

City of Emeryville

PROPOSAL FOR BUSINESS LICENSE TAX REVENUE CONSULTING SERVICES

August 12, 2021

HdL[®] Companies

SUBMITTED BY

HdL Companies
Corporate Office: Brea, CA
Operations Center: Fresno, CA
hdlcompanies.com

CONTACT

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E: rgray@hdlcompanies.com



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1 COVER LETTER

August 12, 2021

City of Emeryville
Brad Farmer, Finance Director
133 Park Ave.
Emeryville, CA 94608

HdL Companies (HdL) is pleased to submit our proposal for Business License Tax Revenue Consulting Services. With almost 40 years of experience, HdL provides revenue enhancement and consulting services to local governments. Our firm serves over 500 cities, counties and special districts across the nation and has recovered more than \$3 billion in revenue. We use our expertise to analyze tax data to provide relevant insights to support your financial strategies. Our commitment to innovative solutions and quality customer service is valued by our clients, proven by our 99.6% client retention rate and the over 60 California municipalities who have switched to HdL from other service providers.

Our contact information is:

Robert Gray, Director of Tax and Fee Administration HdL Companies
120 S. State College Blvd., Suite 200 Brea, CA 92821
Ph: 714.879.5000
Website: www.hdlcompanies.com

HdL offers the following advantages:

- Relevant, timely and ongoing staff support by a team with decades of direct experience in municipal finance and budgeting, economic development and maximization of revenues.
- Technology-driven resources for data analysis and reporting capabilities, providing immediate and convenient access to the most up-to-date tax and fee information.
- Expertise, analysis, recaptured revenues, and precise budget forecasts to maximize your revenue streams.
- Reliable continuity of service by a firm with stable employee ownership and a low staff turnover rate.

HdL is uniquely suited to deliver our high quality and full-service solutions to the City and its business community in the areas outlined in this proposal. HdL will provide unparalleled service, reporting, and analytics due to synergies between the various tax programs requested by the City.

HdL agrees to perform the services and adhere to the requirements set forth in the City's RFP. We look forward to reviewing the proposal with you in more detail and demonstrate how HdL can enhance Emeryville's bottom line. Please call if you have questions or need additional information. I can be reached at 714.879.5000 or by email at rgray@hdlcompanies.com.

HdL acknowledges receipt of the Questions and Responses dated 8/5/21.

Sincerely,



Robert Gray
Director of Tax and Fee Administration

Attachment A

PROPOSER'S CERTIFICATION

I hereby propose to furnish the goods or services specified in the Request for Proposals ("RFP"). I agree that my proposal will remain firm for a period of up to ninety (90) days to allow the City of Emeryville ("City") adequate time to evaluate the qualifications submitted.

I have carefully examined the Request for Proposals and any other documents accompanying or made a part of this RFP. The information contained in this proposal is true and correct to the best of my knowledge and is signed under penalty of perjury under the laws of the State of California. I further certify that I am duly authorized to submit this proposal on behalf of the firm as its authorized agent and that the firm is ready, willing and able to perform if awarded the contract.

I further certify that this proposal is made without prior understanding, agreement, connection, discussion, or conspiracy with any other person, firm or corporation submitting a proposal for the same product or service; that this proposal is fair and made without outside control, collusion, fraud or illegal action; that no officer, employee or agent of the City or any other proposer is financially interested in said proposal; that no undue influence or pressure was used against or in concert with any officer, employee or agent of the City in connection with the award or terms of the contract that will be executed as a result of this RFP; and that the undersigned executed this Proposer's Certification with full knowledge and understanding of the matters therein contained and was duly authorized to do so.

Hinderliter, de Llamas & Associates

NAME OF BUSINESS



SIGNATURE

Robert Gray, CIO

NAME & TITLE, TYPED OR PRINTED

120 S. State College Blvd., Suite 200, Brea, CA 92821

MAILING ADDRESS

714.879.5000

TELEPHONE NUMBER

rgray@hdlcompanies.com

EMAIL

Type of Organization:

_____ Sole Proprietorship ☒ _____ Corporation CA _____ State of Incorporation

_____ Partnership _____ Limited Liability Company

3 FIRM'S QUALIFICATIONS

FIRM HISTORY

HdL Companies

FOUNDED
1983



Hinderliter, de Llamas and Associates (HdL) was established in 1983 to maximize local government revenues by providing allocation audits, analytical services, and software products to local governments. The firm, which is a 100% employee-owned company, provides audit and consulting services for sales, use and transaction taxes, cannabis taxes and other locally administered taxes. HdL developed California's first computerized sales tax management program and was responsible for securing legislation (AB 1611) that allowed independent verification of state allocations. HdL Software was formed in 1996 to provide innovative software processing tools for business licensing, transient occupancy taxes and other locally administered revenues.

HdL's systematic and coordinated approach to revenue management, tax administration and economic data analysis is currently being utilized by over 500 agencies in eleven states.

Currently partnering with over 220 cities and counties in California for services including business license tax/registration, transient occupancy tax, cannabis tax, and short-term rentals, HdL processes hundreds of millions in revenue annually from locally collected taxes.

FIRM QUALIFICATIONS

HdL maintains the largest privately held sales, property, and business tax databases in California. The firm constantly improves and enhances the California Department of Tax and Fee Administration (CDTFA) raw registration data by correcting addresses and business names, differentiating brick and mortar retailers from business to business and online taxpayers and adding new business classifications to better identify emerging trends and economic opportunities. This highly enhanced database serves as the base for identifying emerging economic trends and developing budget projections that take those trends into account.

The database also includes continually updated registration data for every seller in California, allocation data for 502 of the state's 538 agencies and 235 transactions tax districts, business license data for over 700,000 businesses, property tax data for every jurisdiction in the 38 largest counties, a constantly updated automated telephone directory for all of California and thousands of business contacts developed through three decades of audit and business development activity.

3 FIRM'S QUALIFICATIONS

To date, HdL has recovered more than \$3 billion in revenue for client agencies. HdL is the leading provider of local tax revenue administration services and compliance in California. Currently partnering with over 220 cities and counties in California for services including business license tax/registration, transient occupancy tax, cannabis tax, and short-term rentals, HdL processes over hundreds of millions in revenue annually from locally collected taxes.

HdL is qualified to perform the services requested in the RFP.

HdL will not be using any subcontractors for this project.

PROUD
TO HAVE SERVED
LOCAL GOVERNMENTS
AND
SPECIAL DISTRICTS
FOR OVER
40 YEARS

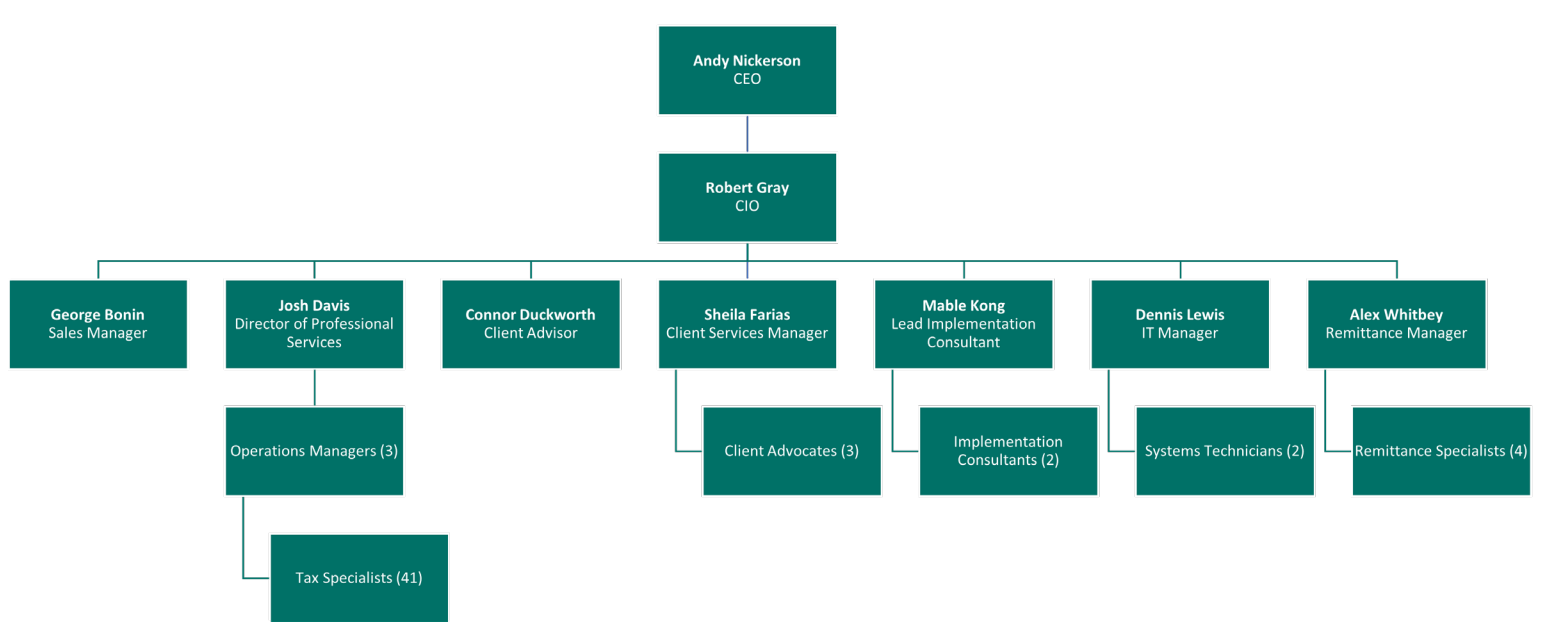
100%
EMPLOYEE
OWNED

HdL is a Corporate Partner of the League of California Cities and California State Association of Counties and works extensively with the State Association of County Auditors, California Society of Municipal Finance Officers (CSMFO) and California Municipal Revenue and Tax Association (CMRTA) on anticipation and planning of programs to strengthen local government revenues, and monitoring of legislative actions which impact local governments.

