



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**June 21, 2022**

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**TOPIC:** Sales Tax & Use Tax and Transaction & Use Tax Revenue Record Examination, Auditing, Recovery and Consulting Services

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**AGENDA TITLE:**

Adopt a Resolution Authorizing Examination of California Department of Tax and Fee Administration Sales and Transactions and Use Tax Records by City Employees and by the City's Contracted Tax Reporting, Analysis and Recovery Services Consultant and Approve Third Amendment to Agreement with MuniServices, LLC

**RECOMMENDED ACTION**

1. Adopt a resolution authorizing examination of California Department of Tax and Fee Administration sales and transactions and use tax records by City employees (designed by position title), and by the City's contracted tax reporting, analysis and recovery services consultant, effective July 1, 2022.
2. Authorize the City Manager to execute an amendment to the agreement with MuniServices, LLC beginning July 1, 2022 through June 30, 2024 for an annual amount not to exceed \$10,000 - covering the web-based reporting systems Sales Tax Analysis Reporting System (STARS) and Geographic Revenue Information Application System (GRIA); plus an annual Cost Price Index ("CPI") adjustment not less than two percent (2%) or greater than four percent (4%); plus a 13% of recovered sales tax of revenues over the life of the agreement, with a contingency of up to \$60,000 to cover other consulting services subject to non-substantive changes approved by the City Manager and the City Attorney.

**DISCUSSION**

As of the most recent Third Quarter Budget Update for FY 2021-22 presented on May 3, 2022 to the City Council, the Sales and Use Tax (Bradley Burns) represents approximately 16.33% of the City's total General Fund revenue, while Transaction and Use Tax (Measure X) represents approximately 22.46% of the City's total General Fund revenue. Sales Tax is levied upon retailers who sell tangible property in the State of California. The Sales Tax is measured by gross receipts from retail sales. A Use Tax complements the Sales Tax and is imposed on the storage, use, or other consumption of tangible personal property purchased from any out-of-state retailer. The Use Tax is measured by the sales price of the property and the rate is the same for both the Sales

Tax and the Use Tax. For the City of Santa Ana, the effective sales tax rate is 9.25% with 6% going to the state, 2.5% going to the City and the remainder going to the County for local transportation.

Currently MuniServices, LLC ("MuniServices"), provides the City Sales and Use Tax revenue record examination, auditing, recovery and consulting services. As part of these services, MuniServices provides both a web-based software application (STARS) to aid in tracking and analyzing sales and use taxes as well as a web-based geographic revenue information application (GRIA) to aggregate for analysis of a variety of general fund revenues along with reported sales and use tax data, geographically. However, the current agreement with MuniServices (A-2019-017) will lapse at the end of this fiscal year. To accommodate a thorough and deliberate Request for Proposals (RFP) process and because Sales and Use Tax and Transaction and Use Tax represent a large portion of the City's total General Fund revenue, staff recommends the approval of a Third Amendment to Agreement with MuniServices to receive continuous CDTFA revenue record examination, auditing, recovery and consulting services. MuniServices, LLC works directly with city and county management, finance directors, recorders, judges, and clerks, and has uncovered over \$2.4 billion in new revenue, processed over \$12.4 billion, and successfully streamlined operations for more than 2,000 jurisdictions. In FY 2020-21, MuniServices recovered \$1,500,000 in sales tax revenue for the City and to-date, in FY 2021-22, MuniServices has recovered \$1,100,000. Although Avenu Insights & Analytics, LLC is the official branding name of the company, it still operates under MuniServices, LLC for sales tax services for many agencies. With the Third Amendment to Agreement, the Assuming Party (MuniServices, LLC) becomes entitled to all rights, title, and interest of the Assigning Party (Avenu Insights & Analytics, LLC).

Furthermore, the State of California Revenue and Taxation Code Section 7056 authorizes the examination of confidential Sales and Use Tax and Transaction and Use Tax data to officers or employees of local jurisdictions who are designated by resolution of the legislative body of the jurisdiction. The review of confidential information is governed by state law and sets certain requirements and conditions for the disclosure of Sales and Use Tax and Transaction and Use Tax information. Santa Ana Resolution No. 2019-004 designates the Executive Director of Finance and Management Services, Assistant Director of Finance, Treasury and Customer Services Manager, Budget Supervisor, and the Revenue Supervisor as the City representatives to review sales tax information. However, since 2019, titles for these positions have changed and additional staff involvement is required. As a result, Santa Ana Resolution No. 2019-004 requires a revision and accompanying City Council approval. The resolution authorizing examination of CDTFA sales and transactions and use tax records by City employees (designed by position title), and by the City's contracted tax reporting, analysis and recovery services consultant will be forwarded to the CDTFA to be placed on record.

Therefore, staff recommends the adoption of a resolution authorizing examination of CDTFA sales and transactions and use tax records by City employees (designed by position title) and that a Third Amendment to Agreement to extend the contracted period with MuniServices, LLC for tax reporting, analysis and recovery services.

**ENVIRONMENTAL IMPACT**

There is no environmental impact associated with this action.

**FISCAL IMPACT**

The fees for the services that MuniServices will render are deducted from Sales Tax Revenue. The fees will not exceed \$10,000 for the STARS and GRIA reporting systems, inclusive of annual CPI adjustment of not less than two percent (2%) or greater than four percent (4%), for each of the two years of the amended agreement. Fees paid for recovered sales tax and other revenues shall not exceed 13% of the amount recovered. Payments made to MuniServices for recovered revenues will be recognized when the fees related to MuniServices auditing and reporting activities are incurred. A contingency of \$60,000 shall be available for the life of the Third Amendment to Agreement to cover other consulting services the City may request via the Change Order process.

**EXHIBIT(S)**

1. Resolution
2. Third Amendment to Agreement with MuniServices, LLC

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager