

**CITY OF SANTA ROSA  
PROFESSIONAL SERVICES AGREEMENT  
WITH HdL SOFTWARE, LLC  
AGREEMENT NUMBER F001767**

This "Agreement" is made as of this \_\_\_\_ day of \_\_\_\_\_, 2018, by and between the City of Santa Rosa, a municipal corporation ("City"), and HdL Software, LLC, a California Limited Liability Company ("Consultant").

**RECITALS**

- A. City desires to contract for administration of the Business Tax Ordinance.
- B. City desires to retain a qualified firm to conduct the services described above in accordance with the Scope of Services as more particularly set forth in Exhibit A to the Agreement.
- C. Consultant represents to City that it is a firm composed of highly trained professionals and is fully qualified to conduct the services described above and render advice to City in connection with said services.
- D. The parties have negotiated upon the terms pursuant to which Consultant will provide such services and have reduced such terms to writing.

**AGREEMENT**

**NOW, THEREFORE**, City and Consultant agree as follows:

**1. SCOPE OF SERVICES**

Consultant shall provide to City the services described in Exhibit A ("Scope of Services"). Consultant shall provide these services at the time, place, and in the manner specified in Exhibit A. Exhibit A is attached hereto for the purpose of defining the manner and scope of services to be provided by Consultant and is not intended to, and shall not be construed so as to, modify or expand the terms, conditions or provisions contained in this Agreement. In the event of any conflict between this Agreement and any terms or conditions of any document prepared or provided by Consultant and made a part of this Agreement, including without limitation any document relating to the scope of services or payment therefor, the terms of this Agreement shall control and prevail.

**2. COMPENSATION**

a. City shall pay Consultant for services rendered pursuant to this Agreement at the rates, times and in the manner set forth in Exhibit B. Funding is required to pay for a set fee per processed account per year. An additional percentage contingency fee is collected by the vendor on all revenues received as a result of the service, fees for services will be deducted from accounts collected. Consultant shall submit monthly statements to City which shall itemize the services performed as of the date of the

statement and set forth a progress report, including work accomplished during the period, percent of each task completed, and planned effort for the next period. Invoices shall identify personnel who have worked on the services provided, the number of hours each worked during the period covered by the invoice, the hourly rate for each person, and the percent of the total project completed, consistent with the rates and amounts shown in Exhibit B.

b. The payments prescribed herein shall constitute all compensation to Consultant for all costs of services, including, but not limited to, direct costs of labor of employees engaged by Consultant, travel expenses, telephone charges, copying and reproduction, computer time, and any and all other costs, expenses and charges of Consultant, its agents and employees. In no event shall City be obligated to pay late fees or interest, whether or not such requirements are contained in Consultant's invoice.

c. Notwithstanding any other provision in this Agreement to the contrary, the total maximum compensation to be paid for the satisfactory accomplishment and completion of all services to be performed hereunder shall in no event exceed the sum of one million, two hundred and fifty thousand dollars and no cents (\$1,250,000). The City's Chief Financial Officer is authorized to pay all proper claims from Charge Number 050303.

### **3. DOCUMENTATION; RETENTION OF MATERIALS**

a. Consultant shall maintain adequate documentation to substantiate all charges as required under Section 2 of this Agreement.

b. Consultant shall keep and maintain full and complete documentation and accounting records concerning all extra or special services performed by it that are compensable by other than an hourly or flat rate and shall make such documents and records available to authorized representatives of City for inspection at any reasonable time.

c. Consultant shall maintain the records and any other records related to the performance of this Agreement and shall allow City access to such records during the performance of this Agreement and for a period of four (4) years after completion of all services hereunder.

### **4. INDEMNITY**

a. Consultant shall, to the fullest extent permitted by law, indemnify, protect, defend and hold harmless City, and its employees, officials and agents ("Indemnified Parties") from all claims, demands, costs or liability (including liability for claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, interest, defense costs, and expert witness fees), that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Consultant, its officers, employees, or agents, in said performance of professional services under this Agreement, excepting only liability arising from the sole negligence, active negligence or intentional misconduct of City.

b. The existence or acceptance by City of any of the insurance policies or coverages described in this Agreement shall not affect or limit any of City's rights under this Section 4, nor shall the

limits of such insurance limit the liability of Consultant hereunder. This Section 4 shall not apply to any intellectual property claims, actions, lawsuits or other proceedings subject to the provisions of Section 17(b), below. The provisions of this Section 4 shall survive any expiration or termination of this Agreement.

## **5. INSURANCE**

a. Consultant shall maintain in full force and effect all of the insurance coverage described in, and in accordance with, Attachment One, "Insurance Requirements." Maintenance of the insurance coverage set forth in Attachment One is a material element of this Agreement and a material part of the consideration provided by Consultant in exchange for City's agreement to make the payments prescribed hereunder. Failure by Consultant to (i) maintain or renew coverage, (ii) provide City notice of any changes, modifications, or reductions in coverage, or (iii) provide evidence of renewal, may be treated by City as a material breach of this Agreement by Consultant, whereupon City shall be entitled to all rights and remedies at law or in equity, including but not limited to immediate termination of this Agreement. Notwithstanding the foregoing, any failure by Consultant to maintain required insurance coverage shall not excuse or alleviate Consultant from any of its other duties or obligations under this Agreement. In the event Consultant, with approval of City pursuant to Section 6 below, retains or utilizes any subcontractors or subconsultants in the provision of any services to City under this Agreement, Consultant shall assure that any such subcontractor has first obtained, and shall maintain, all of the insurance coverages set forth in the Insurance Requirements in Attachment One.

b. Consultant agrees that any available insurance proceeds broader than or in excess of the coverages set forth in the Insurance Requirements in Attachment One shall be available to the additional insureds identified therein.

c. Consultant agrees that the insurance coverages and limits provided under this Agreement are the greater of: (i) the coverages and limits specified in Attachment One, or (ii) the broader coverages and maximum limits of coverage of any insurance policy or proceeds available to the name insureds.

## **6. ASSIGNMENT**

Consultant shall not assign any rights or duties under this Agreement to a third party without the express prior written consent of City, in City's sole and absolute discretion. Consultant agrees that the City shall have the right to approve any and all subcontractors and subconsultants to be used by Consultant in the performance of this Agreement before Consultant contracts with or otherwise engages any such subcontractors or subconsultants.

## **7. NOTICES**

Except as otherwise provided in this Agreement, any notice, submittal or communication required or permitted to be served on a party, shall be in writing and may be served by personal delivery to the person or the office of the person identified below. Service may also be made by mail, by placing first-class postage, and addressed as indicated below, and depositing in the United States mail to:

City Representative:

Alan Alton  
Deputy Director Finance  
631 1<sup>st</sup> St.  
Santa Rosa, CA 95404  
(707) 543-3093

Consultant Representative:

George Bonnin  
Marketing and Sales Manager  
160 Via Verde Suite # 150  
San Dimas, CA 91773  
(909) 861-4335

## 8. INDEPENDENT CONTRACTOR

a. It is understood and agreed that Consultant (including Consultant's employees) is an independent contractor and that no relationship of employer-employee exists between the parties hereto for any purpose whatsoever. Neither Consultant nor Consultant's assigned personnel shall be entitled to any benefits payable to employees of City. City is not required to make any deductions or withholdings from the compensation payable to Consultant under the provisions of this Agreement, and Consultant shall be issued a Form 1099 for its services hereunder. As an independent contractor, Consultant hereby agrees to indemnify and hold City harmless from any and all claims that may be made against City based upon any contention by any of Consultant's employees or by any third party, including but not limited to any state or federal agency, that an employer-employee relationship or a substitute therefor exists for any purpose whatsoever by reason of this Agreement or by reason of the nature and/or performance of any services under this Agreement.

b. It is further understood and agreed by the parties hereto that Consultant, in the performance of Consultant's obligations hereunder, is subject to the control and direction of City as to the designation of tasks to be performed and the results to be accomplished under this Agreement, but not as to the means, methods, or sequence used by Consultant for accomplishing such results. To the extent that Consultant obtains permission to, and does, use City facilities, space, equipment or support services in the performance of this Agreement, this use shall be at the Consultant's sole discretion based on the Consultant's determination that such use will promote Consultant's efficiency and effectiveness. Except as may be specifically provided elsewhere in this Agreement, the City does not require that Consultant use City facilities, equipment or support services or work in City locations in the performance of this Agreement.

c. If, in the performance of this Agreement, any third persons are employed by Consultant, such persons shall be entirely and exclusively under the direction, supervision, and control of Consultant. Except as may be specifically provided elsewhere in this Agreement, all terms of employment, including hours, wages, working conditions, discipline, hiring, and discharging, or any other terms of employment or requirements of law, shall be determined by Consultant. It is further understood and agreed that Consultant shall issue W-2 or 1099 Forms for income and employment tax purposes, for all of Consultant's assigned personnel and subcontractors.

d. The provisions of this Section 8 shall survive any expiration or termination of this Agreement. Nothing in this Agreement shall be construed to create an exclusive relationship between City and Consultant. Consultant may represent, perform services for, or be employed by such additional persons or companies as Consultant sees fit.

**9. ADDITIONAL SERVICES**

Changes to the Scope of Services shall be by written amendment to this Agreement and shall be paid on an hourly basis at the rates set forth in Exhibit B, or paid as otherwise agreed upon by the parties in writing prior to the provision of any such additional services.

**10. SUCCESSORS AND ASSIGNS**

City and Consultant each binds itself, its partners, successors, legal representatives and assigns to the other party to this Agreement and to the partners, successors, legal representatives and assigns of such other party in respect of all promises and agreements contained herein.