This close understanding of local government needs coupled with extensive databases and advance methodology provides for the most relevant, productive and responsive, revenue recovery, forecasting and economic services available.



3 FIRM'S QUALIFICATIONS



EXPERIENCE

Our team of professionals has the capacity to meet and exceed the expectations set forth in the City's RFP. The firm has successfully implemented and continues to manage similar projects for over 220 local government agencies and currently processes hundreds of millions in taxes annually.

Properly administering local taxes is an important and specialized task. HdL's solution was designed from the ground up for local taxes such as business license tax and is constantly enhanced by HdL with new functionality and improvements. HdL is 100% focused on delivering support and results to benefit your local tax team and your business community. HdL is the business license service provider of choice by California agencies. We have partnered with California local governments for almost 40 years and have been selected by more agencies than any other provider while maintaining over a 99.6% customer retention rate. Our staff represents hundreds of years of local government experience, including CROs, business tax supervisors, finance directors, and city managers. We have a broad, deep, and intimate understanding of the complex needs of California local government. As former government professionals' ourselves, our dedication to local government is second to none.

REFERENCES

City of West Covina – Business License Services Client Since 1998

Paulina Morales, Assistant City Manager, 626.939.8401, pmorales@westcovina.org

1444 W. Garvey Avenue South | West Covina, CA 91790

HdL currently provides business license administration and compliance services and transient occupancy tax services.

City of Sausalito – Business License Services Client Since 2015

Chares Francis, Finance Director, 415.289.4105, cfrancis@sausalito.gov

420 Litho Street | Sausalito, CA 94965

HdL currently provides business license administration, discovery and compliance services, tax study, transient occupancy tax and short-term rental services.

City of San Bruno – Business License Services Client Since 2019

Qianyu Sun, Finance Director, 650.616.7054, qsun@sanbruno.ca.gov

567 El Camino Real | San Bruno, CA 94066

HdL currently provides business license administration, discovery and compliance services and transient occupancy tax services.

5 QUALIFICATIONS OF TEAM

Business License Tax Analysis Team

HdL's key staff has extensive local government experience, having previously held positions in city management, finance, planning, economic development, and revenue collection. The HdL team includes several experienced business license tax department supervisors, certified revenue officers (CROs), and prior CMRTA board members.

HdL's team will complete the project from the following locations:

Corporate Headquarters:

120 S. State College Blvd, Suite 200, Brea, CA 92821

Fresno Office:

1111 E. Herndon Ave., Suite 301, Fresno, CA 93720



Robert Gray – Director of Tax and Fee Administration Solutions

Mr. Gray serves as Director of Tax & Fee Administration, and has been with the firm since 1996. He has extensive experience in the design, development, implementation and support of local tax software systems for local government. He has played a key role in the design of 8 municipal software systems and approximately 275 successful implementations of those systems. He introduced HdL's local tax services, which provide tax administration and consulting services to an ever growing number of municipalities. While leading HdL's Tax & Fee Administration team through a period of significant growth, he has ensured that the team maintains its commitment to providing excellent customer service. He also oversees software development and IT as HdL's CIO. He earned a Bachelor of Science degree in Computer Science and a Master's degree in Business Administration from Azusa Pacific University.



Joshua Davis – Associate Director of Tax and Fee Administration

Mr. Davis has over 20 years of experience with local tax administration, discovery, and audit, and oversees a skilled team which provides the most sophisticated local tax administration services available to California municipalities. Trained in revenue audit and discovery techniques, he is skilled in navigating the complex scenarios and needs often encountered during such services. He also possesses strong technical and business process capabilities which he employs to aid HdL clients in meeting their strategic objectives. Prior to joining HdL, he was employed as a compliance service manager at a government services firm. His reputation amongst municipalities is that of a very capable local taxation expert who will help the municipality achieve their objectives while providing excellent customer service throughout the engagement. Notable projects he has managed include a long term and broad engagement supporting the City of Beverly Hills business tax team and administering business tax for the City of Roseville. All services provided through Mr. Davis's team enable municipalities to administer their tax programs more effectively, through both efficient operations and increased discovery and collection of tax due.

5 QUALIFICATIONS OF TEAM



Connor Duckworth - Client Advisor

Mr. Duckworth has over ten years of experience working for both State and local municipalities and providing political consulting to candidates on a number of races and referendums. As a project manager, he is responsible for the development and implementation of business license, tax, and revenue related products and services. He has served as a lecturer and mentor to municipalities nationwide and served as a Vice-President on both Division and State Boards for the CMRTA. He has won the CMRTA Lighthouse Award of Excellence for creating the top business license and revenue program in the State. Additionally, Mr. Duckworth was elected to a county-wide office for eight years which served the needs of over 200,000 residents.

Sheila Farias – Client Services Manager

Ms. Farias has over 20 years of experience in customer service in the business community. She previously served as a Customer Service Manager for Amerchine where she was instrumental in managing new order flow processes for the company. She has extensive experience managing call centers and client onboarding processes, and managed workflow processes for other business to business firms throughout her career. Ms. Farias currently serves as Client Services Manager, overseeing all aspects of Client Relations and Project Management for HdL Tax and Fee Administration services, providing guidance during implementation and ensuring Client support and satisfaction. She is currently completing her bachelor's degree in Data Science from Maryville University.



6 PROJECT UNDERSTANDING

GENERAL APPROACH

HdL has a unique understanding of the challenges our hundreds of clients face. The City of Emeryville faces many of those same challenges: decreased revenues as a result of the global pandemic, limited staff, and increased operational costs. HdL is positioned to offer the City relief, while providing a superior level of service.

The Business License Tax Administration Service provides a turnkey approach for local governments that need assistance with administering business license taxes. Our team of experts can manage all or parts of the business tax operations conducted by the City. When combined with the Compliance Management services, the City receives the benefit of increased revenues and superior customer service, while reducing internal costs and gaining efficiencies.

This “trifecta” of increasing city revenues and support to the business community, while simultaneously reducing costs, is becoming more and more difficult for cities to accomplish. Our programs are so successful in this endeavor, that most of our clients not only reduce costs, but actually see new revenues exceeding the cost of the program, resulting in the City receiving the contracted administration services effectively at no cost.

The City has recognized that efficiency and level of service are improved by offering the business community an on-line platform for business licensing needs. HdL offers robust online solutions for managing compliance of municipal Business License Taxes and its related functions. We are ever mindful of the important role that customer service plays in the successful implementation of a compliance and revenue collection program. Therefore, HdL will make every effort to ensure that all communications with the City’s business community are kept at a professional level, maintaining a careful balance between compliance, revenue collection, tactfulness, sensitivity, and taxpayer education.

HdL is the only firm which also provides tightly integrated local tax services as needed, including modernizing your municipal code and tax structure, discovery and audit services, and consulting services which encompass any circumstance which may be encountered in the realm of local government licensing and taxes. Our compliance services integrate closely with our software, providing an electronic remittance package which eliminates data entry.

Please find our sample report deliverables in the Appendix.

SCOPE OF WORK

1. Business License Tax Administration

HdL's Business License Tax Administration Services include the following:

Data Migration & Systems: HdL will transfer the City's existing databases from Central Square as they relate to business license tax into HdL's internal administration tools. HdL will maintain the data and provide access to or copies of data and reports at the City's request. While access to online systems will be available for the City to use at their discretion, the City will not be required to use or maintain any software in house for managing the business license registry.

Renewal Processing: All active business license accounts will receive a renewal notification within 45 days of the renewal period ending. Accounts will receive all applicable forms necessary to complete the renewal process. Depending on City specific processes, renewals can be processed via mail, e-mail, telephone, and online.

New Account Processing: HdL will process any new business license applications and complete the new account registration process in a timely fashion and in accordance with City approved processes. HdL will also facilitate intra-city departmental approvals such as zoning, code compliance, fire inspection, and other regulatory related functions. Using our online platform, approvals to other departments can be routed and approved via email and website access. Depending on City specific processes, new accounts can be processed via mail, e-mail, telephone, and online.

Delinquent Account Processing: HdL will process and collect delinquent accounts through a series of City approved processing methods. This will include at minimum three follow up delinquent notices, including by mail, email, and telephone calls. Delinquent accounts will be collected with full penalties as allowed by the Municipal Code or through current City practices.

Delinquent account processing is included in HdL's standard administration program and accounts processed this way are not subjected to any additional fees. Accounts that remain non-compliant after the delinquent account process, will be processed through the City approved guidelines established in HdL's collections component of the Compliance Management Program.



