



CITY of NOVI CITY COUNCIL

**Agenda Item F
August 29, 2016**

SUBJECT: Approval of a three-year agreement between the City of Novi and Tax Management Associates for Personal Property Assessment Services for an estimated cost of \$46,550 for the first year.

SUBMITTING DEPARTMENT: Assessing

CITY MANAGER APPROVAL:

EXPENDITURE REQUIRED	\$19 PER PARCEL YR 1, APPROX. \$46,550
AMOUNT BUDGETED	\$78,818
APPROPRIATION REQUIRED	\$19 PER PARCEL YR 1, \$20 YR 2, \$21 YR 3
LINE ITEM NUMBER	101-209.00-807.000

BACKGROUND INFORMATION: ~~DX~~

The City was notified around April of 2016 by Equalization that beginning with the 2017 tax roll it will no longer be offering the City this service. As a result the City Council approved \$78,818 in its FY 2016-17 Budget for a full time personal property appraiser.

Tax Management Associates, Inc. has proposed a 3-year contract similar to Oakland County Equalization and as follows:

- Perform canvass in the Fall of each year
- Process returns (January 1 – March 1) each year
- All services performed out of TMA's Offices
- TMA would VPN into the City system to perform all the necessary work
- Project includes the City's approximately 2,450± personal property accounts

The proposed cost is as follows:

- Year 1, FY 2016-2017 at \$19 per parcel account. At approximately 2,450 accounts this is estimated at \$46,550, for a potential \$32,268 savings.
- Year 2, FY 2017-2018 at \$20 per parcel account. At approximately 2,450 accounts this is estimated at \$49,000, for a potential \$29,818 savings.
- Year 3, FY 2018-2019 at \$21 per parcel account. At approximately 2,450 accounts this is estimated at \$51,450, for a potential \$27,368 savings.

RECOMMENDED ACTION: Approval of a three-year agreement between the City of Novi and Tax Management Associates for Personal Property Assessment Services for an estimated cost of \$46,550 for the first year.

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Burke				
Council Member Casey				

	1	2	Y	N
Council Member Markham				
Council Member Mutch				
Council Member Wrobel				

TAX MANAGEMENT ASSOCIATES, INCORPORATED
BUSINESS PERSONAL PROPERTY
OUTSOURCING SERVICES CONTRACT
CITY OF NOVI, MICHIGAN

This contract made and entered into this _____ day of _____, 2016, by and between CITY OF NOVI, a political subdivision of the State of Michigan, hereinafter called the CITY and TAX MANAGEMENT ASSOCIATES, INC., a corporation authorized to conduct business in Michigan, hereinafter called TMA, to assist the City Tax Assessor in the outsourcing of certain assessment administration and ad valorem property tax verification functions for the City of Novi Tax Office. Contractual services may begin upon full execution of this contract.

SPECIAL PROVISIONS

WITNESSETH:

WHEREAS, the CITY desires to obtain listing administration outsourcing for the City's business personal property taxpayers as authorized by the State of Michigan Statutes; and

WHEREAS, TMA agrees to provide said outsourcing services for the CITY pursuant to the charges, terms and conditions of this Contract; and

NOW, THEREFORE, in consideration of the promises mutually exchanged, the parties agree as follows:

A. OUTSOURCING SERVICES:

In accordance with the charges, terms and conditions contained in this Contract, TMA agrees to furnish outsourcing services that assist the City with business personal property assessment administration. The following services will include:

- Perform canvass in the Fall of each year
- Process returns (Jan 1-March 1) each year
- All services will be performed out of TMA's Offices
- TMA will use the City's existing BS&A software license and VPN into the City system to perform all necessary work
- Scope of the project consists of approximately 2,450 personal property parcel accounts
- City is responsible for all postage including the mailing of the annual Personal Property Statements

B. COST AND PAYMENT FOR OUTSOURCING SERVICES:

- A. The City shall pay TMA for services furnished under this Contract for all outsourcing services performed by TMA. This includes all services as previously described in Section A. of this Contract.

