



# City of San Leandro

Meeting Date: December 2, 2019

## Staff Report

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**File Number:** 19-624 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.E.

**TO:** City Council

**FROM:** Jeff Kay  
City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**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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### 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

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



# City of San Leandro

Meeting Date: December 2, 2019

## Resolution - Council

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**File Number:** 19-625 **Agenda Section:** CONSENT CALENDAR

**Agenda Number:**

**TO:** City Council

**FROM:** Jeff Kay  
City Manager

**BY:** David Baum  
Finance Director

**FINANCE REVIEW:** David Baum  
Finance Director

**TITLE:** RESOLUTION of the City of San Leandro City Council to Authorize the City Manager to Enter into Service Agreement Amendment No. 1 with HdL Companies to Continue Providing Business License Tax Administration Services for a 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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**WHEREAS**, the City in accordance with its purchasing provisions identified HdL Companies to provide Business License Tax Administration Services; and

**WHEREAS**, the City wishes to enter into an agreement amendment no. 1 with HdL Companies for said work; and

**WHEREAS**, the City Council is familiar with the terms of the agreement; and

**WHEREAS**, the City Manager recommends approval of said agreement.

**NOW, THEREFORE**, the City Council of the City of San Leandro does **RESOLVE** as follows:

1. That said agreement in an amount not to exceed \$135,000 is hereby approved; and
2. That the terms of the agreement will be memorialized in writing by the City Manager, subject to the approval of the City Attorney as to form; and
3. That the City Manager is authorized to execute said agreement; and
4. That an original executed agreement shall be provided to the City Clerk, and be attached to and made a part of this resolution; and
5. That an appropriation of \$135,000 from the General Fund Economic Uncertainty Fund Balance Reserves shall be transferred to account no. 010-12-051-5120 and made a part of this resolution.

**AMENDMENT NO. 1 TO CONSULTING SERVICES AGREEMENT BETWEEN  
THE CITY OF SAN LEANDRO AND  
HdL SOFTWARE  
FOR  
BUSINESS LICENSE TAX ADMINISTRATION SERVICES**

This **Amendment No.1** ("Amendment") is made by and between the City of San Leandro ("City") and HdL Software ("Consultant") (together sometimes referred to as the "Parties") as of December 2, 2019, and amends that certain Consulting Services Agreement ("Agreement") dated December 3, 2018, between the Parties.

**WHEREAS**, City and Consultant have executed the Agreement, pursuant to which Consultant has provided certain consulting services to City with regard to business license tax administration services and

**WHEREAS**, the Parties desire to amend the Agreement to extend the term, update scope of services and revise the compensation a.

**NOW THEREFORE**, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties hereby agree to amend the Agreement as follows:

1. Section 1.1 of the Agreement entitled "Term of Services" is hereby amended to extend the term from November 30, 2019, to December 31, 2021; and

2. Section 2 of the Agreement entitled "Compensation" is hereby amended to pay Consultant a sum not to exceed \$135,000 per year; and

3. Exhibit A of the Agreement entitled "Scope of Services" is hereby amended to read:  
Regulatory Requirements:

Implement, communicate and report on new regulatory requirements placed on business licensing such as SB205, effective January 1, 2020, and Disadvantaged Business Enterprise business license information required by City of San Leandro City Council.

4. Exhibit B of the Agreement entitled "Compensation Schedule & Reimbursable Expenses" is hereby amended to read:

Business License Administration Services for 1/1/2020 through 12/31/2020 - \$13.00 per account per year; for each subsequent year \$13.00 per account per year + CPI for each year.

5. All other terms shall remain in full force and effect.

This Amendment may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

**SIGNATURES ON FOLLOWING PAGE**

The Parties have executed this Amendment as of the date first written above. The persons whose signatures appear below certify that they are authorized to sign on behalf of the respective Party.

CITY OF SAN LEANDRO

HdL SOFTWARE

\_\_\_\_\_  
Jeff Kay, City Manager

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Robert Gray, President

Attest:

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Leticia I. Miguel, City Clerk

Approved as to Fiscal Authority:

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David Baum, Finance Director

010-12-051-5120  
\_\_\_\_\_  
Account Number

Approved as to Form:

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Richard D. Pio Roda, City Attorney

(2018)