



# BUSINESS LICENSE, TRANSIENT OCCUPANCY TAX, SHORT-TERM RENTAL, AND UTILITY USER TAX SERVICES CONTRACT

## Finance Department

### Financial Performance and Budget Committee

October 11, 2023

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## BACKGROUND

- November 2020 – HdL partnership initiated to:
  - Address high staff turnover & vacancies
  - Provide operational stability
  - Expand services (TOT audits, Discovery Program, etc.)
- Current volume and % of total FY 2022/23 General Fund revenue:

**26,000 / 2.7%**  
Active Business Licenses

**25 Hotels / 2.4%**  
Transient Occupancy Tax

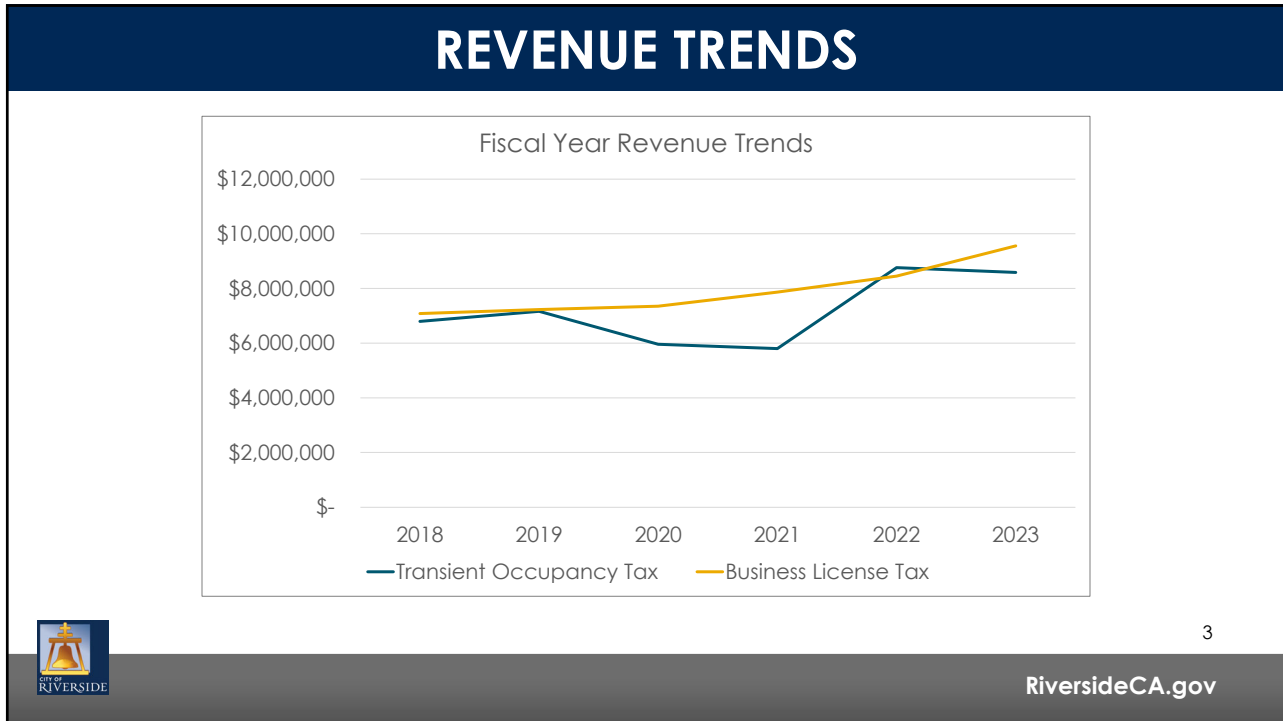
**280 Businesses / 9.8%**  
Utility Users Tax



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## CITY/HDL PARTNERSHIP

City Staff Responsibilities	HdL Responsibilities
Provide in-person customer service at the City's One Stop Shop at City Hall.	Provide and support business tax software for the management of business tax functions, online applications, and payment processing.
Process new business license applications.	Process business tax renewals.
Identify non-compliant businesses (Discovery).	Manage payment processing through HdL software.
Monitor, manage, and follow up on delinquent business accounts (up to 180 days past due).	Provide customer service via the business support number, email and fax.
Support HdL customer service as needed, including phone support via 311 calls.	Provide collection services for delinquent accounts greater than 180 days past due.
Prepare Business Improvement District Resolution of Intention & mail notifications.	Identify Short Term rentals subject to business license tax (Discovery).
	Process TOT payments and perform TOT audits.
	Process UUT payments, provide business support.


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## OTHER HDL SERVICES

- Business Tax Discovery Program – November 2022
  - \$448,000 new revenue from property rentals to date
  - Paused March 2023 to perform ordinance review, ongoing
- Ordinance Review
  - Review of RMC 5.04 governing business license tax
  - Compare to industry standards, recommendations to update RMC and/or internal practices
- TOT Audits
  - 3-year rotation for the City's 30 hotels
  - 10 hotels audited to date; potential revenue unknown – focus is on compliance going forward.
  - Audit of next set of 10 hotels began September 2023



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## STRATEGIC PLAN ALIGNMENT

### Strategic Priority 5: High Performing Government

Goal 5.4: Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

#### Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability & Resiliency



Equity



Innovation



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## RECOMMENDATIONS

That the Financial Performance and Budget Committee recommend that the City Council:

1. Approve an Agreement for Business License, Transient Occupancy Tax, Short-Term Rental, and Utility User Tax Services with Hinderliter, de Llamas and Associates (HdL), for a one-year term with an option to extend one year, for a not-to-exceed amount of \$340,000; and
2. Authorize the City Manager, or his designee, to execute the Agreement, issue a notice of termination when applicable, execute extensions if necessary and subject to the availability of budgeted funds, and to make any other required non-substantive changes.



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