

# City of Fort Bragg, California

## Proposal for Transient Occupancy Tax Audit and Administration Services

September 28, 2018



Avenu Insights and Analytics  
7625 N. Palm Ave., Ste. 108  
Fresno, CA 93711

Doug Jensen, Senior Vice President  
559.288.8943

## Cover Letter

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September 28, 2018

City of Fort Bragg  
Victor Damiani, Finance Director  
416 North Franklin  
Fort Bragg, CA 95437

RE: Proposal for Transient Occupancy Tax Audit and Administration Services

Dear Mr. Damiani:

Avenu Insights & Analytics ("Avenu") (also known as MuniServices) is pleased to present the City of Fort Bragg with this proposal for Transient Occupancy Tax Audit and Administration services. Avenu understands that the City currently has approximately 27 hotel/motels/B&B's which collect and remit Transient Occupancy Tax monthly to the City. Avenu has the experience to partner with the City of Fort Bragg to reduce the gap between the TOT revenue that should be received and the TOT revenue which is underreported. Some of the benefits of working with our team include:

- **Experience:** We are a full-service provider of revenue enhancement services with 40 years of history providing similar services to more than 800 local governments with jurisdictions of varying types and sizes across the Country. Coupled with our extensive California experience, this national experience allows us to bring a unique perspective that other firms do not possess.
- **Transient Occupancy Tax Audit Experience:** Since 1990, Avenu has audited more than 9,000 hotel and lodging providers. In just the last five years, we have identified more than \$25 million in unreported, underreported and otherwise delinquent Occupancy Tax revenue. Our approach strives to not only increase revenue to the City but also to build relationships between the City and the lodging community. By combining our expertise in Occupancy Tax Audit services with our experience in conducting business discovery, compliance and audit services, we will cover all aspects of the project while maintaining a positive, professional relationship with the lodging providers.
- **Transient Occupancy Tax Administration Experience:** We offer a turnkey approach to ensure appropriate collection, deposit, recording, delinquency follow up and reporting of the local lodging tax. The service is designed to assist the City in maximizing lodging tax revenue by providing for examination of taxpayer records to verify compliance and proper accounting for receipts subject to the tax. We have over 500 municipal clients taking advantage of our administration services.
- **Focus:** Avenu only provides services to government agencies. Our exclusive focus allows us to avoid real and/or perceived conflicts of interest with taxpayers and other business groups. Our approach qualifies us to review confidential taxpayer information and other restricted data that could be out of reach for specialty consulting and public accounting firms that could be barred access due to various conflicts of interest.

- **Government Relations:** Avenu maintains a Government Relations team dedicated to tracking and researching legislation with the potential to affect tax revenues. Their efforts at the federal, state and local levels have surfaced and successfully resolved numerous major issues and helped to preserve the tax base for Avenu's clients. Avenu's clients are routinely informed of legislation that can negatively impact their revenue sources.
- **What to Expect of Avenu:** At Avenu we are proud of the local government industry partnerships we have developed across the nation. We have designed our audit services to engage staff in higher level policy decisions at the start of the project, but otherwise minimize staff time and resources. We are committed to working with the City to customize a plan to maintain and enhance the City's revenues.

We are confident we offer the City of Fort Bragg the greatest opportunity for success and look forward to the opportunity to serve the City and its residents. Our priority is to provide the highest level of customer service and care by assigning a dedicated primary point of contact for each client. Thomas Adams, Client Services Executive, will serve as the City's primary contact for this project. Tom may be reached by phone at 916.926.9019 or by email at [Thomas.Adams@avenuinsights.com](mailto:Thomas.Adams@avenuinsights.com). Avenu will communicate frequently with the City and participate in meetings with staff as requested to review and answer client questions related to the progress of our work.

As Avenu's Senior Vice President of Client Services I am duly authorized to commit Avenu to a contract and represent the firm in all oral presentations and negotiations. The proposal included here is valid for a period of at least 90 days from the date of this proposal.