7 PROJECT PLAN

On-Line / Web Services: HdL creates a unique City website which will serve as the starting point for all web-based activities. This City specific site is designed to look and feel like the City's own web pages and ensures a level of continuity between the business community, the City, and HdL. Alternatively, the City's existing website can be used as the launch point for all web-based activities, linking to the HdL managed functionality.

HdL's website offers a variety of online functions to service the business community. While most of the website is a self-service platform for the business community, HdL staff reviews each account processed online for accuracy and compliance with City guidelines and procedures. 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 and education by continually improving the registration and payment experience for the business community. Online functionality available to the business community includes:

- Submission of a new application
- Renewal of existing account
- Closure request
- Pay a balance due
- Update account information
- Print Certificate
- Public record inquiries

Payment Posting/Processing: 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. Disbursements typically occur monthly but can be remitted as often as weekly depending on volumes and City needs. HdL's payment acceptance process accepts the following payment types:

- Check / Money Order /Cashier's Check
- E-Check
- Debit Cards
- Credit Cards (Visa, Mastercard, Discover, and American Express)
- Check by Phone

HdL currently utilizes a standard payment gateway provider for on-line payment acceptance. HdL will work with the City to determine which provider, rate structures, and card types meet the City's needs. HdL can also utilize the same provider and process used by the City's current on-line functionality for an additional set-up fee.

7 PROJECT PLAN

Business Support Center: HdL provides businesses with multiple support options for registering, renewing, making payments and for general inquiries. A local, city specific number will be provided to businesses to access one of our tax specialists, Monday-Friday 8:00am to 5:00pm Pacific. Businesses will also have access to support via e-mail, fax, and via the Business Support Center On-Line. HdL constantly monitors quality control points to ensure courteous customer service, minimal hold times (under 90 seconds), and the return of voice messages the same business day.

Client Support: Each service HdL provides has our clients' needs at the forefront of our deliverables. Our client support team stands with the City from the contracting phase and every step of the way thereafter. Whether our clients reach out to our support team by email or phone, clients can expect immediate and professional responses to all inquiries. Dedicated client support representatives assist our clients with a variety of needs, including budget and forecast support, taxpayer dispute resolution, and general business tax inquiries.

Reporting: HdL provides a variety of standard reports monthly during our remittance processes. However, each client has unique ongoing reporting needs and can require a variety of ad-hoc requests from across City divisions. All report requests are processed and delivered to the City at no additional charge. Report requests can be delivered in formalized reporting formats or can be detailed data driven spreadsheets.

In addition to requesting reports from our client support team, the City has access to a variety of web-based services to run reports and make selective account inquiries. Our management portal provides a number of preset reports the City can run on real-time data. Custom reports can also be added to the portal for future needs. Detailed account lookup features are also available, should the city need information about a specific business.

Ancillary Services: Business license tax departments can be relied upon by the City to accomplish many non-related tasks. Recently, the new state laws have also burdened cities with additional process requirements that rely on business license tax departments to take on unrelated work. HdL assists cities with several ancillary programs including keeping up with new legislation and assisting other City departments with their requests. Ancillary services provided as a part of the program include but are not limited to:

- SB1186 state fee collection, remittance, and reporting
- SB205 (Storm Water) compliance and monitoring
- Collection of additional fees (Improvement Districts, Fire Inspection, Zoning, Etc.)
- Community outreach and information campaigns
- AB 2184 (Privacy Rights) service of process configurations, public search modifications, and personal information security

2. Business License Tax Discovery/Compliance and Auditing Services

HdL offers the most complete solutions for managing compliance of municipal Business License Tax including for Discovery, Audit, and Collections of various locally administered taxes. When selecting HdL, the City will benefit from the depth and breadth of municipal experience from a team of experts that work together with the City every step of the way.

The HdL Business License Discovery and Audit program's general scope of services is as follows:

Business License Tax Discovery

Enriched Data Portfolio/Lead Identification: Utilizing data provided by the City, as well as the HdL Enriched Data Portfolio (EDP), HdL's team builds an enhanced listing of entities subjected to licensure or taxation including, but not limited to, those businesses physically located in the City, itinerant businesses, and entities participating in the sharing economy such as short-term rentals (STRs), drive sharing services and others. HdL's data portfolio pulls from hundreds of sources such as internal sales and property tax databases, CDTFA and Franchise Tax Board lists, Secretary of State listings, local publications, international web-based publications, as well as locally administered business and tax databases letting the City capture every penny that is fair and equitably due to you.

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 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: Records are reviewed by 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 from pursuit of false positives.

Compliance Communication and Outreach: Upon exception resolution, HdL staff initiates 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.



7 PROJECT PLAN

Compliance and Auditing Services

Analysis and Selection: Audit candidates are selected using a variety of selection methodologies developed by our audit team with 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 and Scheduling: Businesses selected by HdL and approved by the City are sent a letter notifying them of a scheduled Compliance Analysis Audit. Every effort is made to promote a positive experience for the taxpayer. A detailed description of the requirements and relevant documentation required for the audit is provided to the business two weeks in advance of the proposed audit date. If the business is unable to meet the audit date selected by the City, all efforts to reschedule the audit to a more accommodating date will be made. Businesses are also afforded the opportunity to schedule flexible appointment times by contacting the Business Support Center or visiting our online support center.

Compliance Analysis and Audit: The HdL audit team will audit the financial 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 will also focus 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 third parties.

Audit and Compliance Report: Upon completion of the audit and analysis, and prior to additional actions, a compliance report will be generated and reviewed with the City. The report will indicate specific results of the review and recommended future actions. Documentation that substantiates the findings in the report will be included with the report to assist the City and HdL in determining next step of the process.

Deficiency and Commendation Notification: Upon final review of the audit and analysis report, businesses that are found to have deficiencies will be notified of the findings as well as the payment and appeal processes. HdL will also work with businesses found to be deficient to explain the current findings and educate taxpayers on proper future filing procedures to prevent future errors and deficiencies. Businesses found to be in compliance, will be sent a commendation letter thanking them for their compliance.

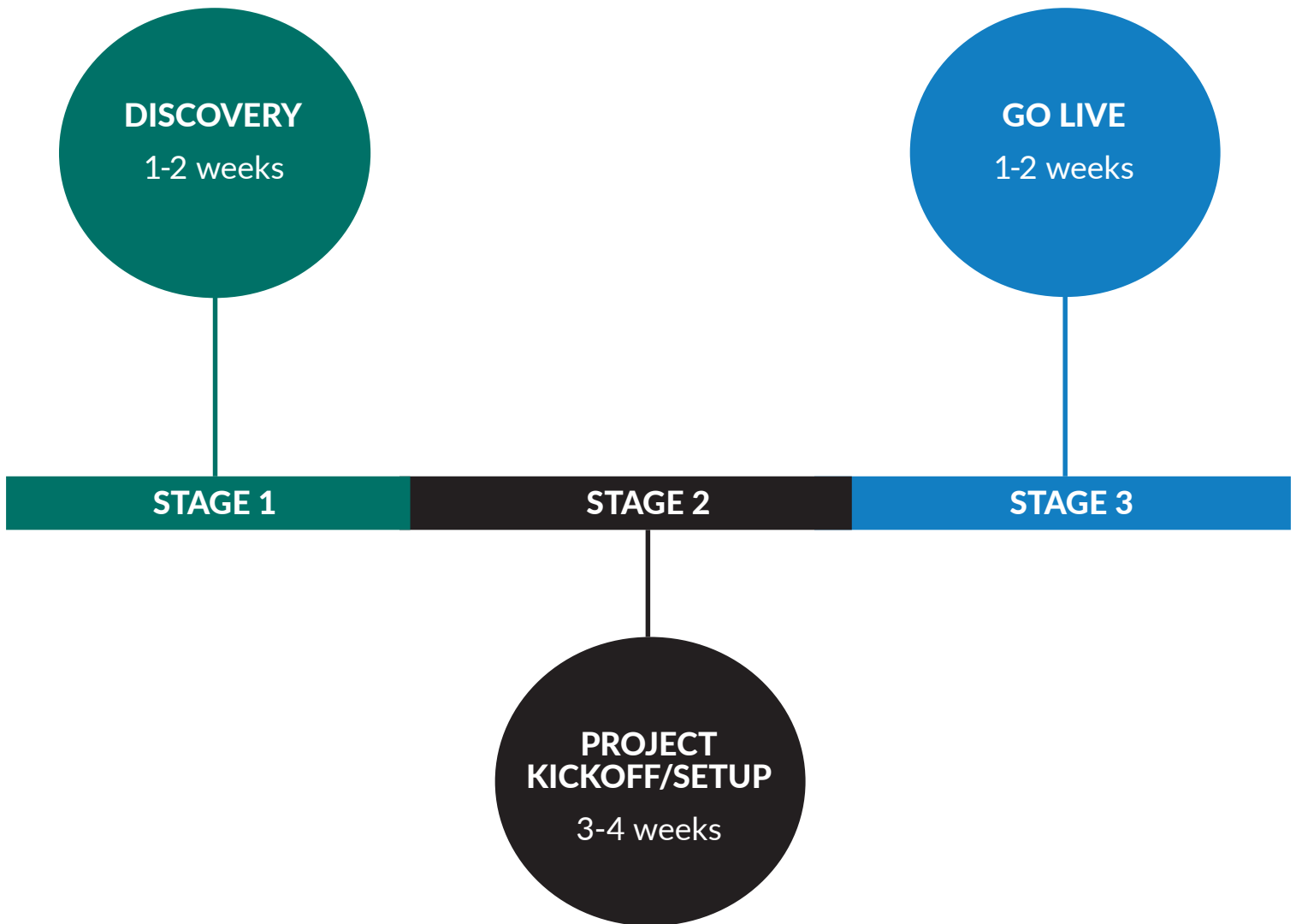
Invoicing and Collections: Business found to be underreporting are invoiced through the standard City approved collections process. Balances are collected and remitted along with supporting documentation to the City through the approved remittance processes.



