



## Legislation Details (With Text)

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**Title:** CONSIDER PROFESSIONAL SERVICES AGREEMENT WITH BRI CONSULTING GROUP, INC. TO PROVIDE AUDIT SERVICES FOR THE OIL INDUSTRY BUSINESS LICENSE TAX (CITY COUNCIL)  
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**Attachments:** 1. BRI Contract 2018, 2. File Summary

Date	Ver.	Action By	Action	Result
7/3/2018	1	City Council		

## Report to Mayor and City Council

Tuesday, July 03, 2018

Discussion

### SUBJECT:

**CONSIDER PROFESSIONAL SERVICES AGREEMENT WITH BRI CONSULTING GROUP, INC. TO PROVIDE AUDIT SERVICES FOR THE OIL INDUSTRY BUSINESS LICENSE TAX (CITY COUNCIL)**

### I. SUMMARY

City Council is being asked to approve a professional services agreement with a consulting firm based in Houston, Texas. The scope of the project is to audit the gross receipts reported by the two oil refineries in the City of Carson.

### II. RECOMMENDATION

APPROVE the proposed professional services agreement with BRI Consulting Group, Inc. to provide audit services for a not-to-exceed price of \$140,000.

### III. ALTERNATIVES

TAKE another action deemed appropriate by City Council.

#### **IV. BACKGROUND**

The City's voters approved the new Oil Industry Business License tax in November 2017. The tax is 0.25% of gross receipts subject to the tax. Gross receipts information is self-reported by each business paying the tax; and the City has the right to audit business records (CMC§63516A).

The Purchasing Ordinance allows staff to solicit proposals for professional services without a formally advertised process (CMC§2611(c)). Staff solicited proposals from 9 firms with reported oil industry experience. Four proposals were received, as five firms elected not to submit proposals. One of the four proposals was found to be inadequate due to the superficial scope proposed. The City Manager, Assistant City Manager, Finance Director and the City's Oil Industry Consultant (Mr. Luis Perez of MRS Environmental) interviewed 3 firms. Staff felt that 2 of the 3 firms interviewed could perform the work successfully. A contract was negotiated with the firm that proposed lower rates.

Staff recommends the City Council award a contract to BRI Consulting Group, Inc. (BRI). BRI was established in 1992 to provide energy companies with experienced professionals to meet their auditing needs. BRI is a privately-owned firm utilizing 32 professionals, and provides services in both the United States and abroad. BRI's specializations include revenue, refinery and gas plant, joint venture and contract compliance audits. Projects have ranged in size from under \$100 million to over \$8 billion.

Staff has requested that BRI begin with audits of the gross receipts reported by Phillips 66 and Andeavor refineries for the period of December 2017 through June 2018 (7 months of data). BRI has asserted they have no conflict of interest for the proposed audits. The budget for each audit is \$70,000 for a total not-to-exceed price of \$140,000. The audits are expected to be completed by the end of the calendar year. The initial audits are greater in scope than what is expected going forward, due to the establishment of procedures based upon available information.

Gross receipts information is confidential. To date, the City has collected oil industry tax revenue totaling \$1,223,232 for December 2017 through March 2018. The April-June 2018 quarterly payment will be due no later than July 30, 2018.

If an audit reveals an underpayment of 2% or greater, the taxpayer shall reimburse the City for the full reasonable costs incurred in conducting the audit, including all legal fees (CMC§63516B).

#### **V. FISCAL IMPACT**

There is no additional funding requested at this time. The FY17-18 budget includes \$15,000 for revenue audits and \$25,000 for oil tax audits (total of \$40,000) that has not been used and can be carried forward to FY18-19. The FY18-19 budget includes another \$100,000 for oil tax audits. Therefore, the total of appropriations available is \$140,000 within the Finance Department budget of the General Fund.

#### **VI. EXHIBITS**

A - Proposed Contract Services Agreement By and Between City of Carson and BRI

Consulting Group, Inc. (pages 3-29)

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