



Legislation Details (With Text)

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Title: Staff Report for a City of San Leandro City Council Resolution to Authorize the City Manager to Enter Into a Service Agreement with Hinderliter De Llamas & Associates (HdL) for Business License Tax Administration and Retail License Services for an Amount Not to Exceed \$881,800 for Calendar Years 2022, 2023, and 2024 and Authorize the City Manager to Enter Into a Merchant Services Agreement with Worldpay for an Amount Not to Exceed \$95,000 Annually

Sponsors: Susan Hsieh
Finance Director

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Staff Report for a City of San Leandro City Council Resolution to Authorize the City Manager to Enter Into a Service Agreement with Hinderliter De Llamas & Associates (HdL) for Business License Tax Administration and Retail License Services for an Amount Not to Exceed \$881,800 for Calendar Years 2022, 2023, and 2024 and Authorize the City Manager to Enter Into a Merchant Services Agreement with Worldpay for an Amount Not to Exceed \$95,000 Annually

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council authorize the City Manager to enter into a service agreement with HdL for business license tax administration and retail license services and authorize the City Manager to enter into a merchant services agreement with Worldpay for credit card processing services. The services will include the processing of new business license and tobacco license accounts and renewals, payment processing, on-line services, business support, and collection services. Through its parent company FIS, Worldpay partners with HdL to provide credit card processing services to the cities that are served by HdL.

BACKGROUND

The City collects and processes over 10,000 current and active business license accounts and generates approximately \$6.1 million in annual tax revenue. For tobacco retail licenses, the City collects approximately \$40,000 in annual fee revenue.

In December 2018, the City entered into a service agreement with HdL for business license tax administration. The scope of work includes operations management services, compliance services, and payment processing services.

At the time, the City did not engage HdL for tobacco retail license services. The City currently uses an older version of the software that is provided by HdL, and the City pays for annual licensing fees.

Analysis

As part of the agreement, HdL provides customer support and a service center where the business community can obtain support during normal business hours. HdL provides local businesses with multiple options for registering, renewing, and making payments. HdL also answers general licensing inquiries.

The City and its business community also benefit from the online functionality of HdL's operations management program. The City has access to a variety of services such as real-time reporting and account lookups. HdL's online portals allows businesses to file license applications, update information, make payments, receive their business license certificates, correspond with tax specialists and receive assistance for their business license questions, all electronically.

HdL helps the City to identify unregistered and misclassified businesses and works with those businesses to achieve compliance. The City's overall taxpayer compliance increases as the City moves forward with the help of the Compliance Program. The end result will be an increase in business license compliance, increased business license revenues, and cost savings to the City.

The current contract for business license tax administration expires on December 31, 2021. Staff has negotiated a more favorable rate for license renewal. The renewal fee remains at \$13 per renewal but no CPI (Consumer Price Index) increase for the three-year agreement, with the option for an additional two one-year terms. In terms of compliance services, fees for performing collection services will be a contingency fee of 25% of the revenues received as a result of the services; fees for performing audit services will be a contingency fee of 35% of the revenues received as a result of the services. For the three-year contract, business renewal fees are estimated at \$417,300 and contingency fees are estimated at \$447,000.

Staff has also negotiated a more favorable rate for the annual software license fee for tobacco retail licenses. The current annual fee is approximately \$14,000. The annual fee will be reduced to \$7,500 for the first year, utilizing HdL's newer version of the software and its management services; the annual fee will be further reduced to \$5,000 in year two and beyond without any CPI increase. The costs are estimated at \$17,500 for the three years. The City can also receive a fee reduction in the current fiscal year if a new contract is in place. Due to this reason, staff recommends making the contract effective October 19, 2021, to achieve savings.

The three-year contract amount is \$881,800 for business license tax administration and tobacco retail license services.

The City needs to absorb the full cost of credit card processing services as described in the agreement. The fee is estimated at 2.9% of credit and debit card payments. The annual fees are estimated to be \$95,000. Due to the COVID-19 pandemic, we are seeing an increase in credit card payments. The merchant services are offered by HdL's partner FIS through its affiliate Worldpay.

Fiscal Impacts

The three-year service agreement with HdL will be effective October 19, 2021, and is to end on December 31, 2024, with the option to extend the contract with two one-year terms, for an amount not to exceed \$881,800. The fees for merchant services with Worldpay are estimated at \$95,000 annually.

Budget Authority

Sufficient funds are included in the budget for fiscal years 2021-2022 and 2022-2023 services. Funding for fiscal years 2023-2024 and 2024-2025 will be requested in the next budget cycle and subject to City Council approval.

Attachments

- 1 Attached to Resolution - Consulting Services Agreement between the City of San Leandro and HdL and Merchant Services Agreement with Worldpay

PREPARED BY: Susan Hsieh, Director of Finance