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# CITY OF POMONA COUNCIL REPORT

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April 3, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

By: Onyx Jones, Finance Director

Subject: **Amend CIP Project “Finance Software” # 428-71048 by Adopting Resolution Amending the FY2016-17 CIP Budget by Appropriating \$116,675 of Available Series “AV” Bond Proceeds and Award of a One-Year Contract with Four, One Year Extension Options to HdL Companies (HdL) for HdL Prime Business License Software, Web Based Customer Module, Business License Tax Audit and Discovery Services, and Consulting Services to Amend Certain Sections of Chapter 14, 50, and 66 of the Pomona City Code**

## OVERVIEW

**Recommendation** – That the City Council:

1. Adopt a Resolution amending the FY 2016-17 CIP Project “Finance Software” CIP Acct# 428-71048 by appropriating \$116,675 of Available Series “AV” Bond Proceeds.
2. Award a one-year contract with four, one-year extension options to HdL for business license software, a web module, discovery and audit services, and consulting services.
3. Authorizes the City Manager to enter into an Agreement with HdL on behalf of the City, and any extensions thereto, subject to review and approval as set forth by the City Attorney.

**Fiscal Impact** – Amend CIP Project “Finance Software” Acct# 428-71048 by appropriating \$116,675 of Available Series “AV” Bond Proceeds to fund a Business License software solution and a one-time fee to review and make recommendations regarding the City’s business tax program. HdL will provide software for a fee of \$8.75 per license (max. charge of \$91,875). The annual maintenance for the second year is \$1.55 per license (max. charge of \$16,275). The table of charges is illustrated on page 2. Upon future annual contract extensions, the fees will be adjusted in accordance with the Consumer Price Index, which will not be less than 2% (\$.03 per account) or more than 10% (\$.15 per account).

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<b>Year</b>	<b>Per License Software Cost</b>	<b>Annual Software Cost</b>	<b>Prime Cloud Software Hosting</b>	<b>Prime Cloud Gateway Services</b>	<b>Total Annual Cost</b>
<b>One (Implementation)</b>	\$8.75 @ 10,500	\$91,875	\$4,800	\$5,000	\$101,675
<b>Two</b>	\$1.55 @ 10,500	\$16,275 + CPI	\$4,800	\$0	\$21,075+CPI

To offset the annual cost of the business license software, HdL will conduct Audit and Discovery work which is expected to increase the City of Pomona’s revenues by a minimum of 4% (\$145,000 a year).

**Public Notice Requirement** – Section 2-970(1)(a) of the City’s Purchasing Ordinance requires that a Notice Inviting Proposals be posted at least ten (10) days before the date of opening. A notice was posted on the City’s website, Planet Bid, and on the Public Notices Board on May 23, 2016 that were due back on June 15, 2016; 144 businesses were notified resulting in two (2) responses.

**Previous Related Action** – There is no previous related action

## **EXECUTIVE SUMMARY**

Award of a contract to HdL Companies for a one-year period with four annual extension options would allow the City to proceed with the implementation of business license software, web based customer module, Business License Tax Audit and Discovery Services, and Consulting Services to Amend Certain Sections of Chapter 14, 50, and 66 of the Pomona City Code.

## **DISCUSSION**

The City annually processes and collects from approximately 10,500 current and active business license accounts, totaling approximately \$3.6 million a year in revenue. On June 30, 2017, the agreement and support for the Speedweb Software, which is the current operating system for most of the City’s in-house programs, including Business License, will expire. HdL offers a web based program that offers customer access during non-operating hours and on weekends, reporting modules, and user friendly screens for processing new applications and renewals.

Additionally, for many years, the City has experienced constraints on a major function of the Business License Division, which includes fieldwork and compliance efforts such as ensuring businesses are licensed and that licenses are annually renewed. This agreement will allow HdL to Audit Business License Tax Submittals and identify any unlicensed businesses that will be transferred to the Code Compliance Division for enforcement.

