

Council Meeting of
May 22, 2012

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the City Council:

SUBJECT: Finance – Approve agreement to provide Property Tax and Documentary Transfer Tax Audit Services and property tax information services.

Expenditure: \$7,500 annually

RECOMMENDATION

Recommendation of the Finance Director that Council approve a consulting services agreement with MuniServices, LLC to provide property tax and documentary transfer tax audit services, on a contingency basis, at a rate of 20% of property tax revenues recovered, and to provide property tax information services at a rate of \$7,500 per year. The initial contract is for three years for the period June 1, 2012 through May 31, 2015, with 2 two year options at the same annual rate.

FUNDING

Funding is available in the Finance Department's operating budget.

BACKGROUND

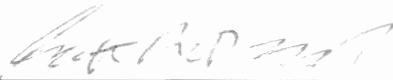
MuniServices, LLC provides assistance to local governments in verifying property tax and documentary transfer tax revenues. Their services include auditing property tax revenues apportioned by LA County, verifying that parcels within the City and Successor Agency to the Redevelopment Agency are accurately coded, and tracking property transfers and new construction to confirm reassessments are being processed in a timely manner. In addition, they provide regular reports of assessed valuation, status of property tax appeals, and other information that can be used by staff for analysis and forecasting. MuniServices currently acts as a backup to the City's internal sales tax audit program, and have provided a high level of service.

Their audit services are contingency based depending on the property tax and documentary transfer tax recovered through their efforts, and their property tax information services are based on a flat fee. MuniServices provides these property tax services to over ninety clients in California.

Staff has made inquiries of other cities of who they contracted with, and City staff met with the two largest property tax auditors. Staff believes that MuniServices has a strong audit program and believes they are the most appropriate selection. Previously, staff did enter a contract with one of the smaller providers, but they did not have the resources in their organizations to provide the same depth of service.

Respectfully submitted,

ERIC E. TSAO
FINANCE DIRECTOR

By 

Scott C. McDonough
Audit Manager

CONCUR:



Eric E. Tsao
Finance Director



LeRoy J. Jackson
City Manager

Attachment: Consulting Services Agreement

CONSULTING SERVICES AGREEMENT

This CONSULTING SERVICES AGREEMENT (“Agreement”) is made and entered into as of June 1, 2012 (the “Effective Date”), by and between the CITY OF TORRANCE, a municipal corporation (“CITY”), and MuniServices, LLC, a Delaware limited liability company (“CONSULTANT”).

RECITALS:

- A. CITY wishes to retain the services of an experienced and qualified CONSULTANT to provide Property Tax Auditing, Reporting, Monitoring and Analysis for the City of Torrance and the Successor Agency to the Redevelopment Agency of the City of Torrance, for the period June 1, 2012 through May 31, 2015, with an initial two-year option to extend the Agreement for June 1, 2015 through May 31, 2017, and a second two-year option to extend the Agreement for June 1, 2017 through May 31, 2019.
- B. CONSULTANT represents that it is qualified to perform those services.

AGREEMENT:

1. SERVICES TO BE PERFORMED BY CONSULTANT

CONSULTANT will provide the services listed in the Scope of Services attached as Exhibit A. CONSULTANT warrants that all work and services set forth in the Scope of Services will be performed in a competent, professional and satisfactory manner.

2. TERM

Unless earlier terminated in accordance with Paragraph 4 below, this Agreement will continue in full force and effect from the Effective Date through May 31, 2015. If CITY decides to exercise its first option to extend for the period June 1, 2015 through May 31, 2017, it must notify CONSULTANT in writing not later than May 1, 2015. If CITY decides to exercise its second option to extend for June 1, 2017 through May 31, 2019, it must notify CONSULTANT in writing not later than May 1, 2017.

3. COMPENSATION

A. CONSULTANT’s Fee.

For services rendered pursuant to this Agreement, CONSULTANT will be paid a either a twenty percent contingency fee (Property Tax Services or Documentary Transfer Tax Services) or a fee (Property Tax Information Services, Malaki Adjustments, Redevelopment Financial Services, and Additional Consulting) in accordance with the Compensation Schedule attached as Exhibit B.

B. Schedule of Payment.

Provided that the CONSULTANT is not in default under the terms of this Agreement, upon presentation of an invoice, CONSULTANT will be paid monthly the fees described in Paragraph 3.A. above, according to the

Compensation Schedule. Payment will be due within 30 days after the date of the monthly invoice.

