Board Agenda Item 3

DATE: March 17, 2026

TO: Board of Supervisors

SUBMITTED BY: Oscar J. Garcia, CPA, Auditor-Controller/Treasurer-Tax Collector
Paul Dictos, CPA, Assessor-Recorder

SUBJECT: Agreements with Megabyte Systems, Inc. for Installation and Support of an Enterprise Property Tax Software Solution

RECOMMENDED ACTION(S):

1. **Approve and authorize the Chairman to execute an Agreement with Megabyte Systems, Inc. for the installation and perpetual licensing of the Megabyte Property Tax System, effective upon execution, total not to exceed $3,971,000.**

2. **Approve and authorize the Chairman to execute an Agreement with Megabyte Systems Inc. for the support and maintenance of the Megabyte Property Tax System, effective 30 days after the "installation date" referenced in the Megabyte Licensing Agreement, not to exceed five consecutive years, which includes a three-year base contract and two optional one-year extensions, total not to exceed $3,162,623.**

3. **Adopt and authorize the Clerk of the Board to execute Budget Transfer No. 60 transferring FY 2025-26 appropriations in the amount of $754,250 from Account 7296 (Data Processing Services) to Account 8500 (Intangible) within Auditor-Controller/Treasurer-Tax Collector (Org. 0410) to properly account for the costs as an intangible capital asset.**

Approval of the first recommended action will allow the Assessor-Recorder's Office (Assessor) and the Auditor-Controller/Treasurer-Tax Collector (ACTTC) to purchase and install Megabyte Systems Inc.'s (Megabyte) Property Tax System (MPTS), a fully integrated enterprise solution. Approval of the second recommended action will allow the Assessor and ACTTC to purchase ongoing maintenance and support services to the MPTS from Megabyte. Approval of the third recommended action will allow ACTTC to capitalize the cost of the MPTS as intangible capital asset. The County's last remaining COBOL programmers are set to retire soon, leaving a critical shortage of experts who understand this programming language, thus making it very difficult to continue operating the current system.

ALTERNATIVE ACTION(S):

If your Board does not approve the recommended actions, the Assessor and ACTTC will have no choice but to continue using and supporting the County's current system and the costs associated with hosting it on the mainframe.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. Total maximum cost to

be paid under the MPTS Software License Agreement is $3,971,000. The first payment of 25% ($754,250) of the licensing cost is due within 45 days upon contract execution. Sufficient appropriations for this cost exist in the FY 2025-26 Adopted Budgets for ACTTC Org 0410 and Assessor Org 0420. Additional costs for license fees, modules, data conversion, and other expenses relating to services, such as travel and training, totaling $3,216,750, will be included in future requested budgets. These additional payments will be paid in phases, subject to the written acceptance executed by ACTTC, Assessor, and Director of Information Technology.

Costs associated with the first year of maintenance and support of the MPTS ($545,100) will be billed in equal monthly installments, with each invoice payable within 45 days of invoice date. Billing shall commence after the MPTS first goes into production use by each of the departments. Costs for additional years of maintenance and support ($2,466,921) will be included in future requested budgets. A 5% contingency ($150,602) was added to account for other expenses relating to services, if needed.

Approval of the third recommended action of transferring $754,250 from Org 0410 Account 7296 to Account 8500 will allow proper capitalization of the cost associated with the first milestone payment due to Megabyte upon execution.

DISCUSSION:

Since the late 1960's, the Assessor has relied upon a property tax system that was developed by County staff, which is written in the Common Business-Oriented Language (COBOL) and operates on a mainframe. While the system is solid, application programmers versed in COBOL are few, and this lack of availability threatens to make the existing system obsolete. Thus, staff have searched for an alternative property tax system for some time.

California has developed a unique property tax law wherein the assessment process differs greatly from that of other states. In most states, property is assessed at its current fair market value each year. In California, property may only be reassessed upon a change in ownership or new construction. In addition, California has implemented a Supplemental Tax Roll that augments the annual tax roll. Because of these major differences, solutions implemented by vendors in other states are noncompliant and unworkable in California, without major
modifications.

Currently, only a few vendors offer a California compliant, "off-the-shelf," ready-to-install system. Of these, only Megabyte has their system installed and operating in more client counties. Megabyte has a 40-year history of providing a property tax system solution for counties. There are 36 California counties currently on the MPTS, with Megabyte monitoring over two million parcels annually. If approved, Fresno County will be Megabyte's biggest client in parcel count.

In 2011, the Assessor and ACTTC jointly issued a Request for Proposal (RFP) for an integrated property tax system, but the RFP was cancelled due to a lack of consensus on a suitable system that would meet the needs of both departments. In 2012, the Assessor issued an RFP for an Assessor-only property tax system solution, but that RFP was also cancelled as none of the proposed systems sufficiently met the Assessor's needs. In 2012, the Assessor reviewed a new property tax system built by Orange County for their Assessor, as a possible government-to-government acquisition. However, staff concluded that it was not adequate for the County's needs as the system only met 60% of the department's requirements and was not compatible with Windows 7.

On April 25, 2017, the Board approved Agreement No. A-17-153 for the software license and Agreement No. A-17-154 for the MPTS maintenance with Megabyte to replace the County's current property tax system with the MPTS. The Megabyte solution was selected as the only then-viable alternative to the County-developed system after an approximately six-year search. On September 24, 2019, after the County had paid about $1.1 million to Megabyte, the Board approved termination of the County's agreements with Megabyte without

cause, effective December 23, 2019. Megabyte did not complete implementation.

On September 7, 2021, the Board approved Agreement No. A-21-363 with Fujitsu America, Inc. for the conversion of the County's property management information system from the COBOL language to the County's preferred environment and programming language. On August 8, 2023, the Board approved an assignment of the agreement due to an internal restructuring of the company and Amendment No. 1 to increase the maximum compensation by $500,000 to account for changes to the scope of work. On May 21, 2024, the Board approved Amendment No. 2 to increase the maximum compensation by another $200,000 to account for increased support and testing time. On October 8, 2024, the Board approved the termination of the agreement with Fujitsu without cause, effective November 22, 2024. Fujitsu did not complete the conversion.

In 2025, the Assessor and the ACTTC jointly issued an RFP for an integrated Property Tax System or ACTTC-only component, or Assessor-only Property System. Twelve vendor bids were received, and Megabyte was selected for an integrated system, based on cost and track record with other California counties.

The Megabyte Agreements are not in the County model contract format. While Megabyte has agreed to integrate most of the County's contract clauses, some provisions that are unfavorable to the County remain. These include: (1) mutual indemnification language; and (2) amounts recoverable under the agreement are limited to the amounts paid under the agreement.

Despite the inclusion of the foregoing provisions that represent risks to the County, the Assessor and ACTTC believe that the benefits of these Agreements outweigh all potential risks and recommend approval of the Agreements by your Board as a prudent business decision.

REFERENCE MATERIAL:

BAI #37, October 8, 2024
BAI #33, May 21, 2024
BAI #33, August 8, 2023
BAI #41, September 7, 2021
BAI #7, September 24, 2019
BAI #13, April 25, 2017

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - License and Installation Agreement
On file with Clerk - Maintenance and Support Agreement
On file with Clerk - Budget Transfer No. 60

CAO ANALYST:

Paige Benavides