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OFFICE OF THE CITY CLERK
OAKLAND

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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Sugar-Sweetened Beverage
Distribution Tax Management &
Enhancement Services

DATE: March 26, 2018

City Administrator Approval

Date:

3/29/18

RECOMMENDATIONS

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Amend And Extend The Original Agreement With MuniServices, LLC For An Additional Fixed Five-Year Term, With Two One-Year Options, For The Revenue Management And Enhancement Services Of The Sugar-Sweetened Beverage Distribution Tax At The Compensation Rate Of Two Percent (2%) Of The Tax Proceeds Collected And Remitted To The City And Appropriate An Additional \$70,000 For The Administration and Management of The Tax For The Current Fiscal Year 2017-18.

EXECUTIVE SUMMARY

On November 8, 2016, Oakland voters approved Measure HH and authorized the City to levy a General Tax of one cent (\$0.01) per fluid ounce on the privilege of distributing sugar-sweetened beverage products in the city beginning on July 1, 2017. Following the passage of Measure, the Finance Department released a Request for Qualifications ("RFQ") for the Research, Outreach, Communication, Revenue Management and Enhancement services relating to the Sugar-Sweetened Beverage Distribution Tax ("SSBDT"). To ensure a smooth and effective research, outreach and communication campaign and timely implementation and management of the SSBDT, the City Administrator executed a one-year agreement, set to expire on June 30, 2018, with the top-ranked proposer, MuniServices, LLC ("MuniServices"). The projected total cost for the initial one-year term is approximately \$250,000, which includes 1) a one-time cost of \$25,000 for the research, outreach and communication campaign to take place prior to the SSBDT becoming effective on July 1, 2017 and 2) estimated recurring annual cost of \$225,000 based on the latest projected annual revenue of \$11.25 million.

Staff seeks approval and authorization to 1) amend and extend the existing agreement for an additional fixed five-year term and two one-year options with MuniServices to continue the administration and management of SSBDT beginning on July 1, 2018 at the same fixed cost of two percent (2%) of the tax proceeds collected and remitted to the City and 2) appropriate an additional \$70,000¹ to ensure sufficient funds to cover the program costs for the current fiscal year 2017-18. Future yearly costs will be revised and included as part of the Finance

¹ \$180,000 of the projected \$250,000 in total cost for the first year is already included and appropriated as part of the Finance Department's fiscal year 2017-18 budget.

Department's annual budget.

BACKGROUND / LEGISLATIVE HISTORY

In November 2016, the Finance Department released an RFQ seeking qualified consultant(s) to either carry-out the research and identification of business taxpayers potentially be subject to the payment of SSBDT, implement cost-effective communication tactics to educate potential affected business taxpayers on the proper collection and remittance of the SSBDT or to administer and manage the SSBDT, including holding educational tax seminars, serving as the point of contact for business taxpayers to answer questions, inquiries, tax registration process and handling all administrative tasks associated with noticing, payment processing, billing, tax assessment and collection of SSBDT, or to do both. The RFQ specified that the evaluation of proposals would result in proposals being numerically ranked and placed in one of three categories:

- Category 1: Proposals for Research, Outreach and Communication Services and Revenue Management and Enhancement Services
- Category 2: Proposals for Research, Outreach and Communication Campaign only
- Category 3: Proposals for Revenue Management and Enhancement Services only.

The RFQ also specified that the City's preference was to award a single proposer who could deliver both the research, outreach, communication campaign and revenue management and enhancement services and offer the most advantageous proposal that included factors such as price, implementation costs, program design, features, and performance. Proposal for each category was evaluated separately using the following criteria:

Description	Weight
Proposal Responsiveness	Pass/Fail
Expertise	30%
Experience	30%
Project Approach	20%
Cost/Commission	20%

Three proposals were received by the December 16, 2016 deadline and listed below:

- Circlepoint (Oakland, CA) –Category 2
- HDL Software, LLC (Diamond Bar, CA) – Category 1
- MuniServices, LLC (Fresno, CA) – Category 1

A three-member panel independently evaluated the proposals. The evaluation process resulted in the numerical rankings as follow:

- Category 1: Proposal for Research, Outreach and Communication and SSBDT Management Services
 1. MuniServices, LLC
 2. HdL Software, LLC
- Category 2: Proposals for Research, Outreach and Communication Services only
 1. MuniServices, LLC

2. Circlepoint
3. HdL Software, LLC

Based on the results of the evaluation process and to ensure a smooth and effective research, outreach and communication campaign and timely implementation and management of the SSBDT, the City Administrator, as duly authorized under Oakland Municipal Code Section 2.04.020, executed a one-year agreement with the top-ranked proposer, MuniServices, not only for their 40 years of experience in providing tax administration, compliance services and taxpayer outreach and education programs for more than 1,000 government partners throughout the country, but also for their extensive experience in being the first and the only company in the nation to have successfully conducted the research, identification, outreach and education of beverage product distributors and for the management of SSBDT, including holding educational tax seminars, customer service, billing, audit, assessment, and collection of SSBDT.