3. Proposed Work Schedule and Timeline

Event	HdL	Client
Contract signed and received by HdL	✓	✓
DISCOVERY - STAGE 1 (1-2 weeks)	✓	✓
Conference Call - HdL Sales, PM, IT, Client Stakeholders - Review contract, special conditions/programming	✓	✓
Client to provide forms, ordinances, fee resolutions, business rules, logo(s), users authority, payment gateway. Provide contact info for client stakeholder and walk through business license process.	✓	✓
Send sample letters to Client. Provide list of all information required by HdL. Provide contact info for HdL stakeholders.	✓	
Provide client IT with FTP account information, instructions for sending data	✓	
Upload client data to FTP server. (SQL or Access) Send screenshots (all screens for variety of account types)		✓
PROJECT KICK OFF AND SET UP - STAGE 2 (3-4 weeks)	✓	✓
Project kick off conference call	✓	✓
Begin data conversion	✓	
Project Mgr build tables, fee, messages, etc.	✓	
Reports, forms and letters requested/development/review/edit/approval	✓	
Project Mrg test approval with forms	✓	
HdL Tech and Project Mgr review and test 1st conversion	✓	
Send city the preview version of Prime (screenshots)	✓	
Client to confirm user permissions		✓
Client to confirm Approvals process		✓
GO LIVE - STAGE 3 (1-2 weeks)	✓	
Sign-off on conversion fee calculation		✓
Run script in client's live database for new renewal cycles		✓

7 PROJECT PLAN



4. Staff Assignments

Staff	Task
Director	Business registration process development
Client Advisor	Sales and project scope
Implementation Consultant	Project manager
Client Onboarding	Communication liaison with client
Developer	Oversees data conversion
Reports Designer	Development of reporting
Systems Technician	IT liaison
Remittance Manager	Monthly Financial Remittances
Tax Specialists	New business registration, Renewal Processing Customer Support
Operations Manager	Customer Support

1. Business License Tax Administration

The fee for this service is \$16* per processed account, which is any account for which an application or renewal/return was processed, or active account which was sent a renewal notice.

*CPI increase applied annually

NOTE: Travel Expenses (if any) – Travel and lodging expenses are billed at cost and apply to all meetings, including process, pre-installation, installation, training, and support. HdL is dedicated to conserving public funds ensuring that any travel costs are indeed required and reasonable.

2. Business License Tax Discovery and Audit Services

The fee for discovery and audit services is 35% of the revenues received as a result of the service.

3. Hourly Rates

Additional services beyond the scope of services in this proposal are priced separately depending on the complexity of the tasks involved. Such fees can either be fixed or time and materials. Our currently hourly rates are listed below.

	Hourly Rate
Principal	\$325
Programmer	\$295
Senior Analyst	\$245
Analyst	\$195

In accordance with City's RFP, HdL agrees to the following terms:

- HdL will not substitute designated members of the team without approval by the City.
- HdL does not have any Conflicts of Interests to report.
- HdL agrees to fulfill the indemnification and insurance requirements contained in the Sample Contract.
- Nothing in this proposal is proprietary.

HdL does not have any exceptions to report.

If awarded the contract, HdL requests the following language be added **if agreeable to the City**:

Client acknowledges and agrees that any other public agency (including, without limitation, any participating government agency) located within or outside of the State (e.g., city, municipality, county, district, public authority or other political subdivision) may procure services for fees and other terms and conditions that are substantially similar to any of the Services, Fees and other terms and conditions set forth in this Agreement, provided that such other public agency executes a separate agreement with Consultant wherein the services rendered to such other public agency, the fees payable by such other public agency, and the other terms and conditions of such separate agreement are the responsibility of Consultant and such other public agency and not Client.

11 COMPETENCY OF PROPOSERS

Competency of HdL

For almost 40 years, HdL has provided revenue management solutions to local governments.

HdL has the necessary facilities, ability, experience and financial resources to provide the services specified in the City's RFP in a satisfactory and timely manner. HdL does not have any pending bankruptcies, liens, stop payment notices, judgments, arbitrations, mediations, or foreclosures to report in the last seven years.

HdL was recently involved in a lawsuit regarding cannabis applications for the City of Chula Vista. On occasion, a cannabis applicant that is denied a license will litigate with the City and/or HdL which is the case here. This did not affect our contract with the City and we continue to provide these services. Furthermore, this litigation does not affect any other HdL service offerings, including items requested in this proposal.

The firm has never terminated a contract for breach.

Sample Deliverables and Case Study follow this page.



City of Sample

Business Tax
Operation Management
Service Review

Month XX, 2021

HdL  Companies

SUBMITTED BY

HdL Companies
120 S. State College Blvd., Ste 200
Brea, CA 92821
hdlcompanies.com

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Introduction

This report supplies an overview of the services HdL has provided to the City of Sample for Business Tax Operation Management since launching our Operations Management Service on January 1, 20XX. The report also summarizes specific projects that HdL and the City have completed since the services began.

Investment in Services

As your administrator, we have stewarded approximately \$7.0 million in Business Tax since the start of services. We have done this with flexible staffing that meets your highly variable demand. For example, in January, peak call volume alone can range from 50 - 200 phone calls per day, far exceeding the capacity of a single resource. Even with call volume spikes between 11 am and 2 pm, HdL handled the inbound call volume is approximately 60 seconds and returned calls the same day when requested in our automated phone system. At the same time, with our flexible service, we were able to handle 300 to 500 e-mails during peak demand within a few business days, rather the weeks it would take for a staff of 1 to 2 FTEs." *(Please see the section titled "[Business Support Center](#)," where you will find key success metrics and the volume of licensing activities.)*

The average annual cost of services has been approximately \$50,000 for Business License Operation Management – or typically around 1.5% of total revenues.

As a result of efficiencies gained from our service and the breadth of those services (including our discovery and compliance services), our goal is to have our clients receive a net gain from our services. We have seen an additional \$250,000 in revenue from our work to help taxpayers get and stay compliant in your City. Comparing that \$250,000 in additional revenue to the \$200,000 in admin fees shows a gain of \$50,000. Additionally, those comparisons do not directly factor in the ongoing revenue from having these businesses in compliance in the future. We anticipate that this figure will continue to grow the longer we work in partnership with your City to help ensure a more level playing field for your business community.

Recent Events

HdL has worked hand-in-hand with the City on everything from e-mail notifications, to custom reports, to coordinating last-minute renewal changes due to state legislation. Due to HdL's large client base, we are able to gain efficiencies from the management of over 100 unique license and tax programs. As an HdL client, the City has saved an estimated \$70K in custom software modifications, report development, and other process enhancement-related fees incurred by other cities that need to make changes to adapt to new legislation.

State of California AB2184 – Immigrant Business Inclusion Act:

- HdL implemented a series of software upgrades and process enhancements for the new state law that became effective on January 1, 2019. The bill required the removal of any section of the business license application exclusively requiring a social security number. Instead, a business license application must provide a means for accepting alternative forms of identification, including a California driver's license, identification number, or an individual taxpayer identification number (ITIN). The bill also allowed the applicant to provide an address where the individual consents to receiving "Service of Process" and would require a jurisdiction to accept a post office box or private mailbox that meets those requirements.

State of California SB234 - Family Daycare Homes:

- HdL adjusted the business license process for residential-based daycare facilities for the new state law that became effective on September 5, 2019. The new law required a large family daycare home with up to 14 children treated as residential use of a property. The bill also prohibited a local jurisdiction from imposing a business license, fee, or tax for the privilege of operating a small to large family daycare home.

State of California SB205 – Stormwater Discharge Compliance:

- HdL implemented processes and procedures for the new state law that became effective on January 1, 2020. The bill mandates that local government agencies ensure that businesses regulated by the State Water Resource Board (SWRB) follow the NPDES permit program as part of the agency's business license process for both applications and renewals. HdL has put in place multiple software and process modifications to accommodate the new legislation that utilizes SIC codes to indicate which businesses are required to demonstrate compliance. In general, HdL has been handling all business license tax requirements as they relate to this bill for the City of Sample.

