scope of City-Specific Audits

At any time during the term of this AGREEMENT, with the prior mutual consent of the City and MMC, MMC may perform a City-specific audit of a utility franchise or UUT payments from a specific utility, when the audit intends to focus on City-specific issues.

B. MMC's Responsibilities for City-Specific Activities

1. **Work Plan Approval for City-Specific Activities.** MMC will submit to the City's staff a proposed Work Plan for review and approval that will serve as the basis for City-specific compliance activities (e.g., CATV UUT or franchise review, gas or electric franchise review, or payment deviation from a specific utility).

2. **City Approval of Discovery Actions**. For City-specific activities, MMC 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 through the use of administrative subpoenas, nondisclosure agreements, and other procedures required by the utility service provider as a condition of providing access to confidential customer information.
3. **MMC to Comply with Local Laws**. In performing the compliance review services described in this subsection, MMC agrees to abide by the provisions of the City's UUT ordinance, any administrative rules the City may adopt relating to such ordinance, and the confidentiality requirements of state law (Revenue and Taxation Code Section 7284.6-.7). Throughout the above process, MMC shall be available to meet with the City, utility service providers, or their customers to review any MMC findings or recommendations arising out of its compliance review activities for the City.

4. CITY'S RESPONSIBILITIES

To facilitate and maximize the effectiveness of the above compliance review activities, the City shall diligently assist MMC by performing the following:

A. Necessary Information.

The City will provide MMC, on a timely basis, with information necessary to conduct its compliance review activities including but not limited to: monthly UUT payment histories, exemption lists, and SB 278 gas and electric lists (including names of customers refusing to pay surcharges), and certified copies of the UUT ordinance and any subsequent amendments.

B. Letter of Authorization.

The City will provide a letter of authorization identifying MMC as an authorized agent of the City to perform utility users tax compliance audits, to receive and examine appropriate utility and customer records (hard copy and data format) necessary to assure UUT tax compliance, and to execute necessary nondisclosure agreements approved by the City.

C. Legal Interpretations of Ordinance.

Upon request, the City will provide MMC with appropriate legal and administrative interpretations of its UUT ordinance. It is agreed and understood that the City will retain the exclusive authority and responsibility to administer, interpret, and enforce its UUT ordinance, recognizing that the role of MMC and LAW FIRM is limited to employing their unique expertise and proprietary tools for: i) detecting and identifying errors/omissions by utility service providers or utility users in the application, calculation, collection, and/or remittal of UUT; and, ii) providing the City with technical assistance, without assuming or being delegated the authority or responsibility of the City to administer, interpret, and enforce its UUT ordinance and standard utility franchise agreements.

5. TERMINATION OF UTILITY USERS TAX / FRANCHISE COMPLIANCE AND REVENUE PROTECTION SERVICES

Either the City or MMC may terminate this Utility Users Tax / Franchise Compliance and Revenue Protection Services, by thirty (30) days prior written notice as provided in this Section. Upon termination by either party of the AGREEMENT as provided herein, MMC shall be entitled to retain any fees it may have received from the City pursuant to Attachment 1 to Exhibit B. In addition, MMC shall be entitled to payment according to the terms of Attachment 1 to Exhibit B, Utility Users Tax Section A(1), below, for all additional revenues, including interest and penalties, that MMC is able to reasonably substantiate resulted from its compliance review activities. Within thirty (30) days following termination, MMC shall provide the City with a list of detections of non-compliance resulting from the compliance review activities of MMC. The City shall, in good faith, diligently seek to: i) correct such detections of non-compliance made by MMC prior to the date of termination; and, ii) collect the additional revenues that are due the City and MMC for past periods and for the twelve quarters going forward following the correction, even though the date of actual correction may occur after the termination date. MMC shall assist the City in this correction/collection effort, if so requested by the City.

TRANSIENT OCCUPANCY TAX (TOT) ANALYSIS & COMPLIANCE PROGRAM

MMC will not begin its TOT service until MMC receives written authorization to proceed. MMC's TOT Analysis and Compliance Program ("Compliance Program") assists the City of Sacramento ("City") to realize TOT revenue to which it is entitled and educates collectors and remitters of TOT to assist in future compliance with the City's ordinances.