The following fees are based on the above scope of the services.

Year 1 - \$19 per parcel account

Year 2 - \$20 per parcel account

Year 3 - \$21 per parcel account

- B. All expenses incurred by TMA in performing outsourcing services under this Contract including, but not limited to, travel, food, lodging, mileage, salaries, etc. shall be the responsibility of TMA.
- C. TMA shall invoice the City for outsourcing services on a quarterly basis. Invoiced fees will be due and payable within forty-five days following billing date.

C. AUDIT SERVICES:

- A. In accordance with the charges, terms and conditions contained in this Contract, TMA agrees to furnish business personal property audit services to verify the accuracy of business taxpayers' personal property statements filed with the Assessor in the City Of Novi.
- B. The services provided by TMA will be performed in accordance with the terms and conditions provided by this Contract and in compliance with all applicable Michigan Property Tax Statutes. TMA agrees to perform audits in accordance with professionally accepted auditing and accounting.
- C. Audits to be performed by TMA under the terms of this Contract shall be selected and assigned by the City as may hereafter be deemed appropriate.
- D. It is expressly agreed by the parties that all work performed by TMA shall be under the direct supervision and control of the City Assessor. All correspondence in connection with audits will be signed by the City Assessor or by his/her authorized designee.
- E. In order to assist in the scheduling of taxpayers' statements selected by the City for audit, the City agrees to make available to TMA copies of the personal property statements for the years in which audits are to be performed.
- F. TMA agrees to audit the listing assigned for audit for the current year and applicable prior years as provided by Michigan General Statutes.

- G.** It is expressly understood by TMA that under the provisions of Michigan Law, it and its employees are subject to the State Confidentiality Statutes MCL 211.23, and the penalties contained therein. TMA agrees to abide by the Michigan Statutes concerning confidentiality of taxpayer records and shall hold the City harmless from any liability that may result from an action involving TMA or its employees or agents regarding confidentiality of taxpayer records.
- H.** TMA agrees that no employee of the company will consult with or answer questions regarding any aspect of an audit being performed, except with authorized City officials and the taxpayer being audited, unless otherwise directed to do so by the City Assessor.
- I.** If through any cause, TMA or the City fails to fulfill its obligations as provided by this Contract, or materially violates any of the covenants or stipulations within this Contract, and such failure or violation continues for thirty (30) days after written notice thereof by a party, either party shall thereupon have the right to terminate this Contract immediately upon giving written notice to the other party. Said notice shall be delivered to the party personally or mailed by certified mail to the mailing address as specified herein. In the event of termination, all audits assigned to TMA shall be completed by TMA and all fees for completed audits shall be payable in accordance with the terms as provided by this Contract.
- J.** It is expressly understood and agreed to by TMA and the City that the audit services performed under this Contract represents an examination of data and materials, as might be contained in a taxpayer's accounting records or other documents, for the purpose of verifying the accuracy of statements, reports or statements filed with the City in connection with a taxpayer's listing of property and that such services are not an appraisal service; except that information obtained in an audit performed by TMA may be used by the City Assessor to form an opinion or estimate of value as in an appraisal.

D. COST AND PAYMENT FOR AUDIT SERVICES:

A. The following fee schedule is applicable for each individual audit if the City conducts twenty (20) or more audits within a given year; any total audits below this amount in a given year will be priced separately based on size and location of the audit. The audit fees are per parcel, per audit location. The City is responsible for all postage and mailing of audit correspondence. No additional fees will be applicable regardless of the man hours required to complete an audit or to defend the audit through the appeals process.

