



Finance Committee Memorandum

To: Committee Members
From: Jim Culotta, City Administrator
Date: 11/20/17
Re: Revenue Stream Audit

EXECUTIVE SUMMARY

I recommend engaging Azavar Government Solutions for the purpose of auditing existing city revenues, including our telecommunications tax and sales tax. Azavar's contingency fee structure offers Washington a no-cost and risk-free means of optimizing tax revenue and collections.

BACKGROUND

Recently, I approached Azavar Government Solution regarding their revenue audit services. Through the use of technology-based audit tools, Azavar has helped over 175 Illinois communities maximize existing revenue streams, including but not limited to telecommunications, sales, and utility taxes. For example, Azavar analyzes service addresses from utility lists to identify discrepancies, assess compliance with city/state laws, and assist in the recovery of lost monies. Additional details on their audit process are included in the attached materials.

Azavar does not charge local governments for the audit service. Instead, they would receive a portion of the "found revenue" for 36 months. Found revenue includes tax proceeds going forward and also back revenues, with the exception of the telecommunications tax. Through this contingency fee approach, Azavar splits the found revenue 55%/45% with the local government. However, if three or more local governments in our area were to join, Azavar will increase the revenue split for each community from 55%/45% to 60%/40%. I have encouraged several communities to participate and East Peoria and Pekin are seriously considering this service. If Washington, East Peoria, and Pekin sign with Azavar by the end of the year, the 60/40 split would be achieved. Engaging Azavar before the end of the year would allow the city to pursue more back revenue than if the agreement began in 2018.

REQUESTED ACTION

Staff requests Committee input and direction.

ATTACHED

1. Azavar promotional materials and agreement

*"Azavar Government Solutions, Inc. is the only one that has the
specialized software, resources, and knowledge
to successfully review each utility and recover the maximum."*

-Mayor Gayle Smolinski, Village of Roselle, Illinois

THE AZAVAR REVIEW APPROACH

Your Azavar Government Solutions team takes a comprehensive, four-pronged approach to your review:

1. Data Analysis

No matter what type of review you need, success depends on sifting through millions of data pieces to find and correct problems. We are uniquely capable of finding the proverbial needle in the haystack through our exclusive combination of software and advanced technology. We employ proprietary review software, conduct database-mining reviews, perform GIS analysis, and correlate data error rates / patterns to find and correct all revenue errors while recovering funds for your community. Sales Tax, Food & Beverage, and Hotel/Motel are among the many tax reviews that comprise this program.

2. Financial

Following our electronic data analysis, we apply a financial review that matches theoretical dollar-for-dollar with actual payments. Our team examines your numbers to ensure expenses paid, gross revenue computed, and taxes received are all correct as established by contracts and ordinances. Through our financial analysis, we uncover hundreds of thousands of dollars in missed, underpaid, or incorrectly paid taxes owed to your community.

3. Compliance

Our thorough review ensures your data and financial information are in line with your contracts, franchises, and ordinances. We analyze all local, state, and federal laws regarding your rights in dealing with utility companies. We then inspect your agreements from a customer perspective to make sure service is delivered as expected. Along the way, we work closely with all parties to ensure compliance.

4. Tax App Suite

Azavar Government Solutions has developed a suite of applications to help municipalities reduce cost while providing efficiencies to help improve business bottom line. Our Locally Administered Tax App (LATA) is a streamlined tool designed to help municipalities receive tax filings and payments from businesses. You can also analyze sales tax remittance using our Sales Tax application (STA). This tool displays month-over-month and year-over-year gaps, as well as trends in sales tax remittance to help budget each year. Our Rebate (UITRA) App offers municipalities an electronic alternative to administer utility rebates to its citizens, as well.

Our Benefits

- No up-front fees or costs; We work on a performance / contingency basis
- Minimal or no time required from your staff
- Streamlined processes and relationships with service providers ensure quick and efficient reviews and tax recovery
- We find errors AND recover lost monies
- Wing-to-wing reviews and newly developed analytics tools designed to help municipalities work smarter instead of harder

Azavar's Unique Solutions

- We compare service addresses from utility lists and the master list while systematically analyzing data and identifying discrepancies
- We provide a financial analysis of tax & gross revenue and reporting, as well as compliance with your laws, contracts, and franchises
- We investigate utility issues, collect past errors, and correct tax coding
- Azavar Government Solutions experts find added tax revenue for your municipality
- State-of-the-Art Suite of Apps that are developed to make sure you receive all owed revenue in the future
- Budgeting tools which help finance personnel identify gaps and trends in remittance



Azavar History

Azavar Government Solutions began in 2005 as the Azavar Municipal Utility Review Program, a division of Azavar Technologies. Our review program grew quickly, spinning off as Azavar Audit Solutions, Inc. and, subsequently, Azavar Government Solutions, Inc. in 2017. Headquartered in Chicago, Azavar Government Solutions serves a large client base of government (municipal) organizations, recovering millions of dollars for our clients each year.

Purpose

Azavar Government Solutions, Inc. helps communities increase accountability to optimize their tax revenue and collections. Azavar's review process improves performance for government organizations by lowering expenses as part of our utility, telecom, sales tax, F&B, and hotel/motel review programs.

About Us

At Azavar Government Solutions, we approach reviews from a comprehensive, electronic, and programmatic perspective, analyzing millions of pieces of data per organization.

