

# BOARD OF ALDERMEN

ITEM NO. C(4)

## AGENDA ITEM ABSTRACT

MEETING DATE: March 20, 2012

**TITLE: A Resolution Authorizing the Town Manager to Enter Into a Sales Tax Reallocation Audit Contract**

<b>DEPARTMENT: Management Services</b>	<b>PUBLIC HEARING: NO</b>
<b>ATTACHMENTS:</b> Attachment A: Resolution Authorizing Interim Town Manager to Execute Sales Tax Reallocation Audit Contract Attachment B: Services Contract	<b>FOR INFORMATION CONTACT:</b> Arche L. McAdoo, Management Services 918-7439

**PURPOSE:**

The purpose of this agenda item is to authorize the Town Manager to execute a contract with Robert S. Segal, CPA, to examine and analyze North Carolina sales tax refunds to private nonprofits to determine whether refunds as reported need to be reallocated to Orange County and its municipalities.

**INFORMATION:**

The Board has, in the past, authorized a contract to engage Robert S. Segal, CPA, as a consultant to review and analyze sales tax reporting records of nonprofit organizations to determine if any refunds from the North Carolina Department of Revenue have been properly allocated to the County. In instances where refunds have been improperly allocated, the consultant will file a request with the North Carolina Department of Revenue requesting that these funds be reallocated and distributed to Orange County and its municipalities. The agreement with Segal requires the participation of the Orange County, Carrboro, Chapel Hill and Hillsborough. Each jurisdiction is required to pay a pro rata share of Segal's fees when additional revenues are obtained. The agreement proposed by Segal has a tiered fee approach as follows:

- a) 00.0% if no additional adjustments are obtained;
- b) 20.0% for the first \$200,000 of additional adjustments obtained;
- c) 25.0% for the next \$200,000; and,
- d) 30.0% for all additional adjustments obtained.

There is a maximum cap on the total fees of \$90,000 per year.

**FISCAL IMPACT:**

The Town will not incur any expenses unless additional revenues are obtained by Segal. Any expenses associated with this contract will be offset by the additional revenues generated. From June 30, 2009 through April 22, 2011, a total of \$82,898 additional revenues were discovered for the Town. After paying its pro rata share of Segal's fees (\$22,105) the Town received net revenues of \$60,793.

**STAFF RECOMMENDATION:**

The staff recommends that the Board approve the attached resolution authorizing the Town Manager to execute a contract with Robert S. Segal to perform a Sales Tax Reallocation Audit.