

LaMATS

Louisiana Municipal Advisory
& Technical Services Bureau



Occupational License Tax (OLT) Administration Program Proposal

for

[Louisiana Locals]

(01/01/09 due dates)

LaMATS Program Partner

RDS
revenue discovery systems

A wholly owned subsidiary of Portfolio Recovery Associates
(NASDAQ; PRAA)

August, 2008

Partner Overview

The Louisiana Municipal Advisory and Technical Services Bureau, Inc., or LaMATS for short, is a wholly-owned subsidiary of LMA that was created in 1997 to help municipalities understand and grasp new and emerging advances in information technology and revenue recovery. For the past eight years and among other things, LaMATS has offered the highly successful Full Insurance Premium Tax (IPT) Collection Program for which there are currently 156 participating Municipalities and Parishes, representing over \$15,000,000 in dollars processed. To strengthen its existing service offering and to add new services, LaMATS is proud to have partnered with RDS, a local government revenue services leader.

RDS, a wholly owned subsidiary of Norfolk, Virginia-based Portfolio Recovery Associates (**Nasdaq: PRAA**), (www.portfoliorecovery.com) is a government services company that provides administrative, processing and comprehensive back-office revenue enhancement support services to state and local government in the areas of tax administration, revenue discovery/recovery, compliance audit examination and delinquent business tax collection.

For more than 27 years, RDS has provided cost effective, high value solutions and ancillary services which have led to the current management of more than 875 professional service contracts. Last year alone, RDS processed over \$740M in tax revenues and simultaneously discovered and recovered millions in unpaid revenues. Through our processing, compliance, funds distribution, and customer service acumen, RDS is a proven resource in helping governments to facilitate public-private partnerships to **Raise Revenue, Not Taxes!**SM

Operating as a wholly-owned subsidiary of a publicly traded company, RDS is governed by the Sarbanes-Oxley Act of 2002, and is audited throughout the year by a "Big 4" auditing firm. RDS also undertakes an annual SAS-70 Type II Audit of its data and funds disbursement processes and associated administration procedures, and will make a copy of the report from our latest SAS-70 audit available upon request

LaMATS (OLT) Program Initiatives

- Be responsive to member requests by introducing a program that will serve as a natural compliment to the very successful IPT program.
- Implement systems and procedures necessary for LaMATS to offer a service for the collection the annual Occupational License Tax (OLT) as they become due January 1, 2009 and delinquent March 1, 2009. (**Note: dates will be modified for those muni's that have different due dates**)
- Provide exceptional customer service to taxpayers and expedite receipt of tax payments (improving cash flow) by offering businesses an online OLT tax filing and payment application - just like the IPT program.
- Streamline the tax collection process by allowing LaMATS service partner to distribute tax packages to taxpayers, receive and process paper & electronic forms/payments, audit taxpayers for compliance and manage aging-receivables – just like the IPT program.
- Continue commitment to ongoing taxpayer education to strengthen relationship between the taxpayer and the jurisdiction - just like the IPT program.
- Initiate efficient and compliant collection effort on know delinquent taxpayers.
- Provide access to reporting to enable accurate, efficient reporting to government leadership

LaMATS (OLT) Program Scope

We are confident that LaMATS's new OLT administration service will deliver a very positive experience and drive additional benefits to the City/TOWN. A proposal outlining the deliverables is outlined below.

Occupational License Tax Administration _____

The CITY/TOWN issued approximately ___ occupational tax licenses in 2008. The Occupational License Tax (OLT) Administration consists of providing those tasks necessary to provide comprehensive administration of the CITY/TOWN's Occupational License Tax – just like the IPT service. This would include the following services:

- Mailing initial notification of license renewal to licensees
- Receiving all license payments
- Printing and mailing all licenses
- Processing licensee payments
- Maintaining updated database of licensee accounts
- Remitting funds to the CITY/TOWN via ACH or EFT or check if preferred
- Provide day-to-day taxpayer support using 800 #'s and email communication
- Preparing and submitting status reports to the CITY/TOWN
- Providing a “forms in triplicate” to enable efficient processing of locally received applications
- Performing “soft collection” of all accounts that become delinquent. Soft collection includes any initial delinquency and associated follow-up activities to include: one telephone call and a second and third postcard notification to inform taxpayer of delinquency through delinquent period.

In addition to the above, RDS will provide a platform to enable the license holder to renew their license online through the Jurisdiction's website. Albeit extensive, this feature will be offered to the CITY/TOWN free of charge – just like the IPT program.

LaMATS & RDS Qualifications

Actual Tax Administration and Audit Experience and Past Performance

RDS, the LaMATS program partner, is exceptionally qualified to implement a professional tax/revenue administration program for the City/Town. For over 27 years, we have been successful in implementing and administering comprehensive back-office tax processing/administration and audit examination processes specifically tailored to the needs of our government clients. LaMATS is committed to delivering services based on outstanding value, competitive pricing, compliance and exceptional customer service.

Specifically, RDS & LaMATS have:

- **Implemented 156 insurance premium tax (IPT) processing, collection and funds disbursement contracts in Louisiana.**
- **Implemented 33 sales/use tax auditing contracts in Louisiana.**
- **Implemented 104, annual occupational license/business tax (OLT) collection processing, collection and funds disbursement contracts in AL, GA and TN.**

- Implemented 275+ comprehensive, complex, high dollar, monthly sales/use tax processing, collection and funds disbursement contracts in AL.
- Implemented a sales/use tax processing, collection and funds disbursement contract in Puerto Rico. Note: RDS is the only US domiciled company to be awarded such a contract.
- Implemented an Occupation Tax processing, collection and funds disbursement contract as well as an online filing & payment application for Fulton County, GA. (Note: Increased revenue by 50%)

Notable metrics (2007):

- Processed over 2 million complex tax transactions; (over 750,000 online) totaling more than \$740,000,000 in annual business tax revenues.
- Processed over 400,000 unique business tax returns.
- Generated and mailed more than 250,000 business tax licenses.
- Initiated over 46,000 electronic funds transfers to our government clients.
- Handled more than 150,000 inbound/outbound customer service calls.
- Currently manage more than 500 local government professional service contracts.
- More than 57,000 escaped business licenses discovered translating to \$22M in forward flow revenue
- Collected more than \$15 million in delinquent business tax dollars.
- Initiated over 54,000 electronic funds transfers to our government clients.
- Handled more that 150,000 inbound/outbound customer service calls.
- Over the past three years RDS has conducted over 20,000 business tax compliance audits, many of these on behalf of multiple jurisdictions.

OLT Service Implementation Plan & Timeline

We propose the following “Plan” and “Timeline” to transfer collection and processing of the CITY/TOWN’s OLT tax to LaMATS and to also initiate any collection of known delinquencies previously identified:

Recommended Plan

- CITY/TOWN to execute a contract for the OLT tax administration service.
- As soon as the resolution is passed, CITY/TOWN to send a letter of explanation and copy of resolution via certified mail (with returned receipt) to all appropriate parties.
- CITY/TOWN to review and update CITY/TOWN web page as needed to reflect this change.
- CITY/TOWN to develop a plan for point person to receive "in person" applications and payments.

- LaMATS to be prepared to provide services as early as: 12/1/08, assuming that the contract is formally executed no later than 10/15/08.
- CITY/TOWN to forward to RDS copies of all relevant ordinances, resolutions, tax schedules, sample tax forms etc.
- CITY/TOWN and RDS to schedule tele-conference kick-off call to formalize partnership and agree to joint objectives and review associated “Plan”.
- If interested, CITY/TOWN to forward to RDS voided checks to identify, with written distribution instructions, bank account & routing numbers for automated electronic funds transfer (EFT) of revenues to CITY/TOWN.
- CITY/TOWN to transfer to RDS current taxpayer data files, no later than week of 11/10/08. Letters and forms to be dropped by: 12/15/08].
- CITY/TOWN management, IT and other support staff to tele-conference with RDS to set plan of action, answer questions and agree upon related roles/responsibilities going forward.

Recommended Timeline: Contract execution date [anytime prior to 10/1/08] thru 12/31/08

- By 11/1/08, RDS to receive copies of all current ordinances, taxpayer lists, fee schedules and sample forms etc..
- From 11/10/08 through 12/31/08, If desired, RDS will focus on any outstanding delinquency balances from the 2008 Occupation taxes that were due as of March 1, 2008. Accounts will be identified, sent to RDS, data scrubbed and loaded to an automated system(s) for immediate collection.
- By 12/15/08, RDS will assume responsibility for distribution of [Form/Application] to new businesses.
- By 11/30/08, RDS to develop 2009 business OLT tax package and submit to CITY/TOWN for formal approval. Package to include: copy of letter, applicable forms, fee schedules etc.
- By 12/5/08, RDS to receive approval from CITY/TOWN for 2009 annual package.
- By 12/15/08, RDS to review final and most current taxpayer list. All required modifications will be made to RDS' core, multi-jurisdictional tax administration/processing software system.
- By 12/15/08 annual OLT tax packages assembled and mailed
- By 1/1/09, RDS will be ready to begin receiving annual OLT tax payments

Note: Final two action items are unknown as application development cannot be initiated until we have signed agreements. Normal development and testing cycle prior to application launch will be 60-90 days.

