September 27, 2011

Board of Supervisors
Kern County Administrative Center
1115 Truxtun Avenue
Bakersfield, California 93301

PROPOSED AMENDMENT#1 TO AGREEMENT WITH BID4ASSETS FOR INTERNET
AUCTION SERVICES TO ADJUST CONTRACT TERMS
(Fiscal Impact: None)

In accordance with the California Revenue and Taxation Code, properties that remain
tax-defaulted for five years or more can be offered for purchase at a tax-defaulted land
sale (auction) by the County Treasurer and Tax Collector. Since 2000, the auctions
have been conducted utilizing the internet auction advertising site bid4assets.com.
Since the utilization of bid4assets, the percentage of parcels sold has increased
dramatically.

The purpose of this letter is to request an amendment to the agreement with bid4assets
that will change the compensation structure to: 1) Increase the per parcel cost; 2)
change from a per parcel offered to a per parcel sold/redeemed cost structure; and 3)
 eliminate any escalation conditions.

Bid4assets indicated in writing that they could not continue to provide the services
under the current pricing structure. The current pricing structure is very favorable to the
County because it sets forth a base price for each parcel offered in the first year of the
contract with an annual escalation based on the national CPI. Because this is an
"evergreen" contract with no expiration date (again, very favorable to the County), the
base price is from 2000 and the national CPI has not kept pace with bid4assets’ cost to
provide the service. The reason the contract was so favorable to the County is that
Kern County was the first California County to provide tax-defaulted land sales via an
internet auction platform.

While there are other internet based auction sites, Bid4assets is the only firm that has
the specialized knowledge and experience required in conducting California County tax-
defaulted property sales. To date, the Treasurer-Tax Collector’s Office has been very
satisfied with the service provided by bid4assets. Further, the Treasurer-Tax Collector’s
Office contacted Treasurer-Tax Collectors from many other California counties and they
all use bid4assets and were all unaware of any other firms that provide this specialized
auction service. Additionally, after obtaining pricing information from those other counties, it was confirmed that our current pricing structure was unique in that it was significantly lower due to the base year price and the "evergreen" nature of the agreement.

The new compensation structure will provide for a performance based cost system (the more parcels sold or redeemed, the higher the cost). If all of the parcels offered are sold, the cost will exceed the current amount paid to bid4assets. The breakeven point would occur if about half (1/2) of the parcels offered were sold. As a reference point, during the last tax sale, 51% of the parcels offered were sold. All costs incurred in conducting a tax sale (including bid4assets costs) are included in the minimum bid price for each property so there is no additional budgetary impact to the Treasurer-Tax Collector or the County.

In summary, the Treasurer-Tax Collector's Office feels it is in the best interest of the County to work with the vendor because: a) there is no other vendor that provides the service; and b) the County has enjoyed a uniquely favorable agreement that is not financially sustainable for the vendor. County Counsel has reviewed and approved the amendment as to form.

Therefore, IT IS RECOMMENDED that your Board approve and authorize the Chairman to sign Amendment#1 to the agreement with bid4assets for internet auction advertising services to adjust contract terms.

Sincerely,

Jackie Denney
Treasurer and Tax Collector

Attachment

cc: County Administrative Office
    Auditor-Controller

M:\Administration\BOARD\Board Letters 2011\09-27-11 Bid4Assets Amend#1.doc