

M E M O R A N D U M

Date: April 8, 2015

TO: Dave Bullock, Town Manager

FROM: Town Commission

SUBJECT: Consideration of Memorandum of Understanding Between
Sarasota County Property Appraiser and Town of Longboat Key
Taxing District for Homestead Exemption Fraud Reduction

On February 27, 2015 the Town received a letter from Sarasota County Property Appraiser Bill Furst which addresses homestead exemption fraud reduction in Sarasota County and his efforts to collect those associated taxes and penalties.

Based on his research on methods to uncover homestead tax exemption fraud, Mr. Furst proposes an interlocal agreement between Sarasota County taxing authorities and Tax Management Associates (TMA). TMA specializes in assisting governments in identifying and investigating potential fraudulent homestead exemptions, and recovering ad valorem property tax revenue that would otherwise be unbilled and uncollected.

Under the negotiated terms, the taxing authorities would receive 70% of the penalties, interest and taxes that are recovered, and in addition those properties would be paying their full fair share going forward, and up to 10 years back taxes, depending on the scope of the infraction. Currently we receive zero tax revenue from these fraudulent exemptions.

A Memorandum of Understanding between the Sarasota County Property Appraiser and the Town of Longboat Key that would provide the legal authority to divert the negotiated percentage of funds to the vendor was placed on the March 23, 2015 Regular Workshop Meeting for Commission consideration.

During that discussion the Commission requested background information on the contractor and how they would conduct their work. They also were interested in the process of selecting TMA as the contractor. The attached memorandum from Brian Loughrey, CFE, Administrative Director of the Sarasota County Property Appraiser's Office is provided to address those questions.

This item is placed on the May 4, 2015 Regular Meeting for formal action.

Please don't hesitate to contact me if you have any questions.

M E M O R A N D U M

TO: Dave Bullock, Town Manager Date: April 7, 2015
FROM: Brian Loughrey, CFE
Administrative Director, Sarasota County Property Appraiser
SUBJECT: Request for Additional Information Regarding Proposed Interlocal Agreement

The vendor is Tax Management Associates (TMA) out of Charlotte, North Carolina. We worked with Sarasota County procurement to locate comparable vendors and neither of us was able to. Furthermore, Brevard County issued an RFP for the same services and TMA was the lone respondent. For these reasons we are considering them a sole-source vendor.

TMA has been exclusively serving governments throughout the United States since 1979 and they are now working in 16 states. TMA is dedicated to providing its clients with services that provide additional sources of revenue while improving equity and uniformity in the tax base.

TMA has an exclusive agreement with LexisNexis to use their data for the purpose of detecting exemption fraud. LexisNexis is a highly respected data aggregator whose database contains in excess of 36 billion records and information on over 500 million unique identities drawn from 20,000 disparate sources. Their data is updated by source with frequencies including real time, daily, weekly and monthly. LexisNexis is currently contracted with the IRS, Department of Homeland Security and the FBI, and has successfully completed numerous audits and reviews of the security of their technology, platforms, solutions, network and physical locations. Their policies, practices, and controls provide substantially similar safeguards to those required by IRS Publication 1075.

TMA will analyze the data, send letters and questionnaires to property owners seeking more information and receive and analyze the questionnaires, phone calls and emails related to the investigation. All documents, scripts and contact methodologies will be chosen and approved by this office prior to implementation.

Upon completion of the investigation, TMA will share with the office of the Property Appraiser their results. It is then up to our office to accept or reject the investigation reports and proceed through statutory channels to enforce Florida law as it relates to our function. TMA will not be making the final determination nor will they have any authority to file a lien themselves.

Please let me know if you require any further information and I will be happy to assist you.



Bill Furst
SARASOTA COUNTY PROPERTY APPRAISER

2001 Adams Lane, Sarasota, FL, 34237 | Ph: 941.861.8200 | F: 941.861.8260 | www.sc-pa.com

February 27, 2015

Dave Bullock, Town Manager
Town of Longboat Key
501 Bay Isles Rd
Longboat Key FL 34228

Re: Homestead exemption fraud reduction

Dear Mr. Bullock:

In my continued effort to eliminate fraudulent homestead exemptions in Sarasota County, my office has researched enhanced methods of uncovering homestead fraud and collecting associated taxes and penalties. Based on the results of this research, I am seeking to use the services of Tax Management Associates (TMA), a company that specializes in assisting governments throughout the country in identifying and investigating potential fraud and recovering ad valorem property tax revenue that would otherwise be unbilled and uncollected.

With the reductions in staff we have all experienced in recent years, I feel it most cost-effective to hire TMA on a contingency basis to analyze our data on a massive scale rather than our current manual, one-at-a-time method we rely upon now. Their partnership with Lexis Nexis, a name synonymous with accurate and timely data, will provide our county a greater ability to recover unbilled and uncollected tax revenue. TMA will only be compensated if they achieve results.

I am seeking the cooperation of the taxing authorities under your control (see Addendum 'A') to accept TMA's negotiated percentage for monies recovered as a result of their investigation. Under the negotiated terms, your taxing authority would receive 70% of the penalties, interest and taxes that are recovered. This means that properties that have been improperly benefitting from homestead exemptions and are currently paying reduced taxes would then be paying their full fair share going forward and up to 10 years back taxes, depending on the scope of the infraction. Currently your district is receiving zero tax revenue from these fraudulent exemptions.

I am enclosing a memorandum of understanding that would provide the legal authority to divert the negotiated percentage of funds to the vendor. Please review, and if agreeable, please

Dave Bullock, Town Manager
February 27, 2015
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have your taxing authority's representative sign the memorandum and return to my office by April 30, 2015.