Our Experts:

- Find all errors by thoroughly reviewing data in its entirety – not just random samplings of statistical analysis
- Utilize proprietary technology to efficiently complete reviews
- Execute an exclusive approach that maximizes findings for our clients
- Have over 100 years of utility review experience combined
- Serve more than 150 municipal clients and counting

Recognized professionals in pioneering our unique review process, Azavar Government Solutions sets the standard for accountability and collections.

Representative Clients:

- | | |
|----------------|--------------|
| • Beach Park | • La Salle |
| • Collinsville | • Plainfield |
| • Des Plaines | • Rockford |
| • Hanover Park | • Westmont |

FACT SHEET



COMPANY INFORMATION

Azavar Government Solutions, Inc.

FOUNDED

2005

PRODUCTS

Municipal Revenue Reviews
Utility & Telecom Cost Reviews
Local Administered Tax Application

TEAM MEMBERS

26 and growing

CONTACT INFORMATION

Azavar Government Solutions, Inc.
55 E. Jackson Blvd.
Suite 2100
Chicago, IL 60604

www.azavaraudit.com
Phone: 312.583.0100
Fax: 312.583.0200

What Is a Municipal Revenue Review as Conducted by Azavar Government Solutions, Inc.?

Through our municipal transactional tax and revenue reviews, you receive a comprehensive analysis of all tax receivables remitted to your organization by service providers, including but not limited to:

- Utility tax (electric and gas)
- Telecommunications tax
- Cable franchise fees
- Sales tax
- Local use taxes & fees
- Food & Beverage tax
- Hotel/Motel tax
- Amusement tax

We complete your review using our own resources while providing you with a contingency payment model. Your municipal revenue review includes:

1. An Exclusive Geographic Analysis

- We use state-of-the-art geographic information systems (GIS) to analyze all customers in your local jurisdiction
- Our experts employ advanced database software and advanced data-mining technology

2. Technical Expertise

- We utilize industry-leading software to uncover outdated technologies and wasteful practices
- Our experts utilize proprietary reviewing software while employing advanced data-mining technology

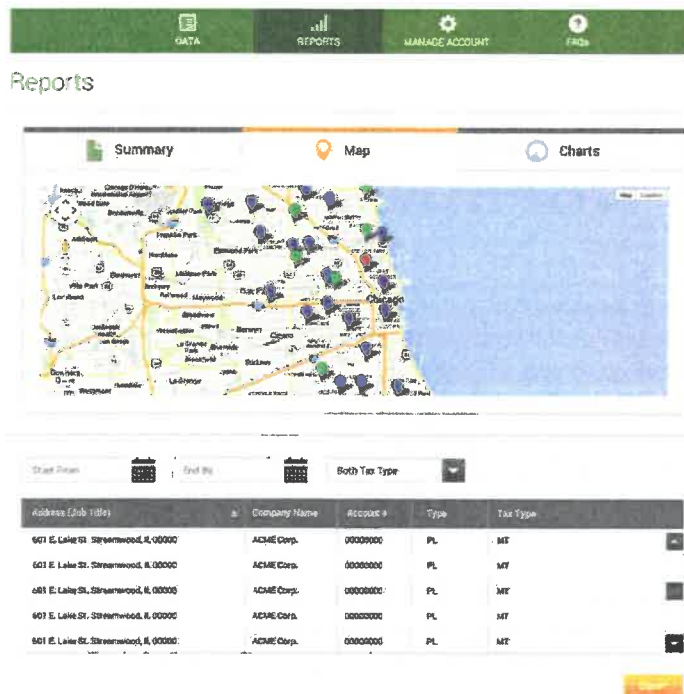
3. Strategic Relationships with Service Providers

- Our relationships foster communication, compliance, and accountability
- We facilitate franchise negotiations to meet local needs while protecting your community's property and purse

How can Azavar Government Solutions help return money to your community? Please call Tom Fagan at **312.517.3723** or email him at **TFagan@azavar.com**.

Do you need us to perform a specific analysis that has not yet been mentioned? Please let us know, as we are equipped to conduct various types of electronic reviews.

**Testimonials and financial results may not be representative of other clients' experiences and, therefore, do not guarantee future performance nor success.*



Municipal Revenue Review



Town of Normal Recovers Over \$60,000 Per Annum

Azavar Government Solutions finds and corrects address errors, revealing instances in which utility taxes were not properly collected and remitted.

Prudent Financial Management and Long-Term Planning for the Town of Normal

The Town of Normal has survived the Great Recession, with its after-effects still being felt across the country. The Town has been careful in its pursuit of policies pertaining to conservative financial management and long-term planning. This cautious approach helps to protect funding flexibility for infrastructure and public service provisions. Such an approach also helps to absorb inevitable economic setbacks, such as the closure of the Town's Mitsubishi Motors' plant in 2016.

Despite financial constraints, the Town has secured stable operating margins and fund balance levels. An important aspect of its prudent financial strategy has been the monitoring of tax and fee income. This helps to ensure taxes are accurately assessed and collected across the board.

The prosperous, largely white-collar Town of Normal is a mere two-hour drive between Chicago, St. Louis, and Indianapolis. The Town has seen rapid growth since being founded in 1854. As of the 2010 US Census, the Town of Normal had a population of 52,497.