COVID-19 Pandemic:

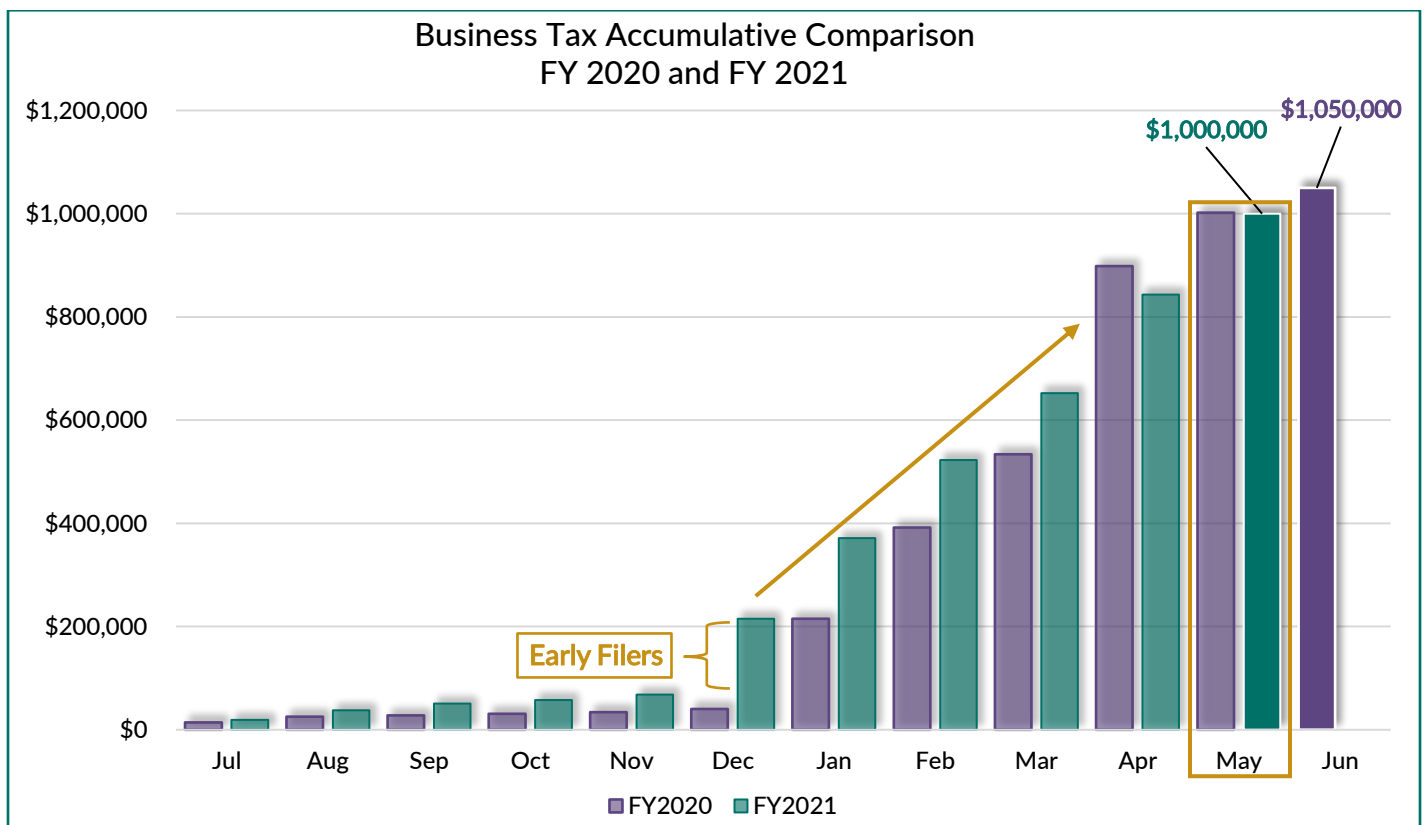
- The pandemic and resulting global public health challenges this year have had a significant impact on local governments and the State of California. HdL has worked closely with the City of Sample to implement a series of process changes and outreach programs for the business community during this tumultuous time. Since April 2020, HdL has sent 40 different e-mail notifications to the thousands of businesses that have provided e-mail addresses. The content of the e-mails contains messages from the Deputy City Manager; webinar information relating to CARES Act, Paycheck Protection Program, and Economic Injury Disaster Loan; Expansion of State and Federal Unemployment Benefits; and Employee Retention Credit. These are a few of the many impactful e-mail blasts sent this past year to business owners.

Operation Management

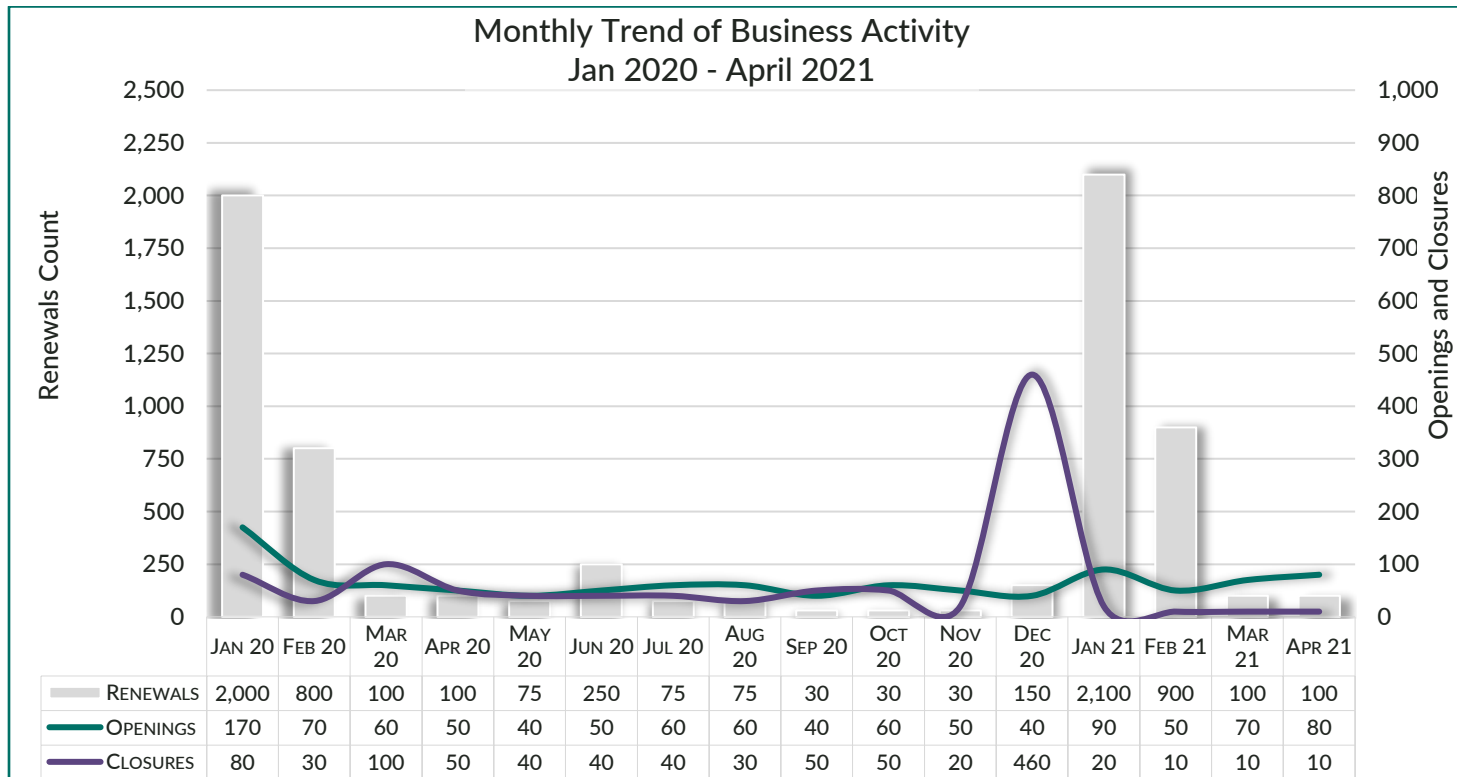
Many Californian cities experience decreases in Business Tax Revenue ranging from 13 - 15% during financial years 2020 and 2021. However, this is not true for Sample, as FY 2020 only experienced a dip of approximately 5% in Business Taxes. As of mid-May 2021, the City is less than \$25K from exceeding the FY 2020 revenue.

As of June 1 of this year, the City collected \$1,000,000 in business tax revenue through HdL's Operation Management processing of renewals and new applications. While this amount is a five percent decline from the prior year's total, the \$50,000 collected by the Discovery and Compliance team allowed the City to narrow the financial gap.

The chart immediately below shows the accumulative Business Tax Revenue of FY 2020 and FY 2021 as of June, 2021. We included graphics to indicate when businesses started submitting their 2021 Renewals and the steady but aggressive upward trend of the accumulative Business Tax Revenue.

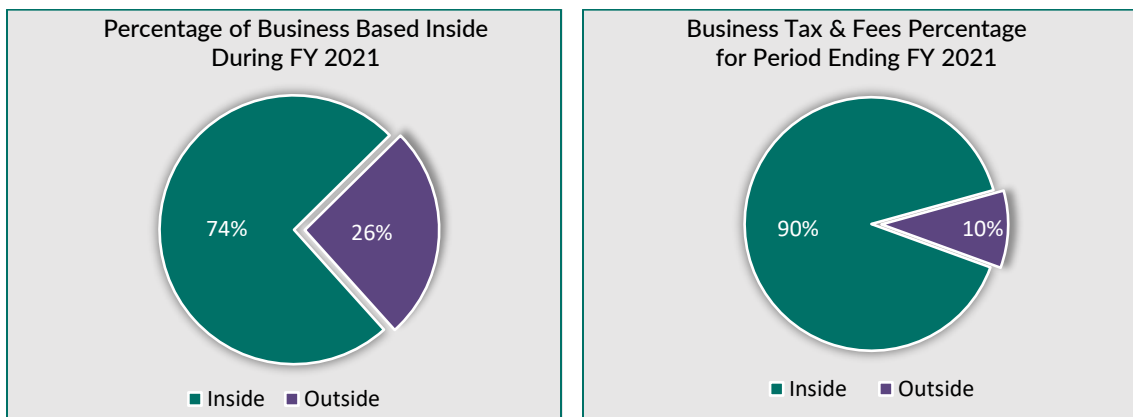


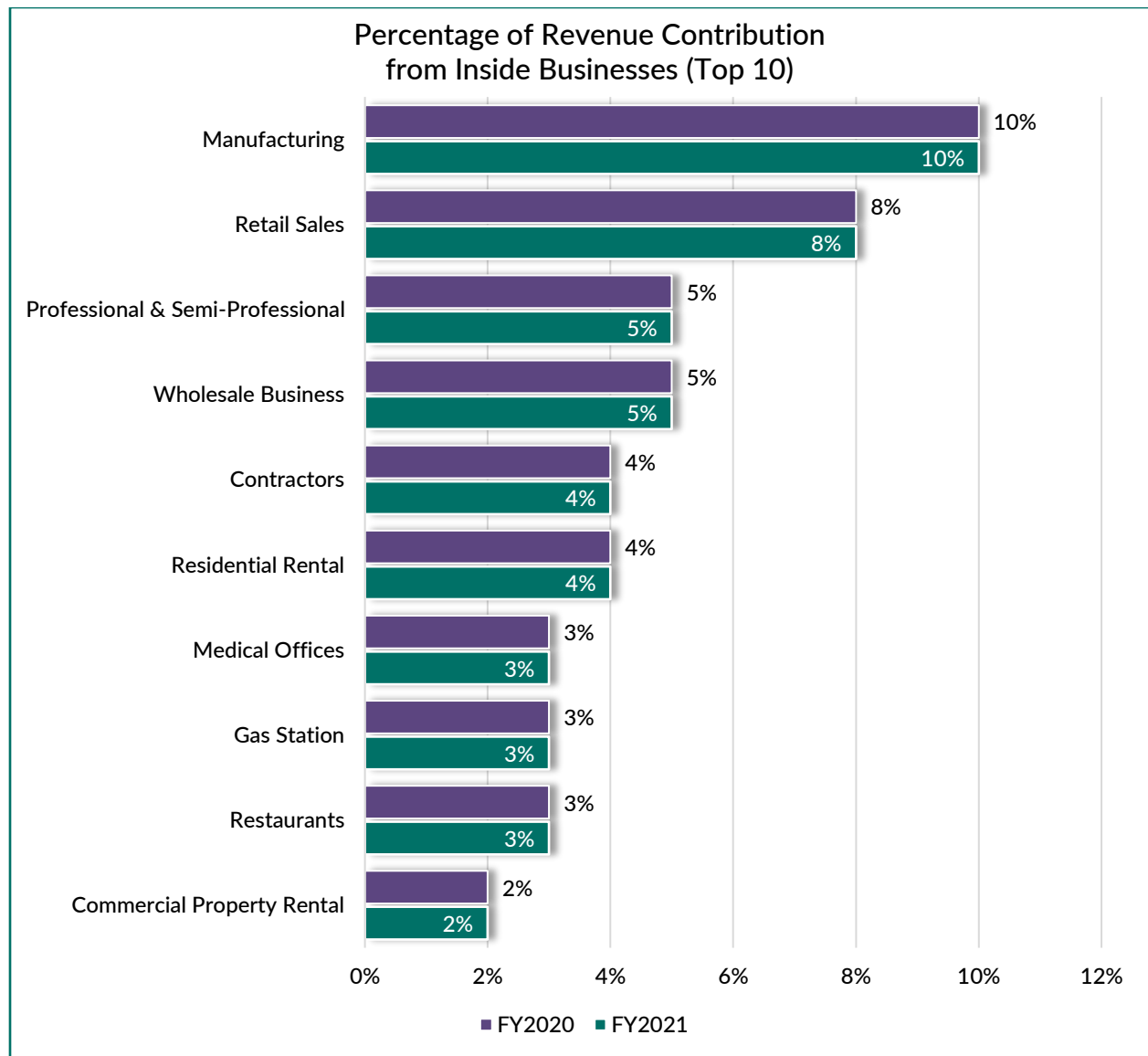
The following chart shows the monthly trends from businesses reporting openings and closures and submitted renewals between Jan 1, 2019, and April 30, 2021.



Business Demographics in Brief

For businesses with a license expiration date of 2021, 2,600 companies are based inside the City of Sample and 900 based outside the City. In the comparison below, local businesses contribute to nearly all of the business tax revenue and additional fees except for the small contribution from outside businesses.





New Businesses – Application and Reinstatement

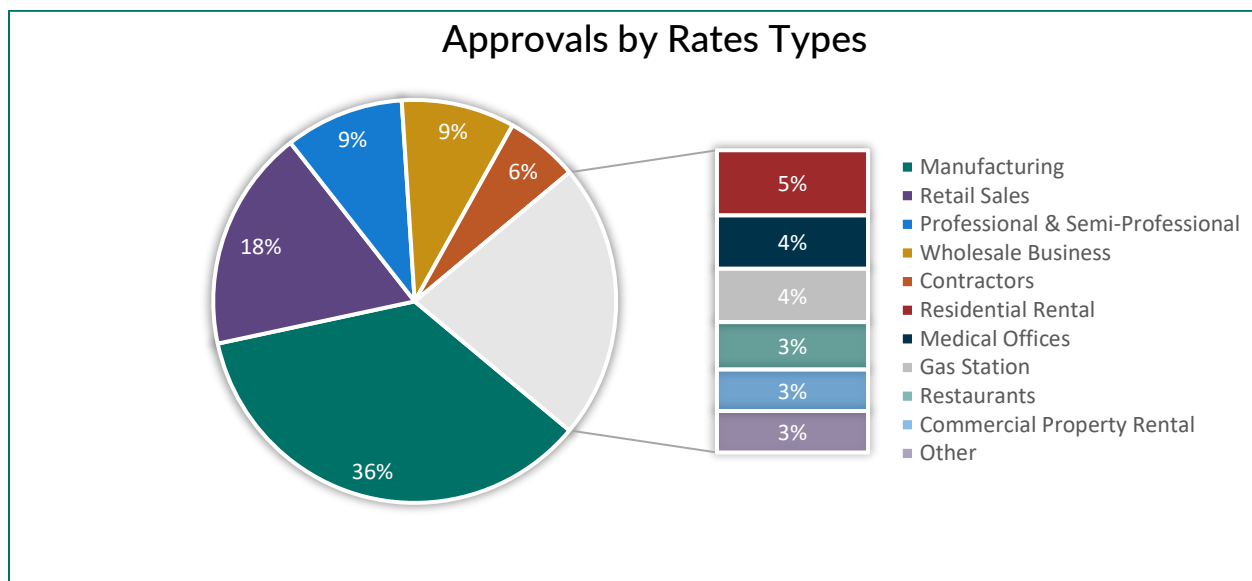
The City of Sample averages over 200 new applications and reinstatements annually and retains an average of 60% of new businesses after their first year of business.

Applied/ Reinstated	Submittal Date		
	FY 2019	FY 2020	FY 2021 (YTD)
Inside	125	125	125
Outside	75	75	75
Totals	200	200	200

Approvals Central

HdL utilizes Approval Central to implement a more streamlined process for those businesses that require further review and authorization before conducting business in the City. This process helps the City ensure that tax specialists are charging the permit fees appropriately, and all associated regulatory information is collected from the business before opening for business. The platform allows for note-taking and tracking an application's status.

Approvals by Year	Number of Applications Submitted	Number of Approvals Received
2019	125	125
2020	125	125
2021 (YTD)	125	125
Total	375	375



Annual Business License Renewal

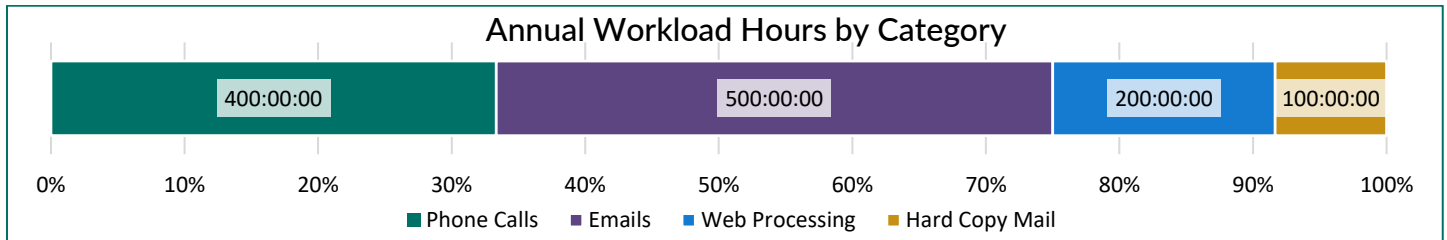
HdL has processed 3,500 business license renewals during FY 2021, including previously unpaid back years due to a business's delinquency. Each year an average of 3,500 renewal periods are submitted, for which a portion of companies pay online. This fiscal year 72% of businesses renewed their license online. A 38.9% increase compared to the previous fiscal year.

Renewal Status Submittal Date	Renewal Count	Inside	Outside	Online Renewal
FY 2018	3,500	2,600	900	-
FY 2019	3,500	2,600	900	800
FY 2020	3,500	2,600	900	1,800
FY 2021 (YTD)	3,500	2,600	900	2,500
Grand Total	14,000	10,400	3,600	5,100

Business Support Center

HdL's Business Support Center provides direct access to tax specialists for the City's businesses to ensure prompt and efficient service. Tax specialists are available by phone, e-mail, web, or postal mail, supplying multiple means of registering, renewing, making payments, or answering business–license-related questions.

The following chart shows the annual workload hours by media categories.

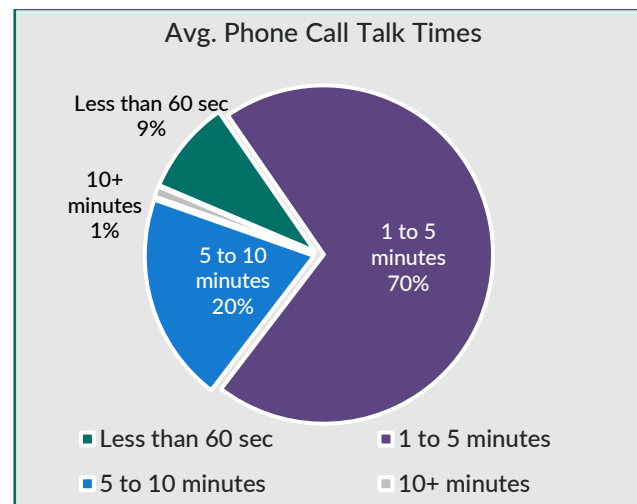


Phone Calls and E-mails

HdL's phone and e-mail system is designed to help business owners reach tax specialists who can best assist them with their specific situation while reducing wait times. Data is collected and analyzed to improve our responsiveness continuously.

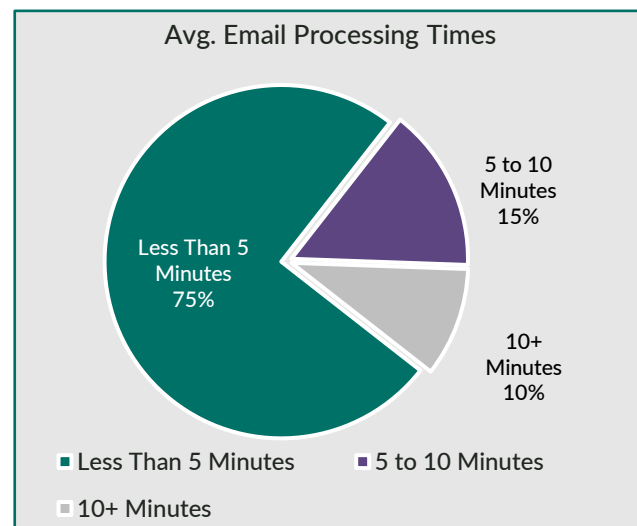
Businesses have wait times of 30 - 60 seconds. Nearly 70% of calls are finished in the first 5 minutes. Primary calls are questions about their business license or contractors obtaining a business license.

Phone Calls	Total
2020 Q1	2,000
2020 Q2	1,000
2020 Q3	500
2020 Q4	300
2021 Q1	2,000



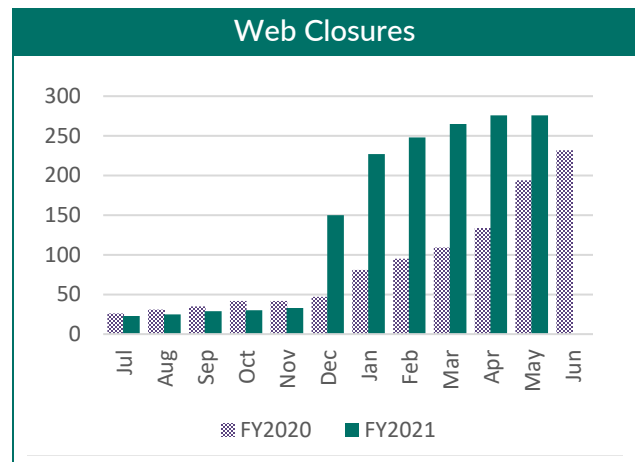
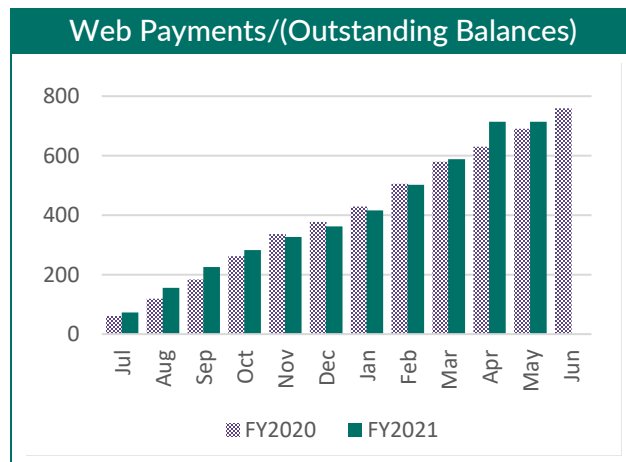
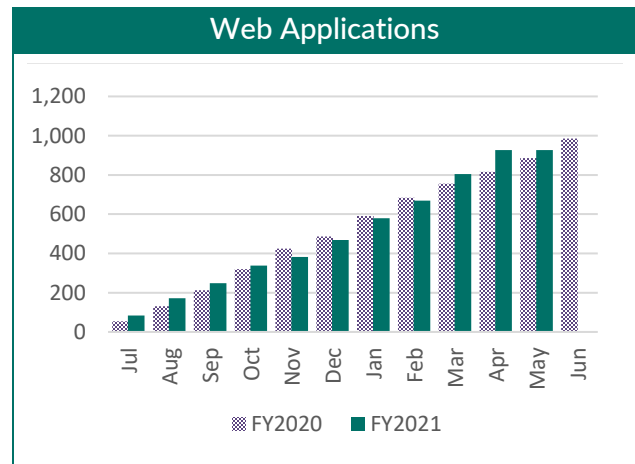
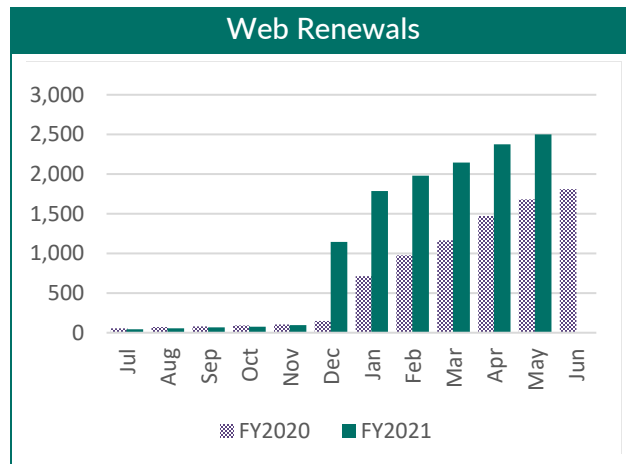
Most e-mails are answered within same day – 24 hours. The majority of e-mails received from businesses provide additional information, which allows our tax specialists to finalize business applications and renewals.

E-mails	Total
2020 Q1	2,000
2020 Q2	1,000
2020 Q3	500
2020 Q4	300
2021 Q1	2,000



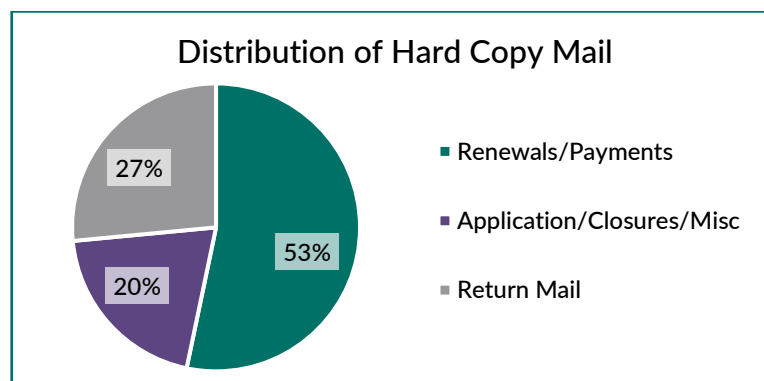
Web Processing

HdL's online filing system allows businesses to instantly submit business license renewals and new applications, address balances on accounts, or report the closure of their business. An increasing number of the City's businesses file online. We send an e-mail notification to the company when the renewal has been received and then e-mail or post the certificate to the business.



Hard Copy Mail

On average, the City receives over 100 pieces of mail monthly. More than 50% of those are payments and renewals, and 20% are new applications, closures, and supporting documentation.