<u>CLASS</u>	<u>VALUE RANGE</u>	<u>PER AUDIT FEE</u>
S	\$0 - \$49,999	\$ 400.00
A	\$50,000 - \$399,999	\$ 700.00
B	\$400,000 - \$999,999	\$ 1,400.00
C	\$1,000,000 - \$4,999,999	\$ 2,200.00
D	\$5,000,000 - \$19,999,999	\$ 6,000.00
D3	\$20,000,000 and Greater	\$10,000.00

- B. The City will be responsible for the cost of postage for handling correspondence and the cost of providing TMA copies of City tax records associated with an individual audit.
- C. TMA shall invoice the City for applicable audit fees on a monthly basis. Invoiced fees will be due and payable within ten (10) days following billing date.
- D. All legal cost involving appeals resulting from an audit shall be the responsibility of the City. TMA shall be responsible for defending its audit findings throughout any appeals process. Defense of audit findings shall include personal appearances at meetings with taxpayers or their representatives, and providing testimony and evidence at all hearings before the Assessor, Local Board of Appeals, and at any other appeal level concerning information identified in an audit.

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GENERAL PROVISIONS

1. **AUTHORITY TO CONTRACT:** The City's authority to contract for the service herein is authorized by Michigan General Statutes.
2. **AUDIT:** All invoices shall be submitted by TMA to the City Assessor with sufficient detail for a proper pre-audit or post-audit.
3. **CANCELLATION:** This contract shall become effective upon signing and shall remain in effect for an initial term of (36) months. This contract may be terminated by either party without cause upon thirty (30) days written notice.
4. **COLLATERAL ASSIGNMENT:** The City acknowledges and agrees that payment due Tax Management Associates, Inc. under this contract and all other agreements with the government authority (the "Contract") have been collaterally assigned to Branch Banking and Trust Company (a North Carolina banking corporation, whose address is 6869 Fairview Road, Charlotte, North Carolina 28210-3384). All payments due Tax Management Associates, Inc. under this the contract will be sent, UPON REQUEST, to the Bank at that address pursuant to a financing and cash management arrangement. The Bank is authorized to receive information relating to this contract and payments due under the Contract and all amendments or modifications to the contract from City Of Novi (the government authority). The Bank is authorized to rely upon the terms of the contract. The government authority agrees to give notice to the Bank thirty (30) days prior to termination of this contract.
5. **INDEMNIFICATION:** To the fullest extent permitted by laws and regulations, TMA shall indemnify and hold harmless the City and its officials, agents, and employees from and against all claims, damages, losses and expenses, direct, indirect or consequential (including, but not limited to, fees and charges of engineers or architects, attorneys and other professionals and costs related to court action or arbitration) arising out of or resulting from the performance of this contract or the actions of TMA or its officials, employees, or contractors under this contract or under the contracts entered into by TMA in connection with this contract. This indemnification shall survive the termination of this contract.
6. **NON-DISCRIMINATION:** TMA shall not discriminate against any person on the grounds of race, color, religion, national origin, sex, age or disability in the administration of this contract. Nor shall any person be excluded from participation in, or be denied the benefits of this contract on the grounds of race, color, religion, national origin, sex, age or disability.
7. **LAW CONTROLLING:** The laws of the state of Michigan shall control and govern this contract.
8. **NON-ASSIGNMENT:** This contract is not assignable by either party, by operation of law or otherwise.
9. **MODIFICATION:** This contract may be modified only by a written agreement executed by both parties hereto.

10 ENTIRE AGREEMENT: This contract constitutes the entire agreement of the parties and no other agreement or modification to this contract, expressed or implied, shall be binding on either party unless same shall be in writing and signed by both parties. This contract may not be orally modified. Any modifications must be in writing, expressly titled a modification or addendum to this contract, attached to this contract, and signed by both parties.

11. SEVERABILITY: Should any provision, portion, or application thereof of this contract be determined by a court of competent jurisdiction to be illegal, unenforceable, or in conflict with any applicable law or constitutional provision, the Parties shall negotiate an equitable adjustment in the affected provisions of this contract with a view toward effecting the purpose of this contract, and the validity and enforceability of the remaining provisions, portions, or applications thereof, shall not be impaired.

