



## Legislation Details (With Text)

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<b>Title:</b>	Staff Report for a City of San Leandro City Council Resolution to Authorize the City Manager to enter into a Service Agreement with HdL Companies to Provide Business License Tax Administration Services Not to Exceed Amount of \$125,000 and to Appropriate Funds from the General Fund Economic Uncertainty Fund Balance in the Amount of \$125,000				

### Indexes:

### Code sections:

### Attachments:

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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 HdL Companies to Provide Business License Tax Administration Services Not to Exceed Amount of \$125,000 and to Appropriate Funds from the General Fund Economic Uncertainty Fund Balance in the Amount of \$125,000

## SUMMARY AND RECOMMENDATIONS

Staff recommends (1) that the City Council approve and authorize the City Manager to enter into a service agreement with HdL Companies (HdL) to provide Business License tax administration and management services. The services will include the processing of new business license accounts and renewals, payment processing, on-line services, business support, and collection services. And, (2) that the City Council appropriate funds of \$125,000 from the General Fund Economic Uncertainty fund balance for these purposes. Revenue generated from the annual business license program will fully offset these costs.

## BACKGROUND

The City of San Leandro collects and processes approximately 9,900 current and active business license accounts. It results in tax revenues of approximately \$6.3 million.

The administration, processing, and collection of business licenses is labor intensive, and is difficult to conduct in-house with current staffing levels. Therefore, a pilot project is recommended by staff in order to protect the City's business license tax revenue, and maintain high levels of customer service. It is critical to supplement staff activities with a contractor that specializes in municipal operations and

revenue enhancement services.

The business license process by HdL uses a turnkey approach. Staff believes that this pilot project will improve efficiency in the administration and collection of the City's business license taxes and fees and will help to increase overall taxpayer compliance into the future. The end result will be an increase in business license compliance, increased business license revenues, and cost savings to the City.

## **Analysis**

HdL has for many years demonstrated an excellent track record in providing support services to the City of San Leandro in the areas of business license software and business license reports. As part of its due diligence in advance of bringing forward this proposed pilot program, City Finance Department staff also contacted a number of other municipalities that are currently utilizing HdL Companies for their business license administration services and received positive feedback.

Since the City is utilizing HdL's business license software and HdL's services to investigate businesses operating without City business licenses, HdL has gained a unique understanding of the City's business license processes, procedures, and Municipal Code related to business license compliance. HdL's Professional Services team has the ability to manage all components of the business license operations that are currently conducted by the City. Combined with HdL's compliance management service, the City is positioned through this proposed pilot program to benefit from increased revenues and superior customer service, while also reducing operating costs.

As part of the proposal, HdL will provide customer support and a service center where the business community can obtain support during normal business hours. HdL will provide local businesses with multiple options for registering, renewing, and making payments. HdL will be responsible for answering all general licensing inquiries. A toll free number will be provided to access HdL's license specialists Monday-Friday from 8:00am to 5:00pm PST.

The City and its business community will also benefit from the online functionality of HdL's operations management program. The City will have access to a variety of services such as real-time reporting and account lookups. In addition, businesses will be able to file license applications online, update information, make payments, receive their business license certificate electronically, correspond with tax specialists and receive assistance for their business license questions in an online format, 24 hours a day, 7 days a week.

With HdL serving in a support capacity to the City's business license operation, it will allow the Finance department to utilize staff resources more effectively for other projects and activities.

## **Fiscal Impacts**

This General Fund HdL business license tax administration pilot project can be executed for a not-to-exceed amount of \$125,000, which requires increasing the 2018-19 Budget by \$125,000. If approved by City Council, there will be a corresponding \$125,000 appropriation from the General Fund economic uncertainty fund balance for this contract. The costs of this contract will be fully off-set 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 \$125,000.

## **Attachments**

- Attached to Resolution - Consulting Services Agreement between the City of San Leandro and HdL Companies to Provide Business License Tax Administration Services

**PREPARED BY:** David Baum, Director of Finance