September 10, 2026 **AGENDA ITEM # 8**

AUTHORIZE AN AGREEMENT FOR SALES TAX AUDIT AND RECOVERY SERVICES

Action Requested: Authorize Executive Director

Presenter: Dustin Purinton, Chief Financial Officer

Recommendation

- Authorize the Executive Director to execute a three-year agreement, with an optional two-year extension, with Neumo Group, LLC (Muni) to continue performing sales tax audit, recovery services and sales tax projections.

Background

In 2007, the Sacramento Transportation Authority (STA) retained MuniServices, LLC to provide sales and use tax audit and recovery services. These services are intended to supplement the California Department of Tax and Fee Administration's (CDTFA) tax administration activities by identifying potential sales and use tax allocation errors, underreported taxable transactions, and other revenue recovery opportunities that may affect transportation revenues received by the Authority. The objective of the program has been to maximize revenues legally owed to the Authority while improving the accuracy of tax allocations.

The original agreement was executed for a three-year term and included automatic renewal provisions. Under that arrangement, the agreement remained in effect for approximately twelve years. During this period, the consultant was compensated through a contingency-based fee equal to 30 percent of recovered revenues.

In 2019, STA conducted a competitive solicitation for sales tax audit and recovery services. The procurement resulted in a new agreement with MuniServices at a reduced contingency fee of 15 percent of recovered revenues. The agreement also included semi-annual sales tax forecasting and revenue advisory services to assist STA with budget development, financial planning, and revenue monitoring.

Following a series of corporate acquisitions and organizational changes, MuniServices became part of Avenu Insights & Analytics and subsequently Neumo Group, LLC. The consultant has continued to provide specialized sales tax audit, recovery, forecasting, and revenue advisory services to STA under the existing contractual framework.

Discussion

STA staff evaluated the market for specialized sales and use tax audit and recovery services and determined that the number of qualified providers remains extremely limited. Staff identified Neumo Group, LLC and HdL Companies as the primary firms providing these specialized services to California local agencies. In addition, staff consulted with peer agencies regarding their experience with similar services.

Based on this review, staff determined that competitive procurement was unlikely to yield additional qualified providers or materially different service offerings. This conclusion is consistent with STA's prior procurement experience, which resulted in limited market participation. Neumo's services include specialized sales and use tax recovery expertise, proprietary analytical methodologies, revenue forecasting, and advisory services that support the Authority's ongoing revenue administration and financial planning efforts.

The proposed agreement would continue the existing contingency-based recovery model, under which STA pays compensation only upon the receipt of recovered revenues attributable to the consultant's efforts. The agreement also includes semi-annual revenue forecasting and advisory services for an annual fee of $3,000, support for revenue monitoring and planning activities, and optional access to additional analytical tools if desired by the Authority.

Staff recommends approval of the proposed agreement with Neumo Group, LLC for an initial term through March 31, 2030, with two optional one-year extensions, in order to continue specialized sales tax audit, recovery, forecasting, and advisory services that support the Authority's transportation funding programs.

Financial Impact

Compensation for audit and recovery services is based on a contingency fee equal to fifteen percent (15%) of revenues actually recovered on behalf of the Authority. This performance-based structure minimizes financial risk to the Authority because fees are incurred only when additional revenues are identified and received. The agreement also includes an annual fee of $3,000 for revenue forecasting and advisory services, which has been budgeted within the Authority's professional services expenditures. The sales tax recovery services are intended to improve the accuracy of local tax allocations and maximize revenues available to support transportation programs within Sacramento County. Payments under the agreement are subject to the Authority's annual budget appropriation process, ensuring that expenditures remain within Board-authorized funding levels. The forecasting and advisory services fee is subject to annual inflation adjustments as provided in the agreement.

Attachment

1) Sales Tax Audit & Forecasting Services Professional Service Contract
2) Sales Tax Audit & Forecasting Services Non-Competitive Procurement Justification Memorandum