12. HEADINGS: The subject headings of the paragraphs are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions. This contract shall be deemed to have been drafted by both parties, and no purposes of interpretation shall be made to the contrary.

13. NOTICES: Any notices to be given or submitted by either party to the other pursuant to this contract shall be made in writing and sent by first class mail, postage paid or by hand delivery to:

CITY:
CITY OF NOVI
45175 Ten Mile Road
Novi, MI 48375
ATTN: Micheal Lohmeier
City Assessor

CONSULTANT:
TAX MANAGEMENT ASSOCIATES, INC.
2225 Coronation Boulevard
Charlotte, NC 28227
ATTN: Richard H. "Chip" Cooke, Jr.
Chief Executive Officer

Executed and entered into by the parties hereto.

ACCEPTED:

CITY OF NOVI
MAYOR ROBERT GATT
45175 TEN MILE ROAD
NOVI, MI 48375

ACCEPTED:

TAX MANAGEMENT ASSOCIATES, INC.
2225 CORONATION BLVD.
CHARLOTTE, NC 28227

AUTHORIZED SIGNATURE:

AUTHORIZED SIGNATURE:

TITLE: _____

RICHARD H. "CHIP" COOKE, JR.
TITLE: CHIEF EXECUTIVE OFFICER

DATE: _____

DATE: _____

ATTEST BY: _____

ATTEST BY: _____

TITLE: _____

CITY CLERK (SEAL)

APPROVED: (If necessary)

APPROVED: (If necessary)

AUTHORIZED SIGNATURE:

AUTHORIZED SIGNATURE:

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____



TAX MANAGEMENT
ASSOCIATES, INC

CITY OF NOVI, MICHIGAN

PERSONAL PROPERTY ASSESSMENT
ADMINISTRATIVE & AUDITING SERVICES
PROPOSAL



PREPARED BY:

TAX MANAGEMENT ASSOCIATES, INC.
869 SOUTH OLD US 23, SUITE 600
BRIGHTON, MI 48114

August 5, 2016

Mr. Michael Lohmeier
City of Novi Tax Assessor
45175 Ten Mile Road
Novi, MI 48375

Dear Mr. Lohmeier:

Tax Management Associates, Inc. (TMA) appreciates the opportunity to provide this proposal to the City of Novi. It is our goal to learn more about the City of Novi's current processes for conducting business personal property assessment services and audits and how TMA may be able to assist in positively impacting the budget in the City of Novi. TMA's history and experience as well as information about our staffing and project standards can be found below.

TMA is proud to serve jurisdictions in Michigan and look forward to the potential of working with the City of Novi. If you need any additional information regarding our company or our service offerings, please contact me at 810-225-7605

Sincerely,



Al Consiglio
Director, New Projects
Tax Management Associates, Inc.

Experience

Founded in 1979, Tax Management Associates, Inc. (TMA) has grown into one of the nation's largest and most experienced providers of revenue enhancement services for state and local government. For much of its existence, TMA's core business has revolved around personal property auditing for local jurisdictions. For 29 years, TMA has performed these services for over five hundred (500) state and local government clients in nineteen (19) states, including statewide programs for both the Kentucky Revenue Cabinet and the Michigan Department of Treasury.