The Town is home to the main campus of Illinois State University, where many Town residents are employed. As the Town's train service and station facilities improve, tourism, conference venues, and business travel should all expand. The Town has been dubbed 'EV Town' because of its incentives for using the electric car. Redevelopment in the Town of Normal continues to attract young professionals, and the community was recently voted one of the top ten 'Best Places for Millennial Job Seekers in the Midwest'.

Despite its progress and promise, Town managers did not know if revenues were being accurately assessed and collected. Also, Town officials had no way of learning such information. With no preexisting evidence, utility companies seemed unwilling to provide such information. Also, Town staff members lacked the time and technical skills necessary to perform an in-house investigation.

Being unable to perform its own comprehensive analysis, the Town engaged Azavar Government Solutions to conduct a tax revenue review. Azavar Government Solutions' team of experts used specialized software to search through address records while collecting reams of data. Azavar also advised Town managers on how to obtain key information from its utility companies. Azavar Government Solutions recovered significant past-due revenues from the Town's gas and electricity utility providers, while verifying, without charge, that its sales tax receipts were correct.

On top of recovered back taxes, Azavar's address corrections continue to **yield \$5,122.08** per month in recovered revenues. These gains help support to the economic stability of the Town, which earned an AAA rating from Fitch ratings in February of 2016.

"Their contingency fee structure meant that it was a no-risk proposition for us: we would share any savings or new revenue that we realized, but if nothing was discovered, we would not owe them anything for their services. I highly recommend the services of Azavar Government Solutions as a risk-free means for other municipalities to ensure the complete and equitable collection of taxes and franchise fees."

-Chris Koos, Mayor, Town of Normal





The Recover Past, Present, and Future Tax Income

Your municipality must make sure it is receiving all owed revenue from taxpayers and other sources. Azavar Government Solutions' expertise in electronic reviews has helped returned millions of dollars to local government clients.

Sales Tax Reviews

Local governments across the country have been recovering lost income through professional revenue reviews of utility, telecom, and cable fees and taxes. However, did you know that lost revenue from sales taxes can be uncovered as well?

Azavar Government Solutions helps municipalities enhance their revenues by reviewing consumption-based taxes, including the general sales tax and excise taxes (such as the use tax), taxes on hotel occupancy, motor fuels, alcohol and tobacco sales, and food and beverage.

Which Businesses Sell in Your Community?

Currently, 45 states require retailers to add sales tax to transactions conducted within the respective state. However, it can be challenging to track the monies due from sales taxes, and to track the businesses that are or should be remitting such taxes. Many municipalities simply don't have the resources necessary to monitor all local business development, shifting community boundaries, and changes in address data relative to state or business address lists.

With the explosion of Internet commerce, the situation has grown in complexity. According to a recent article in the *Wall Street Journal*, state and local governments stand to lose over \$10 billion in sales taxes not collected by web retailers. As a result, many states have brought in legislation to address this issue, the so-called "Main Street Fairness Act".

With both online and offline commerce, the question remains: How does a municipality accurately track remittance of sales tax revenues if a taxpayer bases its remittance calculations on incorrect address data?

Revenue Enhancement Through Specialized Address Reviews

It is extremely important to stay current on a growing community's boundary changes, annexations, and other geographic developments. Because of this, Azavar Government Solutions has pioneered geography-based reviews for municipalities. We use specialized geocoding software to parse through millions of data pieces in a matter of hours, identifying errors in geographic databases. This enables us to:

- Standardize the format of address databases used to compute sales tax receipts
- Establish complete address lists
- Correct errors affecting address records
- Document lost revenue and determine owed totals
- Ensure proper precautions are in place to prevent future miscoding of addresses

Azavar Government Solutions clients can utilize the expertise of our strategic partner consultants, who offer more than 100 years of experience in local government reviews. Through teamwork, our clients can achieve and sustain optimal compliance levels of sales tax collection while sharing experiences and best practices.



City of Rock Island Recovers \$133,000+ in Past Due Cable Fees and Taxes

Azavar Audit Solutions helps Rock Island maximize City revenues through specialized address audits.

Enhancing Revenues for City of Rock Island

Located on the banks of the Mississippi River 85 miles east of Cedar Rapids, the City of Rock Island, Illinois is one of the 'Quad Cities' that straddle the border between Illinois and Iowa. It had strategic importance in the 1800s when the Chicago and Rock Island Railroad built the first bridge over the Mississippi, bringing industrial investment to the area. Rock Island became a major center for military weapon manufacturing. Today, the Rock Island Arsenal remains the largest single employer in the City.

Rock Island Fights Back Against Sluggish Economy

Recently, Rock Island endured an urban blight movement that characterized much of the 1970s and 1980s. As a result of the nationwide recession, businesses disinvestment and unemployment became increasingly prevalent while population significantly shrunk.

The City countered with a program of new construction, community development, and green initiatives to help create opportunities for businesses while improving services for residents.

"Our main focus will continue to be keeping Rock Island in great financial shape with an extremely strong focus on economic development. Even though the past few years have been financially challenging for many cities and states, Rock Island continues to have a AA credit rating, a balanced budget, we pay our bills on time; we have a 90-day reserve and watch our expenses closely."

-Mayor Dennis E. Pauley, State of the City Address 2013

Maximizing Revenues to Aid Recovery

Facing tough decisions in conjunction with a post-downturn economy, the City of Rock Island must make sure it receives all owed revenue, such as utility franchise fees / taxes and sales taxes. Knowing the benefits that neighboring communities enjoyed while working with Azavar Audit Solutions, the City requested various audits to help maximize municipal revenues.

