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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 Amendment No.1 with HdL Companies to Continue Providing Business License Tax Administration Services Not to Exceed Amount of \$135,000 and to Appropriate Funds from the General Fund Economic Uncertainty Fund Balance in the Amount of \$135,000

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Staff Report for a City of San Leandro City Council Resolution to Authorize the City Manager to enter into Service Agreement Amendment No.1 with HdL Companies to Continue Providing Business License Tax Administration Services Not to Exceed \$135,000 and to Appropriate Funds from the General Fund Economic Uncertainty Fund Balance in the Amount of \$135,000

SUMMARY AND RECOMMENDATIONS

Staff recommends (1) that the City Council approve and authorize the City Manager to enter into a service agreement amendment no. 1 with HdL Companies (HdL) to continue providing Business License tax administration and management services. The services will include the processing of new business license accounts and renewals, updates to the applications, reports and website, payment processing, on-line services, business support, and collection services. And, (2) that the City Council appropriate funds of \$135,000 from General Fund Economic Uncertainty fund balance for these purposes. Finance staff estimates that revenue generated from the annual business license program will fully offset these costs.

BACKGROUND

On December 3, 2018, the City of San Leandro City Council approved a pilot project to contract with HdL Companies (HdL) to provide business license administration and management services for 2019 through November 30, 2019.

The City Council approved this pilot project in order to protect the City's business license tax revenue stream, supplement staff activities with a contractor that specializes in municipal operations and revenue enhancement services, and to continue to maintain high levels of customer service. The end goals were to increase business license compliance, increase business license revenues, and

realize cost savings to the City.

Analysis

The City has utilized HdL's business license software since 2005 and their audit services to investigate businesses operating without City business licenses since 2016. These facts provide HdL a unique understanding of the City's business license processes, procedures, and Municipal Code related to business license compliance. In 2018 the Finance department's cashiering staff decreased from three full-time staff to one staff person due to a medical leave and a transfer to another City department.

Consequently, HdL was able to provide customer support, and a service center for the business community and City staff. The business community benefitted from the online functionality of HdL's operations management program, such as filing license applications online, updating information, making payments, receiving their business license certificate electronically, corresponding with tax specialists and receiving assistance for their business license questions in an online format as well as over the phone.

The results of the pilot program are summarized as follows:

- Increase business license compliance - in 2019 there were 3,218 business leads identified operating without a business license; 2018 had 60 accounts (decreased number of accounts attributed to department request to defer compliance efforts until cashiering was fully staffed)
- Increase business license revenues - in 2019 business license revenues of \$6.9 million increased by 6% over the 2018 actuals of \$6.5 million by \$404,000
- Cost savings to the City for 2018-19 is \$143,000 associated with labor costs and postage and forms expenditure savings compared to amount paid to HdL
- Web payments increased by 31%, or 1,085 accounts, and Mail-in payments decreased by 7%, or 539 accounts, thereby recognizing process efficiencies and accuracy

Previous Actions

- December 3, 2018 City of San Leandro City Council Resolution No. 2018-154 approving HdL's Service Agreement for Business License Tax Administration Services from December 3, 2018 through November 30, 2019 for a Not to Exceed Amount of \$125,000

Fiscal Impacts

This General Fund HdL business license tax administration amendment can be executed for a not-to-exceed amount of \$135,000, which requires increasing the 2019-20 Budget by \$135,000. The current adopted budget is based on actual expenditures from 2017-18 and did not include the pilot program costs experienced in 2018-19. If approved by City Council, there will be a corresponding \$135,000 appropriation from the General Fund economic uncertainty fund balance for this contract. The costs of this contract will be offset by revenues generated from the annual business license tax program.

Budget Authority

Staff recommends the City Council approve an appropriation from the General Fund economic

uncertainty fund balance of \$135,000 to the account 010-12-051-5120.

Attachments

- Attached to Resolution - Consulting Services Agreement Amendment No. 1 between the City of San Leandro and HdL Companies to Continue Providing Business License Tax Administration Services

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