4. TERMINATION OF AGREEMENT

A. Termination by CITY for Convenience.

1. CITY may, at any time, terminate the Agreement for CITY's convenience and without cause.
2. Upon receipt of written notice from CITY of such termination for CITY's convenience, CONSULTANT will:
 - a. cease operations as directed by CITY in the notice;
 - b. take actions necessary, or that CITY may direct, for the protection and preservation of the work; and
 - c. except for work directed to be performed prior to the effective date of termination stated in the notice, terminate all existing subcontracts and purchase orders and enter into no further subcontracts and purchase orders.
3. In case of such termination for CITY's convenience, CONSULTANT will be entitled to receive payment for work executed; and costs incurred by reason of such termination, along with reasonable overhead and profit on the work not executed.

B. Termination for Cause.

1. If either party fails to perform any term, covenant or condition in this Agreement and that failure continues for 15 calendar days after the nondefaulting party gives the defaulting party written notice of the failure to perform, this Agreement may be terminated for cause; provided, however, that if during the notice period the defaulting party has promptly commenced and continues diligent efforts to remedy the default, the defaulting party will have such additional time as is reasonably necessary to remedy the default.
2. In the event this Agreement is terminated for cause by the default of the CONSULTANT, the CITY may, at the expense of the CONSULTANT and its surety, complete this Agreement or cause it to be completed. Any check or bond delivered to the CITY in connection with this Agreement, and the money payable thereon, will be forfeited to and remain the property of the CITY. All moneys due the CONSULTANT under the terms of this Agreement will be retained by the CITY, but the retention will not release the CONSULTANT and its surety from liability for the default. Under these circumstances, however, the CONSULTANT and its surety will be credited with the amount of money retained, toward any amount by which the cost of completion exceeds the Agreement Sum and any amount authorized for extra services.

3. Termination for cause will not affect or terminate any of the rights of the CITY as against the CONSULTANT or its surety then existing, or which may thereafter accrue because of the default; this provision is in addition to all other rights and remedies available to the CITY under law.

C. Termination for Breach of Law.

In the event the CONSULTANT or any of its officers, directors, shareholders, employees, agents, subsidiaries or affiliates is convicted (i) of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of a contract or subcontract; (ii) under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty which currently, seriously, and directly affects responsibility as a public consultant or contractor; (iii) under state or federal antitrust statutes arising out of the submission of bids or proposals; or (iv) of violation of Paragraph 19 of this Agreement; or for any other cause the CITY determines to be so serious and compelling as to affect CONSULTANT's responsibility as a public consultant or contractor, including but not limited to, debarment by another governmental agency, then the CITY reserves the unilateral right to terminate this Agreement or to impose such other sanctions (which may include financial sanctions, temporary suspensions or any other condition deemed appropriate short of termination) as it deems proper. The CITY will not take action until CONSULTANT has been given notice and an opportunity to present evidence in mitigation.

5. **FORCE MAJEURE**

If any party fails to perform its obligations because of strikes, lockouts, labor disputes, embargoes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, governmental restrictions, governmental regulations, governmental control, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform, then that party's performance shall be excused for a period equal to the period of such cause for failure to perform.

6. **RETENTION OF FUNDS**

CONSULTANT authorizes CITY to deduct from any amount payable to CONSULTANT (whether or not arising out of this Agreement) any amounts the payment of which may be in dispute or that are necessary to compensate CITY for any losses, costs, liabilities, or damages suffered by CITY, and all amounts for which CITY may be liable to third parties, by reason of CONSULTANT's negligent acts or omissions or willful misconduct in performing or failing to perform CONSULTANT's obligations under this Agreement. In the event that any claim is made by a third party, the amount or validity of which is disputed by CONSULTANT, or any indebtedness exists that appears to be the basis for a claim of lien, CITY may withhold from any payment due, without liability for interest because of the withholding, an amount sufficient to cover the claim. The failure of CITY to exercise the right to deduct or to withhold will not, however, affect the obligations of

CONSULTANT to insure, indemnify, and protect CITY as elsewhere provided in this Agreement.

7. **CITY REPRESENTATIVE**

Eric E. Tsao, Finance Director, is designated as the “City Representative,” authorized to act in its behalf with respect to the work and services specified in this Agreement and to make all decisions in connection with this Agreement. Whenever approval, directions, or other actions are required by CITY under this Agreement, those actions will be taken by the City Representative, unless otherwise stated. The City Representative is authorized to exercise the options to extend the TERM of this Agreement. The City Manager has the right to designate another City Representative at any time, by providing notice to CONSULTANT.