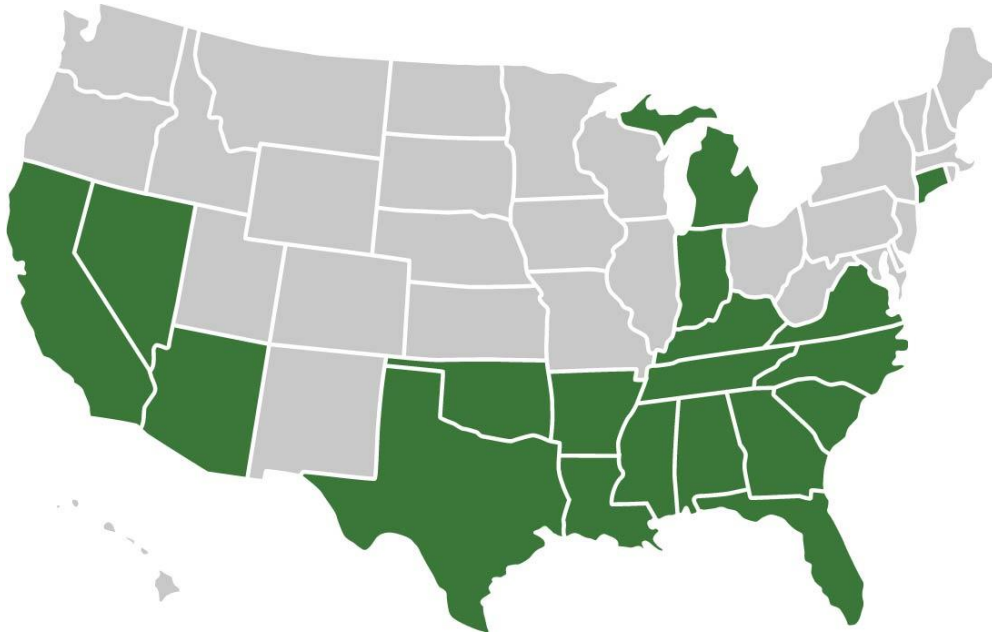
TMA assists assessment officials in their day-to-day duties of administering ad valorem taxation. TMA works with officials on mass appraisal (CAMA) projects, motor vehicle valuations, billing and collection software solutions and other specialized projects. In 1987, TMA founded its business personal property auditing and consulting division. This division specializes in the administration of business personal property and the proper application of state specific laws and statutes. Today, 70% of TMA's activities are related to business personal property ad valorem taxation.

Our Services:

- Business Personal Property Auditing
- Outsourcing Personal Property Listing Administration
- Discovery of Non-Reporting Businesses
- Valuation of Non-Reporting Businesses
- Public Utility Audits on Locally Assessed Properties
- Public Utility Appraisals on Locally Assessed Properties
- Homestead Exemption Audits
- Special Ad Valorem Projects
- Customized Software Solutions

TMA only serves the interests of state and local government. To serve both the private and the public sector would be, in our opinion, a conflict of interest.

Please see map of TMA's client states below:



States in green represent TMA client states

Staffing

TMA employs only the highest quality professionals to participate in its ad valorem engagements including CPAs, PPS designees and other similar accounting experts. Over 40 full time business personal property experts are backed by support staff, IT professionals and a management team with over 500 client engagements either completed or in process. The TMA staff goes through a rigorous training regimen beginning with the initial employment screening of qualified accounting majors or individuals with similar experience. Our staff are required to apprentice under experienced TMA auditors and constantly gain valuable insight through continuing education, in-house training seminars, and state specific certification. Our business personal property experts are considered the most experienced and professional in the nation.

Tax Management Associates has spent the last thirty-five (35) years perfecting our methodologies according to our corporate slogan:

Quality by Design

TMA implements the highest levels of quality in service and workmanship. We believe this is achieved through careful attention to detail and a commitment to listening to our clients' needs. We partner this design with the finest professionals in this industry to bring to you a solution that will provide value well into the future.

Proposed Scope of Services

I. Outsourcing Assessment & Administrative Services

Scope

The City of Novi desires to outsource its Personal Property Assessment and Administration functions. Outsourcing services will include:

- Perform canvass in the Fall of each year
- Process returns (Jan 1-March 1) each year
- All services will be performed out of TMA's Offices
- TMA would use the City's existing BS&A software license and VPN into the City system to perform all necessary work
- Scope of the project consists of +-2,450 personal property parcel accounts
- City is responsible for all postage, including mailing out the annual Personal Property Statements

Pricing

The City of Novi has +-2,450 personal property parcel accounts. We are proposing conducting these services for a 3-year period. The following costs are based on the above scope of the services.

