



FINANCE

To: Mayor and Town Council

From: Chris Landrum, Finance Director

**Through: Mario Canizares, Town Manager
Bob Scott, Deputy Town Manager**

Re: Sales Tax Consulting Services Award

Town Council Meeting – February 27, 2024

Strategic Visioning Priority: 5. Work Towards a Growing & Diversified Tax Base

Agenda Item:

Consider authorizing the Town Manager to enter into a three-year Professional Services Agreement with two one-year renewals for sales tax consulting with Texas City Services LLC for the Town, EDC and the Crime and Fire Special Purpose Districts.

Description of Agenda Item:

Sales tax levies in Texas are a maximum of 8^{1/4} cents consisting of 6 ¼ cent for the state and 2 cents for the local government. All sales tax is collected by the Texas Comptroller of Public Accounts with the local portion remitted to the appropriate local government less a 2% service charge. With the myriad of sales tax jurisdictions within the state, post offices serving more than one town and sales taxpayers determining where the taxes are owed, it is not unusual for the local portion to be allocated to the wrong jurisdiction. As a result, most municipalities employ one of several sales tax consultants to audit their payments received for completeness paying a contingency fee for identifying any additional sales tax revenue that the comptroller subsequently reallocates to the jurisdiction.

The Town issued a Request for Proposal to all known sales tax consultants in the state and received three proposals from Avenu, HDL and Texas City Services. All three proposed the same 25% contingent fee for documented sales tax recoveries plus an hourly rate for other services. The Town currently pays a 30% contingent fee. An evaluation team of four employees ranked the proposals for various factors including experience, fees, and approach and all four ranked Texas City Services the highest. As a result, only Texas City Services was brought in for interview.

With the growth of both the Town and its sales tax base it is now quite likely that the 25% contingent fee may generate a payment in excess of the \$25,000 threshold for council approval resulting in this agenda item.

Budget Impact:

Payments are made on a contingent basis only after the recovered sales tax has been documented and received. Budget authorization is treated as a contra account against sales tax for budgeting purposes.

Legal Obligations and Review:

Terrence Welch of Brown & Hofmeister, L.L.P., has approved the attached documents as to form and legality.

Attached Documents:

1. Proposed Professional Services Agreement

Town Staff Recommendation:

Town staff recommends Town Council authorize the Town Manager to enter into an agreement with Texas City Services.

The proposal was presented to the Finance Subcommittee and have recommended it to the Town Council for consideration.

Proposed Motion:

I move to authorize the Town Manager to enter into a three-year Professional Services Agreement with two one-year renewals for sales tax consulting with Texas City Services LLC for the Town, EDC and the Crime and Fire Special Purpose Districts.