



FINANCE AND BUDGET COMMITTEE
NOVEMBER 18, 2004

SUBJECT: SALES TAX AUDIT, FORECASTING AND REVENUE RECOVERY

ACTION: AWARD CONTRACT TO MBIA MUNISERVICES COMPANY

RECOMMENDATION

Award a non-competitive contract to MBIA MuniServices Company (MMC) for sales tax audit, forecasting, and revenue recovery services for three years, with two-one year options.

Audit and revenue recovery services are on a contingency basis at the following rates:

Recoveries	Fee %
under \$6M	23%
\$6M - 20M	17%
over \$20M	11%

Forecasting services are at a fixed cost of \$6,250 per quarter for the first year, adjusted annually by an amount equal to the local Consumer Price Index, with a not to exceed amount of \$135,000 for the full five-year period.

RATIONALE

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

MMC is the main provider of sales tax audit services to cities and the only provider to transit districts in California. Staff queried six transit districts in California that procured sales tax audit services to determine their most recent procurement experiences. In each case, MMC was either the single respondent to the RFP, a sole source contract was issued, or firms which initially responded either were determined to be non-responsive to the requirements of the RFP or they withdrew from the process.

Other jurisdictions in Los Angeles County that contract with MMC include:

City of Los Angeles	County of Los Angeles	Torrance
Pasadena	Beverly Hills	Santa Clarita
Compton	El Monte	Palmdale
Santa Fe Springs	Gardena	Hawthorne
South Gate	Calabasas	Westlake Village
Agoura Hills	Rancho Palos Verde	

FINANCIAL IMPACT

The funding of \$25,000 for sales tax forecasting is included in the FY05 budget, in Treasury Department cost center #5210, project numbers 100002 (4%), 300076 (43%), and 610340 (53%). Since this is a multi-year contract, the cost center manager and Executive Officer will be accountable for budgeting the cost in future years, including any option exercised. In FY04, \$25,000 was expended on forecasting services.

Fees for MMC audit and revenue recovery services will be deducted from actual gross recovered revenues when realized. MMC has agreed to continue with the current contract fee schedule: contingency fee compensation of 23% for the first \$6 million in recoveries, 17% for the next \$14 million, and 11% for anything over \$20 million. As of August 2004 and after 4 ½ years of contract work, MMC has recovered over \$4.8 million and has received contingency fees of approximately \$1.1 million. The first level of recoveries, \$6 million at 23%, is reduced by the amount of recoveries to date under the current contract. Therefore, the 23% applies only to the first \$1.2 million in recoveries under this new contract.

ALTERNATIVES CONSIDERED


The alternative is to perform these services in-house. LACMTA prefers to have an independent forecasting source to compliment other sources of data currently in use. MMC is the only known firm that maintains sales tax data applicable to transit districts.

LACMTA has neither the staff resources nor in-house expertise to monitor and audit all aspects of sales tax revenue unique to transit districts. By not performing this function, LACMTA may be losing sales tax data and revenue.

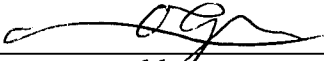
Attachments:

A-1 Procurement History

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Executive Officer Finance & Treasurer