Respectfully submitted,

Doug Jensen  
Senior Vice President of Client Services  
Avenu Insights & Analytics, LLC  
7625 N. Palm Avenue, Suite 108, Fresno, California 93711  
Phone: 800.800.8181 x 76212  
E-mail: [Doug.Jensen@avenuinsights.com](mailto:Doug.Jensen@avenuinsights.com)

## Description of Firm

### Company Background

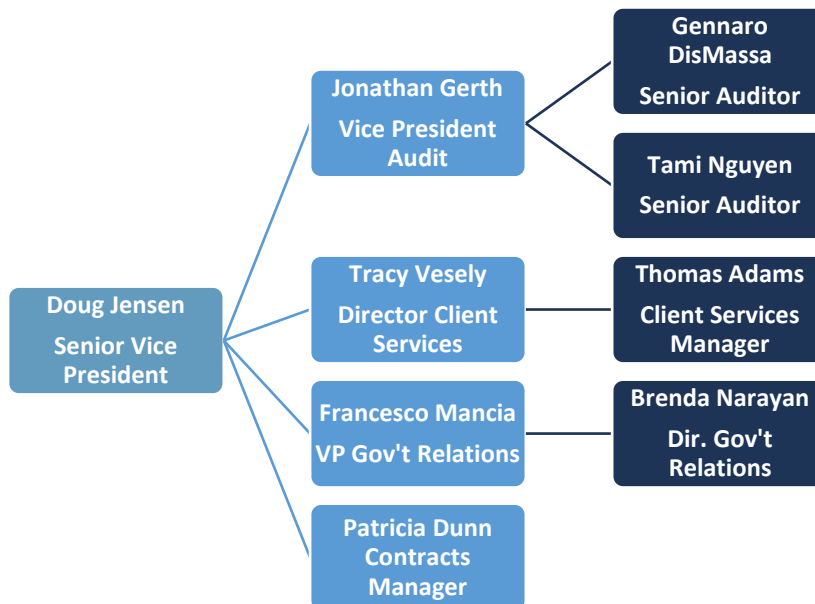
Avenu was founded in California in 1978. Avenu specializes in providing revenue enhancement services to public agencies – we currently provide revenue consulting services to over 220 public agency clients in California and over 800 jurisdictions throughout the nation. In 2017 Avenu generated over \$1.3 billion in new general fund tax revenue for its local government clients. Our services enable local governments to make informed business decisions and create sound public policy. Avenu’s 40-year record of securing and administering unexpected revenue for local governments puts the company in the perfect position to support the City.

### Firm Size and Location

Avenu and its family of companies employ over 250 professional level staff members who are dedicated to the success of each client we serve. Our offices are strategically located across the nation, including offices and employees based in California, Alabama, Kentucky, Louisiana, New Jersey, Oklahoma, South Carolina, Texas, Washington, and Virginia. Key employees for this project will work out of our California office located in Westlake Village.

## Project Team and Qualifications

### Organization Chart



## Executive/Management Team

**Doug Jensen, Senior Vice President, Client Services & Executive Contact.** Doug has over 27 years of expertise in tax policy, municipal finance, municipal revenue enhancement, and economic development. Doug will oversee the project as a whole and be the company's executive contact. Doug oversees the Western Region of Avenu - his management responsibilities are to ensure that all service deliverables meet and exceed client expectations. Doug is a frequent speaker to professional organizations, committees and governing bodies.

**Jonathan Gerth, Esq., VP Audit.** Jonathan manages our Audit Division and will have overall responsibility for implementation and successful completion of the auditing services for this contract. Jonathan has extensive professional experience in legal, business and accounting environments, including advanced federal, state and local governmental functions and tax compliance. He began his career as a tax attorney and appeals officer for the Internal Revenue Service's Division of Chief Counsel and Compliance in Dallas, Texas. Jonathan has held a wide variety of legal roles in our audit department consisting of legal tax support and strategic analysis on compliance audits, tax controversy and advocacy, regulatory compliance initiatives, reforms in audit, assessment and collection practices, and intensive litigation support.

**Tracy Vesely, Director of Client Services.** Tracy has 27 years of experience in municipal finance, budgeting, technology and administration. She has served as Administrative Services Director for the City of Walnut Creek, Director of Finance for the Cities of Hayward and San Leandro, and Budget Manager for the City of Berkeley. Tracy has served as president of the League of California Cities Fiscal Officers Department and a member of the League's Revenue and Taxation Policy Committee. Tracy served on the Government Finance Officers Association (GFOA) Economic Development and Capital Planning policy committee. Tracy provides oversight and direction to the California Client Services team.