- By [Date TBD], if desired, RDS to demonstrate online OLT tax filing/payment application to CITY/TOWN for feedback ;
- By [Date TBD], RDS to launch online OLT tax filing/payment application. (Online filing and payments will be encouraged). **Note: Launch date to likely be 1/1/09**

Program Cost Proposal

Comprehensive Tax Administration Service:

- Annual Occupation License Tax (OT) Administration Services

Service Summary:

- Printing & mailing costs – (notifications, license issuance etc.)
- Ongoing database management and back-up (taxpayer information)
- Forms processing & funds disbursement (secure lockbox operation)
- Resources dedicated to initiating "outbound" and taking "inbound" taxpayer service
- Resources dedicated to providing "proactive" taxpayer education services
- Resources dedicated to working non-compliant/delinquent case load
- Printing, mailing of delinquent demand notices
- Resources dedicated to delinquency management activities to reduce aging A/R
- Resources dedicated to the strict adherence to the "Louisiana Taxpayer Bill of Rights"
- Development (and support) of an online OLT tax filing & payment application
- Provide detailed reporting
- Providing a "forms in triplicate" to enable efficient processing of locally received applications
- Perform soft collection on all accounts.
- Soft collection to include any initial delinquency and associated follow-up activities to include: one telephone call and one postcard to inform taxpayer of delinquency through delinquent period.

Cost: \$7.95 per license or \$_____ per year.

Note: The estimated fee will be based on the total number of license renewals issued for 2008. That number would in-turn be multiplied by \$7.95 There will also be a reduced fee for those licenses received "in person" details of which are outlined in the attached contract as Exhibit A.

Administration Add-ON Service: *Optional delinquent OLT Collection*

RDS is sufficiently capable of handling both 1st party as well as 3rd party delinquent business tax collection with any volume needs. However, the 3rd-party aspect of this proposal will be focused on the OLT taxes that fall delinquent beyond 180 days following the March 1st, 2009 delinquent date which would be those taxpayers who are still delinquent as of **10/1/09 or those taxpayers that are delinquent from 2008 tax year that the Jurisdiction elects to turnover to RDS for collection.**

Cost: RDS will deduct a contingency fee from the amounts collected, according to the following schedule based on any collection efforts on any portfolios that are 180 days delinquent.

<i>Debt Summary</i>	<i>Contingency Fee</i>
OLT Tax	23.4%

Note: The delinquent collection of this tax is an optional service. After an account is 180 days delinquent, the account can be turned over to RDS aged receivables collection department for additional collection efforts, **OR** -- RDS can return those delinquent accounts back to the Jurisdiction for internal or other third-party collection.

Next Steps

Once the agreement has been signed, we will coordinate a “kick-off” call with the CITY/TOWN point person to review all processes, forms in triplicate for new applicants and answer any/all questions the CITY/TOWN may have.

In advance, thank you for reviewing our proposal. RDS is excited about the possible opportunity to work collaboratively with the CITY/TOWN to address some of its expressed needs. Cliff Palmer will serve as the LaMATS point person and will follow-up to address any outstanding issues or questions that may arise during your analysis of this proposal. In the meantime, should there be any questions or issues that may require clarification, please do not hesitate to contact him at 850.212.4069 or by email olt@lamats.net. David MacLeod with RDS is also available and can be reached directly at 205.423.4111 or by email at dmacleod@revds.com. Again, thank you for your time and consideration of this proposal. We are confident you will find this service to be as effective and successful as you have the IPT program



Raise Revenue, Not Taxes! SM

Exhibit A

Occupational License Tax (OLT) Administration [Agreement]

This agreement made as of the _____ day of _____, by and between PRA Government Services, LLC d/b/a RDS ("RDS") and City/Town of _____, Louisiana, a LA City/Town ("CITY/TOWN").