"We knew Azavar Audit staff from Illinois City and County Managers Association (ILCMA) conference meetings, and we also knew that many cities had already derived significant financial benefit from their services, and that the company has the positive reputation of getting good results for municipalities."

-John Thorson, Administrative Services Director, City of Rock Island

Azavar Audit's Expertise in Address Audits

Our address audit expertise provides a unique combination of technological skills and experience. We offer an alternative service delivery approach to municipalities, allowing them to maximize their revenues without having to devote time and energy to a complex task. We initially used our proprietary address audit software to see if Rock Island was receiving all owed utility taxes from electric and gas utilities. We found numerous errors and **returned \$6,000 per annum** to the City.

What Is a Franchise Fee Revenue & Contract Compliance Review Conducted by Azavar Government Solutions, Inc.?

A Franchise Fee Revenue & Contract Compliance Review from Azavar Government Solutions uncovers all fees owed to your community by cable providers. We conduct the review using our own resources while providing you with a contingency-payment model. Your review includes:

- 1. Geographic Analysis – An Azavar Government Solutions Exclusive Service**
 - We use state-of-the art geographic information systems (GIS) to analyze all customers in your jurisdiction
 - Our experts employ industry-leading database software and advanced data-mining technology
- 2. Franchise Compliance Analysis**
 - We analyze all local, state, and federal laws regarding your rights in working with cable companies
 - Our team thoroughly reviews your agreement to ensure that your community is fully protected
- 3. Gross Revenue Analysis**
 - We examine complex revenue streams within cable companies to determine franchise fee remittances based on gross revenue
 - Collectively, our team has over 40 years of experience reviewing solutions; We have reviewed all major US cable companies
- 4. Strategic Relationships with Service Providers**
 - Our relationships aid communication while ensuring compliance and accountability
 - We facilitate franchise negotiations to help meet your local needs while protecting your community's property and purse

How can Azavar Government Solutions help return money to your community? Please call Tom Fagan at **312.517.3723** or email him at TFagan@azavar.com.

Do you need us to perform a specific analysis that has not yet been mentioned? Please let us know, as we are equipped to conduct various types of electronic reviews.

Woodridge Recovers Lost Cable Franchise Fees



Treating taxpayers fairly is a priority for the Village of Woodridge. To ensure a level playing field, accountability must be present with all government activities, especially taxation. This is why the Village of Woodridge has partnered with Azavar Government Solutions, Inc. Following successful gas and electric revenue reviews from Azavar Government Solutions, the Village of Woodridge decided to examine other service providers in the community.

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The Village of Woodridge holds all their service providers to the same standards as the gas and electric companies reviewed by Azavar Government Solutions.

To ensure equal treatment of all utility providers, Azavar Government Solutions launched a franchise fee revenue and contract compliance review for the Village of Woodridge. This review included a compliance and legal analysis of Woodridge's current franchise agreements with all cable companies serving the municipality.

Using proprietary database technology, data mining technology, and state-of-the-art geographic information systems, Azavar Government Solutions performed a comprehensive geographic analysis of all cable customers within the Village of Woodridge, ensuring the proper receipt of all revenues.

Azavar Government Solutions developed a key strategic relationship with Comcast, a cable provider serving the Village of Woodridge, ensuring that all parties were maintaining accountability within their business practices.

Through their comprehensive review, Azavar Government Solutions' professional analysis team **recovered over \$40,000** in franchise fee revenue for the Village of Woodridge.

To learn how Azavar Government Solutions can produce similar results for your organization, contact Tom Fagan at **312.517.3723** or email him at **TFagan@Azavar.com**.



"Azavar Government has been instrumental in our success. Woodridge has been able to continue increasing services to our residents while decreasing our property tax rate."

-Mayor William Murphy, Village of Woodridge

What Is a Utility & Telecom Cost Review as Conducted by Azavar Government Solutions, Inc.?

A utility & telecom cost review by Azavar Government Solutions will determine if your monthly costs coincide with what should be spent on service providers, including but not limited to:

- Electric
- Gas
- Telecommunications
- Water

We complete your review using our own resources while providing you with a contingency payment model. Your utility expense review includes:

1. Contract Analysis

- We determine if appropriate services are offered at a predetermined rate
- Our team discovers the best possible market rates for your services, either through your current service provider or a competitor

2. Technical Expertise

- We utilize industry-leading software to uncover outdated technologies and unneeded billable items
- Our experts follow proprietary reviewing methodologies while employing advanced data-mining technology to determine any over-payments

3. Strategic Relationships with Service Providers

- Our relationships ensure communication, compliance, and accountability
- We facilitate franchise negotiations to meet local needs and protect your community's property and purse

How can Azavar Government Solutions help return money to your community? Please call Tom Fagan at **312.517.3723** or email him at **TFagan@azavar.com**.

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Utility & Telecom Cost Review



Success for the City of Rockford

Rockford, a city of more than 150,000 residents, has experienced significant change and growth over the past decade. To coincide with this growth, the city wanted to optimize its management of utility expenses, including city-wide telecommunication expenses.

City officials knew they would require assistance in implementing increased monthly cost savings on such a large scale. Determined to add funds to the monthly budget without shifting the burden to taxpayers, Rockford partnered with Azavar Government Solutions, Inc.

Azavar Government Solutions collaborated with the City of Rockford in executing a utility and telecom cost review. Through this proprietary review program, Azavar Government Solutions determined if Rockford's actual monthly costs were consistent with what should have been spent on service providers.

Throughout the review, Azavar experts scrutinized Rockford's accounts payable, revealing all billing errors on behalf of the City's major electric and telecommunications providers.

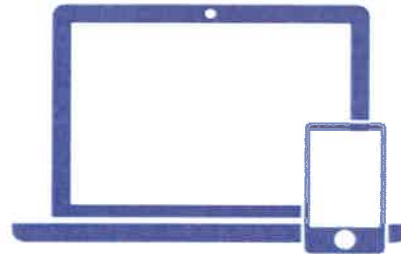
After working through millions of data pieces, Azavar Government Solutions found several instances in which Rockford overpaid service providers. In each case of overpayment, Rockford's service providers had made the billing error(s).

Azavar Government Solutions not only uncovered the billing mistakes, but also worked with the service providers to collect the funds owed to the City. Thus far, Azavar Government Solutions has **recovered more than \$75,000** for the City of Rockford.

Once the revenue was rightfully returned to the city's budget, Azavar Government Solutions facilitated negotiations to ensure accountability, compliance, efficient procedures, and overall higher standards for future taxpayers.

To learn how Azavar Government Solutions can produce similar results for your organization, contact Tom Fagan at **312.517.3723** or email him at **TFagan@Azavar.com**.

Our Technology



1) THE LOCALLY ADMINISTERED TAX APP THE LOCALLY ADMINISTERED TAX APPLICATION CAN TRIM WEEKS OFF THE TIME IT TAKES TO ACCESS TAX REVENUE COLLECTED FROM RESTAURANTS BARS, AND HOTELS.



Locally Administered
Tax Application (LATA)



Sales Tax Application
(STA)

2) THE SALES TAX APP HELPS YOUR MUNICIPALITY EFFICIENTLY COLLECT ALL OWED SALES TAX REVENUE.



3) THE UTILITY TAX REBATE APP INCREASES ACCURACY, TRANSPARENCY, ACCESSIBILITY, AND SECURITY THROUGHOUT THE UTILITY TAX REBATE PROCESS.

Utility Tax Rebate
Application (ULTRA)

"Computerizing the collection of food and beverage taxes would provide useful data for the city. Azavar will help zoom us up 15 years. Right now, it's all on paper"

-Finance Director James Ghedotte, City of Joliet
mySuburbanLife.com



Village of Plainfield Unearths \$141,000+ Annually in New Revenues

Azavar Government Solutions finds and corrects errors,
including overcharges, by utility providers.

Rebuilding Community in Wake of Disaster

Though a small rural community, Plainfield has endured significant drama in recent history. On August 28, 1990, the Village was hit by an F5 tornado, causing 29 deaths and hundreds of injuries while destroying property along the way. Plainfield was determined to rebuild the community, restoring its historic Downtown area, helping to develop the Lincoln Highway, and promoting environmentally friendly 'Green Village' ordinances and programs.

Today, people are continually drawn to Plainfield as a vibrant community with a small-town feel. Attractions include picturesque neighborhoods, quaint shops, and excellent services, such as the Edward Plainfield Medical Campus. Several areas of farmland have been sold, allowing for new residential subdivisions.

Village Officials Demonstrate Sound Financial Management

Responsible financial management has helped the Village successfully rebuild prosperity while greatly expanding its residential areas.

"Plainfield was \$4.4 million in debt when I took office, and now we are \$600,000 in the black ... Average residents pay \$1.47 per day for Plainfield services. We still maintain a AA S&P bond rating, which indicates we are stable."

-Mayor Michael Collins, 2013 State of the Village Address

Plainfield's managers and locally elected officials are accountable for the proper management of Village funds. Therefore, management understands that properly run government requires fair, accurate collection of fees and taxes across all taxpayers. These principles are especially important in a municipality with continuous burgeoning growth as new parcels of land are annexed for development.

Azavar Government Solutions Returns More Than \$141,000 Annually to Plainfield

Having readdressed its entire community following a devastating natural disaster, Plainfield sought Azavar Government Solutions to review the coding of taxable addresses. Our team of experts examined address databases, discovering and correcting more than 160 errors. Thus, new annual revenue had been returned to the Village.

The Village is both a taxing authority and a customer of its utility providers. Accordingly, the Azavar Government Solutions team conducted cost reviews of the Village's utility bills. We once again found and returned monies owed to the Village due to overcharging by utility providers.

Azavar Government Solutions reviewed Plainfield's income from utility fees and taxes, discovering mistakes in the computation of its natural gas utility taxes. We corrected these errors and assisted in the collection of past due sums. In total, Azavar Government Solutions **returned more than \$141,000 per year** in new revenues to the Village of Plainfield. Along the way, we helped the Village enhance their revenues and maintain services without levying new taxes on their residents.

CONTINGENT FEE PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement (“Agreement”) is made and entered into by and between Azavar Audit Solutions, Incorporated, an Illinois corporation having its principal place of business at 55 East Jackson Boulevard, Suite 2100, Chicago, Illinois 60604 (“Azavar”), and City of Washington, an Illinois municipal corporation having its principal place of business at 301 Walnut Street Washington, Illinois 61571 (“Customer”).