Client Support Team

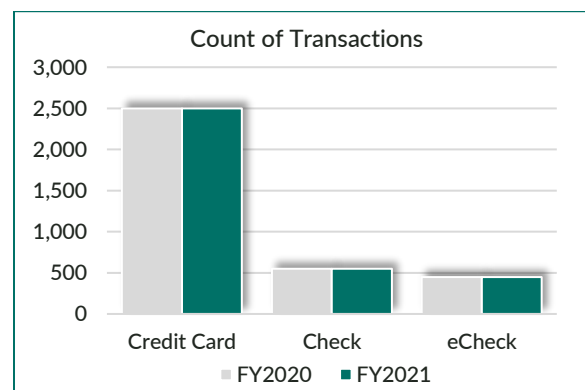
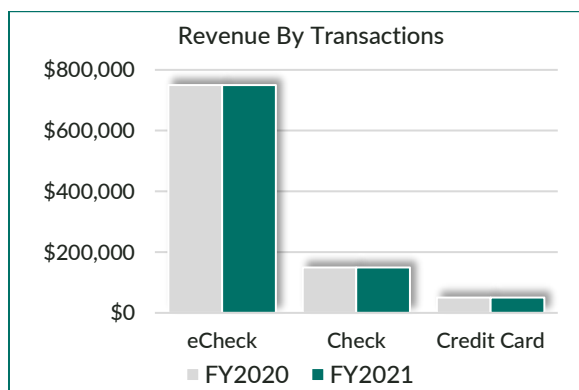
HdL's Client Support Team has actively worked with the City of Sample since January 20XX. Since the launch, our Client Support Team has built and fostered relationships to troubleshoot or aid in changes the City has implemented. HdL sends remittance and custom reports to City staff every month in addition to ad hoc reports. Also, HdL collects and remits SB-1186 funds to the State quarterly and prepares quarterly and annual report filings to State.

Remittance Support

The table below shows business tax and fees collected FY2021 YTD.

GL Account #	Fee Description	FY2021 YTD
Business License Tax	Business Tax	1,000,000
	Application Fee	20,000
	State Fee	14,000
Grand Total		1,043,000

The following charts show the revenue from and count of transactions by payment method:



Custom Reports

The City regularly requests custom reports from HdL's Client Support Team. We produce monthly reports for the finance department, economic development, and other City departments since 20XX. Below are some of the more common reports that are generated for the City on a reoccurring basis.

- Monthly New Business Reports – Requested by Economic Development.
- Home Occupancy Reports – Finance Department
- Public Records Request – Ad Hoc reports requested by the community.
- "In-City" Active Business Reports – City requested reports focusing on specific business sectors such as medical, daycare, manufacturing, tobacco, and others.

Conclusion

HdL has provided the City with services that are geared towards adding value and allowing operational flexibility. HdL's Business Support Center serves the business community with efficiency and care. At the same time, HdL's Client Support Team provides white-glove financial, operational, analytical reports and collaborating on solutions to external events. HdL looks forward to furthering our partnership with the City of Sample.

The City of Sausalito: Expanding Revenue Through Business Tax Expertise

In challenging times, municipalities are often forced to consider both increasing taxes and decreasing service levels. Both of these practices negatively impact and cause concern to the business community and the public. The City of Sausalito, located across from the Golden Gate Bridge in San Francisco, recently turned to the business tax expertise of HdL Companies to:

- Find additional revenue without overburdening businesses or consumers
- Reduce the costs of administration without decreasing services
- Simplify the tax code, yet increase compliance and oversight

HdL's efforts gained the City \$1 million per year in revenue, created tax equity for businesses, kept the loyalty of businesses and voters, and freed municipal staff for other duties besides administering a complex, inefficient code.

PROBLEM

Over 125 years of growth and change had created a complex Municipal Code in Sausalito with an outdated, idiosyncratic business tax structure which was generating too little revenue to meet the City's modern needs.

The City's Assistant Manager and Administrative Services Director recognized the difficulties that Sausalito faced. "Typically, small cities do not have the dedicated resources to efficiently manage programs like Business License Tax or Transient Occupancy Tax administration and collection. It's also a challenge to find the staff resources and expertise to dig deep into analysis and trends for the City's Property Tax and Sales Tax revenues," the City stated.

As Josh Davis, HdL's Assistant Director of Tax and Fee Administration, explains, "HdL researches the data that enables cities to change their tax structures without causing businesses to flee or antagonizing the community. We work directly with the existing city team to recommend ways to modernize ordinances, clear up any inadequacies, and create efficiencies in tax collection. We then educate the public so they understand the changes they will be voting on and why their support is important. We want cities to be able to generate the revenue that's essential for their survival."

SOLUTION

Research

HdL closely studied the existing Municipal Codes related to business licensing in Sausalito, looking for:

- Potential conflicts with operational practices
- Areas to modernize code language
- Impact on staff efficiency
- Areas not in line with best practices of California cities
- Potential loopholes or revenue leaks

Among other findings, HdL's research revealed that the tax ordinance contained the potential for major revenue leaks. One of the revenue leaks that HdL uncovered manifested itself by a discrepancy between sales tax and business license revenues. Davis explains, "The steady increase of revenues from sales taxes was a strong indication that business revenue was growing in the City, but the City wasn't participating in that growth as much as they would if the tax structure was better aligned with gross receipts."

HdL also compared Sausalito's revenue stream to that of neighboring cities and of comparable cities throughout California with tourist economies. The City stated, "HdL has access to information about recent business license tax ordinances throughout California. Developing those comparisons would have taken much more time in-house." HdL research showed where Sausalito could modify its own ordinances to raise more revenue without driving businesses away.



Analysis

HdL analyzed the City of Sausalito's current revenues and fee structures to determine revenue by business category and the year-to-year change in revenue from business licenses and sales tax. The team examined how different changes to the fee structure might affect the City and business community, including increasing fairness, bolstering revenue, and simplifying the role of City staff.

Davis stated, "Our investigation determined that the current business tax structure, with 22 business license categories, was both outdated and unfair to small businesses. It had also become so complex that the City staff was forced to make interpretations and decisions that strained their resources and were difficult to apply consistently."

Develop Options

HdL offered several recommendations for generating more revenue through business licensing, including adding a percentage base increase to the existing fees. Although that change was the simplest to implement, the HdL team concluded that it did not account for continued economic growth, the complexity of business license categories, or the burden on City staff and the business community.

Ultimately the City chose HdL's recommendation to create four business license categories instead of their current 22 and to end the exemption for two business categories. The City added, "HdL helped the City modernize the business license tax ordinance, including areas that we would have overlooked without their analysis."

HdL projected that the chosen option would increase revenue to the City by \$1 million per year. Other changes would modernize the code, simplify administration and enforcement, and increase fairness—thus achieving or exceeding every one of the City's goals.

Education and Advocacy

With over 35 years of experience nationwide, HdL understands the concerns of City Managers and administrators, businesses, and the public when changes are proposed to City tax structures.

Josh Davis presented HdL's report on the Business License Tax Ordinance to the City Council's Finance Committee, the City Council at large, and the general population. Carter noted, "Josh's years of experience in this area added credibility to the discussion of the new ordinance. HdL delivered comprehensive and accurate information quickly, including answers to complex, technical revenue questions. The HdL team provided an enormous amount of work behind the scenes, maintaining on-going communication with the local business community, and their report was used by the City to develop the ballot measure that we set before the voters."

As a result, the new Business License Tax Ordinance received resounding support, approved by 65% of voters, far above the simple majority that the City needed.

NEXT STEPS

"HdL's estimate of additional revenues to be generated by the new business license ordinance was very accurate," the City reported.. "It increased business license tax revenues to the City by \$1 million per year, delivering the added revenues the City needed for the General Fund budget to stay in balance."

Impressed by the knowledge and expertise that HdL brought to the table, the City of Sausalito contracted with HdL's turnkey business license tax and transient occupancy services to help with ongoing business license tax collection, renewals, notices, analysis, and review, freeing up many additional hours of staff time. HdL helps to resolve individual reporting matters, keep the City up-to-date on current best practices, and ensure its businesses stay in compliance.

"These services are invaluable for small cities, but worth considering by any community that is looking to best utilize their staff resources. HdL truly operates as an extension of City staff, taking this burden off the City's plate. I am a big fan and supporter of HdL's professionalism, expertise and exceptional customer service, and I admire their ethics, integrity and full commitment to their client agencies," stated Sausalito's Assistant Manager assigned to the project's implementation.

THE SUCCESSES

HdL was founded by local government finance professionals with the singular mission of helping local government leaders maximize their revenue sources. The HdL Team includes experienced business tax department supervisors, certified revenue officers and local government leaders who have served at all levels of local and state municipal organizations. Having walked in your shoes, the HdL team is uniquely prepared to help achieve your strategic goals.

Cities and counties across the nation have benefited from HdL's extensive resources and expertise for over 37 years. HdL is proud to be a corporate sponsor of the following organizations:

- League of California Cities
- California State Association of Counties
- California Society of Municipal Finance Officers
- California Municipal Revenue and Tax Association
- Municipal Management Association of Northern California
- Municipal Management Association of Southern California
- Alabama League of Municipalities
- Colorado Municipal League
- Colorado City and County Management Association
- Colorado Government Finance Officers Association
- Georgia Association of Business Tax Officials
- Georgia City-County Management Association
- Texas Municipal League
- Government Finance Officers Association of Texas
- Texas City Management Association

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