ANALYSIS AND POLICY ALTERNATIVES

The 2016 Oakland voter-approved Sugar-Sweetened Beverage Distribution Tax presents a unique opportunity for the City to raise revenue to support programs designed to discourage sugar consumption and to reduce the growing burden of obesity and non-communicable diseases. The opportunity also comes with the challenges for the administration in the areas of implementing an effective research, outreach and communication campaign to implement the tax timely. In addition, the tax, being that it exists only in a handful of jurisdictions in the nation, offers very limited precedents for the adjudication of tax issues and therefore requires time to conduct thorough review before rules and regulations can be promulgated to address the issues.

MuniServices, through its highly experienced and knowledgeable staff, especially with the SSBDT program, for it being the contracted consultant working for other jurisdictions, has been able to assist the City in overcoming challenges, such as the taxability of certain consumer products, the proper way in which the SSBDT can be itemized in an invoice. Their years of experience in working with local governments, coupled with their proprietary tax database covering more than 80 percent of the State's economic base and tax investigation techniques, including detection, identification, notification, and physically visiting delinquent businesses, has resulted in a revised revenue forecast upward by approximately 95 percent, increasing from \$5.9 million to \$11.25 million.

The one-year agreement, set to expire on June 30, 2018, capped the compensation rate at two percent (2%) of the tax proceeds collected and remitted to the City. The cost for the inaugural year, is estimated at \$250,000, which includes \$25,000 for the costs associated with the research, outreach communication campaign and estimated recurring annual cost of \$225,000 based on the latest projected annual revenue of \$11.25 million.

FISCAL IMPACT

The FY 2017-19 Adopted Biennial Budget included funds of \$180,000 in each year for the costs associated with administration and management of the SSBDT. The revised projected SSBDT revenue increase to about \$11.25 million for the current fiscal year requires an increase in the appropriation of an additional \$70,000, bringing the total appropriation for the current fiscal year

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to \$250,000, to ensure sufficient funds to cover the total program costs. For the FY 2018-19 and beyond, annual cost, estimated at \$225,000, will be included as part of the Midcycle Budget and the Bi-Annual Budget process.

PUBLIC OUTREACH / INTEREST

There was no public outreach necessary other than posting on the City's website.

COORDINATION

This report has been coordinated with the Budget Bureau and the Office of City Attorney.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

Past Performance: MuniServices successfully planned and executed the outreach and education campaign that ensured a smooth implementation of the SSBDT program. Its administration and management of the SSBDT to date has resulted in a revised revenue forecast upward by approximately 95 percent, increasing from \$5.9 million to \$11.25 million.

Evaluation: The Finance staff has direct oversight of the agreement and in frequent contact with MuniServices to ensure quality of service remains high. Staff working relationship with MuniServices has been professional and positive.

Follow-Up: This item will not require any follow-up from staff.

SUSTAINABLE OPPORTUNITIES

Economic: The retention of MuniServices for the administration and management of SSBDT would not only sustain the high-quality level of service that MuniServices has shown during the initial year of the agreement but also ensure the revenue stream reaches well beyond the 'low hanging fruit.'

Environmental: There are no environmental opportunity associated with this project.

Social Equity: Retaining the services of MuniServices, a reputable and client-oriented company, to carry out the necessary services would help toward achieving City's overall goals of "funding programs to prevent or reduce the consequences of the consumption of sugar sweetened beverages on health in Oakland communities."

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution Authorizing The City Administrator To Amend And Extend The Original Agreement With MuniServices, LLC For An Additional Fixed Five-Year Term, With Two One-Year Options, For The Revenue Management And Enhancement Services Of The Sugar-Sweetened Beverage Distribution Tax At The Compensation Rate Of Two Percent (2%) Of The Tax Proceeds Collected And Remitted To The City And Appropriate An Additional \$70,000 For The Administration and Management of The Tax For The Current Fiscal Year 2017-18.

For questions regarding this report, please contact Margaret O'Brien, Revenue & Tax Administrator, (510) 238-7480.

Respectfully submitted,



Katano Kasaine
Director of Finance
Finance Department

Prepared by:
Margaret O'Brien
Revenue and Tax Administrator
Revenue Management Bureau

FILED
OFFICE OF THE CITY CLERK
OAKLAND

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OAKLAND CITY COUNCIL

Approved as to Form and Legality


City Attorney

RESOLUTION No. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR, OR DESIGNEE, TO AMEND AND EXTEND THE ORIGINAL AGREEMENT WITH MUNISERVICES, LLC. FOR AN ADDITIONAL FIXED FIVE-YEAR TERM, WITH TWO ONE-YEAR OPTIONS, FOR THE REVENUE MANAGEMENT AND ENHANCEMENT SERVICES OF THE SUGAR-SWEETENED BEVERAGE DISTRIBUTION TAX AT THE COMPENSATION RATE OF TWO PERCENT (2%) OF THE TAX PROCEEDS COLLECTED AND REMITTED TO THE CITY AND APPROPRIATE AN ADDITIONAL \$70,000 FOR THE ADMINISTRATION AND MANAGEMENT OF THE TAX FOR THE CURRENT FISCAL 2017-2018.