1. The Compliance Program. After MMC receives the lodging provider return information from the City for the most recent forty-eight (48) months or the period covered by the applicable statute of limitation, whichever is shorter, MMC will provide its Compliance Program as a single service consisting of the following two-phase process.

1.1 Analysis & Discovery—Phase 1. During this phase, MMC will:

- a. Perform discovery services designed to identify and locate lodging providers not properly registered with the City and not appearing on the City rolls as TOT remitters;
- b. Analyze lodging provider return information from the most recent 48 months or the period covered by the applicable statute of limitation, whichever is shorter, in order to identify unusual or suspicious reporting and/or activities that warrant further review;
- c. Conduct unobtrusive collection of information on each property, including number of rooms, occupancy rate, property's condition, business dynamics;
- d. 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;
- e. Coordinate with designated City official(s) as necessary to review the analysis report;
- f. Develop with the designated City staff a list of lodging providers to be subject to a compliance review of lodging and tax records; and
- g. During the term of this Addendum, provide up to ten (10) hours of additional consulting time to assist the City in evaluating or implementing any of the proposed actions suggested by the above report.

1.2 Compliance Review—Phase 2. During this phase, MMC will conduct a compliance review consisting of some or all of the following procedures:

- a. Provide City staff with a detailed list of all records required to be made available by lodging providers for the reviews, together with a draft engagement announcement letter to be sent to each lodging provider;
- b. Examine records pertaining to TOT for each lodging provider selected for a compliance review.
- c. Verify accuracy of filed TOT returns with daily and monthly activity summaries;
- d. Review a random sample of the daily and monthly summaries to determine if the daily summaries reconcile to the monthly summaries;
- e. If MMC 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;

- f. Review exempted revenue for proper supporting documentation;
- g. Submit to designated City staff a compliance review report that includes:
- MMC's review findings;
 - for each error/omission identified and confirmed, accompanying documentation that MMC believes is necessary to facilitate recovery of revenue due from lodging providers for prior periods ;
 - draft notices of deficiency determination, commendation and warning letters as applicable; and recommendations; ;
- h. Coordinate with designated City official(s) as necessary to review compliance review report;
- i. Provide assistance to City in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination; and
- j. Prepare and document any changes to the compliance review findings and provide revised tax, interest or penalty amounts due the City.

1.3 Term. This addendum automatically terminates 1 year after the date of the last signature on this Addendum. Notwithstanding termination of this Agreement, City shall be obligated to pay MMC for services performed through the effective date of termination for which MMC has not been previously paid.

2. Data. City shall provide copies of returns submitted by all domiciled lodging providers for the most recent forty-eight (48) months or the period covered by the applicable statute of limitation, whichever is shorter, to MMC prior to the start of phase 1. In the alternative, if the City has the full return data digitized, submitting such in electronic format would be preferable.

PROPERTY TAX ADDENDUM

MMC will not begin its Property Tax Compliance Service until MMC receives written authorization to proceed. Once written authorization to proceed is received, MMC shall provide to the City of Sacramento and Sacramento Housing and Redevelopment Agency (City/RDA), MMC's Property Tax Compliance Services which consists of Discovery, Audit and Recovery Services.

OBJECTIVES AND METHODS

MMC's property tax audit assists City/RDA in recovering all of the revenue to which it is entitled from its Property Tax and RDA Tax Increment. Administrative errors and omissions combined with general compliance problems are inevitable given the non-standard, complex nature of state and local property taxes. Error rates rise with respect to property tax applicability, rates, exceptions, exemptions, quirks and other inconsistencies.

Because there are time limitations on the City's ability to recover misallocated revenue, prompt correction of these errors and omissions is essential to maximizing revenue potential.

