



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: NOVEMBER 3, 2020**

**FROM: FINANCE DEPARTMENT** **WARDS: ALL**

**SUBJECT: PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH HINDERLITER, DE LLAMAS & ASSOCIATES FOR BUSINESS LICENSE, TRANSIENT OCCUPANCY TAX, SHORT-TERM RENTAL AND UTILITY USER TAX SERVICES FOR AN INITIAL ONE-YEAR TERM WITH THE OPTION FOR TWO ADDITIONAL ONE-YEAR TERMS, IN THE AMOUNT OF \$300,000 PLUS A CPI INCREASE ANNUALLY FOR EACH OF THE ADDITIONAL ONE-YEAR TERMS PURSUANT TO PURCHASING RESOLUTION 23256 SECTION 702(R)**

## **ISSUE:**

Approve a Professional Consultant Services Agreement with Hinderliter, De Llamas & Associates for Business License, Transient Occupancy Tax, Short-Term Rental and User Utility Tax Services, of Diamond Bar, California, for an initial one-year term with the option for two additional one-year terms, in the amount of \$300,000 plus a CPI increase annually for each of the additional one-year terms pursuant to Purchasing Resolution 23256, Section 702(r).

## **RECOMMENDATIONS:**

That the City Council:

1. Approve a Professional Consultant Services Agreement with Hinderliter, De Llamas & Associates for Business License, Transient Occupancy Tax, Short-Term Rental and User Utility Tax Services, of Diamond Bar, California, for an initial one-year term with the option for two additional one-year terms, in the amount of \$300,000 plus a CPI increase annually for each of the additional one-year terms pursuant to Purchasing Resolution 23256, Section 702(r); and
2. Authorize the City Manager, or designee, to execute the Agreement, issue a notice of termination when applicable, execute the two additional one-year terms, if necessary and subject to the availability of budgeted funds, and to make any other required non-substantive changes.

## **BACKGROUND:**

A City of Riverside (City) business tax license is required for all persons or companies conducting business within the City. Business taxes are paid annually and due in advance or before the expiration date of the current certificate.

The Business Tax Division processes applications for brick-and-mortar, home-based, and mobile businesses located inside of Riverside's City limits and businesses located outside of the City but doing business within the City, such as contractors and vendors. There are over 28,000 businesses with active

licenses operating within the City, including businesses not located within the City boundaries. Business tax licenses and Transient Occupancy Taxes are a source of revenue for the City's General Fund and generate over \$16 million annually, approximately 7.3 percent of the City's General Fund revenue. Effective management of the business tax license revenue collection effort is critical to ensure stable revenues are available to support police, fire, parks, and other public services.

The Business License Tax Division, within the Finance Department, is staffed by 10 full-time employees. Responsibilities include business license application processing and collections, entering application information into the software system (HdL), reviewing and processing business tax license appeals, monitoring delinquent business accounts, generating reports for management on request, and providing customer service at the City's 3rd floor One Stop Shop. Over the past year, through promotions, 4 employees have left the Division (1 Inspector, 1 Business Tax Representative I, 1 Business Tax Representative II, and 1 Senior Business Tax Representative). In light of the CalPERS Challenge, staff has determined that this would be a great opportunity to implement a solution that would allow the City to contract in times of economic recession yet have the flexibility to expand during times of growth.

City staff met with the Service Employees International Union (SEIU Local 721) per the MOU to discuss outsourcing certain business tax functions. SEIU agreed with the condition that an annual review will be conducted prior to extension of the contract and that the salaries from the vacant positions are not eliminated from the budget. However, during the contract, personnel savings in the division will be utilized for contract costs.

## **DISCUSSION:**

Hinderliter, de Llamas & Associates (HdL) currently provides software and support to the City's Business Tax Division based on their ability to offer a program that enhances customer services, the ability of their software to integrate with the City's existing applications, and their reasonable pricing. Under a separate agreement, HdL currently provides sales tax reporting and audit services to the City that include a wide range of analysis and recovered sales tax misallocations, as well as property tax consulting and audit services.

HdL serves over 170 municipalities in nine states specializing in Revenue Management, Compliance Management, Management Support Services and Software Solutions. HdL's team of Certified Revenue Officers, auditors, field inspectors and tax specialists work diligently to ensure the business community receives the highest levels of service while monitoring and maintaining the City's business tax license base.

The purpose of the agreement for Business License, Transient Occupancy Tax and Short-Term Rental services is for HdL to manage the revenue and compliance aspects of the City's business tax license portfolio. The agreement with HdL allows the Business Tax team to focus its efforts on other areas of strategic importance such as customer service and collections.

HdL will be responsible for processing all annual renewal applications received through the mail and provide discovery and compliance tasks. HdL's Compliance Management services will audit business license accounts and assist in ensuring business entities subject to taxation or licensure are properly registered and accurately reporting. This service is designed to increase revenues and compliance while maintaining a business-friendly education focused approach.

The City will continue to have access to HdL's cloud hosted software environment where both the City and HdL can access and maintain the data. HdL will be responsible for all software/hardware maintenance including disaster recovery processes. The City will not be required to maintain any software in-house for the business license registry, eliminating the current \$14,731 software licensing fee. Finance staff will remain in communication with HdL throughout the contract term and will continue to offer support to customers visiting City Hall for business license processing.

Staff is recommending changes to the current software agreement based on the quality and extent of work currently performed by HdL on behalf of the City, as well as their knowledge and expertise and extensive public agency client base.

Purchasing Resolution 23256, Section 702(r) states that competitive procurement through the informal or formal procurement process shall not be required, "When the Procurement is for the renewal of maintenance, license(s), support or a similar need for existing technology systems, including hardware, and the items are procured from a vendor/reseller that was original selected base on the City's procurement standards, provided that 1) the vendor has been used consecutively since then and 2) if there are any non-substantive changes to the procurement, the Manager is satisfied that the best price, terms and condition have been negotiated."

The Purchasing Manager concurs that the recommendation is in compliance with Purchasing Resolution No. 23256 Section 702(r).

**FISCAL IMPACT:**

It is anticipated there will be a savings of approximately \$5,700 with funding from the existing four full-time employee vacancies (approximately \$291,000) and elimination of the current software fee (\$14,731) utilized to fund the first-year contract costs of approximately \$300,000. With the collection of fees from the discovery of unregistered businesses and short-term rentals operating in the City, revenue may be sufficiently enhanced to offset CPI increases in future years if the City chooses to extend the contract term.

The funds for the professional consultant services agreement are available in the General Fund Finance Department Professional Services account 2304000-421000. Appropriations for future fiscal years will be included in the Department's budget submissions for those fiscal years to be presented to the City Council for approval.

Prepared by: Natasha Woolford, Business Tax Supervisor  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer  
Approved by: Moises Lopez, Deputy City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Attachment: Professional Consultant Services Agreement with Hinderliter, de Lammas & Associates for Local Tax Support Services