WHEREAS, prior to the adoption of this Resolution, Oakland City Council adopted Resolution 86161 C.M.S calling and giving notice, on its own motion, for a consideration of the ballot measure to enact a one cent (\$0.01) per ounce tax on the distribution of sugar-sweetened beverage products; and

WHEREAS, On November 8, 2016, Oakland voters approved Measure HH and authorized the City to levy a General Tax of one cent (\$0.01) per fluid ounce on the privilege of distributing sugar-sweetened beverage products in the city beginning on July 1, 2017; and

WHEREAS, the Finance Director of the City of Oakland, following the passage of Measure HH and in accordance with contracting rules, procedures and requirements, as outlined in the Oakland Municipal Code Title 2, Chapter 2.04, prepared and released a Request for Qualifications ("RFQ") for the Sugar-Sweetened Beverage Distribution Tax Research, Outreach, Communication Campaign, Revenue Management and Enhancement Services; and

WHEREAS, the objective of the RFQ was to retain qualified consultant(s) to either independently deliver the research, outreach and communication campaign or the revenue management and enhancement services or both; and

WHEREAS, the City received three proposals, all of which met proposal requirements and implementation deadline, and were invited to continue through the selection process; and

WHEREAS, a three-member evaluation team was created to fairly, objectively and systematically evaluate all aspects of the proposals; and

WHEREAS, after a thorough and complete evaluation of proposals, the City Administrator, as duly authorized under Oakland Municipal Code Section 2.04.020, executed a one-year agreement, set to expire on June 30, 2018, with the top ranked proposer, MuniServices, LLC, for the research, outreach, communication campaign and revenue management and enhancement services for a compensation rate of two percent (2%) of the tax proceeds collected and remitted to the City; and

WHEREAS, MuniServices, LLC successfully planned and executed the outreach and education campaign that ensured smooth implementation of the Sugar-Sweetened Beverage Distribution Tax program; and

WHEREAS, MuniServices, LLC's administration and management of the program has resulted in a revised revenue forecast upward by approximately 95%, increasing from \$5.9 million to \$11.25 million for the Fiscal Year 2017-2018; and

WHEREAS, \$180,000 for the expenditure associated with the initial year of the agreement with MuniServices, LLC are already included in the Finance Department's Fiscal Years 2017-2019 Operating Budgets. Funding changes for Fiscal Year 2018-2019 and beyond will be incorporated as part of Midcycle Budget the baseline bi-annual budgets; and

WHEREAS, the Agreement will also include a detailed statement of work, which defines the deliverables, enhancements and compensation schedule tied to the successful collection and remittance of the Sugar-Sweetened Beverage Distribution Tax and to be paid upon the City's acceptance; now, therefore be it

RESOLVED: that the City Council does hereby authorize the City Administrator to negotiate, amend and extend the Professional and Specialized Services Agreement between the City of Oakland and MuniServices, LLC. to provide Revenue Management and Enhancement Services related to the Sugar-Sweetened Beverage Distribution Tax for a five-year (5) term with two (2) one-year option in an amount not to exceed two percent (2%) of the Sugar-Sweetened Beverage Distribution Tax collected and remitted to the City; and be it

FURTHER RESOLVED that the City Council does hereby authorize an additional appropriation of \$70,000 to the General Purpose Fund and the Organization in fiscal year 2017-18 to ensure sufficient funds are available to cover the initial year cost for the administration and management of the Sugar-Sweetened Beverage Distribution Tax; and be it

FURTHER RESOLVED that \$180,000 for the expenditure associated with the initial year of the agreement with MuniServices, LLC are already included in the Finance Department's Fiscal Years 2017-2019 Operating Budgets under Miscellaneous Contract. Funding changes for Fiscal Year 2018-2019 and beyond will be part of the development of the Midcycle Budget and the bi-annual operating budgets and approval from the City Council; and be it

FURTHER RESOLVED that the City Council does hereby authorize the City Administrator the option to exercise the two (1) one-year options without returning to the City Council for approval as long as the City Administrator determined that it is in the best interest of the City to do so; and be it

FURTHER RESOLVED that the agreement authorized hereunder is subject to City Attorney approval for form and legality and shall be placed on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY,
GUILLEN, KALB, KAPLAN, AND PRESIDENT REID

NOES –

ABSENT –

ABSTENTION –

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California