Year 1 - \$19 per parcel account

Year 2 - \$20 per parcel account

Year 3 - \$21 per parcel account

II. Business Personal Property Audit Program

Project Standards

TMA would provide detailed, comprehensive cost reconciliations on business personal property returns filed with the City of Novi, MI according to Michigan principles, uniformed appraisal methodologies, and comprehensive cost accounting. TMA auditors are trained to perform audits on companies from small proprietorships to billion-dollar manufacturing concerns. TMA conducts an on-site inspection of the business property and also travels to the taxpayer's corporate headquarters or place of records for every audit to ensure the highest level of quality service.

This gives our auditors the chance to sit down with taxpayers, discuss the relevant issues, educate in local statutes, and ultimately resolve any outstanding issues. By meeting face-to-face with taxpayers, TMA may assure the jurisdiction that its taxpayers are treated with dignity and respect during the entire process. In addition to the audit and consulting staff, TMA has two fully staffed call centers to assist in TMA's Audit Discovery Services. These two groups use the latest technology and Voice Over Internet Protocol (VOIP) phone systems to provide a level of taxpayer service second to none.

Public Relations

TMA prides itself on its comprehensive public relations program and the professional manner in which TMA treats the individual taxpayer. Public relations are eighty percent (80%) of our business, and we dedicate ourselves to being the client's number one ambassador. TMA's objective has always been to deliver a successful revenue enhancement project that the jurisdiction can be proud of when communicating with its constituents and peers. TMA understands that interactions with taxpayers need to be professional and courteous, while also achieving the goals of the project. TMA has the know-how to successfully manage these taxpayer interactions and strives to create a positive experience at every opportunity. Our goal is to always remain understanding while educating the taxpayer about the applicable tax requirements, helping them complete the process and conducting an exit interview with the taxpayer to reconcile findings.

Supporting Software

In addition to performing audits, TMA is also known for creating innovative software for assessing officials. We offer estimation software, CAVS, to assist with estimating businesses that do not file or underreport business personal property taxes. We also offer online access to TMA's portal, Informer, keeping you up-to-date on all of your TMA services.

Audit Program(s)

TMA is willing to provide various types of business personal property audit programs. Depending on the scope the City wishes to explore, TMA can provide a partial audit program or a full audit program.

Full Program

A full program would consist of auditing all of the City's +-2,450 total accounts. This could be done in a single year or a specific number of audits of each size (S-D3) could be conducted annually over a specific period of time, typically a 3 or 5-year program. This approach may prove beneficial for budgetary reasons. A full program, with all businesses being reviewed, is likely the fairest and most equitable to all taxpayers and is typically encouraged by state governing agencies.

Partial Program

This option may be suitable for the City if they do not want a full program of reviewing every business taxpayer. TMA staff will typically review businesses over \$50,000 in value. TMA will assist the City's internal staff with developing a program to ensure businesses under \$50,000 are subject to an appropriate compliance review. The companies selected are at the discretion of the City. The assessor may choose accounts of a particular size, or only those that have a specific need for review in the assessor's opinion.

Pricing

The following fee schedule is applicable for each individual audit if the City conducts twenty (20) or more audits within a given year. Any total audits below this amount in a given year would have to be priced separately based on size and location.

The following fees include all expenses associated with the audit including, but not limited to, salaries, travel, food, lodging, supplies, site inspections to verify assets and supporting the jurisdiction through appeal process if need arises with certified Michigan auditors. The City would be responsible for all postage and mailings as part of this service. These prices are per parcel, per audit location.

Fee Schedule:

Class	Value Range	Per Audit Fee
S	\$0 - \$49,999	\$400.00
A	\$50,000 - \$399,999	\$700.00
B	\$400,000 - \$999,999	\$1,400.00
C	\$1,000,000 - \$4,999,999	\$2,200.00
D	\$5,000,000 - \$19,999,999	\$6,000.00
D3	\$20,000,000 and Greater	\$10,000.00