8. **CONSULTANT REPRESENTATIVE(S)**

The following principal(s) of CONSULTANT are designated as being the principal(s) and representative(s) of CONSULTANT authorized to act in its behalf with respect to the work specified in this Agreement and make all decisions in connection with this Agreement:

Doug Jensen
Senior Vice President, Client Services

9. **INDEPENDENT CONTRACTOR**

The CONSULTANT is, and at all times will remain as to CITY, a wholly independent contractor. Neither CITY nor any of its agents will have control over the conduct of the CONSULTANT or any of the CONSULTANT’s employees, except as otherwise set forth in this Agreement. The CONSULTANT may not, at any time or in any manner, represent that it or any of its agents or employees are in any manner agents or employees of CITY.

10. **BUSINESS LICENSE**

The CONSULTANT must obtain a City business license prior to the start of work under this Agreement, unless CONSULTANT is qualified for an exemption.

11. **OTHER LICENSES AND PERMITS**

CONSULTANT warrants that it has all professional, contracting and other permits and licenses required to undertake the work contemplated by this Agreement.

12. **FAMILIARITY WITH WORK**

By executing this Agreement, CONSULTANT warrants that CONSULTANT (a) has thoroughly investigated and considered the scope of services to be performed, (b) has carefully considered how the services should be performed, and (c) fully understands the facilities, difficulties and restrictions attending performance of the services under this Agreement. If the services involve work upon any site, CONSULTANT warrants that CONSULTANT has or will investigate the site and is or will be fully acquainted with the conditions there existing, prior to commencement of services set forth in this Agreement. Should CONSULTANT discover any latent or unknown conditions that will materially affect the performance of the services set forth in this Agreement, CONSULTANT must

immediately inform CITY of that fact and may not proceed except at CONSULTANT's risk until written instructions are received from CITY.

13. CARE OF WORK

CONSULTANT must adopt reasonable methods during the term of the Agreement to furnish continuous protection to the work, and the equipment, materials, papers, documents, plans, studies and other components to prevent losses or damages, and will be responsible for all damages, to persons or property, until acceptance of the work by CITY, except those losses or damages as may be caused by CITY's own negligence.

14. CONSULTANT'S ACCOUNTING RECORDS; OTHER PROJECT RECORDS

Records of the CONSULTANT's time pertaining to the project, and records of accounts between CITY and the CONSULTANT, will be kept on a generally recognized accounting basis. CONSULTANT will also maintain all other records, including without limitation specifications, drawings, progress reports and the like, relating to the project. All records will be available to CITY during normal working hours. CONSULTANT will maintain these records for three years after final payment.

15. INDEMNIFICATION

CONSULTANT will indemnify, defend, and hold harmless CITY, the Redevelopment Agency of the City of Torrance, the City Council, each member thereof, present and future, members of boards and commissions, its officers, agents, employees and from and against any and all liability, expenses, including defense costs and legal fees, and claims for damages whatsoever, including, but not limited to, those arising from breach of contract, bodily injury, death, personal injury, property damage, loss of use, or property loss that are caused by, and to the extent of, Consultant's negligence or willful misconduct. The obligation to indemnify, defend and hold harmless includes, but is not limited to, any liability or expense, including defense costs and legal fees, arising from the negligent acts or omissions, or willful misconduct of CONSULTANT, its officers, employees, agents, subcontractors or vendors. It is further agreed, CONSULTANT's obligations to indemnify, defend and hold harmless will apply even in the event of concurrent negligence on the part of CITY, the City Council, each member thereof, present and future, or its officers, agents and employees, except for liability resulting solely from the negligence or willful misconduct of CITY, its officers, employees or agents and except only to the extent of CONSULTANT's comparative fault. Payment by CITY is not a condition precedent to enforcement of this indemnity.

16. NON-LIABILITY OF CITY OFFICERS AND EMPLOYEES

No officer or employee of CITY will be personally liable to CONSULTANT, in the event of any default or breach by the CITY or for any amount that may become due to CONSULTANT.

17. INSURANCE

A. CONSULTANT must maintain at its sole expense the following insurance, which will be full coverage not subject to self insurance provisions:

1. Automobile Liability, including owned, non-owned and hired vehicles, with at least the following limits of liability:

- a. Primary Bodily Injury with limits of at least \$500,000 per person, \$1,000,000 per occurrence; and
 - b. Primary Property Damage of at least \$250,000 per occurrence; or
 - c. Combined single limits of \$1,000,000 per occurrence.
2. General Liability including coverage for premises, products and completed operations, independent contractors/vendors, personal injury and contractual obligations with combined single limits of coverage of at least \$1,000,000 per occurrence.
 3. Professional liability insurance with limits of at least \$1,000,000 per occurrence.
 4. Workers' Compensation with limits as required by the State of California and Employers Liability with limits of at least \$1,000,000.
- B. The insurance provided by CONSULTANT will be primary and non-contributory
 - C. CITY ("City of Torrance"), the Redevelopment Agency of the City of Torrance, the City Council and each member thereof, members of boards and commissions, every officer, agent, official, employee and volunteer must be named as additional insured under the automobile and general liability policies.
 - D. CONSULTANT must provide certificates of insurance and/or endorsements to the City Clerk of the City of Torrance before the commencement of work.
 - E. Each insurance policy required by this Paragraph, except Worker's Compensation and Professional liability policies, must contain a provision that no termination, cancellation or change of coverage can be made without thirty days notice to CITY (or 10-days in event of cancellation for non-payment).

18. SUFFICIENCY OF INSURERS AND SURETIES

Insurance or bonds required by this Agreement will be satisfactory only if issued by companies admitted to do business in California, rated "B+" or better in the most recent edition of Best's Key Rating Guide, and only if they are of a financial category Class VII or better, unless these requirements are waived by the Risk Manager of CITY ("Risk Manager") due to unique circumstances. In the event the Risk Manager determines that the work or services to be performed under this Agreement creates an increased or decreased risk of loss to CITY, the CONSULTANT agrees that the minimum limits of any insurance policies or performance bonds required by this Agreement may be changed accordingly upon receipt of written notice from the Risk Manager; provided that CONSULTANT will have the right to appeal a determination of increased coverage by the Risk Manager to the City Council of CITY within 10 days of receipt of notice from the Risk Manager.

19. CONFLICT OF INTEREST

- A. No officer or employee of the CITY may have any financial interest, direct or indirect, in this Agreement, nor may any officer or employee participate in any decision relating to the Agreement that effects the officer or employee's financial interest or the financial interest of any corporation, partnership or association in which the officer or employee is, directly or indirectly interested, in violation of any law, rule or regulation.
- B. No person may offer, give, or agree to give any officer or employee or former officer or employee, nor may any officer or employee solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment in

connection with any decision, approval, disapproval, recommendation, preparation or any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any way pertaining to any program requirement, contract or subcontract, or to any solicitation or proposal.

- C. City agrees and acknowledges that CONSULTANT does and will continue to provide similar services to other cities and jurisdictions in California, including within CITY's geographic area, and that this work is not a conflict of interest.

20. NOTICE

- A. All notices, requests, demands, or other communications under this Agreement will be in writing. Notice will be sufficiently given for all purposes as follows:

1. Personal delivery. When personally delivered to the recipient: notice is effective on delivery.
2. First Class mail. When mailed first class to the last address of the recipient known to the party giving notice: notice is effective three mail delivery days after deposit in an United States Postal Service office or mailbox.
3. Certified mail. When mailed certified mail, return receipt requested: notice is effective on receipt, if delivery is confirmed by a return receipt.
4. Overnight delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account: notice is effective on delivery, if delivery is confirmed by the delivery service.
5. Facsimile transmission. When sent by fax to the last fax number of the recipient known to the party giving notice: notice is effective on receipt. Any notice given by fax will be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.
6. Addresses for purpose of giving notice are as follows:

CONSULTANT: Doug Jensen, Sr. V.P., Client Services
MuniServices, LLC
7335 N. Palm Bluffs Avenue
Fresno, CA 93711
Fax: (559) 312-2827

CITY: City Clerk
City of Torrance
3031 Torrance Boulevard
Torrance, CA 90509-2970
Fax: (310) 618-2931

- B. Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified, will be deemed effective as of the first date the notice was refused, unclaimed or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- C. Either party may change its address or fax number by giving the other party notice of the change in any manner permitted by this Agreement.

21. PROHIBITION AGAINST ASSIGNMENT AND SUBCONTRACTING

This Agreement and all exhibits are binding on the heirs, successors, and assigns of the parties. The Agreement may not be assigned or subcontracted by either CITY or CONSULTANT without the prior written consent of the other.

22. INTEGRATION; AMENDMENT

This Agreement represents the entire understanding of CITY and CONSULTANT as to those matters contained in it. No prior oral or written understanding will be of any force or effect with respect to the terms of this Agreement. The Agreement may not be modified or altered except in writing signed by both parties.

23. INTERPRETATION

The terms of this Agreement should be construed in accordance with the meaning of the language used and should not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction that might otherwise apply.

24. SEVERABILITY

If any part of this Agreement is found to be in conflict with applicable laws, that part will be inoperative, null and void insofar as it is in conflict with any applicable laws, but the remainder of the Agreement will remain in full force and effect, unless the inoperative portion causes a failure of consideration.

