

# Memorandum



CITY OF DALLAS

DATE: July 31, 2014

TO: Honorable Members of the Budget, Finance & Audit Committee:  
Jerry R. Allen (Chair); Jennifer S. Gates (Vice Chair);  
Tennell Atkins, Mayor Pro-Tem; Sheffie Kadane; Philip T. Kingston

SUBJECT: Upcoming Agenda Item:  
Supplemental Agreement No. 2 to the Professional Services Contract with  
MuniServices, LLC for Sales/Use Tax Compliance Review and Recovery Services

The August 13, 2014 Council Agenda includes an item for your consideration to authorize Supplemental Agreement No. 2, the second of three one-year renewal options of the professional services contract with MuniServices, LLC for sales/use tax compliance review and recovery services. This supplemental agreement would extend the contract term through September 7, 2015 with associated estimated net annual revenue of \$1,400,000.

The second renewal option to the professional services contract will allow for the continuation of sales/use tax compliance review and recovery services. The consultant, through various methods, identifies businesses operating in the City of Dallas (City) that are not properly collecting and/or reporting sales/use tax. Since contract inception in September 2010, the consultant has identified and successfully recovered \$3,156,711 (\$2,363,212 net of fees) in sales/use tax receipts owed to the City and estimates they will identify an additional \$2,000,000 in fiscal year 2015.

The City will continue to pay the consultant a 30 percent contingency fee based on the sales/use tax revenue received from the correction of detected and documented taxpayer reporting errors. The contingency fee applies to all sales/use tax revenues corrected for the City for any periods prior to the date of correction and to revenues received for the first eight consecutive reporting quarters following the date of correction; however, the City will not pay any fee to the consultant until monies recovered for the City have been received from the State Comptroller of Public Accounts.

Please let me know if you need additional information.

Craig D. Kinton  
City Auditor

C: Honorable Mayor and Members of the City Council  
A.C. Gonzalez, City Manager  
Rosa A. Rios, City Secretary  
Warren M.S. Ernst, City Attorney  
Daniel F. Solis, Administrative Judge  
Jeanne Chipperfield, Chief Financial Officer  
Ryan S. Evans, Interim First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Shawn Williams, Interim Public Information Officer  
Elsa Cantu, Assistant to the City Manager