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Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: Business Cooperation
Program

DATE: May 5, 2008

Approved

Date

5-6-08

INFORMATION

BACKGROUND

At the Community and Economic Development Committee meeting on May 21, 2007, the Office of Economic Development proposed a Business Cooperation Program workplan. The Business Cooperation Program's intent is to work with San Jose companies that are making qualifying purchases to allocate the maximum Use Tax dollars back to the City of San Jose. Because there is an administrative burden that participating companies incur, it is proposed that a portion of the allocated use tax be shared with each company that enters into an agreement with the City. The workplan presented at the Committee meeting delineated the next steps for the program, which included issuing a Request for Proposals (RFP) and collaborating with the City Attorney's Office in preparing a boilerplate Use Tax Agreement. This memorandum is an update on the progress of the Business Cooperation Program to date.

ANALYSIS

The Office of Economic Development issued an RFP on July 2, 2007 seeking consultants with an expertise in Use Tax allocation within the State of California. Based upon the content of the two proposals received and the complex nature of allocating Use Tax dollars, OED had to issue a subsequent clarifying document to the two proposers. On September 14, responses to the clarifying document were received and evaluated. An RFP review panel evaluated the proposals and determined that Muniservices LLC was the firm that most closely met the RFPs evaluation criteria. Muniservices is a leader in providing Sales and Use Tax services to California jurisdictions. Muniservices was one of the innovators in creating Business Cooperation programs throughout the State.

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The City of San Jose recently finalized a consultant agreement with Muniservices. Since the execution of the consultant agreement, the Attorney's Office, Finance Department, OED and Muniservices have been working on developing boilerplate Use Tax sharing agreement. The Use Tax sharing agreement would include an incentive for the business to participate. A portion, estimated to be 20% of the new tax revenue would be shared with the company to cover the increased administrative burden of tax allocation. A specific workplan for the implementation of the Use Tax agreements, as well as the boilerplate agreements would be brought to the Community & Economic Development Committee in June for approval. Annual reports to council on the status of all agreements would be detailed.

Muniservices has begun providing technical assistance to firms that are currently in the process of making purchases that qualify for use tax allocation. The City has identified a handful of companies that meet the criteria to allocate use tax and have been building relationships with these companies.



PAUL KRUTKO

Chief Development Officer

For questions regarding this memo, please contact John Lang, Economic Development Officer, 408-535-8178.