25. TIME OF ESSENCE

Time is of the essence in the performance of this Agreement.

26. GOVERNING LAW; JURISDICTION

This Agreement will be administered and interpreted under the laws of the State of California. Jurisdiction of any litigation arising from the Agreement will be in Los Angeles County, California.

27. COMPLIANCE WITH STATUTES AND REGULATIONS

CONSULTANT will be knowledgeable of and will comply with all applicable federal, state, county and city statutes, rules, regulations, ordinances and orders.

28. WAIVER OF BREACH

No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default will impair the right or remedy or be construed as a waiver. A party's consent or approval of any act by the other party requiring the party's consent or approval will not be deemed to waive or render unnecessary the other party's consent to or approval of any

subsequent act. Any waiver by either party of any default must be in writing and will not be a waiver of any other default concerning the same or any other provision of this Agreement.

29. ATTORNEY'S FEES

Except as provided for in Paragraph 15, in any dispute, litigation, arbitration, or other proceeding by which one party either seeks to enforce its rights under this Agreement (whether in contract, tort or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party will be awarded reasonable attorney's fees, together with any costs and expenses, to resolve the dispute and to enforce any judgment.

30. EXHIBITS

All exhibits identified in this Agreement are incorporated into the Agreement by this reference.

31. CONSULTANT'S AUTHORITY TO EXECUTE

The person(s) executing this Agreement on behalf of the CONSULTANT warrant that (i) the CONSULTANT is duly organized and existing; (ii) they are duly authorized to execute this Agreement on behalf of the CONSULTANT; (iii) by so executing this Agreement, the CONSULTANT is formally bound to the provisions of this Agreement; and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which the CONSULTANT is bound.

32. WARRANTY

(a) CONSULTANT warrants that it has good title to the software free of any proprietary rights to any other party or any liens or encumbrances whatsoever, except to the extent that CONSULTANT may be sub-licensing third party software, in which case CONSULTANT warrants that it has the right to sub-license that software to City.

(b) CONSULTANT further warrants that the software, and the use of the software by City, does not infringe upon any patent, copyright, trademark, or trade secret of any third party. CONSULTANT will indemnify and defend City from and against all such third party claims, demands, and suits, and, in the event use of the software is preliminarily or permanently enjoined, will, at City's discretion, obtain for City the right to use the infringing software, modify the software so that it is non-infringing, or replace it with a compatible non-infringing software of equal functionality, including reconstruction or conversion of existing data that is required to correct the infringement.

CITY OF TORRANCE
a Municipal Corporation

MuniServices, LLC
a Delaware limited liability company

Frank Scotto, Mayor

ATTEST:

By: _____
Doug Jensen
Senior Vice President, Client Services

Sue Herbers
City Clerk

APPROVED AS TO FORM:
JOHN L. FELLOWS III
City Attorney

By: _____

Attachments: Exhibit A Scope of Services
 Exhibit B Compensation Schedule

Revised: 10/29/2008

EXHIBIT A
SCOPE OF SERVICES

Scope of Services: Property Tax Audit Services (PTX)

MuniServices Property Tax Service (PTX) is designed to assist the City in recovering 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. MuniServices' wealth of expertise in the recovery of property taxes allow for a quick correction of misallocations and revenue recovery process

Because of the time limitations on the City's ability to recover misallocated revenue, prompt correction of these errors and omissions is essential to maximizing revenue potential. In conducting the audit MuniServices will perform the following:

Review objectives and goals with the City

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

Commence the audit

Conduct an audit of the City local secured and unsecured valuations, on a parcel-by-parcel basis to determine tax rate area (TRA) miscoding errors and omissions. (See Project Schedule below.)

Inventory parcels in the City to facilitate comparison analysis

Establish a comprehensive inventory of every parcel located within the City and RDA Projects including the database elements needed to facilitate a comparison analysis with City secured and unsecured taxable values.

Examine records on behalf of the City

Represent the City 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.

Document process

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").

Review findings and recommendations with City

Meet with designated City official(s) as necessary to review our findings and recommendations. MuniServices will also provide additional assistance as necessary to support the City in recovering and preventing tax allocation errors/omissions.

Develop requests for corrective action and establish Date of Knowledge

Prepare and forward to the appropriate parties requests for corrective action and revenue recovery for misallocations. The date appropriate parties receive and acknowledge these requests are the Date of Knowledge.