**Thomas Adams, Client Services Executive & Project Manager.** Tom has 20 years of experience in municipal government including work for the City of San Jose, the City and County of San Francisco, and the City of San Rafael. Tom's experience includes projects for every department within a city organization. Tom's areas of specialty include sales tax and revenue analysis, municipal operating and capital budgets, and strategic planning. Most recently, Tom worked on redevelopment and economic development projects for 12 years. Tom will be the primary point of contact for this project.

## Compliance Tax Audit Team

**Gennaro DiMassa, Senior Auditor.** Gennaro, a Certified Public Accountant, inactive, is responsible for Avenu's TOT Compliance program and is a senior auditor. He is responsible for the review and analysis of the Transient Occupancy Tax paid by hotels for compliance with City ordinances. He has ten years of audit experience with a major recovery audit firm and practiced seven years as a CPA with a major CPA firm in the Los Angeles area. **Education:** BA in Business Administration from California State University, Long Beach.

**Tami Nguyen, Senior Auditor.** Tami is responsible for the company's TOT Compliance program. She is also responsible for the review and analysis for Transient Occupancy Tax paid by hotels for compliance with City ordinances. She conducts on site audits and helps prepare management reports for our client contacts. Prior to joining Avenu, she worked for a major home builder as a Treasury Analyst. **Education:** BA from Rutgers University.

## Project Support

**Patricia Dunn, MSHR, Client Services-Operations & Contracts Manager.** In her role as the Contracts Compliance Manager she is responsible for reviewing, drafting, and negotiating client and vendor contracts, and provides administrative and technical support to client services and senior and executive management. Patricia is also responsible for issuing and maintaining compliance-related documents including insurance certificates, local business licenses, and corporate filings. She has over 28 years of paralegal experience. Role: Patricia will oversee contract preparation and compliance.



# Qualifications and Experience

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## Transient Occupancy Tax Qualifications/Experience

Since 1990, the Transient Occupancy Tax Compliance and Consulting Services (“TOT”) that Avenu has provided to its client cities nationwide have helped our clients to realize additional lodging tax revenues. We have reviewed more than 9,000 lodging providers and identified more than \$25 million in unreported, underreported and otherwise delinquent tax revenue for clients in the past five years. We have tailored our lodging tax services in order to: 1) provide a cost-effective and innovative approach to achieve our client’s goals of TOT compliance; 2) focus resources on compliance and provide an equal playing field for all lodging providers; and 3) conduct the TOT services in a highly professional manner and to be as unobtrusive as possible to lodging providers.

Our services have evolved from reviews and audits of lodging providers to include a cooperative, educational and informative exchange offering suggestions of experience that are designed to help lodging providers stay in compliance with City ordinances. The intent of our enhanced services is to increase compliance with the City’s Lodging Tax ordinance.

Our process involves:

- Identifying lodging providers suitable for an on-site audit
- Comparing the accuracy of filed lodging tax returns with activity summaries
- Reviewing bank statements to reconcile deposits with reported revenue
- Assess exempted revenue for proper qualifying documentation
- Provide the city with the correct tax accounting of “other guest charges” (resort fees, cleaning fees, etc.) which in the past may not have been taxed
- Generate annual reports of revenue trends
- Review ordinance and administrative policies to help bring them up to date and enhance revenues
- Educate lodging providers to ensure ongoing compliance

To accomplish this we need:

- The most recent registration of properties returns for the time period of the statute of limitations
- Details about circumstances concerning current existing payees
- Information on new lodging properties
- Cooperation in the transition by reviewing proposed processing and materials, offering comments and suggestions and providing timely approvals

Avenu's Transient Occupancy Tax (TOT) Audit and Compliance Program is designed to assist the City in realizing the TOT revenue to which it is entitled, and to educate third party collectors and remitters of TOT policies to ensure maximum future compliance with the City's related codes and ordinances. Our TOT findings and recommendations have been validated and accepted by third parties, including the federal and state courts, state revenue agencies, county assessors, and hotel/motel associations.

