



DATE: October 16, 2023

TO: Mayor and Members of the City Council

VIA: Stefan Chatwin, City Manager

FROM: Edmund Suen, Finance Director
Mimi Lam, Financial Services Manager

DEPARTMENT: Finance

SUBJECT: AGREEMENT WITH HINDERLITER DE LLAMAS & ASSOCIATES (HDL) IN AN AMOUNT NOT TO EXCEED \$33,900 TO PROVIDE BUSINESS LICENSE TAX ADMINISTRATION SERVICES AND APPROPRIATION OF \$33,900 IN THE GENERAL FUND'S FINANCIAL SERVICES DEPARTMENT

RECOMMENDATION

It is recommended the City Council/EMID Board (City Council) approve a resolution authorizing the City Manager to execute an agreement with Hinderliter De Llamas & Associates (HdL) in an amount not to exceed \$33,900 to provide business license tax administration services and approving a supplemental budget appropriation of \$33,900 in the General Fund's Financial Services Department, account number 001-1140-415-4251.

EXECUTIVE SUMMARY

The Financial Services Department currently administers its business license tax (BLT) internally. Unlike many other cities, Foster City does not have the staffing capacity to do revenue recovery/code compliance on entities who are non-compliant with the City's BLT ordinance, nor does it have the capacity to do BLT audits. Many such cities within San Mateo County have contracted out BLT administration to service providers who have developed software and tools to address the revenue recovery and BLT audit needs so that cities can improve its total collection of BLT. There are two main service providers, Avenu Insights & Analytics, LLC (Avenu) and HdL that provide these

services. However, HdL is the market leader with 11 client cities just in San Mateo County. In addition, HdL has a shorter implementation window, and its fees are lower than Avenu. Their estimated fees for fiscal year 2023-24 are \$33,900 including \$5,000 for implementation. The \$33,900 is based on an estimate of up to 1,700 licensee accounts at \$17 per account. In addition, revenues collected from its tax discovery and tax audits are assessed a 40% contingent fee (i.e. the City receives 60% of such tax collections). Based on a common business understanding, staff considers this contingent fee reasonable for similar sized cities. City staff recommends the City Council approve a resolution authorizing the City Manager to execute an agreement between the City of Foster City and HdL for HdL to provide business license tax administrative services, including their business license software and to approve a supplemental budget appropriation of \$33,900 in the General Fund's Financial Services Department, account number 001-1140-415-4251.

BACKGROUND AND ANALYSIS

City staff has reviewed the two primary BLT administration services providers. Each provider has software and offers services to client agencies to process business license tax payments, discovery of unlicensed businesses and collection of corresponding taxes owed, and audit of business licenses. The two companies, Avenu and HdL provide competitive services, but City staff found HdL's implementation turnaround and pricing superior to Avenu. HdL's software platform will allow the City to take business licenses online, approve and review applications within the system, and process first time and renewal business tax payments online. The software can be used in-house by Finance staff to process business license applications in person and allows online access and payment processing for its business licensees. Many cities in California, including 11 cities in San Mateo County already use HdL to process their business license taxes and certificates. Therefore, City staff recommends contracting with HdL for their BLT administrative services including the use of their business license software.

California Environmental Quality Act

Not Applicable

FISCAL IMPACT

The estimated cost of the business license tax administrative services for FY 2023-24 is \$33,900, inclusive of \$5,000 of implementation fees. A supplemental appropriation for this amount is needed in the General Fund's Financial Services Department, account number 001-1140-415-4251. HdL anticipates that there will be incremental business license tax collected for the City from their revenue discovery and audit services that will substantially defray, if not exceed the \$33,900 of estimated HdL fees. In addition, the outsourcing to HdL will help reduce staff overtime in administering the City's business license program during the January to March peak BLT renewal months.

CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREA

Staff Empowerment and Operational Excellence

ATTACHMENTS:

Attachment 1 – City Resolution

Attachment 2 - Agreement