County Assessor reviews misallocations identified by MuniServices for reallocation

From the DOK, the County Assessor's office will review the identified misallocations, and for those misallocations for which a correction is required, an Assessor's Roll Correction (ARC) will be processed by the County correcting those Misallocations, typically triggering a reallocation. The Roll Year in which the assessments first appear corrected is the Date of Correction. Corrected assessments result in proper allocations in subsequent Roll Years ("Corrected Allocations").

County Auditor/Controller reallocation

Once the Assessor's office confirms errors and makes corrections, the information is forwarded to the Auditor/Controller for redistribution of revenues. The reallocation process is monitored through to receipt of revenue by the City/RDA.

Project Schedule and Progress Reports

MuniServices will commence the PTX audit service within 10 working days of execution of the Agreement between with the City (unless instructed otherwise by the City) with the objective of delivering the initial audit reports within 90 to 180 working days. For each step of the audit, MuniServices has a control procedure in place to monitor the progress of the audit. MuniServices will provide the City with audit progress reports to include, at a minimum, the following:

1. Actual revenue produced for the City by MuniServices' service on an annual and cumulative basis.
2. Projected revenue forthcoming to the City as a result of MuniServices' audit service, specified according to source, timing and one-time payment versus ongoing.
3. Listing of all errors/omissions detected for the City including, for each, the account number, correction status, payment amount received by the City, period to which payment is related and payment type (e.g. reallocation, deficiency assessment, etc.).
4. 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.
5. Outstanding issues, with explanation, including status of unresolved issues previously identified.
6. Meet semi-annually or as needed with City staff to discuss findings and any issues that the City may have concerning property tax.

City Obligations/Assistance

Throughout the project and working with MuniServices' designated Project Manager and Property Tax Audit Manager, MuniServices will communicate with City's designated officials on the progress of the audit. MuniServices' Property Tax Audit and Information Services generally require minimal assistance from City staff. The work done to accomplish the City's stated goals and objectives are mostly done by MuniServices' staff and audit team. The City staff may need to review the work plan, the audit findings and recommendation. MuniServices, however, may request City's assistance to provide some data, such as building permit data, for additional consulting projects.



Scope of Services: Property Tax Information Services (PropertyLINK™)

MuniServices' Property Tax Information Services is powered by PropertyLINK™ which is a database program internet-based application that users access through their local internet service provider directly to MuniServices' secure networks in MuniServices' Data Center. PropertyLINK™ allows the user to query the database using customized parameters. PropertyLINK™ combines both the secured and unsecured data for the City. Pre-defined and user-defined custom reports are exportable to various file formats.

The PropertyLINK™ offering is a MuniServices' hosted ASP application. Application delivery is provided through an Internet Explorer (IE) web interface, with no data hosting requirements on the part of the City.

PropertyLINK™ contains pre-defined GEO areas including each Redevelopment Area (RDA), city-only, city-wide, and city defined areas of interest. All pre-defined reports are available at the GEO area level or citywide. Reports to be produced by MuniServices and/or available within the PropertyLINK™ databases include:

1. Top (1 - 100) Property Owners
2. Top (1 - 100) Property Tax Payers
3. Top (1 - 100) Property Tax Detail
4. Property Transfers since prior period
5. Pre-Prop 13 Property Listing
6. Top (1 - 100) Taxable Value Changes
7. New Construction Activity (requires city building permit data)
8. Multiple Owned Parcel
9. Absentee Owner Parcel Listing
10. Taxable Value Summary Tax Rate Area, Land Use and Tax Type
11. Estimated City Share Revenue TRA
12. Tax Revenue Summary TRA
13. Taxable Value by Land Use
14. Taxable Value Change Summary by TRA
15. Tax Increment Projections (1 year and 5 year)

In addition to pre-defined reports, PropertyLINK™ provides a detailed Ad-Hoc query capability enhanced by MuniServices' report building tools to allow for:

1. Complete control of Ad-Hoc Report Generation facilitated by the Integrated Custom Report Designer
2. Automatic Report Generation
3. Easy to use selection criteria for field selection
4. Full control of tabular field selection, sorting and display
5. Ability to send selected data to Tabular Data export for Excel, Delimited (Tab/Comma), or XML file formats

Specific client-based reports, such as the Assessment Appeal Reports analyze historical success rates, pending appeals and the potential impact they may have on each RDA project area and are prepared quarterly. Assessment Appeals Reports will contain the following information:



6. Top ### Property Tax Generators – Listing of top property tax generators combined by owner
7. Current Pending Appeals for Top ### Property Tax Assesses – Lists appeals filed and pending by top property tax generators
8. Assessment Appeal History and Success Rate – Lists historical disposition of appeals with success rates and financial impact
9. Pending Appeals Total Impact Projections – Calculates potential impact of pending appeals based on historical rates
10. Pending Appeals Annual Impact Projections

Information and Data

MuniServices will be responsible for securing all primary sources of information in connection with the audit and information services. MuniServices' proprietary data standardization and integration techniques include data enhancements, such as population of situs address that is omitted by Los Angeles County and calculation of tax rate elements necessary for revenue calculations. MuniServices will also purchase data as needed from other external sources.