The following steps are taken in conducting MMC's Property Tax Audit:

- o Contact City/RDA designated staff to review service objectives, scope, workplan schedule, public relations and logistical matters. MMC will also establish an appropriate liaison with the City/RDA's coordinator and logical checkpoints for progress reviews.
- o Represent the City/RDA for purposes of examining records pertaining to property tax and RDA tax increment to identify and confirm any errors/omissions that are resulting in deficient payment of tax revenues to the City/RDA.
- o 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").
- o Meet with designated City/RDA official(s) as necessary to review our findings and recommendations.
- o 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 is the Date of Knowledge.
- o Provide additional assistance as necessary to support the City/RDA in recovering and preventing tax allocation errors/omissions.

From the Date of Knowledge, 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").

Specifically, MMC shall:

- o Establish a comprehensive inventory of every parcel located within the City and within the RDA project(s), including the database elements needed to facilitate a comparison analysis with County secured and unsecured taxable values.
- o Conduct an audit of the City/RDA local secured and unsecured valuations, on a parcel-by-parcel basis to determine tax rate area (TRA) miscoding errors and omissions.

TIMING AND REPORTING

MMC shall commence the revenue enhancement audits and annual report services within 10 working days of authorization (unless instructed otherwise by the City/RDA) with the objective of delivering the initial audit reports within 90 to 120 working days. Thereafter, MMC shall provide the City with audit progress reports to include, but not be limited to, the following:

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

EXHIBIT B

CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT

FEE SCHEDULE/MANNER OF PAYMENT

1. **CONSULTANT's Compensation.** The total of all fees paid to the CONSULTANT 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 contingent percentages established in Exhibit B – Attachment 1 for the sales and use tax audit services (SUTA), utility users tax/franchise compliance program (UUT), business operations tax – local tax compliance (LTC), and property tax and tax increment audit services (PTX). In addition, as specified in Exhibit B – Attachment 1, the fixed price portion of the sales and use tax information services (STARS) and the utility users tax revenue protection compliance program shall not exceed \$57,000 per year. Additionally, if requested the fixed price portion of the transient occupancy tax compliance program (TOT) shall not exceed \$83,000 including out of pocket expenses and travel cost, and the optional TOT seminar service shall not exceed \$4,000 including out of pocket expenses and travel costs.
2. **Billable Rates.** CONSULTANT 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, attached hereto and incorporated herein.
3. **CONSULTANT's Reimbursable Expenses.** Reimbursable Expenses shall be limited to actual expenditures of CONSULTANT 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 CONSULTANT.**
 - A. Payments to CONSULTANT shall be made within thirty (30) days after receipt of CONSULTANT's invoice, said payments to be made in proportion to services performed or as otherwise specified in Attachment 1 to Exhibit B. CONSULTANT may request payment on a monthly basis. CONSULTANT 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 CONSULTANT 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 CONSULTANT for correction. CITY shall not be responsible for delays in payment to CONSULTANT resulting from CONSULTANT's failure to comply with the invoice format described below.

D. Requests for payment shall be sent to:

*City of Sacramento Finance Dept / Revenue Division
915 "I" Street, Room 1201
Sacramento, CA 95814
(916) 808-5833 / Fax: (916) 808-5248
Attn: Walker Black, Senior Mgmt Analyst*

5. **Additional Services.** Additional Services are those services related to the scope of services of CONSULTANT 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 consultants to perform said Additional Services.

6. **Accounting Records of CONSULTANT.** During performance of this Agreement and for a period of three (3) years after completion all Services and Additional Services hereunder, CONSULTANT

ATTACHMENT 1 TO EXHIBIT B

COMPENSATION

SALES AND USE TAX (SUTA) COMPENSATION

MMC's compensation for the Sales and Use Tax Audit Service is a 20% contingency fee. This fee applies to revenue received for all eligible quarters prior to the quarter in which the Date of Correction falls, back to and including the three quarters prior to the Date of Knowledge quarter, and for four quarters beginning with the quarter in which the Date of Correction falls. As used herein, the Date of Knowledge is the quarter during which MMC notifies the SBE of the existence of a misallocation. As used herein, 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 properly to City based on the taxpayer's reporting. For QDR Misallocations detected and corrected, MMC's compensation shall only include the quarters in which the misallocation actually occurred.

City Responsibilities

MMC's compensation shall only include the quarters in which the misallocation actually occurred.