As authorized by the City, Avenu will conduct an on-site examination of the records of the lodging properties. In the course of the audit we will verify accuracy of filed lodging tax returns with daily and monthly activity summaries, review a random sample of the daily and monthly summaries to determine if the daily summaries reconcile to the monthly summaries, review bank statements to verify that deposits reconcile with the reported revenue on the lodging tax returns, review exempted revenue for proper qualifying documentation, review a random sample of exempted guest revenue and trace

registration and/or other source documents to verify compliance with the City ordinance, and submit substantiating documentation to the City in order to facilitate collection of revenue due from lodging providers for each identified and confirmed error/omission.

Where possible, we will compare the State and federal tax filings with the lodging tax returns. We will also meet with the City, as necessary, to review findings and recommendations; provide assistance in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination; and prepare and document any changes to the review findings and provide revised tax, interest or penalty amounts due the City.

We have three primary objectives: (1) ensure compliance in the most cost-effective way, (2) the audit must not only recover tax revenue, but also must improve the relationships between the City and the hotels, and (3) the audit must not unduly burden the fully compliant lodging properties. We commit to not only providing the audit services as indicated below as expeditiously as possible, but also commit to helping the City strengthen lodging relationships and increase future compliance.

## **Benefits of Partnering with Avenu**

- **Increased General Fund Revenue.** Our lodging tax service increases compliance thereby increasing revenue to the City. In many cases, the revenue increases more than covers the cost of the service. Compliance and increased revenues continue to benefit the City for many years forward. The amount of audit findings and resulting revenue recovery for a given jurisdiction will depend largely on the number of audits performed, as well as other factors. Typically, when a client performs an audit of one-third of their properties annually, we have seen an increase in compliance and tax remittances of approximately 13%.
- **Experience and Expertise.** We have more experience with the lodging taxes in California and nationally than any other firm. The expertise of our TOT Compliance Program team has never been successfully challenged in court; and attempts have been made in state and federal courts. This expertise has been relied upon in the drafting of state statutes and local ordinances, and the collection of tens of millions of dollars in deficiencies.
- **Hospitality Industry and Political Sensitivity.** Our broad knowledge and experience with the companies and ethnicities involved in lodging provision combined with our cooperative and educational approach help minimize adverse reactions to the audit and collection of any deficiencies determined. Our local government clients are more likely to hear praise from the hospitality industry than criticism.
- **Innovative Performance.** To facilitate local occupancy audits, in most circumstances we permit lodging providers to elect the conduct of audits interactively via the Internet or by mail. In many instances, certain requisite records-keeping is done off-site. An interactive audit permits all sites to participate simultaneously. Our national orientation permits audits to be conducted at the corporate offices nationwide and not just properties owned or managed in the state.
- **Government Relations/Legislative and Policy Updates/Advocacy.** Avenu's 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. Avenu has a proven track record of successfully resolving numerous issues that have resulted in the preservation and expansion of the tax base for its clients. Avenu's policy team which includes an in-house lobbyist located in the League of California Cities building.

## Qualifications and Experience

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### **City of Napa**

Tracy Thompson, Revenue Operations Supervisor

Finance Department

955 School Street, Napa, CA 94559

Phone: 707.257.9508

Email: [tthompso@cityofnapa.org](mailto:tthompso@cityofnapa.org).

Term of Contract: December 2013 to April 2018.

Description: In March 2014, the City issued a Notice to Proceed for the Napa TOT Analysis, Phase 1, and subsequently provided payment data for 42 hotel properties and 45 vacation rentals over 36-months (February 2011 through January 2014). From this audit, we identified \$608,000 in uncollected TOT due to the city from this audit. In 2018 we conducted additional audits which resulted in over \$305,000 of additional tax assessments due.

### **City of Vallejo**

John Oiler, Audit & Accounts Manager

555 Santa Clara Street

Vallejo, CA 94590

Phone: 707.648.4593

Email: [joiler@ci.jallejo.ca.us](mailto:joiler@ci.jallejo.ca.us)

Description: City retained MuniServices/Avenu to audit 23 lodging properties which resulted in findings of over \$287,000 in additional tax revenue to the City. MuniServices/Avenu recently audited another 14 properties which has resulted in over \$161,000 in potential additional tax revenue to the City.

### **City of South San Francisco**

Mr. Richard Lee, Director of Finance

400 Grand Avenue

South San Francisco, CA 94083

Phone: 650.877.8512

Email: [richard.lee@ssf.net](mailto:richard.lee@ssf.net)

Description: MuniServices/Avenu has audited over 14 properties that have resulted in findings of over \$68,000 in additional tax revenue to the City.