A. *Remittance Processing Services*

1. Services Performed: RDS will perform remittance processing for the collection of Occupational License Taxes.
2. Taxpayer Notification and Remittance: RDS will send individualized tax forms to all known taxpayers. Taxpayers will remit payments to RDS, CITY/TOWN of _____, P.O. Box 830725, Birmingham, AL 35283-0725. Upon reasonable notice to CITY/TOWN, RDS may change the P.O. Box for City/Town of _____ payments.
3. Deposit Process: Deposits are made to the extent that funds have been received, via Automated Clearing House of the amounts required by law to the designated recipients as instructed by the CITY/TOWN in accordance with the law.
4. Posting Process: Taxpayer accounts are posted with payment information captured in the RDS revenue system. Additional information such as net sales, deductions, credit sales, measure of tax, name change and address change are captured and added to payment data and taxpayer master file (as determined necessary by RDS). Late payments (postmarked by U.S. Postal Service after due date) are invoiced at penalty and applicable interest amounts required by State code. Under payments are invoiced for remaining tax due plus any required penalties and interest.
5. Notification, Reporting to CITY/TOWN:
 - i. RDS will provide CITY/TOWN with monthly reports including, but not limited to, payment listings showing all monies received, a detail and summary reconciliation report that corresponds to CITY'S/TOWN'S account numbers and all fees paid to RDS.

B. *General Provisions*

1. Taxpayer service: RDS will provide a taxpayer assistance number for taxpayer questions.
2. Consideration for Remittance Processing Services, Revenue Analysis Services, Compliance and Delinquent Collection Services.
 - i. RDS will receive an amount equal to Seven Dollars and Ninety-Five Cents (\$7.95) per business/occupational license tax notice mailed. For the \$7.95 fee, RDS will provide delinquency notification and follow-up. This will include second and third notification in addition to calls and other collection activity deemed appropriate by RDS. RDS will also provide triplicate forms to be filled out by businesses walking into city hall. A third will be kept by city hall, a third by the business as a temporary license and a third will be mailed by city to RDS along with the check. Upon receipt, RDS will mail business the permanent license.
 - ii. RDS will receive an amount equal to \$3.97 (equal to 50% of the actual fee) for any business/occupational license tax notice paid utilizing triplicate form if the CITY/TOWN prints the license from the CITY/TOWN's software, deposits the check, and mails one of the triplicate forms (date stamped) to RDS within 30 calendar days of receipt; otherwise RDS will receive the full amount equal to \$7.95 per business/occupational license issued.
 - iii. RDS archives all original licenses/applications. If a CITY/TOWN wants a copy of the original license/application, there is a fee equal to \$1.75 per business license/application that will be

charged to CITY/TOWN for the mailing or faxing. RDS provide at no additional cost a detailed payment listing that includes taxpayer name, address, schedule number, and license year.

- iv. Optional Service: After an account is 180 days delinquent, the account can be turned over to our aged-receivables department for additional collection efforts. RDS will receive a contingency fee equal to twenty-three and four-tenths (23.4%) of occupational license tax revenue collected.

_____ **(initial)** Please initial if CITY/TOWN wishes to include optional delinquent collection service as a part of this contract. If the optional service is not accepted, then RDS will return any and all delinquent account collection back to CITY/TOWN after 180 days for internal collection.

- 3. Company Audit: Once a year RDS will have an auditor prepare an Independent Service Auditor’s Report on Controls Placed in Operation and Tests of Operating Effectiveness. This report is commonly called a SAS 70 Type II report and will be made available upon request.
- 4. This agreement shall be for a term of one year following the date of execution and shall be renewed thereafter annually for successive twelve (12) month terms unless written notice of termination is provided by either party ninety (90) days prior to the end of the then current term. Following receipt of such notice, the party in breach shall have thirty (30) days to cure such breach or breaches. In the event that such cure is not made, this Agreement shall terminate in accordance with the initial ninety (90) days notice.
- 5. Indemnity: To the full extent allowed by law, CITY/TOWN hereby agrees to indemnify and hold RDS harmless from any claims and against all costs, expenses, damages, claims and liabilities, relating to the determination of taxes due from taxpayers, the collection thereof and any refunding related thereto.
- 6. RDS is bound by the confidentiality requirements set forth by LA R.S. 47:1508.
- 7. Entire Agreement: This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter contained herein. Said Agreement shall not be amended, altered, or changed, except by a written Agreement signed by both parties hereto.
- 8. Invalidity: If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained thereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
- 9. Effective Date: The effective date for the performance of services under the terms of this agreement shall commence _____ 1, 2008.

IN WITNESS WHEREOF, the parties hereto as of the date first above written have duly executed this Agreement.

PRA Government Services, LLC
d/b/a RDS

CITY/TOWN of _____, Louisiana

By: _____
Its: President
Its: _____

By: _____
Its: _____
Date: _____