SALES/USE TAX ANALYSIS & REPORTING SERVICE (STARS) COMPENSATION

COST PROPOSAL

MMC's compensation for Sales and Use Tax Information Services (STARS) shall be \$17,000 annual fixed fee, to be paid in quarterly installments of \$4,250. 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 current available CPI-WU is 206.9 based on May 2006 index. 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%).

Not-to-Exceed (NTE) amount for SUTA/STARS

Total amount of fees paid to MMC for SUTA service, including all authorized reimbursable expenses, shall not exceed the contingency percentages as set forth above in SUTA compensation section. Total amount fees paid for STARS service shall not exceed \$56,270 for the 3-year period.

BUSINESS OCCUPATION TAX / LOCAL TAX COMPLIANCE (LTC) COMPENSATION

MMC's compensation for the LTC service shall be 30% contingency fee. The 30% contingency fee applies to revenue received by the City as a result of MMC detecting and documenting the error(s)/omission(s) causing the deficiencies resulting in additional revenue realized by the City for the current tax year, the following tax year and any applicable prior periods as a result of MMC's Local Tax Compliance Service.

At the request of the City, as part of the LTC program, MMC will provide BizLINK™ at no charge for one year for up to 5 users. Additionally, MMC shall waive the setup fee up to \$20,000 value at MMC's \$150 standard hourly rate. Based on prior experience, MMC estimates that the total setup fee will be under \$20,000. This fee estimate is based on the anticipated cooperation from the City's personnel and the assumption that unexpected circumstances will not be encountered during the setup. If unexpected circumstances, such as requests by the City to modify the core functionality of the BizLINK™ system, arise that would cause the total setup fee to exceed \$20,000, MMC will bill the City for excess hours at the standard hourly rate of \$150 per hour to complete the setup.

After the first year, MMC's compensation for BizLINK™ shall be set forth below under the BizLINK™ compensation section.

City Obligations

City agrees to provide an electronic copy of City's License Registration File and License Payment History file to MMC, together with any other information necessary for MMC to compute MMC's billing for services,

UTILITY USERS TAX/FRANCHISE COMPENSATION

A. COMPLIANCE REVIEW SERVICES

1. **Total Annual Fixed Fee.** In the event that the CITY's Finance Director requests the Revenue Protection Services of Attachment 1 to Exhibit A, Utility User's Tax Section 3, MMC and the City shall agree, in advance and in writing, on an annual fixed fee of \$36,000 for said Revenue Protection Services.
2. **Allocation of Annual Fixed Fee.** Said annual fixed fee payment shall be allocated, and paid separately, to LAW FIRM and MMC as follows: a) to LAW FIRM, twenty-five percent (25%) of the total annual fixed fee, as reflected in a separate attorney client agreement with the CITY; and b) to MMC, the remaining seventy-five percent (75%) of the total annual fixed fee. At any time, LAW FIRM and MMC may, by mutual agreement, adjust their proportional share of said total annual fixed fee, provided that such parties shall receive prior approval of such adjustment from the CITY.
3. **Quarterly Payments of Fixed Fee.** Said annual fixed fee shall be paid in four equal quarterly payments with due dates of: March 31, June 30, September 30, and December 31. These quarterly payments are nonrefundable. The first quarterly payment shall be due on the next

2. Notwithstanding subsection (1) above, nothing herein shall prohibit the parties from entering into a written agreement on compensation for City-specific audit services on a fixed fee or any other separately negotiated basis.
3. In the event that any legal services from LAW FIRM are required in connection with a City-specific audit, the cost of such services to the City shall be paid by MMC, and MMC shall disclose to the City the financial arrangement between MMC and LAW FIRM regarding the payment of such costs.
4. MMC shall absorb all expenses incurred by MMC in providing its services as described herein. These expenses include items such as employee salaries and benefits, insurance, airfare, auto rentals, meals, lodging, Federal Express, mail, telephone, copying, directories, on-line resources, and other overhead and miscellaneous expenses

C. CITY'S OBLIGATIONS

Regarding the City-specific compliance review activities described above, the City agrees to:

1. Invoice the responsible party for tax deficiencies (plus interest and penalties if applicable) identified and confirmed by MMC within thirty (30) days following receipt of MMC's detection report or correspondence. In the event the City does not pursue retroactive taxes from MMC's audit finds, MMC should be compensated on a time and materials basis not to exceed \$2,000 per each business not pursued.;

TRANSIENT OCCUPANCY TAX (TOT) ANALYSIS & COMPLIANCE PROGRAM

Phase 1 – Discovery and Analysis

City shall pay MMC a fixed fee of \$300 per lodging property with ten or fewer guest accommodations and \$600 per lodging property with more than ten guest accommodations. This fee applies to all lodging properties located in the City limits, including lodging properties located via discovery.

Phase 2 – Compliance Review

For those properties where the City elects, within 90 days after the completion of MMC's analysis report, a full Compliance Review to be completed per Phase 2, City shall pay MMC an additional fixed fee of \$900 per lodging property reviewed. Should the City not approve the list of lodging providers to be subject to a Compliance Review of lodging and tax records within 90, MMC's fee shall be \$1,100 per lodging property reviewed.

Compensation Example

City has 20 lodging properties with ten or fewer guest accommodations and 65 properties with more than 10 guest accommodations. Compensation for Phase 1 would be \$45,000 (\$6,000 + \$39,000). Typically, based on the results of Phase 1, there will be approximately 33% of the properties that will be recommended for the Phase 2 Compliance Review. The estimated compensation for Phase 2 would be \$25,200 (28 X \$900). Total estimated compensation for the TOT program would be \$70,200 plus out of

PROPERTY TAX COMPENSATION

Cost Proposals

MMC performs this work for a 25% contingency fee. This fee applies to all reallocations for the fiscal year during which the Date of Correction falls and all eligible prior period revenues corrected.

City Obligations

MMC shall invoice City for the above fee on no less frequently than a quarterly basis, based on recoveries actually received by City. Because MMC's TAX COMPLIANCE Service may result in collection of deficiencies after termination of the Agreement, City's obligation to collect fees and notify MMC, and MMC's right to continue to receive payment, shall survive termination of this Addendum or the Agreement for any reason.

PropertyLINK™ COMPENSATION

Cost and Term. Pricing for PropertyLINK™ is divided into Set-Up Fees, which are one-time costs to implement the Service, and Annual Fees, paid quarterly for the Service following implementation.

Set-Up Fees. MMC will charge City a one-time fee \$2,500 for set-up to implement the PropertyLINK™ Service. If the SHRA activates the Tax Increment Audit, MMC will waive the setup fee. Set-Up Fees shall be billed immediately following execution of this Addendum.

(A.) Defining Set-Up. Set-Up includes the following:

- Conversion of existing City data to the PropertyLINK™ system (applies to City data available to MMC in electronic format only. City is responsible for any direct data entry not available in electronic format.)
- Installation and configuration of the VPN software.
- Eight (8) hours of on-site user training for five (5) Users.
- SecureID's and UserID's for five (5) Users.

Data Costs. MMC will procure the data necessary to generate the database that will underlie the service. City will reimburse MMC for the direct costs MMC incurs in procuring any property-tax related data needed for conversion into PropertyLINK™, including, but not limited to, secured rolls, unsecured rolls, or property characteristics file. Prior to incurring costs for procuring data, MMC will provide City with the estimated cost for acquiring the data. MMC will not acquire the data unless City approves the

Additional Users. 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 or damaged 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. City may authorize additional Users by providing MMC with written authorization that specifies the number of additional Users and authorizes MMC to charge City the set-up fee and the additional Annual Fees. The written authorization must be from a person with the authority to bind the City. The written authorization may be provided by email. Upon request, City will also provide MMC with any additional information MMC needs to add the additional User(s).

Additional costs. Additional fees may apply for consulting services, added data layers, customized upgrades, or other services requested by City, which are not reasonably included with the services described in this Addendum. Additional fees will be agreed upon in writing by both parties prior to any commencement of services. Unless City and MMC have agreed in writing before the performance of extra services, no liability and no right to claim compensation for such extra services or expenses shall exist.

Training. Additional training classes are available from MMC 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.