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In anticipation of generating additional revenues, and improving the current business license services, the Finance Department initiated a procurement process (posting a Request for Proposals) to find a turnkey approach that would provide the services described as follows:

- Administration
  - Tax Registration Database Management
  - Business License Renewal Processing
  - Business License New Account Processing
  - Payment Posting/Processing
  - Business Support Center
- Software
  - Online Application Processing
  - Online Renewal Processing
  - Simplifies Data Processing
  - Allows sharing of critical information across departments
  - 10 user licenses and unlimited inquiry users
- Web Based Customer Module
  - Complete and submit a business license application online
  - Complete and submit a business license renewal
  - Online payment process for new applications or license renewals
  - Provide answers to questions 24 hours a day, 7 days a week through FAQ's provided on website
  - Offer real-time account look-ups
- Improved Customer Service
  - Provide businesses with multiple ways to apply for or renew a license (phone, email, and on-line)
  - Automate the approval process by implement a system that allows Finance, Planning, Development Services, and Fire to electronically review the applicant's information online, provide feedback, and make final approvals
- Discovery & Audit Services
  - Identify non-compliant entities through cross-matching of City tax registry with other various government and private databases
  - Notify businesses and attempt to obtain registration along with relevant documentation
  - Invoice businesses for total amount of business license tax and penalties identified for current and applicable prior periods
  - Conduct site inspections and physical canvassing of the City's commercial areas
  - Identify potential under-reporting businesses and conduct financial audit
  - Educate businesses on proper reporting practices
  - Provide dispute resolution procedure

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Two teams consisting of City staff from various departments assisted with the selection of a business license services contractor. One team scored the submitted proposal response, and the other team scored the interviews with each prospective contractor. Results are shown below:

Contractor Name	RFP Score	Interview Score	Combined Score
TOTAL POSSIBLE POINTS	210	180	390
HdL Companies	178	145	323
Muni Services	178	131	309

Prior to making a final determination regarding which contractor to recommend for the award of this contract, City staff made a site visit to the most qualified bidder’s place of business and found their operations to be professional and efficient.

HdL also has a local presence in San Dimas, CA that will aid with implementation and on-going maintenance of their software. Additionally, Finance staff called five different references from other Cities who currently use HdL’s Business License Services and all of the cities provided positive feedback. They praised the customer service levels of HdL and their software applications. The cities indicated that HdL’s software has proven to be user friendly for both the business owner and city staff.

Finance staff found that HdL Companies was and is appropriately licensed, is able to offer all of the services requested in the most efficient manner, and is the most qualified bidder. HdL met all of the entire core requirements described above as the “turnkey” approach City staff sought.

The City originally requested bids for administrative services, software, audit services and consulting services. However, after discussions with management it was decided to exclude the administrative services and only contract for software, audit services and consulting services. This change will result in a lower per license fee from \$12.00 per license to \$8.75 per license and will be further reduced in year two to \$1.55 per license.

HdL services include:

- Software that facilitates efficient data processing and the sharing of critical information across departments (Finance, Planning, Fire, etc.).
  - Timely communication between the City, field staff and citizens are all in one integrated system.
  - The website is user-friendly and has a concentrated focus on customer service and education. Website program reduces the burden on the City and its constituents by providing custom crafted solutions including:
    - An online application process that can meet the Planning Department’s and Fire Department’s inspection requirements

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- A simplified online business license renewal process for business owners
- Online instant access to reporting and copies of tax registrations
- Payment processing via online filing portal or a lock-box system

HdL will provide Discovery and Audit Services, which identify, register, and collect fees from business entities that are 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.

Utilizing data provided by the City, HdL will build an enhanced listing of businesses subject to taxation in the City. These businesses are electronically matched to existing City files using advanced data matching algorithms, allowing HdL staff to identify which entities are compliant and which entities require follow up. Experienced field crews, equipped with tools (such as mobile mapping/GPS systems, and tablet computers pre-loaded with various City and statewide databases) may canvas commercial areas of the City to develop and enhance the leads identified in the Enriched Data Portfolio (EDP). Field Surveys will provide an inventory of active businesses and on-site verifications of business data pulled from other sources.

For a one-time fee of \$15,000, HdL will provide consulting services to review the City's business tax program and make recommendations to improve the efficiency and effectiveness of the program. This service includes:

- Conducting an analysis of current business license ordinance and City's business license database
- Preparing a report comparing the City's program to those of neighboring municipalities
- Draft potential business license tax re-structuring options for City's consideration to possibly include proposing a different hybrid tax structure including (gross receipt-based taxes, employee-based taxes, or flat taxes) that could possibly generate more tax revenue to the City
- Draft a proposed alternate structure to be used in the City's new ordinance.

Attachments:

1. Resolution