Additional Property Tax Audit Corollary Consultation Services

In addition to the services described above, if MuniServices and City mutually agree on the scope of services and compensation, MuniServices can provide additional consulting services to the City that include, but are not limited to, the following:

1. Ad-hoc inquiries through the use of the City's data base;
2. Advice and consultation on the City/RDA's preparation of required redevelopment reports, such as statement of indebtedness, annual reports, and low & moderate income housing requirements;
3. Review and analysis of pass-thru agreements;
4. Providing revenue generating products as requested by the city/agency including but not limited to the unsecured roll; and
5. Fiscal consultants report.



Scope of Services: Documentary Transfer Tax (DTT)

A Documentary Transfer Tax (DTT), or Real Property Transfer Tax, is a tax imposed on each recorded document in which real property is sold. The tax rate is \$1.10 for each \$1,000, of the value of real property. The DTT is paid at the time of recording a document transferring real property and is paid by either the buyer or the seller upon mutual agreement. The County Recorder collects on behalf of the cities and county, and then distributes the revenue to its proper jurisdiction.

Cities receive a monthly warrant from the Los Angeles County Auditor-Controller's Office, Accounting Unit, for DTT fees collected in the previous month. This documentation does not provide cities with any level of detail regarding the transactions or individual properties included in the payment. Due to this lack of sufficient detail, cities are unable to reconcile the amounts they are due and receive. To review these transactions, MuniServices has established a propriety process whereby the taxes collected by the County Recorder are compared against payments remitted to the city for reconciliation. This is possible due to MuniServices extensive and exhaustive processes and knowledge of the County's procedures. To conduct the DTT, MuniServices will:

1. Establish a comprehensive inventory of every parcel located within the City, including the database elements needed to facilitate a comparative analysis between DTT receipts by the city and transfers which have occurred within the city.
2. Procure from the County a detailed listing indicating all parcels transferred within 2 years of the list date.
3. On a quarterly basis, review County listing of transferred parcels for proper allocation to city.
4. Prepare and forward a list of any misallocated transfers resulting in deficiencies to the city.

It should be noted that the County Clerk has recently ruled that they will no longer review DTT transactions submitted for possible corrections by third party consultants. MuniServices' is in the process of writing a legal opinion on behalf of our clients regarding this decision.

City Obligations

MuniServices will monitor the receipts of the payments that the City receives from the County as a result of revenue identified by MuniServices and will invoice the City based on the receipts. If the data is not available that would enable MuniServices to identify the above receipts, City will instead notify MuniServices within 10 days following receipt by the City of revenue recovered or reallocated resulting from MuniServices' DTT service. In either case, compensation is due and payable upon receipt of invoices.

Malaki Adjustments

If a property in an RDA becomes permanently designated for public use and to remain off the property tax roll, the law (Redevelopment Agency of the City of Sacramento vs. Malaki, 216 Cal. 2d 480) requires that the base year assessment roll utilized for the allocation of tax revenue between the RDA and the taxing entities be reduced by the base assessed value, of those properties acquired for public use by tax exempt entities. An RDA must request that the base year value for the RDA be adjusted to reflect this change. It is the responsibility of the RDA to

notify the County Assessor and Auditor Controller and prepare documentation for a base year reduction.

MuniServices will represent the RDA for the purposes of reviewing properties within the RDA which have been placed into permanent public use and prepare the appropriate documentation and application for a base year reduction where applicable.

On-Going Consultation

MuniServices will serve as a resource to staff on questions relating to property tax/RDA tax increment and will be available to represent the City/RDA at meetings both internal and external as needed.

Redevelopment Financial Services

In addition to the services described above, MuniServices can provide additional consulting services to the City that include, but are not limited to, the following:

1. Ad-hoc inquiries through the use of the City's data base
2. Advice and consultation on the City/RDA's preparation of required redevelopment reports, such as statement of indebtedness, annual reports, and low & moderate income housing requirements
3. Review and analysis of pass-thru agreements



Policy, Regulatory and Legislative Consulting

Focus on Property Tax, Redevelopment, Economic Development and Documentary Transfer Taxes

MuniServices' product and service offerings are complemented by a dedicated Government Relations team that provides local government advocacy, policy, regulatory and legislative consulting support and expertise. The Government Relations team includes expertise in issue areas impacting local government revenues, including property taxes, redevelopment, and economic development. MuniServices' legislative analyst's in 2012 offer immediate and long-term perspectives on proposed laws and regulations (at all levels of government) that impact the City's revenue streams. The team will be available to the City to attend meetings and present updates and analyses on proposed laws and trends. Our staff is available via electronic mail and phone for immediate assistance on policy matters.

