



Staff Report

File #: 21-0635

REQUEST FOR CITY COUNCIL ACTION

DATE: 07/07/2021

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:

Approval of the Fourth Amendment to the Professional Services Agreement with HDL Software, LLC for business license program services

EXECUTIVE SUMMARY:

The day-to-day operations of the business license program are administered by HDL Software, LLC. Approval of the Fourth Amendment to the Professional Services Agreement is recommended for continuation of the contracted services through June 30, 2022.

RECOMMENDED ACTION:

That the City Council:

- a. Approve the fourth amendment to the Agreement with HDL Software LLC to extend the contract terms through June 30, 2022, for business license program services.
- b. Authorize the Purchasing Agent to issue a purchase order for Fiscal Year 2022 to HDL Software LLC for \$250,000.

BACKGROUND & HISTORY:

The day-to-day operations of the business license program include processing new businesses, annual renewals, payment processing, and customer support. The City Council approved outsourcing the administration of the business license program to HDL Software LLC in October 2016. The change was effective in March 2017. The current contract is expiring in October 2021 and staff is recommending a contract extension through June 2022.

ANALYSIS:

HDL Software LLC (Consultant) was selected in 2016 to administer the day-to-day operations of the

business license program. To staff's knowledge, HDL was the only vendor at the time that was providing a full-service administrative option. The Consultant was selected through a competitive bidding process by piggy-backing on an existing agreement between the Consultant and the City of Pacific Grove, where the City received similar cost and contract terms. The Consultant was selected based on their expertise in the business license field, including 34 years (as of 2016) of providing software applications and professional services to local governments. Its audit and consulting services include streamlining processes, reducing costs, increasing revenues, and providing greater efficiency and productivity for municipalities similar to the City of Corona.

The original agreement in 2016 was for a five-year period, through October 2021. With the agreement term expiring, an analysis of outsourced costs vs. staffing an in-house program was completed and presented at a Study Session before the City Council on March 24, 2021. The City Council provided staff with feedback to continue third-party administration of the program. The cost for HDL to operate the program is a flat rate of \$14.42 per business license. There are some additional costs for audit and recovery services, calculated as one-time compensation at 35% of the business license fees for on any non-reporting business that is brought into compliance. The total estimated cost for HDL to provide the service is \$238,000 per year. That estimate includes the administrative service costs as well as the software to manage the business license information. The annual costs will fluctuate based on the number of business licenses processed in a given year (new or renewal). The contract value is \$250,000 to accommodate for fluctuations in the volume of business licenses as well as the audit and recovery fees. The Consultant processed approximately 12,300 business licenses in the last year. The estimated costs for an in-house program are \$271,000 which does not include costs of a business license software program. If the City were to pursue bringing the administration of this program back in-house, staff would need to issue an RFP for a business license software program to evaluate and determine those costs. The prior business license system used by the City has met the end of its useful life and would need to be replaced.

The current recommendation is for the extension of the agreement through June 30, 2022. HDL is meeting their contractual obligations and is administering the program in a satisfactory manner. To staff's knowledge, HDL is still the only company currently offering the full day-to-day administrative services of the business license program. However, staff will conduct a Request for Proposals during Fiscal Year 2022 to evaluate options for future operations of the program.

COMMITTEE ACTION:

At the March 24, 2021 Study Session, there was a discussion on the business license program administration. A presentation was made to provide an overview of the program and a cost comparison of in-house staffing vs. outsourcing. Based on the discussion at the Study Session, the direction was to continue to outsource this function.

FINANCIAL IMPACT:

There is no additional financial impact for approval of the recommended actions. The contract value is currently up to \$250,000. The actual amount varies each year, based on the number of business licenses processed by the Consultant. The contract value is included in the Finance Department's FY

2022 Adopted Budget.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is to approve a contract extension and there is no possibility that approval will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Fourth Amendment to Professional Services Agreement with HDL Software LLC