### **City of Glendale**

Armen Harkalyan, Revenue Manager

141 N. Glendale Avenue

Glendale, CA 91206

Phone: 818.551.3014

Email: [aharkalyan@ci.glendale.ca.us](mailto:aharkalyan@ci.glendale.ca.us)

Description: MuniServices/Avenu audited over 11 properties that resulted in findings of over \$249,000 in potential additional tax revenue to the City.



# Project Work Plan, Approach & Innovation

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## TOT Audit Project Approach

Our approach to TOT Audit and Compliance has proven to be effective in successfully completing lodging tax audits on behalf of our other municipal clients. Shown below is a detailed work plan of our process.

### The Compliance Program

Typically, within 90 days of Avenu's receipt of 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, Avenu will provide its Compliance Program as a single service consisting of the following two-phase process.

#### Analysis - Phase 1. During this phase, Avenu will:

- a. Conduct a thorough review of all the City's Ordinances and Resolutions requiring the collection and remittance of lodging taxes and fees due to the City.
- b. Establish a comprehensive inventory of all lodging properties subject to taxation by the City and the database elements (public and private databases) needed to facilitate further analysis to identify and locate lodging providers not properly registered with the City and not appearing on the City rolls as TOT remitters;
- c. 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;
- d. Conduct unobtrusive collection of information on each property, including number of rooms, occupancy rate, property's condition, business dynamics internal controls;
- e. 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;
- f. Coordinate with designated City official(s) as necessary to review the analysis report;
- g. Develop with the designated City staff a list of lodging providers to be subject to a compliance review of lodging and tax records; and
- h. During the term of this Agreement, 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.

#### Audit and Compliance Review - Phase 2.

Based on our previous experiences, on average only about 30% of the properties will be recommended for Phase 2.

During this phase, Avenu 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 from 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 Avenu 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:
  - Avenu review findings;
  - For each error/omission identified and confirmed, accompanying documentation that Avenu 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 the 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.

*Please note: Phase 1 plus Phase 2 constitutes the full compliance program. Phase 1 must be performed before phase 2.*

### **City Assistance**

**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 Avenu prior to the start of Phase I. If the City has the full return data digitized, submitting such in electronic format would be preferable.

### **Reports/Deliverables**

#### **Compliance Program**

The Compliance Program – Audit - Phase 1. Avenu will provide the City a detailed Audit report identifying lodging providers who might require additional investigation or review to determine their compliance with the City's TOT ordinance.

The Compliance Program - Compliance Review - Phase 2. Avenu will 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. This Phase will include:

- Avenu review findings;
- For each error/omission identified and confirmed, accompanying documentation that Avenu 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;

#### **Final Report to the City**

At the conclusion of the Compliance Audit, the City can expect to receive:

- *Compliance Review Report.* After conducting all the phases Avenu will submit a written compliance review report to the designated City staff member(s) that include our findings; the documentation necessary to facilitate recovery of revenue due for prior periods for each error/omission identified and confirmed; and draft notices of deficiency determination, commendation and warning letters as applicable, and recommendations. A report will be provided for each lodging provider reviewed.
- Provide assistance to the City in reviewing any matters submitted in extenuation and mitigation by lodging providers in contesting a deficiency determination; and
- Prepare and document any changes to the compliance review findings and provide revised tax, interest or penalty amounts due the City.

**TOT Consultation**

In addition to the Analysis, Audit and Compliance Review, Avenu will provide consultation services to the City that will include the following which are described in detail above:

- Provide as-needed consultation services aimed at maintaining and enhancing the City's TOT revenue base, covering such topics as: revenue forecasting assistance, revenue tracking software, statewide trends, specific opportunities and threats to the City;
- Provide timely information regarding existing and proposed legislation that could affect TOT revenues, specifically indicating how the City might be impacted;
- Review City's TOT ordinance and provide feedback and suggestions as needed;
- Review City's TOT remittance materials and make suggestions for improvement;
- Train City staff on optimum remittance processing techniques to maximize accurate compliance.