Roger Snoble
Chief Executive Officer

BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY

SALES TAX AUDIT, FORECASTING AND REVENUE RECOVERY

1.	Contract Number: PS 5210 100		
2.	Recommended Vendor: MBIA MuniServices Company		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$ 135,000 for forecasting services; MMC proposed a contingency fee for recoveries as follows: 23% for first \$6 million, 17% for next \$14 million, and 11% for anything over \$20 million.	Recommended Price: \$135,000 for forecasting services; a contingency fee for recoveries as follows: 23% for first \$6 million, 17% for next \$14 million, and 11% for anything over \$20 million.	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Fee Plus Contingency		
5.	Procurement Dates:		
	A. Issued: N/A		
	B. Advertised: N/A		
	C. Pre-proposal Conference: N/A		
	D. Proposals Due: N/A		
	E. Pre-Qualification Completed: N/A		
	F. Conflict of Interest Form Submitted to Ethics:		
6.	Small Business Participation: No Goal recommended		
	A. Bid/Proposal Goal:	Date Small Business Evaluation Completed: October 12, 2004	
	Small Business Commitment: 0% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data: N/A		
	Notifications Sent: Non-competitive	Bids/Proposals Picked up: N/A	Bids/Proposals Received: 1
8.	Evaluation Information: N/A		
	A. Bidders/Proposers Names: MBIA MuniServices Company	<u>Bid/Proposal Amount:</u> See section 3A above	<u>Best and Final Offer Amount:</u> See section 3A above
	B. Evaluation Methodology: N/A		
9.	Protest Information: N/A		
	A. Protest Period End Date:		
	B. Protest Receipt Date:		
	C. Disposition of Protest Date:		
10.	Contract Administrator: Tommye Williams	Telephone Number: 213 922-1051	
11.	Project Manager: Mary Morgan	Telephone Number: 213 922-4143	

BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY

SALES TAX AUDIT, FORECASTING AND REVENUE RECOVERY SERVICES

A. Background on Contractor

MBI MuniServices Company (MMC) of Fresno, California, is the main provider of sales tax audit services to cities and the only provider to transit districts in California. This company provides similar services to most of California's largest sales tax receiving jurisdictions. MMC also has a solid relationship with the State Board of Equalization (SBOE). MMC has provided sales tax audit and forecasting services for LACMTA for the past five years and has recovered over \$4.8 million during this period.

B. Procurement Background

This is a non-competitive procurement for the continuation of sales tax audit, forecasting and revenue recovery services. The Board of Directors awarded the existing contract under a formal RFP process in September 1999; however, MMC was the single respondent to that procurement. Earlier this year, staff surveyed other transit districts and jurisdictions that receive California sales taxes to determine if these agencies required sales tax audit and revenue recovery services, and if so, who was the provider for these services. In all cases, MMC was the provider of these services. The results of the survey is as follows:

Alameda County Transportation Improvement Authority, Bay Area Rapid Transit (BART), and San Diego Association of Governments sole sourced their last procurements for sales tax audit services by contracting with MMC. Orange County Transportation Authority, the County of Los Angeles, and Santa Clara County Valley Transportation Authority issued RFPs and selected MMC because other RFP respondents either were non-responsive to the requirements of the RFP terms and conditions or they withdrew from the process.

In September of 2004, staff requested MMC to provide a proposal for the continuation of existing services for an initial term of 3 years with 2 one-year options. The submitted proposal was evaluated in accordance with Procurement Policies and Procedures and was found to be acceptable.

The Diversity and Economic Opportunity Development Department (DEOD) did not recommend a Disadvantaged Business Enterprise (DBE) participation goal for this non-competitive procurement.

MMC shall be paid an annual fixed fee of \$25,000 per year for sales tax audit and forecasting and the annual fee shall be adjusted at the beginning of each calendar year by the percentage change in the Consumer Price Index with a cap at 10%. The revenue recovery contingency shall be a graduated contingency based on the dollars recovered as follows: under \$6 million - 23%, \$6 million - \$20 million - 17%, and over \$20 million, 11%. This is the same recovery contingency as in the existing contract.

C. Evaluation of Proposals

N/A

D. Cost/Price Analysis Explanation of Variances

The recommended fixed fee for sales tax audit and forecasting services and the proposed revenue recovery contingency fees have been determined to be fair and reasonable based on historical data as well as a comparison with what other agencies pay for these services. Orange County Transportation Authority pays a 30% commission; Santa Clara County Valley Transportation Authority pays MMC a graduated contingency fee of 24% to 20%; Bay Area Rapid Transit pays a graduated contingency fee from 30% on first recoveries down to 20%; San Diego Associations of Governments pays a graduated contingency fee from 30% for first recoveries down to 20%. The contingency fee structure under the existing contract is less than the contingency fees paid to MMC by other agencies. Further, MMC did not propose an increase for the new contract.

BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS

SALES TAX AUDIT, FORECASTING AND REVENUE RECOVERY SERVICES

PRIME CONTRACTOR – MBIA MuniServices Company

Small Business Commitment

Other Subcontractors

None

None

Total Commitment

No goal recommended.

