



# City of Culver City

## Staff Report

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File #: 20-232, Version: 1

Item #: C-6.

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**CC - (1) Approval of a Three-Year Agreement with HdL Companies for Business Licensing Software and Related Services, with Two Additional One-Year Options; and (2) Authorization to Exercise Lockbox Services Option.**

**Meeting Date:** September 9, 2019

**Contact Person/Dept:** Onyx Jones/Finance Department

**Phone Number:** (310) 253-5865

**Fiscal Impact:** Yes  No       **General Fund:** Yes  No

**Public Hearing:**       **Action Item:**       **Attachments:** Yes  No

**Public Notification:** (E-Mail) Meetings and Agendas - City Council (09/04/19)

**Department Approval:** Onyx Jones, Chief Financial Officer (08/29/19)

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### **RECOMMENDATION**

Staff recommends the City Council (1) approve a three-year agreement with two one-year options with HdL Companies for business licensing software; and (2) authorize implementation of lockbox services option.

### **BACKGROUND/DISCUSSION**

In effort to continually enhance public-facing services, the Finance Department is seeking to improve operations by utilizing business licensing software from HDL Companies ("HdL"). HdL's Prime Software System provides a modernized platform including an online business license application and renewal system. An engagement with HdL would enable the Finance Department to streamline business license processing and improve the collection of miscellaneous assessments and taxes.

HdL is a superior solution to our current business taxation software ("Munis") for four primary reasons:

1. Enhanced Internal Controls - HdL utilizes pre-established programmed rules for calculating

fees and taxes. With Munis, many calculations are accomplished manually (i.e. excel, adding machine, etc.) Use of HdL's program will assist to minimize manual efforts and mitigate risk of errors.

2. Improved Efficiencies - HdL will reduce costs and laborious man-hours. The current Munis solution only supports collection of online business license fees. HdL provides a single website that will expand the City's capacity for providing quicker business licensing services to: (a) receive and process new applications; (b) receive and process renewals; (c) utilize automated workflow processing of approvals; (d) self-service the downloading of application forms; (e) self-service the updating of licensee information (i.e. mailing addresses, phone numbers, contacts); (f) have automated cross-verification of applications using databases like the postal service and the state contractor's license board; and (g) allow licensees to receive emails or conduct self-service downloading of business tax certificates electronically.

The HdL automated solution offers a paperless go-green solution where the City will save on costs of expensive postage and stationary for printed annual business tax renewals. Business applicants would be able to self-service for transient occupancy taxation (TOT), cannabis business taxation, rental property registration, and special events permitting and receive electronic files of their business tax certificates. HdL's online solution will allow licensees to self-service remotely outside of City Hall. Alternatively, the Finance Department will have the ability to set-up a self-service kiosk in the City Hall Lobby.

3. Increased Revenue Opportunities - HdL will seek and find new business licensing opportunities to further the City's efforts to collect greater revenues.

HdL Business License Software provides for discovery and audit services, which identify, register, and collect fees from business entities not in compliance with the City's Municipal Code. The Discovery and Audit Services utilize various government and private databases to identify non-compliant businesses within the City's jurisdiction. HdL will work closely with the City to ensure HdL's collection practices meet the City's standards and guidelines for dealing with the public.

4. Improved Customer Service - HdL is a Southern California based business. As a result, quicker and more personal responses than with the current East Coast-based service provider is anticipated. An added value, HdL specializes in local taxation. As such, its development and support teams are solely focused on improving client local tax operations. The result is faster and more knowledgeable customer service, more frequent software enhancements, and rapid response to legislation impacting local taxes.

The HdL Premier Software System services will include the following capacities:

- A. Administration
  - Tax Registration Database Management
  - Business License Renewal Processing
  - Business License New Account Processing
  - Payment Posting/Processing
  - Business Support Center
  - Training of City's current power users

- Conversion of legacy data to new system's technical architecture

#### B. Software

- Electronic Check Processing
- Online Application Processing
- Online Renewal Processing
- Simplified Data Processing
- Allows sharing of critical information across departments
- Use of standardized forms and reports
- On-going licensing includes future software upgrades

#### C. Web Based Module

- Business/public module:
  - Online Business payments
  - Business applications
  - Business renewals/filings
  - Public inquiry of the business registry
  - Business information page, FAQs, access to forms
- City staff module:
  - City staff inquiry of the business registry
  - City staff business application department approvals

#### D. Improved Customer Service

- Automates approvals by allowing Finance, Planning, Development Services, and Fire departments to electronically review applicants' information online, provide feedback, and make final approvals

#### E. Discovery & Audit Services

- Identifies non-compliant entities through cross-matching of City tax registry with other various government and private databases
- Notifies businesses and attempts to obtain registration along with relevant documentation
- Invoices businesses for total amount of business license taxes and penalties identified for current and applicable prior periods
- Identifies potential under-reporting businesses and conduct financial audit
- Educates businesses on proper reporting practices
- Provides dispute resolution procedure

HdL has a proven track record, with a number of neighboring cities indicating that HdL's business license software is user friendly for both business owners and City staff. The company is appropriately licensed, able to offer all of the services requested in the most efficient manner and offers a "turnkey" approach for seamless transition. The City additionally utilizes HdL services for property and sales tax consultation services.

As an extension of its software business licensing software servicing, HdL additionally offers a lockbox service option to facilitate collection and processing of account receivables. Staff is requesting authority at this time for the future service, pending negotiation. Lockbox processing services would be provided under an agency funded pass-through pricing model for the associated

interchange fees and assessments.

While the HdL Prime Software solution includes a simplified rental property registration service, the company has developed a more extensive, specialized rental stabilization system as a separate software solution which is currently utilized by the City of West Hollywood. Should the City pursue this software product, pricing would be an additional cost of approximately \$165,000 for implementation and \$20,000 for annual ongoing use fees.

The procurement of the HdL Prime Software for Business Licensing is exempt from formal bidding procedures per Culver City Municipal Code Section 3.07.055.E. which exempts bidding requirements where items to be purchased are computer software, hardware maintenance services or software maintenance services. This procurement meets this requirement.

### **FISCAL ANALYSIS**

The implementation of the HdL Business Licensing Software, including data migration, training, and software updates and technical support would total \$100,600 for Fiscal Year 2019/2020. Sufficient funding is available from the Finance System Replacement capital project budget (420800000.730100.PZ636). Annual software user fees and annual hosting costs of \$27,600 will be incorporated into future year budgets. Assessments would be adjusted accordingly per any agency funded pass-through pricing agreements should the City exercise the lockbox service option.

### **ATTACHMENTS**

None

### **RECOMMENDED MOTIONS**

That the City Council:

1. Approve a three-year agreement with HdL for business licensing software and related services;
2. Authorize the City Manager to approve two additional one-year options;
3. Authorize the City Manager to exercise the lockbox services option, at his discretion, pending service negotiations;
4. Authorize the City Attorney to review/prepare the necessary documents; and
5. Authorize the City Manager to execute such documents on behalf of the City.