Consulting and Advocacy

This year we are especially concerned with the impact of the recent Supreme Court decision to dissolve redevelopment agencies, and joined our partners at the League of California Cities and Redevelopment Association to find a solution to keep the vital program and economic development tool in place. MuniServices is local government partner and joined the League of California Cities and Redevelopment Association in support AB 569 that will give the Legislature more time to find a solution in response the Supreme Court decision.

MuniServices supported AB 563 which was chaptered into law during the 2011 legislative session and "authorizes designated city employees to obtain otherwise confidential information from the county assessor when the city is conducting an investigation to determine whether the documentary transfer tax (DTT) should be imposed." Our government relations team also monitored SB 507 (Chapter 708, Statutes of 2011) that encourages the timely filing of Change in Ownership Statements. SB 507 increases the penalty for new owners failing to file a Change in Ownership Statement upon request from the assessor or the Board of Equalization (BOE) from \$2,500 to \$5,000 for property eligible for the homeowners' exemption, and from \$5,000 to \$20,000 for property not eligible for the homeowners' exemption. This bill also extends the deadline from 45 days to 90 days for new owners to file a change of ownership statement with either the assessor or BOE, and to comply with the request without penalty.

In 2012 a member of MuniServices Government Team will again serve as Partner representative to the League of California Cities Revenue and Taxation Committee. The team regularly attends industry meetings, utilizes multiple research tools (including reviewing in hardcopy format all legislative introduced and amended during the legislative session) to ensure we capture and identify legislative that impact client revenues. We have included in this proposal policy reports that review a spectrum of issues we are currently working on; previously published reports are available on our website at www.muniservices.com. Please refer to the "Other Information" section of this proposal for further detail on the Government Relations program and legislative support that will be provided and available to the City.



EXHIBIT B
COMPENSATION SCHEDULE

Compensation

Property Tax Services

MuniServices fee for providing the Property Tax Service is a 20% contingency fee. The fee applies to all reallocations for the fiscal year during which the Date of Correction falls and all eligible prior period revenues corrected. MuniServices will invoice the City for the above fee at least annually, based on recoveries actually received by the City.

Additionally because the Property Tax service may result in correction of misallocations after termination of the Agreement, the City's obligation to pay and MuniServices' right to continue to receive payment, will survive termination of the Agreement.

Property Tax Information Services (PropertyLINK)

MuniServices fee for providing the PropertyLINK service will be an annual fee of \$7,500, paid in quarterly installments.

This annual fee includes the following services:

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

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. City may authorize additional Users by providing MuniServices with written authorization that specifies the number of additional Users and authorizes MuniServices to charge City the set-up fee and 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 MuniServices with any additional information MuniServices needs to add the additional User(s). 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.

Additional Costs

Additional fees apply for consulting services, added data layers, customized upgrades, or other services requested by Customer that are not within the services described in this addendum. Until the parties have agreed in writing upon the requested services and the additional fee for those services, MuniServices has no obligation to perform and Customer has no obligation to pay for requested services.

Malaki Adjustments

Any work done under the sections "Malaki Adjustments" and "Redevelopment Financial Services" above will be charged on Time and Material basis with the standard hourly rates stated below.

Additional Consulting

Depending on the personnel assigned to perform the work, MuniServices' standard hourly rates range from \$75 per hour to \$300 per hour. The following are sample hourly rates based on the job classification:

- Principal: \$300 per hour
- Client Services: \$250 per hour
- Information Technology (IT) support: \$200 per hour
- Operational Support:
 - Director: \$175 per hour
 - Manager: \$150 per hour
 - Senior Analyst: \$125 per hour
 - Analyst: \$100 per hour
 - Administrative: \$75 per hour

Documentary Transfer Tax

MuniServices fee for providing the DTT service is an amount equal to 20% of the amount recovered or reallocated, which includes, but is not limited to, amounts recovered, refunded, or credited or any other consideration given to the City as a result of the MuniServices' DTT service. MuniServices will invoice City for the fee at least quarterly, based on recoveries actually received by City. All expenses incurred by MuniServices in providing the DTT service are absorbed by MuniServices.