**11. TERM, SUSPENSION, TERMINATION**

a. This Agreement shall become effective on the date that it is made, set forth on the first page of the Agreement, and shall continue for five (5) years with 5 one-year renewal options upon agreement by both parties.

b. City shall have the right at any time to temporarily suspend Consultant's performance hereunder, in whole or in part, by giving a written notice of suspension to Consultant. If City gives such notice of suspension, Consultant shall immediately suspend its activities under this Agreement, as specified in such notice.

c. City shall have the right to terminate this Agreement for convenience at any time by giving a written notice of termination to Consultant. Upon such termination, Consultant shall submit to City an itemized statement of services performed as of the date of termination in accordance with Section 2 of this Agreement. These services may include both completed work and work in progress at the time of termination. City shall pay Consultant for any services for which compensation is owed; provided, however, City shall not in any manner be liable for lost profits that might have been made by Consultant had the Agreement not been terminated or had Consultant completed the services required by this Agreement. Consultant shall promptly deliver to City all documents related to the performance of this Agreement in its possession or control. All such documents shall be the property of City without additional compensation to Consultant.

**12. TIME OF PERFORMANCE**

The services described herein shall be provided for a five (5) year period, in accordance with the schedule, set forth in Exhibit A. Consultant shall complete all the required services and tasks and complete and tender all deliverables to the reasonable satisfaction of City, not later than September 25th 2023.

**13. STANDARD OF PERFORMANCE**

Consultant shall perform all services performed under this Agreement in the manner and according to the standards currently observed by a competent practitioner of Consultant's profession in California. All products of whatsoever nature that Consultant delivers to City shall be prepared in a professional manner and conform to the standards of quality normally observed by a person currently practicing in Consultant's profession, and shall be provided in accordance with any schedule of performance. Consultant shall assign only competent personnel to perform services under this Agreement. Consultant shall notify City in writing of any changes in Consultant's staff assigned to perform the services under this Agreement prior to any such performance. In the event that City, at any time, desires the removal of any person assigned by Consultant to perform services under this Agreement, because City, in its sole discretion, determines that such person is not performing in accordance with the standards required herein, Consultant shall remove such person immediately upon receiving notice from City of the desire of City for the removal of such person.

**14. CONFLICTS OF INTEREST**

Consultant covenants that neither it, nor any officer or principal of its firm, has or shall acquire any interest, directly or indirectly, that would conflict in any manner with the interests of City or that would in any way hinder Consultant's performance of services under this Agreement. Consultant further covenants that in the performance of this Agreement, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor, without the written consent of City. Consultant agrees to avoid conflicts of interest or the appearance of any conflicts of interest with the interests of City at all times during the performance of this Agreement.

**15. CONFLICT OF INTEREST REQUIREMENTS**

a. **Generally.** The City's Conflict of Interest Code requires that individuals who qualify as "consultants" under the Political Reform Act, California Government Code sections 87200 *et seq.*, comply with the conflict of interest provisions of the Political Reform Act and the City's Conflict of Interest Code, which generally prohibit individuals from making or participating in the making of decisions that will have a material financial effect on their economic interests. The term "consultant" generally includes individuals who make governmental decisions or who serve in a staff capacity.

b. **Conflict of Interest Statements.** The individual(s) who will provide services or perform work pursuant to this Agreement are "consultants" within the meaning of the Political Reform Act and the City's Conflict of Interest Code:

yes  no (check one)

If "yes" is checked by the City, Consultant shall cause the following to occur within 30 days after execution of this Agreement:

- (1) Identify the individuals who will provide services or perform work under this Agreement as "consultants"; and

- (2) Cause these individuals to file with the City Clerk the assuming office statements of economic interests required by the City's Conflict of Interest Code.

Thereafter, throughout the term of the Agreement, Consultant shall cause these individuals to file with the City Clerk annual statements of economic interests, and "leaving office" statements of economic interests, as required by the City's Conflict of Interest Code.

The above statements of economic interests are public records subject to public disclosure under the California Public Records Act. The City may withhold all or a portion of any payment due under this Agreement until all required statements are filed.

## **16. CONFIDENTIALITY OF CITY INFORMATION**

During performance of this Agreement, Consultant may gain access to and use City information regarding inventions, machinery, products, prices, apparatus, costs, discounts, future plans, business affairs, governmental affairs, processes, trade secrets, technical matters, systems, facilities, customer lists, product design, copyright, data, and other vital information (hereafter collectively referred to as "City Information") that are valuable, special and unique assets of the City. Consultant agrees to protect all City Information and treat it as strictly confidential, and further agrees that Consultant shall not at any time, either directly or indirectly, divulge, disclose or communicate in any manner any City Information to any third party without the prior written consent of City. In addition, Consultant shall comply with all City policies governing the use of the City network and technology systems. A violation by Consultant of this Section 16 shall be a material violation of this Agreement and shall justify legal and/or equitable relief.

## **17. CONSULTANT INFORMATION**

a. City shall have full ownership and control, including ownership of any copyrights, of all information prepared, produced, or provided by Consultant pursuant to this Agreement. In this Agreement, the term "information" shall be construed to mean and include: any and all work product, submittals, reports, plans, specifications, and other deliverables consisting of documents, writings, handwritings, typewriting, printing, photostatting, photographing, computer models, and any other computerized data and every other means of recording any form of information, communications, or representation, including letters, works, pictures, drawings, sounds, or symbols, or any combination thereof. Consultant shall not be responsible for any unauthorized modification or use of such information for other than its intended purpose by City.

b. Consultant shall fully defend, indemnify and hold harmless City, its officers and employees, and each and every one of them, from and against any and all claims, actions, lawsuits or other proceedings alleging that all or any part of the information prepared, produced, or provided by Consultant pursuant to this Agreement infringes upon any third party's trademark, trade name, copyright, patent or other intellectual property rights. City shall make reasonable efforts to notify Consultant not later than ten (10) days after City is served with any such claim, action, lawsuit or other proceeding, provided that City's failure to provide such notice within such time period shall not relieve Consultant of its obligations hereunder, which shall survive any termination or expiration of this Agreement.

c. All proprietary and other information received from Consultant by City, whether received in connection with Consultant's proposal, will be disclosed upon receipt of a request for disclosure, pursuant to the California Public Records Act; provided, however, that, if any information is set apart and clearly marked "trade secret" when it is provided to City, City shall give notice to Consultant of any request for the disclosure of such information. Consultant shall then have five (5) days from the date it receives such notice to enter into an agreement with the City, satisfactory to the City Attorney, providing for the defense of, and complete indemnification and reimbursement for all costs (including plaintiff's attorneys' fees) incurred by City in any legal action to compel the disclosure of such information under the California Public Records Act. Consultant shall have sole responsibility for defense of the actual "trade secret" designation of such information.

d. The parties understand and agree that any failure by Consultant to respond to the notice provided by City and/or to enter into an agreement with City, in accordance with the provisions of subsection c, above, shall constitute a complete waiver by Consultant of any rights regarding the information designated "trade secret" by Consultant, and such information shall be disclosed by City pursuant to applicable procedures required by the Public Records Act.

## 18. MISCELLANEOUS

a. Entire Agreement. This Agreement contains the entire agreement between the parties. Any and all verbal or written agreements made prior to the date of this Agreement are superseded by this Agreement and shall have no further effect.

b. Modification. No modification or change to the terms of this Agreement will be binding on a party unless in writing and signed by an authorized representative of that party.

c. Compliance with Laws. Consultant shall perform all services described herein in compliance with all applicable federal, state and local laws, rules, regulations, and ordinances, including but not limited to, (i) the Americans with Disabilities Act of 1990 (42 U.S.C. 12101, et seq.) ("ADA"), and any regulations and guidelines issued pursuant to the ADA; and (ii) Labor Code sections 1720, et seq., which require prevailing wages (in accordance with DIR determinations at [www.dir.ca.gov](http://www.dir.ca.gov)) be paid to any employee performing work covered by Labor Code sections 1720 et seq. Consultant shall pay to the City when due all business taxes payable by Consultant under the provisions of Chapter 6-04 of the Santa Rosa City Code. The City may deduct any delinquent business taxes, and any penalties and interest added to the delinquent taxes, from its payments to Consultant.

d. Discrimination Prohibited. With respect to the provision of services under this Agreement, Consultant agrees not to discriminate against any person because of the race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status of that person.

e. Governing Law; Venue. This Agreement shall be governed, construed and enforced in accordance with the laws of the State of California. Venue of any litigation arising out of or



connected with this Agreement shall lie exclusively in the state trial court in Sonoma County in the State of California, and the parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such court, and consent to service of process issued by such court.

f. Waiver of Rights. Neither City acceptance of, or payment for, any service or performed by Consultant, nor any waiver by either party of any default, breach or condition precedent, shall be construed as a waiver of any provision of this Agreement, nor as a waiver of any other default, breach or condition precedent or any other right hereunder.

g. Incorporation of Attachments and Exhibits. The attachments and exhibits to this Agreement are incorporated and made part of this Agreement, subject to terms and provisions herein contained.

#### **19. AUTHORITY; SIGNATURES REQUIRED FOR CORPORATIONS**

Consultant hereby represents and warrants to City that it is (a) a duly organized and validly existing Limited Liability Company, formed and in good standing under the laws of the State of California, (b) has the power and authority and the legal right to conduct the business in which it is currently engaged, and (c) has all requisite power and authority and the legal right to consummate the transactions contemplated in this Agreement. Consultant hereby further represents and warrants that this Agreement has been duly authorized, and when executed by the signatory or signatories listed below, shall constitute a valid agreement binding on Consultant in accordance with the terms hereof.

If this Agreement is entered into by a corporation, it shall be signed by two corporate officers, one from each of the following two groups: a) the chairman of the board, president or any vice-president; b) the secretary, any assistant secretary, chief financial officer, or any assistant treasurer. The title of the corporate officer shall be listed under the signature.

Executed as of the day and year first above stated.

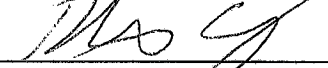
**CONSULTANT:**

Name of Firm: HdL Software LLC

TYPE OF BUSINESS ENTITY:


- Individual/Sole Proprietor
- Partnership
- Corporation
- Limited Liability Company
- Other (please specify: \_\_\_\_\_)

Signatures of Authorized Persons:

By: 

Print Name: Robert Gray

Title: President

By: 

Print Name: Lloydde Llamas

Title: Secretary

**CITY OF SANTA ROSA**

a Municipal Corporation

By: \_\_\_\_\_

Print Name: Chris Coursey

Title: Mayor

APPROVED AS TO FORM:

  
Office of the City Attorney

ATTEST:

\_\_\_\_\_  
City Clerk

City of Santa Rosa Business Tax Cert. No.

9997085822

Attachments:

- Attachment One - Insurance Requirements
- Exhibit A - Scope of Services
- Exhibit B - Compensation

**ATTACHMENT ONE  
INSURANCE REQUIREMENTS FOR  
PROFESSIONAL SERVICES AGREEMENTS**

**A. Insurance Policies:** Consultant shall, at all times during the terms of this Agreement, maintain and keep in full force and effect, the following policies of insurance with minimum coverage as indicated below and issued by insurers with AM Best ratings of no less than A:VI or otherwise acceptable to the City.

<b>Insurance</b>	<b>Minimum Coverage Limits</b>	<b>Additional Coverage Requirements</b>
1. Commercial general liability	\$ 1 million per occurrence \$ 2 million aggregate	Coverage must be at least as broad as ISO CG 00 01 and must include completed operations coverage. If insurance applies separately to a project/location, aggregate may be equal to per occurrence amount. <b>Coverage may be met by a combination of primary and umbrella or excess insurance but umbrella and excess shall provide coverage at least as broad as specified for underlying coverage. Coverage shall not exclude subsidence.</b>
2. Business auto coverage	\$ 1 million	ISO Form Number CA 00 01 covering any auto (Code 1), or if Consultant has no owned autos, hired, (Code 8) and non-owned autos (Code 9), with limit no less than \$ 1 million per accident for bodily injury and property damage.
3. Professional liability (E&O)	\$ 1 million per claim \$ 1 million aggregate	Consultant shall provide on a policy form appropriate to profession. If on a claims made basis, Insurance must show coverage date prior to start of work and it must be maintained for three years after completion of work.
4. Workers' compensation and employer's liability	\$ 1 million	As required by the State of California, with Statutory Limits and Employer's Liability Insurance with limit of no less than \$ 1 million per accident for bodily injury or disease. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Consultant, its employees, agents and subcontractors.

**B. Endorsements:**

1. All policies shall provide or be endorsed to provide that coverage shall not be canceled, except after prior written notice has been provided to the City in accordance with the policy provisions.

2. Liability, umbrella and excess policies shall provide or be endorsed to provide the following:

a. For any claims related to this project, Consultant's insurance coverage shall be primary and any insurance or self-insurance maintained by City shall be excess of the Consultant's insurance and shall not contribute with it; and,

b. **The City of Santa Rosa, its officers, agents, employees and volunteers are to be covered as additional insureds on the CGL policy.** General liability coverage can be provided in the form of an endorsement to Consultant's insurance at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of both CG 20 10 and CG 20 37 if a later edition is used.

**C. Verification of Coverage and Certificates of Insurance:** Consultant shall furnish City with original certificates and endorsements effecting coverage required above. Certificates and endorsements shall make reference to policy numbers. All certificates and endorsements are to be received and approved by the City before work commences and must be in effect for the duration of the Agreement. The City reserves the right to require complete copies of all required policies and endorsements.

**D. Other Insurance Provisions:**

1. No policy required by this Agreement shall prohibit Consultant from waiving any right of recovery prior to loss. Consultant hereby waives such right with regard to the indemnitees.
2. All insurance coverage amounts provided by Consultant and available or applicable to this Agreement are intended to apply to the full extent of the policies. Nothing contained in this Agreement limits the application of such insurance coverage. Defense costs must be paid in addition to coverage amounts.
3. Policies containing any self-insured retention (SIR) provision shall provide or be endorsed to provide that the SIR may be satisfied by either Consultant or City. Self-insured retentions above \$10,000 must be approved by City. At City's option, Consultant may be required to provide financial guarantees.
4. Sole Proprietors must provide a representation of their Workers' Compensation Insurance exempt status.
5. City reserves the right to modify these insurance requirements while this Agreement is in effect, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

**EXHIBIT A**  
**SCOPE OF SERVICES**

The Scope of Services is to be used as a general guide and is not intended to be a complete list of all work necessary to complete the project.

Firms responding to the RFP shall be prepared to deliver services and perform the work necessary to develop and deploy the systems modifications, software products and training support within one month of the issuance of a contract. They should be ready to convert the data from the City's current vendor to their system immediately after the contract expires on September 30, 2018 and be fully operational no later than September 25, 2018 including online systems and with all the applicable forms for taxpayer use.

The Contractor will be responsible for doing all the necessary work to prepare for the transfer or conversion of all the City's Business Tax accounts from the current vendor into their system and should be prepared to commence Business Tax Administration Services by September 25, 2018.

The Contractor selected to administer the City's Business Tax Ordinance will provide the City access to the Contractor's own Business Tax database/software at no additional cost. The City will not be required to maintain any in-house administration database or software for managing Business Tax Certificates.

The contractor is responsible for all the associated costs of services and supplies in performing the scope of services stated below. The following are work tasks assumed necessary to effectively administer the City's Business Tax Ordinance.

**TAX ADMINISTRATION**

- **Application and Renewal Processing**
  - Contractor shall be responsible for all activities related to new business and annual renewal application processing, including but not limited to: printing and mailing renewal applications, processing completed applications, accepting and processing payments, and generating and mailing business tax certificates, including any necessary follow-up work.
  - Contractor will send out individualized renewal applications to all known taxpayers the first working day of January every year.
  - Taxpayers will submit applications and payments to a Post Office box that will be used only for Santa Rosa Business Tax mail. Preference is that it is a Santa Rosa Post Office Box and not one from a private mail center such as a UPS Store. Preference is for contractor to continue using the current Post Office Box for continuity.
  - Contractor will provide a secure and ADA compliant website, for taxpayers choosing to complete their new applications or renewals and make payments online. Preference is for the contractor to have a system where a taxpayer, new or renewal, can pay for multiple tax years. Preference is for the contractor to provide taxpayers with a mobile friendly website or app. Contractor must provide the City with their backup plan if their website or phone system becomes inoperable.
  - Contractor shall review and verify all new applications and renewals and establish a process to ensure City's requirements are met by the applicant. Contractor must ensure that there is no duplication of tax certificates being issued and prior year tax delinquencies are identified and paid.
  - Contractor must review all new applications to ensure that tax payment is required from

the business, that new account is properly set-up with correct tax category assigned and correct information inputted and to determine if there's a need to open multiple accounts if business is taxable under different tax rates or at different locations.

- Contractor must have a system in place in processing all renewals to review significant changes in gross receipts declared, and follow-up accordingly.
- Business Tax Certificate Numbers should not change every year and should be in sequential order. Preference is for Contractor to use the previous Business Tax Certificate Number issued by the City starting January 2019 and assign corresponding certificate numbers in sequential order from active accounts that started after October 2013.
- Contractor will insert a 1/3 sheet Utility Users Tax Notice to all renewal and certificate mailings at no additional cost to the City.
- **Delinquent Accounts**
  - For taxpayers who do not return their annual renewal form, Contractor will send a minimum of three additional notices to all delinquent accounts in conjunction with an automated call and make a minimum of one follow up phone call by a representative. To the extent these efforts do not result in taxpayer compliance, the City wants to see a detailed plan on how Contractor will handle delinquent accounts as a requirement to be submitted with this RFP.
  - By the 10<sup>th</sup> of every month and upon request by the City at any time, Contractor will provide a list of all delinquent taxpayers in an Excel format that can be used by the City.
  - In the event the Contractor's collection efforts result in reasonable evidence that the business has moved outside city limits, been closed, or is no longer required to comply with the City's Business Tax Ordinance, such as the business not responding to any notices or calls or the Contractor receiving returned mail or phone number disconnected, the Contractor shall take necessary steps to close the account and collect any final tax payments due.
- **Collecting, Posting and Processing Payments**
  - It is expected that the Contractor shall process all Business Tax payments for new and renewal applications upon receipt and that Tax Certificates are mailed out as soon as possible but no more than 30 days from receipt of payment during renewal period and within 2 weeks outside renewal period.
  - Contractor will collect any necessary City and/or State fees and any new local assessments that are enacted in the future.
  - Business Tax accounts must be updated with payment information immediately and revenue needs to be submitted to the City via electronic deposit no less than a weekly basis and more often during renewal season.
  - The Contractor will provide a detailed backup report using generally accepted accounting principles to the City along with each deposit to ensure compliance with City auditor requirements.
  - For taxpayers who do not remit payment with their application or whose check is not honored by the bank (NSF check) or credit card charge disputed, Contractor will send at least two (2) additional notices and make one (1) follow up phone call in an effort to bring the taxpayer into compliance.
  - The Contractor will review and process taxpayer requests for refunds according to City Ordinance and State Law. Barring any special circumstances, refunds must be reviewed, processed and issued (or letter of denial sent) to taxpayers within 30 days of receipt of the taxpayer's request.
- **Taxpayer Communications**
  - Contractor will handle all taxpayer communications and customer service, including but not limited to: general business tax questions, account inquiries, application or renewal questions, tax exemption questions, business category disputes, payment questions,

requests for non-confidential information, and complaint resolution.

- A toll-free number must be provided to taxpayers and will be answered by the Contractor during normal business hours (Monday-Friday, 8:00am to 5:00pm, Pacific Standard Time). Taxpayers must also be able to reach the Contractor by email, mail or fax.
- During renewal season, Contractor is expected to provide additional resources in handling an increased volume of calls, correspondence and payments.
- Overall, Contractor must respond to all taxpayer questions as soon as possible such as by return phone call within the same day or written correspondence/email/fax within one week from receipt. All contact with the taxpayer must be documented by the Contractor and all written or electronic correspondence must be saved, accessible to view via vendor provided online account access or available to the City upon request with a turnaround of one business day.
- All standard correspondence templates and mass mailing letters and forms, including inserts, are subject to City approval.
- **Reporting and Access to Data**
  - Contractor will provide statistical reports with Business Tax data to the City no less than a monthly basis and upon request.
  - Contractor will note and update Business Tax accounts as needed with all pertinent information about every customer contact or with any mailing to or from the customer.
  - Contractor will provide City with direct access to Contractor's database, including but not limited to: payment history with dates, amounts and details, and all account history, including notes section which must include all contact between Contractor and Taxpayer, to ensure the City has access to the most accurate and up to date information.
  - It is preferred that Contractor will provide City with the ability to note taxpayer accounts with pertinent information.
  - Contractor will provide City with the ability to extract data from the Contractor's database, or request the data with a turnaround of one business day.
  - Contractor will provide the City the ability to view taxpayer applications and renewals through the Contractor's database, or request a copy with a turnaround of one business day.

## **DISCOVERY SERVICE**

- The Contractor must provide a continuing lead-detection and discovery service designed to identify business entities subject to the City's local business tax that are not properly registered with the City, or otherwise not reporting business taxes to City. In performing this discovery service, Contractor shall:
  - City requires a list of sources to be submitted with this RFP that Contractor will use to search for non-compliant businesses. This list should be updated with the City semi-annually.
  - Establish a comprehensive inventory of the entities from each source that may be subject to the City's local business tax and determine the database elements needed to facilitate a comparative analysis with City's records of those entities that are properly registered to identify potential non-reporting and non-registered entities subject to the City's business tax.
  - Send notice to and assist each confirmed unregistered or non-reporting entity, as necessary, to complete City's applicable registration form(s) and determine the amount of tax due for current and prior periods (plus applicable interest and penalties, where appropriate).

- Invoice entity (including supporting documentation) on behalf of City for the amount of identified deficiencies, with payment to be remitted to Contractor. The Contractor must perform any necessary follow-up work in getting business to comply.
- Educate taxpayers regarding City's reporting requirements to prevent recurring deficiencies in future years.
- To the extent these efforts do not result in taxpayer compliance, the City wants to see a detailed plan on how Contractor will handle non-compliant accounts as a requirement to be submitted with this RFP.

## **AUDIT SERVICE**

- The audit service portion of the contract is intended to identify businesses that may be under-reporting their gross receipts and not paying the appropriate amount of business tax to the City. In performing the audit service, the Contractor shall:
  - Identify potential gross receipts under-reporting or misclassified businesses by comparing City records with applicable data derived from various sources utilized by the Contractor (example: sales tax data) following audit principles.
  - Aside from misclassifications, Contractor must also audit if business should be paying tax under two or more tax categories (example: car dealership with sales and service only having a retail tax certificate).
  - For potential under-reporting businesses identified, obtain authorization from the City to conduct a review of the taxpayer's financial records and determine the appropriate amount due.
  - Invoice the business on behalf of the City for any identified deficiencies.
  - Educate the taxpayer regarding the City's reporting requirements to ensure proper reporting for future years.
  - Account audits should be conducted at least once per year to assess taxpayer compliance.
  - The City wants to see a detailed plan on how contractor will perform other types of audits where the ultimate result is fair compliance to the Business Tax Ordinance and/or generating additional revenue to the City.

### **In addition to the requirements listed above, the Contractor will also be responsible for:**

- Maintaining confidentiality on all taxpayer accounts and comply with the California Public Records Act.
- Maintaining separate files for each account for audit purposes.
- Maintaining a disaster recovery plan to protect the City's receivables and the confidentiality of the information contained therein.
- Immediately returning all taxpayer data upon termination of contract by any party. Taxpayer data must be provided in a commonly used format that can be easily transferred to another software application. In the event of such termination, all monies collected for the City of Santa Rosa by Contractor shall be forwarded to the City within 30 days together with a detailed accounting of records.
- Performing any regulatory work as required by City Code or State and Federal Law.
- Maintaining a Business Directory of all taxpayers in Santa Rosa that have been issued a current Business Tax Certificate. The directory will contain non-confidential business information and will be published online for the public to access. Information should include business name, business location, tax category, business email, and business website (if



business categorized itself as a Home Occupation, the business location should be “Home Occupation” instead of actual business location). During the renewal period, including any grace period approved, the directory should include all certificate holders from the previous tax year.

- Annually, the Contractor must provide a report to the City with feedback and recommendations regarding the City’s Business Tax Ordinance and current policies and procedures. Any recommendations for changes to the Business Tax Ordinance or to policies and procedures should also include an explanation of why the City would benefit from said changes. Contractor is expected to inform the City in a timely manner of any proposed or approved legislation that impacts the City’s Business Tax Ordinance.

**Exhibit A**

**STANDARD TAX ADMINISTRATION SCOPE OF SERVICES**

**Client Services and Support**

Each HdL Operation Management and Compliance Program is a custom crafted solution for improving revenues and efficiencies while maintaining the superb level of customer service taxpayers have come to expect from the staff and technological competencies of the City of Santa Rosa.

HdL will provide a multitude of options and services that the City will benefit from including:

**Project Planning and Implementation** – For each project, HdL’s project management team will work in partnership with the City to develop a detailed outline of the scope of work and specific services/options deployed. During the project planning period, the City will have the opportunity to review and approve general timelines and milestones for project implementation as well as project details such as language for taxpayer correspondence and other operational items. Project plans are not set in stone and are designed to evolve with the program, allowing HdL and the City to make course corrections along the way to address needs or concerns as they arise.

*Table 1A – Project Implementation Stages*

Task	Description
<i>(1) Technology Transfer</i>	
Data & Software Transfer	Transfer and convert City data from HdL Classic to Prime
Web Site Links	Establish web links and sites to utilize for online processes
Telephony	Identify existing and new phone number for customer
<i>(2) City/HdL Process Review</i>	
Current Process Review	Current process analysis and timeline considerations
Process Innovations	City and HdL recommended changes to current processes
Ordinance / Fee Review	Validate current fee structures and ordinance compliances
Form Acceptance / Modification	Identify current (custom/standard) system reports, renewal forms, documents, etc.to enhance or accept as needed
Intra-City Dependencies	Follow up on any requirements or enhancements that can provide benefit to other City departments.
Financial Controls	Establish revenue disbursement procedures as well as City GL/financial reports and frequency of information required
Testing Timeline	Identify testing parameters and timeframe for test environment implementation
Process Review & Training	Establish timings for process finalization and familiarize City personnel with new procedures
<i>(3) Community Interface</i>	

Community Outreach Letter	Develop notification to business community regarding changes and benefits of program
Web-Site	Approval of web content, format, and access
Mailing Address	Identify address used for public correspondence
Phone Number	Identify phone access for public inquiry
Dispute Process	Develop dispute resolution process and issue escalation procedures

**Communication** – HdL understands that a key to any partnership is communication. HdL ensures the free flow of information between the City and the HdL Compliance Management team by establishing clear guidelines during project planning. HdL provides multiple points of contact for every level of the City and provides scheduled progress meetings via teleconference, webinars, and in person meetings.

**Consulting and Support** – In addition to the Discovery and Audit services delivered under the Compliance Management Program, the City benefits from a team experts that includes Certified Revenue Officers(CRO) ,former Finance Directors and City Managers, and other team members with decades of experience in servicing local government. These resources are available to the City to provide support on complicated tax nexus issues, best practice approaches, sample documents and forms, ordinance reviews, and other tax compliance and management related issues.

**Business Support Center** – HdL will provide businesses with multiple support options for registering, renewing, making payments and for general inquiries. Businesses will have access to our license specialists Monday through Friday, 8:00am to 5:00pm Pacific, via phone, mail, e-mail, fax, and the Business Support Center On-Line. During peak times or seasons, HdL manages flexible resources that can be utilized to react to increased call volumes. Taxpayers calling our local or toll free line can expect minimal hold times along with access to many options including filing support, payment options, specific tax issues, and many other services designed to reduce the burden of registering and filing taxes. Or team of experts, including our resident Certified Revenue Officers(CRO), implement a business friendly and education centric approach to supporting the business community in all aspects of the compliance process.

**Business Support Center ~Online** – Businesses are encouraged to take advantage of the range of services available on-line 24 hours a day, seven days a week. With *HdL Flex File*, businesses can choose to file their new business registration as well as make payments via our on-line filing portal. In addition to filing and paying for taxes, businesses can obtain copies of applications, general support and FAQs, schedule appointments, and request copies of their tax registration all with the click of a button. Our on-line services underscore HdL's commitment to excellence in customer service, education, and continually simplifying the registration and payment experience for the business community.

Both the City and its business community will benefit from the online functionality unique to the HdL Compliance Management Program. The City will benefit from a variety of services such as reporting and account lookups while the business community will have access to file their applications, make payments, correspond with tax specialists, and receive assistance for their Business License Tax.

**Reporting** – HdL offers a myriad of reporting options that capture a summary of the activities as well as details performed under the individual programs. HdL offers a variety of standard weekly, monthly, quarterly, and annual reports as well as the option to customize and develop unique reporting solutions to meet the City's ad-hoc requests.

**Dispute Resolution** – Whether a dispute arises from a newly registered business or from a deficiency determination on an existing business, HdL will support the City in resolving disputes arising from the business community. The HdL dispute resolution process can assist the City in resolving taxpayer issues by providing ordinance reviews and interpretation, best practices, case law updates, expertise on nexus issues, refund defense, and other services tailored to assist the City in administering Business License and Transient Occupancy Taxes.

### **Business License Operation Management Services**

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The principal philosophy of HdL is to act as though we are the City's business license department. Taxpayers should see no difference in their interactions with HdL or the City itself. Any service that a taxpayer would be able to receive from the City, should be the same through HdL. HdL will provide a multitude of options and services that the City and taxpayers will benefit from including:

**Tax Registration Database Management** – HdL will transfer the City's existing databases as they relate to business license into HdL's internal administration tools. HdL will maintain the data and provide copies of data or reports at the City's request. City will not be required to use or maintain any software in house for managing the business license registry.

**Renewal Processing** – Send active business license accounts a renewal notice within 30 days of the renewal period end date. Accounts will receive all applicable forms necessary to complete the renewal process. Businesses shall have the ability to receive business tax certificates via mail or email.

**New Licenses** – HdL will process all new business license applications and complete the new account registration process in a timely fashion. HdL will also facilitate inter-city departmental approvals such as zoning, code compliance, fire inspection, and other regulatory related functions. At this stage of the project it is important to discuss how the City is currently processing businesses licenses internally and what improvements are desired from the conversion.

To make this process seamless for the customer, HdL will need to gain a thorough understanding of the current steps and procedures that are required for a first-time applicant. Prior to issuing a business license certificate, HdL will need clarification on the type of demographic information that the City considers mandatory and what information is discretionary or optional.

Once defined, HdL will establish a set of processes to replicate the policies and procedures currently used by the City to issue a new business license. Some of the key items for discussion and/or considerations are listed in the tables on following page.

Table 1C – Standard New Business License Application Prerequisites

New Business License Applicants – Customary Prerequisites	
Item	Agency / Description
Zoning Compatibility	City Planning Department - Zoning approval for Residential businesses (Home Based Businesses) operating at fixed location in the City. <i>Home Occupation Permit Required</i>
Fire Inspection	Fire Inspection for Commercial or Industrial Business operating at a fixed location in the City?
Building Inspection	City Code Compliance - Inspection for Commercial / Industrial Business operating at a fixed location in the City?
Health Permit	County Environmental Health Department - Approval required by the County for all businesses handling food products?
Disability Access Compliance	State of California - SB1186 mandated fee for a new or renewal of Business License accounts
Seller's Permit	State Board of Equalization - Permit required for businesses selling personal property, at wholesale or retail in the City
Fictitious Business Name Statement	County Clerk's Office - Proof of filing required if business is operating under a fictitious business name

**Document Submission / Processing** – Review Taxpayer submissions such as applications for completion and accuracy prior to processing. Collect additional documentation such as a home occupation permit and forward to other City departments either as a pre-requisite or as a courtesy for the taxpayer and other departments. All submissions are filed and stored electronically and made available to the City upon request.

**Invoicing** – Once application has been approved, invoice entity indicating detailed tax calculations and balances owed. Taxpayers are given the opportunity to pay their balances via mail, online, and other methods. HdL will provide Taxpayers continued access to the Business Support Center for any questions or disputes arising from the invoice process.

**Payment Posting** – HdL will process all payments received in an expedited manner. License accounts will be updated daily with payment information and revenues to be disbursed to the City net applicable fees, at an interval to be agreed to during the project planning phase. SEE PAYMENT POSTING AND PROCESSING

**On-Line Filing & Payment Processing** – HdL will make available options for businesses to visit a website, linked to the City's website, to submit online transactions.

**Exception Resolution** – Compare the list to City registration databases to remove properly registered businesses and identify and remove other potential exceptions.

**Delinquent Account Processing** – HdL will endeavor to collect delinquent accounts through a series of City approved processing methods. This will include at minimum three follow up delinquent notice and up to two telephone calls. Delinquent accounts will be collected with full penalties as allowed by the City's Municipal code. Accounts that remain delinquent will be processed through the City approved processes established in HdL's collections component of the Compliance Management Program. HdL shall make every effort to identify businesses who have ceased business operations within the City, or have moved outside the City's jurisdiction and notate appropriately.

**Delinquent Account Reporting**– HdL shall provide the City with monthly updates, or as required, on the status of delinquent accounts.

*HdL Keys to Success*

- All processes are definable by the City including customization of items such as letters, call scripts, batch and data entry, etc.
- Online Business Support Center gives businesses 24-hour access to filing, payment, and support
- Includes application processing and collection of monies owed
- Revenues collected and remitted electronically to the city net HdL fees
- Works in conjunction with other City administered programs
- Expert staffing resources available to taxpayers via HdL call center for assistance in filing returns and dealing with other tax related issues.
- Detailed reporting

**Business License Tax Compliance Discovery Services**

The Business License Tax Discovery and Compliance Management Program will identify businesses that are subject to taxation under the City's Municipal Code which are not registered and paying the Business License Tax. Our program specializes in not only identifying businesses physically located within the boundaries of the City, but also those that may conduct business within the City while having an intermittent or no physical presence at all.

With a business friendly and education centric approach, the discovery program will maximize revenues to the City while reducing the amount of concerns that can arise from similar programs. Modular components and customizable features ensure the highest levels of service for the City and the business community.

Specifically, the Business License Tax Discovery and Compliance Program includes:

**Enriched Data Portfolio / Lead Identification** – Utilizing data from the City, as well as the HdL Enriched Data Portfolio (EDP), HdL's team builds an enhanced listing of entities subjected to taxation in the City. Various data sources from the State of California, such as Sales Tax, Secretary of State, and Professional Listing Databases, along with phone and internet listings, are used to compile the EDP. These entities are electronically matched to the existing files of the City using advanced data matching algorithms, allowing HdL staff to identify which entities are compliant and which entities require follow up.

**Field Surveys** – Experienced field crews, equipped with the most advanced tools available (mobile mapping/GPS systems, tablet computers pre-loaded with various City and state-wide

databases, etc) may canvass all commercial areas of the City to develop and enhance the leads identified in the EDP. Field Surveys provide additional inventories of active businesses as well as to provide on-site verifications of data culled from other sources.

**Exception Resolution** – HdL's compliance team doesn't rely on electronic matching alone. Records are reviewed by one of our skilled team members, filtering out records that may lead to erroneous contacts. This extra step allows staff to find additional revenues not otherwise identifiable through electronic means and assists in reducing potential complaints levied at City staff and management.

**Compliance Communication and Outreach** – Upon exception resolution, HdL staff initiates a contact with the identified entities through a series of City approved communication methods. HdL makes every effort to simplify the process for taxpayers and utilizes a variety of mediums for communication including mail, telephone, email, and web-site access. Potential non-compliant entities are notified of their options to comply or dispute their non-compliant status. Initial notification packets include everything a business needs to become compliant and multiple methods of resolving their accounts.

**Document Submission / Processing** – Whether the taxpayer chooses to respond by mail, email, or our online filing website, submissions such as applications are reviewed for completion and accuracy prior to processing. Additional documentation such as a home occupation permits, can also be requested or forwarded to other City departments either as a pre-requisite or as a courtesy for the taxpayer and other departments. All submissions are filed and stored electronically and made available to the City via the remittance process or upon request.

**Invoicing** – Once application has been approved, invoices are made available to the taxpayer indicating detailed tax calculations and balances owed. Taxpayers are given the opportunity to pay their balances via mail, online, or check-by-phone services. Taxpayers also have continued access to our Business Support Center for any questions or disputes arising from the invoice process. Balances are collected via a variety of City approved collections models.

**Account Escalation** – HdL shall develop strategies in partnership with the City to follow best practices for escalated accounts. This could include an additional contact plan by HdL, referral to an outside collection agency, or escalated referral to the City for administrative citation.

#### *HdL Keys to Success*

- All processes are definable by the City including customization of items such as letters, call scripts, batch and data entry, etc.
- Online Business Support Center gives businesses 24-hour access to filing, payment, and support
- Includes application processing and collection of monies owed
- Revenues collected and remitted electronically to the city net HdL fees
- Works in conjunction with other City administered programs
- Expert staffing resources available to taxpayers via HdL call center for assistance in filing returns and dealing with other tax related issues.
- Detailed reporting

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## **Business License Tax Compliance Audit Services**

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The Business Tax Audit program confirms that registered businesses are compliant with local reporting requirements and educates the business community in proper reporting procedures. Bridging the gaps between enforcement and customer service oriented educational components; our program reduces the woes businesses normally associate with going through an audit. Our Audit Program is designed to provide a level playing field for those businesses that are reporting accurately while making certain the City is receiving the revenues to which it is entitled. The Business License Tax Audit Program will include:

**Analysis & Selection** – Audit candidates are selected using a variety of selection methodologies developed by our audit team using decades of business license tax audit experience. Preliminary analysis reports on each business selected are shared with the City prior to moving through the audit phases.

**Audit Notification & Scheduling** – Businesses selected by HdL that have been approved by the City are sent a letter and scheduled for a Compliance Analysis Audit. Every effort is made to promote a positive experience for the taxpayer. Detailed descriptions of the documents required for the audit and other relevant information is provided to the business no less than 2 weeks in advance of the proposed audit date. Businesses are afforded the opportunity to schedule flexible appointment times by contacting the Business Support Center or visiting our online support center.

**Compliance Analysis & Audit** – The HdL audit team reviews the books and records of the business to determine compliance with business tax regulations. HdL validates taxing variables such as gross receipts and other relevant information for determining compliance. In addition to identifying underreporting issues, the HdL Audit Program focuses on other compliance related issues such as assuring correct classifications, multiple location allocation, apportionment issues, and identifying business to business relationships that may create tax liability for 3<sup>rd</sup> parties.

**Audit & Compliance Report** – Upon completion of the audit and analysis, and prior to additional actions, a compliance report is generated and reviewed with the City. The report indicates specific results of the reviews and recommended actions. Documentation will be included with the report to assist the City and HdL in determining next steps.

**Deficiency and Commendation Notification** – Upon final review with the City, businesses that are found to have deficiencies are notified of the findings as well as payment and appeal processes. Appointments are also scheduled to review the findings and educate taxpayers on proper filing procedures designed to prevent future errors and deficiencies. Businesses found to be in compliant, are sent a commendation letter thanking them for their compliance.

**Invoicing & Collections** – Business found to be underreporting are invoiced through the standard City approved collections process identical to the procedures approved for the Discovery Program. Taxpayers will have access to all of the services provided including the Business Support Center and online support systems. Balances are collected and remitted along with supporting documentation to the City through approved remittance processes.

### *HdL Keys to Success*

- All processes are definable by the City
- Audit resources can be used for validating taxpayer refund requests and other complex tax issues City staff confronts



- Business friendly approach offers taxpayer multiple options during audit
- Audit candidates can be Selected by City and/or HdL
- Expert staffing resources available to taxpayers via HdL call center for assistance in filing returns and dealing with other tax related issues.
- Detailed reporting

### **Payment Posting and Processing**

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All payments received by HdL on behalf of our clients are processed through HdL's specially trained payment processing and remittance division. HdL considers it a primary fiduciary responsibility to safeguard City funds, and has implemented processes and controls vetted by external CPA review and audits to ensure protection of City funds at all stages of the process. HdL takes great care to ensure the security of public funds and to safeguard taxpayer payment information and confidential data.

The cornerstone of these processes is the HdL Prime Software environment. Taxes and payments are tracked at the account, fee level, City Specific GL codes, payment type, and other important key data elements. All systems are security controlled and managed with change logs for secure accounting practices. HdL clients can rest easy knowing that HdL is using the same systems internally which power business tax administration programs for over 150 municipalities and which processed over \$450 million in taxes last year alone.

**Payment Acceptance** – HdL processes all payments in accordance with established guidelines developed in conjunction with the City during implementation. Online & Telephony Payments are applied to the accounts in real-time, and live instruments are processed within 2 business days of receipt. Payments are deposited into City specific merchant and bank accounts, ensuring accurate segregation of funds.

**Payment Application** – Each payment is posted to appropriate fee level detail and is accounted for by fee type and City assigned GL codes. The City ultimately controls the hierarchy of payment application including prioritization when posting partial payments to back years first, or application to certain fee types such as taxes first, then penalty and fees. This allows the City to accurately account for the disbursements of payments and revenues by City assigned revenue categories.

**Remittance** – HdL transfers funds to the City via its electronic remittance process. Cities may elect to receive live checks or electronic disbursement of funds such as wire or ACH. Remittances are done on no less than a monthly basis, or at sooner intervals as defined by the City. All remittances batches include a number of standard detailed and summary reports as well as any custom reports required by the City. These reports provide detailed transaction data by account, payment method, fees, GL Codes, and other accounting related variables.

**Net-Remittance & Third-Party Payments** – HdL offers a net-remit service that provides for accounting and disbursement of payments related to expenses or collections for third parties such as BIDs. Credit card and other bank fees are accounted for and deducted from the City's remittance, providing for simple processing and reconciliation. Additionally, HdL handles all quarterly remittances of state disability fees on behalf of the City as well as providing complete compliance with quarterly and annual reporting requirements.

**NSF and Refund Processing** – HdL processes all transaction reversals for NSF and other chargeback related items. Accounts are updated and collection efforts take place to recoup fees and charges related to the account. Additionally, HdL handles all refund requests in accordance with City practices. Refunds are issued on accounts directly by HdL after meeting each stage of the predefined refund process, including signed forms from the taxpayer and HdL management.

## **Attachment A – Contract-Exceptions**

### **1. Ownership of Materials, Confidentiality**

1.1 **Software License.** If access to any HdL software systems are provided to City as part of this Agreement, HdL hereby provides a license to the City to use HdL's software while the associated service is in effect through this Agreement. The software shall only be used by the City. The City shall not sublet, duplicate, modify, decompile, reverse engineer, disassemble, or attempt to derive the source code of said software. The license granted hereunder shall not imply ownership by City of said software, rights of the City to sell said software, or rights to use said software for the benefits of others. This license is not transferable. City shall not create any derivative work or product based on or derived from the Software or documentation, or modify the Software or documentation without the prior written consent of HdL. In the event of a breach of this provision (And without limiting HdL's remedies), said modification, derivative work or product based on the Software or documentation is hereby deemed assigned to HdL. Upon termination, the software license shall expire, all copies of the software shall be removed from the City's computers and network and all digital copies deleted or otherwise destroyed.

1.2 **Consultant Proprietary Information.** As used herein, the term "proprietary information" means any information which relates to Consultant's software systems, audit processes or related services, techniques, or general business processes. City shall hold in confidence and shall not disclose to any other party any Consultant proprietary information in connection with this Agreement, or otherwise learned or obtained from the Consultant in connection with this Agreement. The obligations imposed by this Paragraph shall survive any expiration or termination of this Agreement. The terms of this section shall not apply to any information that is public information.

### **2. License, Permits, Fees and Assessments**

HdL shall obtain such licenses, permits and approvals (collectively the "Permits") as may be required by law for the performance of the services required by this Agreement. City shall assist HdL in obtaining such Permits, and City shall absorb all fees, assessments and taxes which are necessary for any Permits required to be issued by City. If City requires payment for such Permits, the associated costs will be included with the next invoice.

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## **F. MISCELLANEOUS QUESTIONS**

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### **1. Processing of Applications and Renewals**

#### **New Business Applications**

HdL provides numerous methods for taxpayers to register with the City. Whether a taxpayer applies via mail, online, email, or the phone, HdL provides a business friendly approach that ensures the taxpayer's experience meets the City's high standard. HdL develops a custom new business guidebook, which communicates all the requirements and explains the options available to the business to satisfy those requirements.

HdL has a unique approach to handling new applications with two distinct process flows:

#### **Out of Town – Contractors, Itinerants, etc.**

The majority of foot traffic on a daily basis for business tax usually comes from out of town contractors and similar businesses. Many are at City Hall to attempt to obtain permits or other items and in many cases only learn of their business tax requirement because it is a prerequisite to other City business.

In these cases, HdL believes that expedited processing is key to getting them registered and on their way to conduct their business. Rather than directing people to a form or a computer kiosk, HdL works directly with the business on the phone to complete their registration process and acquire payment. HdL is able to perform a series of checks to ensure the business does not have an existing account, balance dues, or other roadblocks to issuing a certificate. This results in a high level of customer service, typically culminating in the issuance of a business tax certificate in under 3 minutes. Moreover, certificates are immediately available for review in the online system and the business has a copy of their certificate sent right to their phone.

#### **In City Business – Physical Locations, etc.**

Businesses looking to open in a City usually face a number of ancillary items that need to be addressed. Whether a new in City business chooses to file online, by phone, or through another method, each new account is assigned an "HdL New Business Concierge". Our staff members work with the business to determine the nature of their business, locations, and other demographic details. Our new business team identifies all key data elements to ensure the business application is completed accurately, including reviews of tax classifications, and a detailed review with the business on the filing requirements they may have.

If the City elects to, our team also starts a parallel process for regulatory approvals and other validations. This allows the business to deal with a single point of contact to obtain things like zoning approvals, home occupation permits, and other items that may assist the business in becoming compliant with other laws and regulations. Working in conjunction with other City departments, HdL offers an online tracking tool accessible by the City, to facilitate approvals required by other departments. This ultimately promotes compliance and provides additional customer service to the City and the business community.

## **Renewals**

As the City uses a calendar year renewal cycle, the highest volume of renewals, customer service needs, and revenue will typically be between December and February each year. HdL understands the importance of managing the renewal process efficiently, and designs City specific processes to deal with the unique challenges faced by each City.

During the renewal window, HdL sends out customized, business specific renewal forms, by both mail and email. This ensures businesses receive a form specifically crafted for them, without extraneous information or tax items unrelated to their business activity. Email reminders are also sent in advance of the filing due date to encourage on-time filing.

Businesses are afforded the opportunity to renew via whatever method they feel is most convenient; by mail, phone, or the internet. Concise filing instructions are provided along with clear indication of the deadline for filing. Additionally, HdL has the flexibility to include other items in the renewal notification packet, should the City need to distribute additional information to the business community.

## **2. Delinquent Account Processing**

Much of the HdL administration program is designed to make filing easy and to facilitate compliance. Reminder notices, follow-up emails and telephone calls play a large role in reducing the number of delinquent accounts. However, it is inevitable that many businesses along the way will fall in to delinquency.

It is important to note that there are two key typical circumstances leading to delinquency. Accounts may become delinquent due to being non-responsive to a renewal notice or other filing requirements, or they may become delinquent due to an amount of tax owed, rather than a lack of filing. Regardless of the circumstance, upon becoming delinquent HdL conducts a number of activities to attempt resolution of the accounts.

HdL's team follows up on delinquent non-filers with 2 delinquent notices and at least one phone call. Additionally, accounts that have email addresses are sent reminder notices via email weekly. A common reason for non-filing delinquency is the closure of, or abandonment of, a business activity. Follow up is not only designed to collect tax forms, but also leads to investigation on the status of the business. This allows the HdL team to compare records from our other data sources to see if activity indicates a business has closed. After thorough investigation determines the business is no longer operating, the account is closed. This ensures enforcement efforts are used efficiently while providing the City with assurances it is not paying for the processing of accounts that are no longer active.