BIZLINK COMPENSATION

COST & TERM

Pricing for BizLINK is divided into Set-Up Fees, which are one-time costs to implement the Service, and Annual Fees, paid quarterly for the Service following implementation.

Set-Up Fees. A one-time fee of \$20,000 shall be charged for set-up to implement the BizLINK Service. Set-Up Fees shall be billed immediately following execution of this Addendum. Set-Up shall include the following:

- Conversion of existing City data to the BizLINK system (applies to City data available to MMC in electronic format only. City shall be responsible for any direct data entry not available in electronic format.)
- Installation and configuration of the VPN software.
- Eight (8) hours of on-site user training for five (5) Users.
- SecureID's and UserID's for five (5) Users.

If the City also contracts with MMC for the LTC program, MMC shall waive the above setup fee up to \$20,000 value at our \$150 standard hourly rate for an estimated 133 hours of setup time. Based on prior experience, MMC estimates that the total setup fee will be under \$20,000. This fee estimate is based on the anticipated cooperation from the City's personnel and the assumption that unexpected circumstances will not be encountered during the setup. If unexpected circumstances arise that would cause the total setup fee to exceed \$20,000, MMC will bill the City for excess hours at the standard hourly rate of \$150 per

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 MMC 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.

Not-To-Exceed (NTE) amount for Optional Services

Total amount of fees paid to MMC for LTC and PTX, as well as UUT City-specific work performed under a contingency fee basis, including all authorized reimbursable expenses, shall not exceed the contingency percentages as set forth above in each compensation section.

Total amount fees paid for

- UUT Compliance Program shall not exceed \$108,000 , for the 3-year period;
- City-specific audit under the UUT Compliance Program shall be determined later when both the City and MMC agree mutually on the compensation;
- TOT Compliance Program shall not exceed \$83,000, including out of pocket expenses and travel cost, assuming that the compensation example outlined above is reasonably accurate;
- Optional TOT seminar service shall not exceed \$4,000, including out of pocket expenses and travel cost assuming that the City provides the facility for the seminar;
- BizL/NK™ service shall not exceed \$63,000 in the 3-year period assuming that MMC waives the setup fee and first-year annual fee as part of the LTC program. However, if the City does not allow us to continue with the LTC program, the total fees for BizL/NK™ shall not exceed \$119,300 in 3-year period;

EXHIBIT D
CONSULTANT AND PROFESSIONAL SERVICES AGREEMENT

GENERAL PROVISIONS

1. **Independent Contractor.**
 - A. It is understood and agreed that CONSULTANT (including CONSULTANT's employees) is an independent contractor and that no relationship of employer-employee exists between the parties hereto for any purpose whatsoever. Neither CONSULTANT nor CONSULTANT'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 CONSULTANT under the provisions of this Agreement, and CONSULTANT shall be issued a Form 1099 for its services hereunder. As an independent contractor, CONSULTANT 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 CONSULTANT'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.)
 - D. It is further understood and agreed by the parties hereto that CONSULTANT in the

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 CONSULTANT. CONSULTANT may represent, perform services for, or be employed by such additional persons or companies as CONSULTANT sees fit provided that CONSULTANT does not violate the provisions of Section 5, below.

2. **Licenses; Permits, Etc.** CONSULTANT represents and warrants that CONSULTANT has all licenses, permits, City Business Operations Tax Certificate, qualifications, and approvals of whatsoever nature that are legally required for CONSULTANT to practice its profession or provide any services under the Agreement. CONSULTANT represents and warrants that CONSULTANT 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 CONSULTANT to practice its profession or provide such Services. Without limiting the generality of the foregoing, if CONSULTANT is an out-of-state corporation, CONSULTANT 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.** CONSULTANT 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 CONSULTANT'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. **CONSULTANT Not Agent** Except as CITY may specify in writing CONSULTANT and

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 CONSULTANT of this Section 6 shall be a material violation of this Agreement and shall justify legal and/or equitable relief.