I see this as an ongoing process where we re-run the data every three years or so to maintain the fair and equitable tax system we all want.

Should you have any questions or would like me to give a presentation to your Board of Directors on this program please contact me at PA@sc-pa.com or 861-8270.

Thank you in advance for your cooperation.

Respectfully,

A handwritten signature in black ink, appearing to read "Bill Furst", with a long horizontal stroke extending to the right.

Bill Furst, CFA

Enclosure: Memorandum of Understanding
BF:bl

**MEMORANDUM OF UNDERSTANDING
BETWEEN
SARASOTA COUNTY PROPERTY APPRAISER
AND
TAXING DISTRICT**

THIS MEMORANDUM OF UNDERSTANDING is entered by and between the SARASOTA COUNTY PROPERTY APPRAISER, a Constitutional Officer of the State of Florida ("APPRAISER") and the TOWN OF LONGBOAT KEY -SEE ADDENDUM 'A' ("TAXING DISTRICTS").

WITNESSETH

WHEREAS, the APPRAISER, a Constitutional Officer elected by the residents of the County of Sarasota, has the responsibility of preparing an assessment roll that meets all legal requirements, including the proper administration of exemptions; and

WHEREAS, each TAXING DISTRICT levies ad valorem taxes for public benefit; and

WHEREAS, the Town Commissioners of the Town of Longboat Key is the governing body for each of the Taxing Districts and has the authority to enter into contracts on behalf of the respective Taxing Districts; and

WHEREAS, the APPRAISER has the authority under Section 193.155, Florida Statutes, to determine that for any year or years within the prior ten (10) years a person who was not entitled to the homestead property assessment limitation granted under that section shall be subject to the unpaid taxes, plus a penalty of fifty percent (50%) of the unpaid taxes for each year and fifteen percent (15%) interest per annum; and

WHEREAS, the APPRAISER desires to contract with a third party vendor to assist the APPRAISER in the determination of fraud, which vendor shall be compensated by withholding thirty percent (30%) of any taxes recovered, plus penalties and interest on the recovered amount.

NOW, THEREFORE, the APPRAISER and the TAXING DISTRICT, in consideration of the mutual covenants contained herein, do agree as follows:

I. PROPERTY APPRAISER'S RESPONSIBILITIES

The APPRAISER is responsible for ensuring a fair, equitable tax roll for all citizens of Sarasota County.

To that end, in his efforts to determine fraud the APPRAISER is partnering with an experienced vendor to assist in reviewing all homestead exemptions previously granted under Section 193.155, Florida Statutes.

The APPRAISER intends to contract with said vendor to perform such work beginning in the first quarter of 2015.

The vendor will use ownership and exemption records maintained by the APPRAISER, current data from Lexis-Nexis and the vendor's own proprietary system to determine which property owners are improperly benefitting from the homestead exemption described in Art. VII, § 6, Fla. Const., and all applicable statutes.

The APPRAISER shall provide accurate data to the vendor and analyze results returned from the vendor to ensure all statutory obligations are being met.

II. RESPONSIBILITIES OF EACH TAXING DISTRICT

Each TAXING DISTRICT shall forfeit thirty percent (30%) of any taxes, penalties and interest from its share of any monies recovered as a result of the actions of the APPRAISER canceling or removing a homestead exemption as a result of the data analysis from the vendor.

- a. The 30% will be withheld by the Tax Collector for distribution to the vendor, per terms of the contract between the APPRAISER and the vendor.
- b. Each TAXING DISTRICT will receive the remaining taxes, penalties and interest from the Tax Collector as part of the regular tax distribution.

III. GENERAL PROVISIONS

1. All notices required hereunder shall be by the United States mail, postage paid. Any notice hereunder shall be addressed to the party intended to receive same at the following addresses:

TAXING DISTRICT's Representative:

NAME : Dave Bullock
TITLE: Town Manager

ADDRESS: Town of Longboat Key
501 Bay Isles Blvd.
Longboat Key, FL 34228
PHONE: (941) 316-1999
EMAIL: dbullock@longboatkey.org

APPRAISER's Administrative Agent

NAME: Brian Loughrey
TITLE: Administrative Director

ADDRESS: Sarasota County Property Appraiser
2001 Adams Ln
Sarasota, FL 34237
PHONE: (941) 861-8299
EMAIL: bloughrey@sc-pa.com

2. The parties acknowledge, one to the other, that the terms hereof constitute the entire understanding and agreement of the parties with respect hereof. No modification hereof shall be effective unless in writing and executed with the same formalities as this MOU is executed.
3. This Memorandum of Understanding shall terminate three (3) years from commencement of contract between APPRAISER and vendor or December 31, 2018; whichever occurs first.

IN WITNESS WHEREOF, the parties have agreed to the terms and provisions of this Memorandum of Understanding as of the last signature hereto.

WITNESS

SARASOTA COUNTY PROPERTY APPRAISER

Signature

BY: _____
Bill Furst, Property Appraiser

Print

DATE: _____

TOWN COMMISSIONERS OF THE TOWN OF
LONGBOAT KEY, Governing Body for each
TAXING DISTRICT

Attest:

Trish Granger, Town Clerk

BY: _____
Jack G. Duncan, Mayor

Print

DATE: _____

Approved as to form and
correctness:

By: _____
Town Attorney

ADDENDUM 'A'

Longboat Key Erosion Control District A Debt Serv

Longboat Key Erosion Control District B Debt Serv

Town of Longboat Key

Town of Longboat Key Debt Service



End of Agenda Item