1. SCOPE OF SERVICES

- 1.1 Subject to the following terms and conditions, Azavar shall provide professional computer, data audit, compliance management, and management consulting services (“Services”) in accordance with the below statement of work. Azavar will render the services provided under this Agreement in a workmanlike manner in accordance with industry standards. The services and work provided shall be provided in substantial accordance with the below statements:
- (a) Azavar shall undertake a Municipal Audit Program on behalf of the Customer. As part of the Municipal Audit Program Azavar shall, on behalf of the Customer, separately review and audit each fee, ordinance, contract, franchise agreement, utility tax, locally administered taxes or fees, locally imposed occupation tax, excise tax, taxpayer, franchise fee, utility service fee, intergovernmental or other remittances to the Customer, and expense imposed by or upon the Customer within the Customer’s corporate boundaries (“Audits”) including, but not limited to local businesses, electric, gas, cable, telecommunications, refuse, and water providers (“Providers”) on behalf of the Customer. Azavar shall review during the course of its work for the Customer, Customer ordinances, contracts, receipts, addresses and databases, including any of the aforementioned items, whether administered locally, by the state or federal government, by any other government or non-government organization, or by any other third-party, revenues relating to state and local sales/use/occupation taxes, including amusement taxes, and business license/registration revenue. Azavar shall also review and audit water service (including expense and taxes), food, beverage, and/or liquor taxes, and hotel/motel occupancy taxes where applicable to the Customer. Azavar shall review and consult Customer on areas to enhance, increase, or maximize Customer revenues including, but not limited to, previous, existing, or new ordinances, agreements, or third-party contracts. Should the Customer own or operate its own electric, natural gas, water or other utility, Azavar shall also audit the revenues and billings of those Customer owned utilities.
 - (b) The purpose of each audit is to determine past, present, and future taxes, franchise fees, service fees, or any other refunds, monies or revenue owed to the Customer that were not properly attributed to the Customer or were not properly paid or collected and to determine future taxes, franchise fees, and other monies owed to the Customer not previously counted so that Customer can collect these past, present, and future monies. Federal and Illinois state law, the Customer’s own local ordinances and databases, and the franchise agreements, contracts or bills between Customer and Providers are used by Azavar to conduct the Audits and Azavar will present to Customer in writing during the course of the Audits findings of monies paid, due, or potentially due to the Customer for review by the Customer (“Findings”). Where already allowable by existing Customer contracts or agreements or Federal, State, or local laws or ordinances, this Agreement authorizes Azavar to correct any prospective errors and make a reasonable effort to collect monies due to the Customer under such applicable laws, local ordinances, or contracts. Azavar shall review Customer ordinances and shall present Findings to Customer to maximize Customer revenues as part of the Audits, and where such Findings requires a change into the future, Azavar will only implement such change after Customer has reviewed and agreed to in writing any such change. Customer understands that Findings may include, but are not limited to, changes to technology, organizational processes, process automation, Customer communication practices, Customer governing practices, and/or updates to local ordinances or the codification thereof. Customer agrees that any Findings, whether implemented in whole or in part by Azavar or the Customer, shall be fully compensable under Section 3 of this Agreement. Customer agrees to review any Findings within thirty (30) days.
 - (c) Customer hereby represents that it is not engaged in any Audits as contemplated under this Agreement and shall therefore pay Azavar the fees set forth in this Agreement for any Findings made by Azavar. Customer agrees that it shall not initiate or engage in any Audits contemplated under this Agreement without Azavar’s written consent.
 - (d) In order to perform the Audits, Azavar will require full access to Customer records and Provider records. Customer will use its authority as necessary to assist in acquiring information and procure data from Providers; Customer agrees to cooperate with Azavar, provide any necessary documentation, and will engage in necessary meetings with Providers;
 - (e) During the course of each audit, Azavar may find that rather than being owed past due funds, the Customer owes funds erroneously paid to the Customer. In this case, Azavar will immediately terminate its participation for that specific Provider audit at no cost to the Customer and will document the error and provide the Customer with information necessary to correct the error. Azavar shall have no liability to Customer for these errors or actions arising from Azavar’s or Customer’s knowledge thereof.
 - (f) Customer acknowledges that each Provider is a separate entity that is not controlled by Azavar and therefore Azavar cannot predict all the steps or actions that a Provider will take to limit its responsibility or liability during the audit. Should Customer negotiate, abate, cancel, amend, delay, or waive by any means all or a portion of funds identified as payable to Customer during an audit, Customer shall pay all Azavar expenses and fees on a time and materials basis for that audit in addition to any applicable contingency fees for any Findings that were identified by Azavar or by its Audits;
 - (g) The first audit start date is expected to be within no later than thirty (30) days from the date of this Agreement unless changed and approved by the Customer’s Audit Primary Contact and Liaison;
 - (h) Each audit is expected to last at least six (6) months. Each subsequent audit will begin after payment terms and obligations have been satisfactorily met from previously completed Audits however overlapping audit work may take place at the discretion of Azavar. Audit timelines are set at the discretion of Azavar;
 - (i) Audit status meetings will be held regularly via phone, email, or in person throughout the course of the Audits between Azavar and the Customer’s Primary Contact and Liaison and will occur approximately every quarter;
 - (j) Jason Perry, Municipal Audit Program Manager, and Azavar specialists will be auditors under this agreement. All Azavar staff or subcontractors shall be supervised by the Azavar Program Manager.