7. CONSULTANT Information.

A. CITY shall have full ownership and control, including ownership of any copyrights, of all information prepared, produced, or provided by CONSULTANT pursuant to 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, photostating, 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. CONSULTANT shall not be responsible for any unauthorized modification or use of such information for other than its intended purpose by CITY. Notwithstanding the provisions of this paragraph (7.A.), CITY has no ownership or control, including copyrights, in any proprietary software provided by CONSULTANT to the CITY under this agreement. CITY's rights in CONSULTANT's proprietary software are set forth in the license agreements accompanying that software.

B. CONSULTANT 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

such information shall be disclosed by CITY pursuant to applicable procedures required by the Public Records Act.

8. **Standard of Performance.** CONSULTANT shall perform all Services required pursuant to this Agreement in the manner and according to the standards currently observed by a competent practitioner of CONSULTANT's profession in California. All products of whatsoever nature that CONSULTANT 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 CONSULTANT's profession, and shall be provided in accordance with any schedule of performance specified in Exhibit A. CONSULTANT shall assign only competent personnel to perform Services pursuant to this Agreement. CONSULTANT shall notify CITY in writing of any changes in CONSULTANT'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 CONSULTANT 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, CONSULTANT 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

10. Indemnity.

- A. Indemnity: CONSULTANT shall indemnify and save harmless, CITY, its officers and employees, and each and every one of them, from and against all actions, damages, costs, liability, claims, demands, losses, judgments, penalties, costs and expenses of every type and description, including, but not limited to, any fees and/or costs reasonable 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"), to the extent such Liabilities are caused by or arise from any negligent act or omission, recklessness or willful misconduct of CONSULTANT, its subconsultants, subcontractors or agents, and their respective officers and employees, in connection with the performance or nonperformance of this Agreement, whether or not (i) such Liabilities also are caused in part by the passive negligence of the CITY, its officers or employees, (ii) the CITY, its officers or employees reviewed, accepted or approved any service or work product performed or provided by the CONSULTANT, or (iii) such Liabilities are litigated, settled or reduced to judgment.
- B. Obligation to Defend: CONSULTANT shall, upon CITY's request, defend at CONSULTANT's sole cost any action, claim, suit, cause of action or portion thereof that asserts or alleges Liabilities caused by or arising from any negligent act or omission, recklessness or willful misconduct of CONSULTANT, its sub-consultants, subcontractors or agents, and their respective officers and employees, in connection with the performance or nonperformance of this Agreement, whether such action, claim, suit, cause of action or portion thereof is well founded or not.

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 CONSULTANT.

No automobile liability insurance shall be required if CONSULTANT 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." _____ (CONSULTANT 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

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, employees and volunteers 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, CONSULTANT's insurance coverage shall be primary insurance as respects CITY, its officials, employees and volunteers. Any insurance or self-insurance maintained by CITY, its officials, employees or volunteers shall be in excess of CONSULTANT's insurance and shall not contribute with it

(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 CONSULTANT and/or cancel the Agreement if the insurance is canceled or CONSULTANT otherwise ceases to be insured as required herein.

F. Subcontractors

CONSULTANT 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, CONSULTANT, for itself, its assignees and successors in interest, agrees as follows:

A. Compliance With Regulations: CONSULTANT 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: CONSULTANT, 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

- (1) Withholding of payments to CONSULTANT under this Agreement until CONSULTANT complies;
- (2) Cancellation, termination, or suspension of the Agreement, in whole or in part.

F. Incorporation of Provisions: CONSULTANT 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. CONSULTANT 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 CONSULTANT becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, CONSULTANT 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 CONSULTANT, and by CITY, in accordance with applicable provisions of the Sacramento Municipal 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.

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 Municipal 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 \$25,000.00. 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

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

Attachment A



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

On August 1, 2006, your employer (the "Employer") entered into a contract with the City of Sacramento (the "City") for revenue audit and revenue recovery services, and as a condition of that contract, agreed to abide by the requirements of the City's Non-Discrimination In Employee Benefits Code (Sacramento Municipal 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.

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
Contract Services Unit
915 I Street, 2nd Floor
Sacramento, CA 95814-2714

- 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
Contract Services Unit
915 I Street, 2nd Floor
Sacramento, CA 95814-2714
- 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.