



City of Pleasant Hill

MEMORANDUM

TO: Councilmember Timothy M. Flaherty, Budget Committee Chair
Councilmember Sue Noack, Budget Committee Member

FROM: Ross Yangwas, Accountant
Mary McCarthy, Finance Manager
Andrew Murray, Assistant City Manager

DATE: 11/13/2019

SUBJECT: Update on Business License Tax Audit Service with HDL Software LLC

Introduction

In May 2019, the City of Pleasant Hill (“City”) entered into a contract for business license tax auditing service with HDL Software LLC (“consultant”) to continue until the City requests termination. This memorandum serves to summarize the City’s desire to ensure that all applicable entities possess valid business licenses and, by corollary, have paid all business license taxes. The City has engaged with the consultant to provide the resources and expertise to assist with identifying non-compliant businesses and the necessary follow-up to bring them into compliance.

Background

Per government ordinance, the City requires a business license for all entities that have a business presence or engage in business transactions that occur within the City’s geographical domain; in addition, the City is entitled to collect a business license tax from these entities for administrative processing. The calculation of the business license tax is based on the type/category of business and the various options/requirements that fall under that business type/category. Upon meeting the City’s zoning requirements and paying the business license tax, a business’s license is generally valid until the end of the calendar year (prorated based on the business start date), and must be renewed annually for each calendar year. The exceptions are for a business type/category that allows for flat rate tax options for quarterly, semi-annual, or annual validity from the business start date (typically for construction contractors).

Update

As outlined in HDL's "Discovery & Compliance" document (Exhibit 1), HDL plans to assist the City in accomplishing its business license compliance goals through the three main steps of follow-up with non-compliant businesses: identification, batch mailings, and registration processing. First, HDL intends to utilize eighteen independent resources to help them locate unlicensed businesses within the City's jurisdiction in the identification step. Next, three different notification letters have been created in varying degrees of tone and urgency, each appropriate for the various businesses' lengths of time in delinquency for the batch mailing step; HDL would send each non-compliant business the first notice, and if necessary, follow up with the second and third notices over a 90-day period. Lastly, registration processing would involve collaboration between HDL and the City on invoicing the non-compliant business, placing outbound calls, and possibly performing field visits. HDL strongly recommends handling most of the registration processing tasks on behalf of the City as part of the service it provides.

Per discussions between HDL and City staff, the suggested strategy is to engage in this process in four phases by business grouping: 1) commercial rentals; 2) residential rentals; 3) retail businesses; and 4) real estate agencies. To start, HDL identified 187 commercial property rentals for which no business license is in place and is prepared to begin the batch mailing of notices as soon as the City gives approval. In addition, HDL staff is currently reviewing other leads and will prepare additional mailings as the project moves forward. In light of the upcoming business license renewal season, which typically starts in November (with the annual notices being sent out to all businesses to renew their licenses by January 31st), HDL recommends limiting the sending of non-compliance notices during that timeframe; sending non-compliance notices would resume in early March 2020.

As part of the outreach to non-compliant businesses, the City plans to add a section of content to the City's website with an explanation of the business license audit process, links to any relevant material, and identification of HDL as the main point of contact along with their contact information. The purpose of this would be two-fold: it would be another medium to inform non-compliant businesses and give them an opportunity to become compliant; and it would give the non-compliant business the validation that communications from HDL regarding the matter are legitimate.

HDL's goal is to make this process as easy as possible for both the City and the non-compliant businesses.

Attachments:

Exhibit 1 - Discovery and Compliance Process Outline