Once a business has been contacted, a detailed review of their tax filings are conducted in order to review prior year filings and identify possible delinquencies related to back tax periods. Accounts that remain delinquent following the activities stated above are referred to HdL's compliance team for enforcement efforts defined in conjunction with the City.

## **3. Lead Detection & Discovery**

The cornerstone of any compliance program is the identification of entities operating within the City's jurisdiction. Focusing on brick and mortar locations only identifies a portion of the potential businesses that are out of compliance. The development of a business inventory that

includes transactional based data, online activities and other economic sources is key to developing a thorough understanding of the business makeup.

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##### Identification and Scheduling

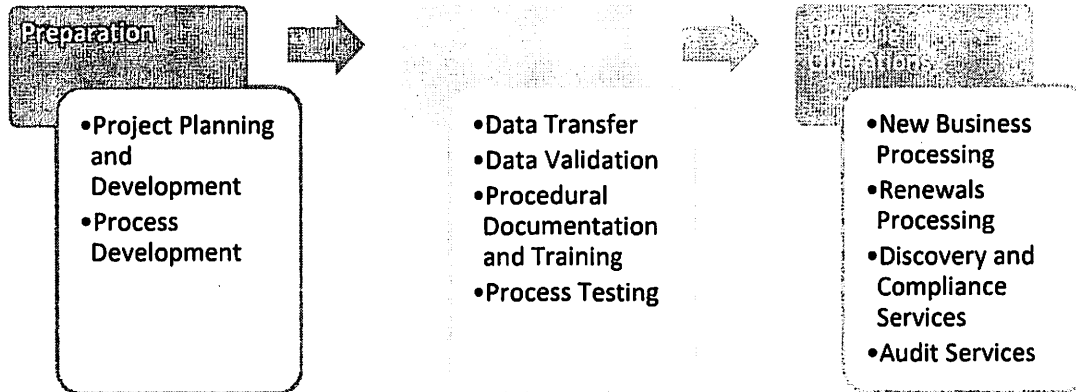
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1. **Implementation Plan** - HdL's project management team will work in partnership with the City to develop a detailed outline of the scope of work, transition period and specific services/options deployed. Once the project plan is finalized, a clear communication chain is established and maintained for the duration of the project. Project plans are flexible so as to evolve with the program, allowing HdL and the City to quickly make adjustments along the way to address needs or concerns that may arise.



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HdL shall provide businesses with multiple support options for registering, renewing, making payments and for general inquiries. A local and/or toll-free number shall be provided to businesses in order to access one of our license specialists Monday through Friday, 8am – 5pm PST. Businesses will also have access to support via e-mail, fax, and the Online Business Support Center. HdL constantly monitors quality control points to ensure courteous customer service, minimal hold times under 1 minute, and the return of voice messages the same business day. A dedicated email and point of contact shall also be established to ensure that specific client issues can be responded to immediately to provide the highest level of satisfaction.

## H. SERVICE ENHANCEMENTS

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HdL can provide a number of additional service options which may be of benefit to the City of Santa Rosa. In addition to the options listed here, HdL's team of revenue professionals can also craft a customized solution as needed to address any of the City's challenges.

1. **Comprehensive Municipal Code and Tax Structure Analysis** – HdL will meet with the City to understand any specific challenges or objectives regarding the current business tax structure. HdL will then perform a thorough analysis of the City's municipal code and tax structure and provide recommendations for modernization. HdL's fee for this service is \$10,000 as part of tax administration. Separately the service is available for \$15,000.
2. **Additional Tax Type Services** – HdL's services can be adapted to facilitate almost any locally administered tax types which the City may be responsible for, now or in the future. Common tax types managed by our clients include TOT, UUT, Cannabis, and Sugar Sweetened Beverages. Standard tax filing services can often be provided within the scope and pricing of HdL's business tax administration services. In the event that a tax type requires additional unique services, HdL will work with the City to determine an appropriate pricing model dependent on the scope of service. Here are a few service options which merit special discussion.
  - a. **Transient Occupancy Tax Services** – HdL can provide administration and audit services for the City's traditional lodging providers. In addition to the full scope of service provided for business tax, HdL's TOT service incorporates regular education and audits of lodging providers to ensure compliance. HdL's fee for TOT administration is a fixed annual fee of \$650 per quarterly filer and \$750 per monthly filer. Alternatively, the City can elect for HdL to administer the TOT filing process without providing audit services, in which case HdL can provide TOT administration for the same pricing as the business tax administration service.
  - b. **Short Term Rentals Services** – HdL can provide administration and discovery services for the City's short-term rentals. In addition to the full scope of service provided for business tax, HdL's Short Term Rentals service incorporates a specialized discovery service to locate short term rentals operating within the City and facilitate their compliance with the City's municipal code. HdL can provide this service for a flat rate of 15% of revenues collected. Additional pricing options are highly dependent on the scope of desired service, and can be provided if desired after a short discovery conversation with the City to understand needs and objectives regarding short term rentals.
  - c. **Software Services** – HdL's Prime local tax software solution is used by many municipalities to administer a variety of taxes, and is the foundation of HdL's own tax administration services. Should the City desire to utilize HdL's Prime local tax software solution to administer one or more tax programs such as transient occupancy tax, short term rentals, cannabis tax, utility users tax, or other tax types, HdL can provide an HdL cloud hosted Prime environment configured for the City's use. Software service pricing is dependent on many factors, but a typical implementation for tax types such as these can be achieved for an all inclusive implementation fee of around \$45,000 and a cloud hosted software annual use fee of \$11,500.



## I. DISASTER RECOVERY PLAN

### **Disaster Recovery Plan:**

HdL recognizes that the security and protection of City data is paramount. As such, HdL employs a multi-layered approach to access security and disaster recovery, ensuring that City data is securely housed and accessed, and is readily available for restoration in the event of an unforeseen disaster.

### **Data Protection:**

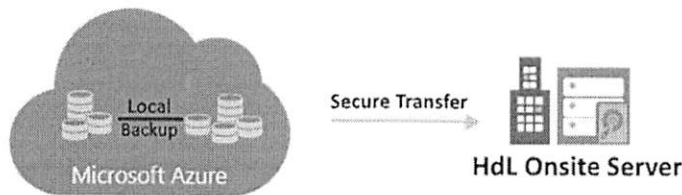
City data will be securely hosted in the Microsoft Azure Cloud, which boasts more security certifications than any other cloud provider; including a broad set of international and industry-specific compliance standards such as ISO 27001, HIPAA, FedRAMP, SOC 1 and SOC 2. Microsoft also regularly employs rigorous third-party audits to verify adherence to these security controls.

City data will be further protected through utilization of a secured private, single tenant database, which improves security through greatly restricted access. Only users and systems dedicated to the City of Santa Rosa's business tax administration services will be able to access the City's data.

### **Data Backup Policy:**

To ensure rapid restoration of business tax administration services in the unlikely event of a disaster, the following data backup practices are in place:

- Hourly incremental data backups are run 24x7, stored in the Azure environment.
- Daily full backups are run every evening, stored in the Azure environment. These daily backups are also automatically duplicated to HdL's secure environment through secure FTP transfer (SFTP).



### **Disaster Recovery Data Retention Policy:**

- Azure stored hourly incremental backups are retained for 30 days.
- Azure stored daily full backups are retained for 1 calendar year.
- HdL stored full backups are retained for 1 calendar year.

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## **J. CREDIT CARD SERVICES**

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HdL provides merchant services and electronic payment solutions on behalf of its clients, offering a variety of options for accepting payments. HdL's systems are designed to support both agency funded and convenience fee models, and to seamlessly transition between those two methods as needed. Regardless of the model the City chooses, HdL provides clear and simple fee breakdowns for each payment method to both the City and the business community.

### **Taxpayer Interface**

Convenience fees, if elected, are clearly indicated on invoices/forms, webpages, and during phone payments to ensure transparency of charges. PCI compliant systems and procedures safeguard taxpayer payment information throughout the payment process. Payment card data is never stored during any part of the process.

### **Administration**

HdL provides complete management of payment processing, including merchant accounts, processing of return checks and credit card chargebacks, and payment of any ancillary fees. HdL issues a private merchant ID for the City, ensuring that every transaction is clearly identified and attributed to a City of Santa Rosa business tax account.

### **Credit Card Processing**

HdL offers both agency funded and convenience fee models for acceptance of Credit Card payments. The City's current model is agency funded, which HdL provides for 2.9% of the transaction amount providing for simplified billing and tracking. Should the City elect to transition to a convenience fee model, customers would be assessed a 2.9% convenience fee with a \$2.00 minimum. Convenience fee charges are tracked separately under their own GL account, ensuring accurate tracking and offset of fees.

### **E-Check / ACH Processing**

HdL offers a streamlined and cost effective flat fee option for E-check transactions, regardless of the transaction amount. Agency funded E-Check processing is \$0.50 per transaction, while convenience fee E-Check processing is \$1.25 per transaction.



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www.hdlcompanies.com

July 24, 2018

Manny Silverio Jr.  
City of Santa Rosa  
90 Santa Rosa Avenue  
Santa Rosa, CA 95404

Dear Mr. Silverio,

This letter constitutes HdL's response to the City's Request for Best and Final offer dated July 23, 2018, related to the Request for Proposals 18-35 – Business Tax Administration Services. I will respond to each requested item using like numbering to the City's request.