1.2 Customer agrees to provide reasonable facilities, space, desks, chairs, telephone and reasonably necessary office supplies for Consultants working on Customer's premises as may be reasonably required for the performance of the Services set forth in this Agreement and in any Exhibit hereto. Customer will assign and designate an employee to be the Audit Primary Contact and Liaison. The Customer's Audit Primary Contact and Liaison will be the final decision maker for the Customer as it relates to this audit and will meet with Azavar staff on a regular basis as necessary. Lack of participation of Customer staff, especially at critical milestones during an audit, will adversely affect the audit timeline and successful recovery of funds. Customer's staff shall be available for meetings and participation with Providers to properly verify records and recover funds.

2. **INDEPENDENT CONTRACTOR.** Azavar acknowledges and agrees that the relationship of the parties hereunder shall be that of independent contractor and that neither Azavar nor its employees shall be deemed to be an employee of Customer for any reason whatsoever. Neither Azavar nor Azavar's employees shall be entitled to any Customer employment rights or benefits whatsoever. Customer shall designate Azavar as Power of Attorney with the Illinois Department of Revenue solely for the purpose of reviewing data provided by the Illinois Department of Revenue.

3. **PAYMENT TERMS.**

3.1 Customer shall compensate Azavar the fees set forth in this agreement on a contingency basis. If applicable, Azavar shall submit an invoice to Customer on a monthly basis detailing the amounts charged to Customer pursuant to the terms of this Agreement. Any invoice not disputed in writing by Customer within thirty (30) days after the receipt of such invoice shall be considered approved by the Customer. Customer shall remit payment to Azavar in accordance with the Local Government Prompt Payment Act. If Customer defaults on payment of any invoice that is not disputed in writing by Customer within thirty (30) days after the receipt of such invoice Azavar, at its discretion, may accelerate all payments due under this Agreement and seek recovery of all estimated fees due to Azavar based on Findings. Azavar shall be entitled to recover all costs of collection including, but not limited to, finance charges, interest at the rate of one percent (1%) per month, reasonable attorney's fees, court costs, and collection service fees and costs for any efforts to collect fees from the customer. Contingency payment terms are outlined below. If Customer negotiates, abates, cancels, amends, delays, or waives, without Azavar's written consent, any tax determination or Findings that were identified by Azavar or by its Audits where such Findings were allowed under the law at the time the tax determination or Findings were made, Customer shall pay to Azavar applicable contingency fees for the total said tax determination or Findings at the rates set forth below and for the following thirty-six (36) months. If Customer later implements during the subsequent thirty-six (36) months any Findings Customer initially declined based on Azavar programs or recommendations, Azavar shall be paid by Customer its portion of the savings and/or recoveries over the following thirty-six (36) months at the contingency fee rates set forth below.

3.2 Customer shall pay Azavar an amount equal to forty-five (45) percent of any new revenues or prospective funds recovered per account or per Provider for thirty-six (36) months following when funds begin to be properly remitted to the Customer. In the event Azavar is able to recover any retroactive funds, any additional savings or revenue increases for any time period, or any credits at any time, Customer will pay Azavar an amount equal to forty-five (45) percent of any retroactive funds, savings, and fair market value for any other special consideration or compensation recovered for or received by the Customer from any Provider. All contingency fees paid to Azavar are based on determinations of recovery by Azavar including Provider data and regulatory filings. All revenue after the subsequent thirty-six (36) month period for each account individually will accrue to the sole benefit of the Customer.

3.3 As it pertains to Customer expenses, utility service bill and cost Audits, Customer shall pay Azavar an amount equal to forty-five (45) percent of prospective savings approved by Customer for thirty-six (36) months following the date savings per Provider is implemented by Azavar or Customer. In the event Azavar is able to recover any refunds or any credits at any time, Customer will pay Azavar an amount equal to forty-five (45) percent of said refunds or credits recovered for or received by Customer from any Provider. All contingency fees paid to Azavar are based on determinations of savings by Azavar including Provider data and regulatory filings. All savings after the subsequent thirty-six (36) month period for each service provider individually will accrue to the sole benefit of the Customer.

3.4 I-74 Consortium Discount. Azavar will discount the prospective contingency payments referred to in Sections 3.2 and 3.3 above from forty-five (45) percent to forty (40) percent for I-74 communities, including but not limited to Customer, executing this agreement with Azavar provided that a) "in addition to Customer, at least three (3) of the following three (3) communities: (i) Pekin, (ii) Washington and (iii) East Peoria execute the agreement between November 1st and December 31st, 2017"

4. **CONFIDENTIAL INFORMATION**

4.1 Each party acknowledges that in the performance of its obligations hereunder, either party may have access to information belonging to the other which is proprietary, private and highly confidential ("Confidential Information"). Each party, on behalf of itself and its employees, agrees not to disclose to any third party any Confidential Information to which it may have access while performing its obligations hereunder without the written consent of the disclosing party which shall be executed by an officer of such disclosing party. Confidential Information does not include: (i) written information legally acquired by either party prior to the negotiation of this Agreement, (ii) information which is or becomes a matter of public knowledge, (iii) information which is or becomes available to the recipient party from third parties where such third parties have no confidentiality obligations to the disclosing party; and (iv) information subject to disclosure under Illinois' Freedom of Information Act (5 ILCS 140/1 *et seq.*).