# Project Schedule

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## Detailed Work Plan for TOT Audit Services

### **I. Start-up of TOT Audit Process (Within first 30-60 days):**

- Procedural meeting with the City
- Request Documentation from City:
  - 48 Months of Returns for all properties (or properties City selected)
  - Current TOT Ordinance

### **II. Property Review and Hotels Selected for Audits (Within 90 days):**

- When we receive the returns, we enter the data into our worksheets to develop trends, property comparison, exempt rent to gross rent variation, etc. We research the statistics on the City and properties. Based on this data, we select specific properties for audit (if the City hasn't requested specific properties). The City will receive an Audit Report identifying the properties and why they were selected.
- Once the City approves the hotels selected for audits, we will forward the City Announcement Letters that need to be mailed to the properties on City letterhead. Once the City sends out the letters to the properties, we request they send us a copy of the signed letters.

### **III. Start-up of TOT Audits (30 days later):**

- Auditors will contact the City for a brief conference call to discuss the audit timeline. Once the timeline has been approved, Avenu sends out Appointment Letter with a list of required information. The date for the on-site review needs to allow the property a minimum of 30 days of preparation time.

### **IV. Desk Audits and Field Audits (8 weeks later):**

- Research specifics of hotel to determine/confirm number of rooms, any special requirement and any other charges to which guests may be charged.
- One week after the Scheduling Letters are mailed, contact hotel operator to confirm date and time of audit and explain procedures and request data for sample months selected; for example, Property Management System. Month End Reports, Profit & Loss Statements, Exemption Reports, etc.
- Conduct on-site review.

### **V. Provide Final Audit Report to the City (12 weeks later):**

- Auditors will submit (via email) all the Commendation/Deficiency Letters that need to be submitted to the hoteliers, by the City.
- City will receive an electronic copy of the Final Audit Report.

## TOT Administration (optional)

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Avenu's Transient Occupancy Tax Administration Services are designed to make TOT administration simple, efficient, and cost-effective. Our years of experience, expertise in verifying taxpayer compliance, and extensive tax administration resources available allow City managers and staff to focus on the services at which you excel and not the burdens of the administrative process.

All we require from the City is 1) existing taxpayer data, 2) authorization to act on the City's behalf in accepting filings, payments and compliance/collection efforts, and 3) a designated City contact(s) to whom we will provide reports (via the online Client Reporting Portal) to enable responsible City oversight of the program. Avenu agrees that it shall keep all information it receives concerning City taxpayers confidential and shall use it solely for tax administration and/or compliance purposes.

### Transient Occupancy Tax Administration

The program proposed consists of an implementation phase, leading up to a live cutover from the City's current administration at a mutually agreeable date; and a recurrent ongoing administration cycle, in which Avenu will serve as the City's full-service administrator. Here's an outline of the steps and tasks included in each phase:

#### **Implementation:**

1. Convert and load to Avenu Revenue Administration system all taxpayer records (to be provided by the City.)
2. Verify with the City all taxpayer letters, forms, notices and any other taxpayer correspondence to be.
3. Configure secure web filing and payment portal for use by the City's taxpayers.
4. Contact all taxpayers a) by mail, including introductory letter with new filing address, telephone contact for taxpayer support, and web filing instructions; and then b) by telephone follow-up.
5. Cutover from City to Avenu Administration system according to schedule to be developed with the City.

#### **Ongoing Tax Administration Cycle:**

1. Beginning as of the scheduled date, Avenu will receive filings and payments a) by mail, and b) online.
2. All paper filings, checks and correspondence will be opened and batched in our secure facility.
3. Paper filings will be reconciled with payments and any errors, omissions or balance discrepancies logged for follow-up. Web filings are reconciled daily. Avenu also handles NSF check processing, returns and refunds.
4. Avenu will generate and send invoices for balances due to any taxpayer under-payments or late payments.
5. Payments received will be deposited and disbursed to the City 10 – 12 times per month.
6. Avenu Tax Specialists will contact the taxpayer by phone to resolve any filing errors, omissions, or discrepancies.
7. Each month, the Avenu Administration System will flag any missed filings for follow-up. Taxpayers will receive a courtesy phone call and a late notice to let them know a filing has not been received as of the due date. Avenu will continue to follow-up with the taxpayer until payments are received and taxpayer is in compliance.
8. Monthly, Avenu Tax Specialists will analyze the month's receipts and flag significant variations for follow-up with the taxpayer and possible auditor review.
9. Avenu will provide complete taxpayer support via toll-free number and e-mail to taxpayers requiring assistance with filing or payment, mailing address or contact changes, and any other related issues they may have.
10. Avenu will register new taxpayers and assist them with all materials needed to begin and maintain filing.