1. As part of HdL's business tax administration services, and at no additional cost to the City, HdL will provide the City with real time access to the City's business registry through the HdL Client Portal. The HdL Client Portal currently provides access to a variety of registration information, such as business name, business type, location, account status, start date, close date, and license expiration date. During 2019 the Client Portal will be updated to incorporate a reporting module and to support two way updates, which will allow the City to access a variety of reports related to HdL's services and the City's business registry, and to make certain updates, such as notes, to business accounts. The Client Portal will continue to receive enhancements as part of HdL's regular bi-monthly technology release schedule.
2. At no additional cost to the City, HdL will allow for the occasional inclusion of a City insert as part of a regular HdL mailing. The City insert should not exceed one page, and the page size should not exceed 8.5x11 inch dimensions.
3. HdL confirms that the regular renewal notification process will include the annual renewal form plus up to three follow-up notifications.
4. HdL confirms that the final notification can be an assessment notice, when desired by the City.
5. HdL confirms that our compliance team will coordinate compliance activities with the City's Field Collections Representative (FCR). The City's FCR will have the opportunity to select accounts for their follow-up, and HdL will proceed with compliance activities on the remaining accounts. Collection accounts brought into compliance by the City's FCR without assistance from HdL will not be subject to HdL's compliance fees. Discovery accounts brought into compliance by the City's FCR without further assistance from HdL will incur a reduced 20% Discovery fee.



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I'm happy to discuss this letter or our proposal should the City have any further questions regarding our services. Thank you for considering HdL.

Best regards,

A handwritten signature in black ink, appearing to read 'Rob Gray', is written over the typed name.

Robert Gray

[rgray@hdlcompanies.com](mailto:rgray@hdlcompanies.com), 909-861-4335

President, HdL Software LLC

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## **E. FIRM COMPENSATION**

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### **Exhibit B. Fee/Compensation**

#### **Business Tax Operations Management Services**

**Compensation** - HdL's compensation for performing Operations Management Services related to business tax is \$12.00 per processed account per year. For the purpose of compensation calculation, processed account means any account for which new applications are processed or which were sent a renewal notice.

**CPI Adjustment** – Fees for Operations Management Services are adjusted at the beginning of each calendar year by the change in the annual Consumer Price Index – West Urban (CPI-WU) as reported by the Bureau of Labor Statistics. Each annual adjustment will not be less than two percent (2%) or greater than ten percent (10%).

#### **Business Tax Compliance Services**

**Discovery** – HdL's fee for performing discovery services shall be a contingency fee of 30% of the revenues received as a result of the service. This fee applies to monies received for the current tax/license period and any other prior period collected, including monies received for taxes, penalties, interest, and fees.

**City Discovery Discount** – HdL's fee for following up on accounts that are identified and confirmed as non-compliant by the City shall be a contingency fee of 20% of the revenues received as a result of the service. This fee also applies to delinquent business license tax accounts referred by the City as failing to make payment or properly renew an existing license.

**Audit** – HdL's fee for performing Audit services shall be a contingency fee of 30% of the revenues received as a result of the service. This fee applies to monies received for the current tax/license period and any other prior period collected, including monies received for taxes, penalties, interest, and fees.

**Collection** – HdL's fee for performing collections services shall be a contingency fee of 20% of the revenues received as a result of the service. This fee applies to monies received for the current tax/license period and any other prior period collected, including monies received for taxes, penalties, interest, and fees.

#### **Banking & Miscellaneous Fees**

**Credit Card Processing Fees** – HdL offers a variety of options to the City for processing of Credit Cards. For an agency funded model, HdL proposes a fixed fee not to exceed 2.9% of the credit card transaction total. For a convenience fee model, HdL proposes a fee of 2.9% with a minimum of \$2.00, which would be passed on to the taxpayer.

**E-Check / ACH Fees**- E-check transaction fees will be billed a fixed fee in an amount not to exceed fifty cents (\$0.50) per transaction.

**Returned Payment / Chargebacks** – HdL's fee for returned check or e-check transactions is a flat fee of \$15 per returned transaction. Credit card chargebacks incur a fee of \$25 per occurrence. HdL manages all aspects of this process, including assessment of the fee and collection from the taxpayer.

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## **F. MISCELLANEOUS QUESTIONS**

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### **1. Processing of Applications and Renewals**

#### **New Business Applications**

HdL provides numerous methods for taxpayers to register with the City. Whether a taxpayer applies via mail, online, email, or the phone, HdL provides a business friendly approach that ensures the taxpayer's experience meets the City's high standard. HdL develops a custom new business guidebook, which communicates all the requirements and explains the options available to the business to satisfy those requirements.

HdL has a unique approach to handling new applications with two distinct process flows:

#### **Out of Town – Contractors, Itinerants, etc.**

The majority of foot traffic on a daily basis for business tax usually comes from out of town contractors and similar businesses. Many are at City Hall to attempt to obtain permits or other items and in many cases only learn of their business tax requirement because it is a prerequisite to other City business.

In these cases, HdL believes that expedited processing is key to getting them registered and on their way to conduct their business. Rather than directing people to a form or a computer kiosk, HdL works directly with the business on the phone to complete their registration process and acquire payment. HdL is able to perform a series of checks to ensure the business does not have an existing account, balance dues, or other roadblocks to issuing a certificate. This results in a high level of customer service, typically culminating in the issuance of a business tax certificate in under 3 minutes. Moreover, certificates are immediately available for review in the online system and the business has a copy of their certificate sent right to their phone.

#### **In City Business – Physical Locations, etc.**

Businesses looking to open in a City usually face a number of ancillary items that need to be addressed. Whether a new in City business chooses to file online, by phone, or through another method, each new account is assigned an "HdL New Business Concierge". Our staff members work with the business to determine the nature of their business, locations, and other demographic details. Our new business team identifies all key data elements to ensure the business application is completed accurately, including reviews of tax classifications, and a detailed review with the business on the filing requirements they may have.

If the City elects to, our team also starts a parallel process for regulatory approvals and other validations. This allows the business to deal with a single point of contact to obtain things like zoning approvals, home occupation permits, and other items that may assist the business in becoming compliant with other laws and regulations. Working in conjunction with other City departments, HdL offers an online tracking tool accessible by the City, to facilitate approvals required by other departments. This ultimately promotes compliance and provides additional customer service to the City and the business community.

## **Renewals**

As the City uses a calendar year renewal cycle, the highest volume of renewals, customer service needs, and revenue will typically be between December and February each year. HdL understands the importance of managing the renewal process efficiently, and designs City specific processes to deal with the unique challenges faced by each City.

During the renewal window, HdL sends out customized, business specific renewal forms, by both mail and email. This ensures businesses receive a form specifically crafted for them, without extraneous information or tax items unrelated to their business activity. Email reminders are also sent in advance of the filing due date to encourage on-time filing.

Businesses are afforded the opportunity to renew via whatever method they feel is most convenient; by mail, phone, or the internet. Concise filing instructions are provided along with clear indication of the deadline for filing. Additionally, HdL has the flexibility to include other items in the renewal notification packet, should the City need to distribute additional information to the business community.

## **2. Delinquent Account Processing**

Much of the HdL administration program is designed to make filing easy and to facilitate compliance. Reminder notices, follow-up emails and telephone calls play a large role in reducing the number of delinquent accounts. However, it is inevitable that many businesses along the way will fall in to delinquency.

It is important to note that there are two key typical circumstances leading to delinquency. Accounts may become delinquent due to being non-responsive to a renewal notice or other filing requirements, or they may become delinquent due to an amount of tax owed, rather than a lack of filing. Regardless of the circumstance, upon becoming delinquent HdL conducts a number of activities to attempt resolution of the accounts.

HdL's team follows up on delinquent non-filers with 2 delinquent notices and at least one phone call. Additionally, accounts that have email addresses are sent reminder notices via email weekly. A common reason for non-filing delinquency is the closure of, or abandonment of, a business activity. Follow up is not only designed to collect tax forms, but also leads to investigation on the status of the business. This allows the HdL team to compare records from our other data sources to see if activity indicates a business has closed. After thorough investigation determines the business is no longer operating, the account is closed. This ensures enforcement efforts are used efficiently while providing the City with assurances it is not paying for the processing of accounts that are no longer active.

Once a business has been contacted, a detailed review of their tax filings are conducted in order to review prior year filings and identify possible delinquencies related to back tax periods. Accounts that remain delinquent following the activities stated above are referred to HdL's compliance team for enforcement efforts defined in conjunction with the City.

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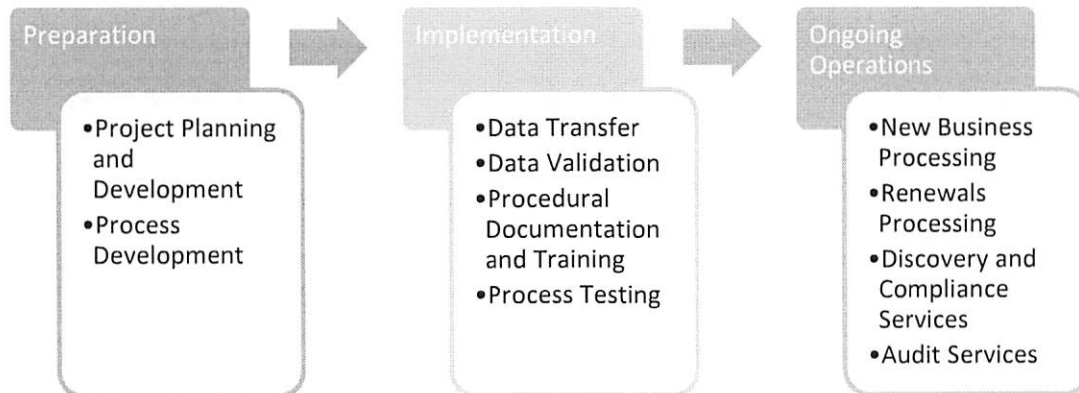
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