



CITY OF CARSON

Legislation Text

File #: 2022-386, Version: 1

Report to Mayor and City Council

Tuesday, May 17, 2022

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 1 TO AN AGREEMENT WITH BRI CONSULTING GROUP, INC. TO PROVIDE AUDIT SERVICES FOR THE OIL INDUSTRY BUSINESS LICENSE TAX (CITY COUNCIL)

I. SUMMARY

Staff is seeking City Council approval to amend the contract with BRI Consulting to extend the term of agreement, revise the scope of work, and increase the total compensation for the audit to a not-to-exceed-amount of \$250,000.

II. RECOMMENDATION

1. WAIVE the bidding requirements of the Carson Municipal Code (CMC) pursuant to CMC Section 2611(e) ("Sole Source Purchasing"); and
2. APPROVE Amendment No. 1 to Agreement for Contract Services by and between the City of Carson and BRI Consulting to increase the contract sum to \$250,000 and extend auditing services to February 30, 2024 and
3. AUTHORIZE the Mayor to execute the amendment following approval as to form by the City Attorney.

1.

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate.

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).

In July 3, 2018 the City Council approved a one year agreement with BRI Consulting to provide audits of the gross receipts reported by Phillips 66 and Marathon refineries for the period of December 2017 through June 2018 (7 months of data). The budget for each audit is \$70,000 for a total not-to-exceed price of \$140,000. On January 14, 2020, the City Council approved an amendment to allow BRI Consulting to perform the same scope of work for Equillon and Kinder Morgan and to help address disagreement between the City and taxpayers regarding the proper apportionment of Gross receipts and application of the Oil Business License Tax. BRI completed the audit for the audit period of December 2017 through June 2018 and two separate demand letters were sent to Marathon and Philips 66 requesting both companies to pay the Oil Business Tax deficiency. The City received payments from Philips 66 and staff are waiting for a response from Marathon.

BRI consulting is now engaging the oil refineries in the audit of the remaining time periods of 2019, 2020 and 2021 and the audit is expected to be completed by December 2023. Gross receipts information are confidential. To date, the City has collected oil industry tax revenue totaling \$2.3 million for Fiscal year 2021-2022. 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 fiscal impact to the General Fund. Auditing services costs are included in the 2022-2023 proposed budget.

VI. EXHIBITS

Amendment no. 1

Prepared by: Tarik Rahmani, Finance Director