

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: CHUCK MCBRIDE, CHIEF FINANCIAL OFFICER  
SUBJECT: AGREEMENT FOR BUSINESS TAX ADMINISTRATION  
SERVICES WITH HDL SOFTWARE, LLC

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution, approve Professional Services Agreement No. F001767 with HdL Software, LLC, San Dimas, California, for business tax administration services for a period of five years, in an amount not to exceed \$1,250,000.

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EXECUTIVE SUMMARY

Business Tax administration ensures compliance with the City code section that established a Business Tax. This five-year contract for Business Tax administration services is the result of a lengthy selection process including a review of consultant proposals and consultant presentations. The City's Business Tax operation generated approximately \$4.5 million in Fiscal Year (FY) 2017-18, which more than offsets the cost of the contract.

BACKGROUND

In 2013, the City Council approved an agreement with MuniServices, LLC, to provide Business Tax administration services. This service previously performed by City staff. Business Tax administration involves outreach to businesses within the community, processing and issuing Business Tax certificates, and investigating leads to ensure compliance with the City's Business Tax ordinance. The City's Finance and Planning and Economic Development (PED) departments collaborate to ensure compliance with the ordinance by contractors, home-based businesses, as well as brick-and-mortar businesses.

AGREEMENT FOR BUSINESS TAX ADMINISTRATION SERVICES WITH HDL  
SOFTWARE, LLC  
PAGE 2 OF 3

The City released Request for Proposal (RFP) 18-35 for Business Tax Administration Services on March 29, 2018. The City received two proposals: one from MuniServices, LLC, the incumbent consultant, and one from HdL Software, LLC (HdL).

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

The proposals were reviewed by Business Tax subject matter experts within the Finance and PED departments. Both consultant firms were invited to give presentations to the review panel.

The review panel ultimately selected HdL based on their client base, enhanced services to businesses and contractors, and a better data system for City staff.

- HdL client cities has grown over the last few years as they have improved upon their services. They currently administer Business Tax to more than 50 cities in California, including cities comparable to Santa Rosa.
- HdL will offer additional options for businesses including the ability to apply for or renew a Tax Certificate via phone call and maintaining an online City Business Directory. The significant benefit over the current system is that businesses will receive their Tax Certificate within minutes by email. Currently, Certificates are mailed creating a delay.
- Businesses will also have a more user-friendly interface and login procedure.
- HdL will offer a more robust and customizable system which will improve business search capabilities in both PED and the Revenue Division.

HdL proposed a fee of \$12 per Business Tax Certificate, which is the same as what we currently pay for these services. The estimated annual cost for the service is approximately \$200,000, based on the number of Tax Certificates processed.

The City's Business Tax is a General Fund revenue source. For FY 2017-18, the City received approximately \$4.5 million in Business Tax revenue, fully offsetting the cost of the contract.

FISCAL IMPACT

This proposed contract will not negatively impact the General Fund. The budget for contract expenditures exist in the FY 2018-19 budget, and there is no anticipated increase in cost compared to prior years. Additionally, Business Tax revenue fully covers the cost of the program expenditures.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

Resolution/Exhibit A

CONTACT

Chuck McBride, Chief Financial Officer, [cmcbride@srcity.org](mailto:cmcbride@srcity.org), 707-543-3089