**Reporting and Deliverables**

While we administer the tax programs, you are never far from the information. Our online reporting system allows you to access reports and business information whenever you need it. The following is a list of some of the reports available online:

- New Account Listing
- Transfer and Distribution Report
- Daily, Weekly and Monthly Reconciliation Reports
- Detailed Payment History Reports
- Top Remitters Reports

In addition to the regular disbursements listed above, and the regular monthly reports listed above, Avenu shall, in such time and in such form as the City may require, furnish reports concerning the status of services required under this Agreement. Avenu shall, upon request by the City and upon completion or termination of this Agreement, deliver to the City all material furnished to Avenu by the City.



# Cost Proposal

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## Transient Occupancy Tax (TOT) Audit and Compliance Services

### Phase I: Analysis

The City will pay Avenu a fixed fee of \$700 per lodging property. This fee applies to all lodging properties located in the City limits, including lodging properties located via discovery. Avenu will invoice this upon delivery of the analysis report.

### Phase II: Audit and Compliance Review

The City will pay Avenu a fixed fee of \$1,000 per lodging property reviewed unless the City does not approve the list of lodging properties for Compliance Review within 90 days of submission, in which the cost will increase to \$1,200 per lodging property reviewed. Avenu will invoice this upon delivery of the compliance report with payment to be made within thirty-days (30) of receipt of invoice.

*Based on our experiences, because of the Discovery and Audit Phase (Phase I), approximately 33% of the lodging providers are generally recommended for the Phase II Compliance Review.*

### Travel and Out-of-Pocket for Audit Services

For the Transient Occupancy Tax services Avenu will also charge the City out-of-pocket expenses for reasonable travel costs related to the performance of the audits. Travel Costs include, but are not limited to, the costs of car rental, gasoline, or other transportation. These out-of-pocket expenses will not exceed \$2,500 per visit. If we expect to spend more than \$2,500 we will get prior approval from the City for any amounts over the allotted \$2,500. The out-of-pocket expenses will be invoiced to the City upon delivery of the final report to the City.

#### **Estimated Pricing Schedule Based on 27 Lodging Providers**

Phase 1 at \$700 per property = \$18,900

Phase 2 at \$1,000 per property (assume 1/3) = \$9,000

Travel and Expense = up to \$2,500 per visit

Total Estimated Cost = \$30,400

Typically for years two and three there will not be a need to audit every property within the statute. Avenu however will continue to monitor the lodging properties reporting and notify the City of any anomaly and then charge \$500 per property for any of those that require further compliance review.

Should the City elect the full Phase 1 and 2 service for years two and three our standard pricing shown above will apply.

## Transient Occupancy Tax (TOT) Administration Services

### Administration Services (optional)

Transient Occupancy Tax administration services are available to the City at an annual cost of \$150 per lodging property. For 27 lodging properties, this would be \$4,050 per year. The Administration Service will be invoiced to the City on a monthly basis and be based on the number of returns filed in the month.

## Additional Consulting Services

Our proposed services and associated costs will cover the entire scope of work requested by the City - since this is a fairly standard audit service, we do not anticipate any additional 'out-of-scope' work required. However, should the City desire additional services outside of the agreed upon scope of work, the City may request that Avenu provide additional consulting services at any time during term of the Agreement. If Avenu and the City agree on the scope of the additional consulting services requested, then Avenu shall provide the additional consulting services on a Time and Materials basis. Depending on the personnel assigned to perform the work, Avenu's standard hourly rates range from \$75 per hour to \$325 per hour. These additional consulting services will be invoiced at least monthly based on actual time and expenses incurred. The following are sample hourly rates based on the job classification (these rates are subject to change):

Avenu Hourly Rate Schedule	
Position	Hourly Rate
Legal	\$325
Principal	\$200
Project Manager/Director	\$175
Client Services Executive	\$150
Senior Analyst	\$125
Information Technology	\$175
Analyst	\$100
Administrative	\$75