4.2 Azavar agrees that any work product or any other data or information that is provided by Customer in connection with the Services shall remain the property of Customer, and shall be returned promptly upon demand by Customer, or if not earlier demanded, upon expiration of the Services provided under the Statement of Work hereto.

5. **INTELLECTUAL PROPERTY**

- 5.1 No work performed by Azavar or any Consultant with respect to the Services or any supporting or related documentation therefor shall be considered to be a Work Made for Hire (as defined under U.S. copyright law) and, as such, shall be owned by and for the benefit of Azavar. In the event that it should be determined that any of such Services or supporting documentation qualifies as a "Work Made for Hire" under U.S. copyright law, then Customer will and hereby does assign to Azavar, for no additional consideration, all right, title, and interest that it may possess in such Services and related documentation including, but not limited to, all copyright and proprietary rights relating thereto. Upon request, Customer will take such steps as are reasonably necessary to enable Azavar to record such assignment. Customer will sign, upon request, any documents needed to confirm that the Services or any portion thereof is not a Work Made for Hire and/or to effectuate the assignment of its rights to Azavar.
- 5.2 Under no circumstance shall Customer have the right to distribute any software containing, or based upon, Confidential Information of Azavar to any third party without the prior written consent of Azavar which must be executed by a senior officer of Azavar.
- 5.3 Customer agrees that it will in participate in pilot testing and within six (6) months of the execution of this agreement, deploy into a live production environment of its website or other internally secured systems, as necessary and as based on the software application, Azavar software pertaining to expense management, tax location management, tax reporting systems related to sales, use, occupation taxes, and hotel/motel taxes, and tax filing and payment applications for locally authorized and/or administered taxes or fees. Customer agrees that any and all such software is the property of Azavar and that Customer will provide Azavar feedback in writing regarding the features and function of Azavar software within a reasonable time period. Azavar shall provide Customer access and use of any Azavar provided software at no charge for a period of no less than six (6) months and not to exceed twelve (12) months, at which time Customer and Azavar shall negotiate and agree to licensing and fees.

6. **DISCLAIMER**

EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, AZAVAR DOES NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES RENDERED UNDER THIS AGREEMENT OR THE RESULTS OBTAINED FROM AZAVAR'S WORK, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT SHALL AZAVAR BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR INDIRECT DAMAGES, OR FOR ACTS OF NEGLIGENCE THAT ARE NOT INTENTIONAL OR RECKLESS IN NATURE, REGARDLESS OF WHETHER IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. CUSTOMER AGREES THAT AZAVAR'S LIABILITY HEREUNDER FOR DAMAGES, REGARDLESS OF THE FORM OF ACTION, SHALL NOT EXCEED THE TOTAL AMOUNT PAID FOR THE SERVICES GIVING RISE TO THE DAMAGES UNDER THE APPLICABLE ESTIMATE OR IN THE AUTHORIZATION FOR THE PARTICULAR SERVICE IF NO ESTIMATE IS PROVIDED.

7. **TERMINATION**

- 7.1 Unless earlier terminated in accordance with Section 7.2 below, this Agreement shall be effective from the date first written above and shall continue thereafter until terminated upon 90 days written notice by Customer or Azavar.
- 7.2 Termination for any cause or under any provision of this Agreement shall not prejudice or affect any right of action or remedy which shall have accrued or shall thereafter accrue to either party.
- 7.3 The provisions set forth above in Section 3 (Payment Terms), Section 4 (Confidential Information), and Section 5 (Intellectual Property) and below in Section 9 (Assignment), and Section 10 (Use of Customer Name) shall survive termination of this Agreement.

8. **NOTICES.** Any notice made in accordance with this Agreement shall be sent by certified mail or by overnight express mail:

If to Azavar
General Counsel
Azavar Audit Solutions, Inc.
55 East Jackson Boulevard, Suite 2100
Chicago, Illinois 60604

If to Customer
City Attorney
City of Washington
301 Walnut Street
Washington, Illinois 61571

9. **ASSIGNMENT.** Neither party may assign this Agreement or any of its rights hereunder without the prior written consent of the other party hereto, except Azavar shall be entitled to assign its rights and obligations under this Agreement in connection with a sale of all or substantially all of Azavar's assets.
10. **USE OF CUSTOMER NAME.** Customer hereby consents to Azavar's use of Customer's name in Azavar's marketing materials; provided, however, that Customer's name shall not be so used in such a fashion that could reasonably be deemed to be an endorsement by Customer of Azavar unless such an endorsement is provided by customer.
11. **COMPLETE AGREEMENT.** This Agreement, along with each Statement of Work attached hereto from time to time, contains the entire Agreement between the parties hereto with respect to the matters specified herein. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof. This Agreement shall not be amended except by a written amendment executed by the parties hereto. No delay, neglect or forbearance on the part of either party in enforcing against the other any term or condition of this Agreement shall either be, or be deemed to be, a waiver or in any way prejudice any right of that party under this Agreement. This Agreement shall be construed in accordance with the laws of the State of Illinois and the parties hereby consent to the jurisdiction of the courts of the State of Illinois.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in duplicate originals by their duly authorized representatives as of the date set forth below.

AZAVAR AUDIT SOLUTIONS, INC.	CUSTOMER	<u>CITY OF WASHINGTON, ILLINOIS</u>
By _____	By	_____
Title _____	Title	_____
Date _____	Date	_____