

City of Brisbane

Agenda Report

To: City Council via City Manager

From: Administrative Services Director

Subject: Contracting with Muni Services to provide Business License Processing Services

Date: August 20, 2015

Purpose:

To ensure the regulations related to businesses within the City are enforced.

Recommendation:

Staff recommends the City enter into an agreement with Muni Services to provide business license processing services.

Background:

The City's Finance Department is working through the retirement and anticipated retirement of two long-serving staff members, as well as an increase in workload over the past 15 years. One of the two retirees worked on payroll and utility billings. The other future retire is our Deputy Finance Director. The elimination of the Redevelopment Agency, although it was supposed to reduce the workload of the department, has increased it due to the additional reporting requirements. Additional reporting requirements have also happened in the areas of payroll, and utility billing over the years. We have had a growth in the number of vendors and customers we handle on a daily and monthly basis. The department has also taken on additional responsibilities including shuttle pass distribution, PG&E as well as other vendors paystations, and reception. The other major project the department is working on is the implementation of a new financial system. The implementation is planned to be completed in May of 2016. As the staff is implementing the system our workload will increase as we will need to run the two systems in parallel to ensure financial information consistency. Staff anticipates that it will take a couple of years to become as familiar with the software as we were with the existing system.

Through the budget process staff presented a reorganization of the department to the City Council. The reorganization lowered one of our two front counter positions back to a Senior Accounting Assistant and lowered the level of the Deputy Finance Director to Financial Services Manager. This has created a salary savings which allowed the department to hire a part-time Office Specialist.

The next step in the reorganization is to have our business license processing be handled by an outside firm. This reduction in workload will allow us to meet the needs of the organization and the community.

Discussion:

The current method for processing business licenses is to have one staff dedicated to the process. The heaviest workload is in December, January, and February as we mail out and respond to renewals. In the past, the staff member who was in charge of business licenses also did accounts payable so the workload although burdensome was not overwhelming. The person has been transferred to do payroll which also, has a larger than ordinary workload in December and January as we do calendar year end work and prepare and mail out all of the W-2s. The accounts payable will be shifted to the part-time employee and therefore will not be available enough or have enough time to also work on business licenses.

The alternative is to outsource business license processing to ensure timely completion of the work, provide an on-line alternative for businesses, and smooth out the workload within the department in order to provide the information the Council and the community needs to make decisions.

The City contacted its sales tax audit firm to see if they also had a business license processing service. This would allow a level of checks and balances in the system. This firm knows all of the businesses which pay sales tax within the City and therefore have a better understanding of businesses which needed business licenses. The firm does provide this service and has provided the service for other smaller cities such as Half Moon Bay.

The cost of the service is \$15,000 in startup costs and \$12 per business license processed. We process between 800 and 1,000 business licenses a year, so the annual cost will be between \$9,600 and \$12,000 a year. This compares to the cost of paying for the business license package from the new software company (about \$5,000), plus the cost of maintenance from the company (\$500 a year), and staff time dedicated to this task, about 300 hours a year (\$9,000).

The new service will allow businesses and individuals to apply for and receive their licenses on-line. The existing system required all business to take place in person either over the phone, through the mail, or over the counter. This new system will be more business friendly.

Staff will re-evaluate this program after two years to determine if it is working as anticipated, if we have more businesses licensed, and if the workload has changed within the department to bring this process back in-house.

Fiscal Impact:

The cost of the program will be accounted for similarly to our Sales Tax Audit payments. The cost will be offset against the revenues the City receives from business licenses. As shown above the cost will be \$15,000 in startup costs and about \$10,000 a year thereafter. The first year will have a reduction of \$5,040 as per the contract.

Measure of Success

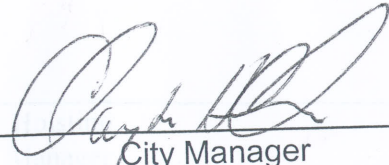
The Business Licenses process is easier to use and provides a timelier license than is currently experienced by our customers.

Attachments:

Business License Administration Agreement



Stuart Schillinger
Administrative Services Director



City Manager



Business License Administration Agreement

This Business License Administration Agreement (the "Agreement") is made as of the ____ day of _____, 2015 ("Effective Date") by and between MuniServices, LLC, a Delaware limited liability company ("MUNISERVICES") and City of Brisbane, a California city ("CITY").

A. Remittance Processing Services

1. Services Performed: MUNISERVICES will perform remittance processing for the collection of Business Licenses.
2. Taxpayer Notification and Remittance: MUNISERVICES will send individualized tax forms to all known taxpayers. Taxpayers will remit payments to City of Brisbane, 50 Park Pl, Brisbane, CA 94005-1310, or such other address as may be determined by MUNISERVICES or CITY.
3. Deposit Process: Deposits are made, to the extent that funds have been received, via Automated Clearing House of the amounts and to the designated recipients as instructed by the CITY.
4. Posting Process: Taxpayer accounts are posted with payment information captured in the MUNISERVICES revenue system. Additional information such as net sales, deductions, credit sales, measure of tax, name change and address change are captured and added to payment data and taxpayer master file (as determined necessary by MUNISERVICES). Late payments (postmarked by U.S. Postal Service after due date) are invoiced at penalty amounts required by State or local code. Under-payments are invoiced for remaining tax due plus any required penalties.
5. Notification, Reporting to CITY: MUNISERVICES will provide CITY with monthly reports including, but not limited to, payment listings showing all monies received, a detail and summary reconciliation report that corresponds to CITY'S account numbers and all fees paid to MUNISERVICES. Reports may also be available to the CITY through MUNISERVICES online reporting portal.
6. Taxpayer service: MUNISERVICES will provide a taxpayer assistance number for taxpayer questions.

B. General Provisions

1. Consideration for Remittance Processing Services, Revenue Analysis Services, and Compliance Services:
 - i. CITY will pay MUNISERVICES A set-up fee of \$15,000, which includes an online payment portal and 50 hours of customization. Additional customized requirements will be scoped and quoted on a separate statement of work if required.
 - ii. CITY will pay MUNISERVICES an amount equal to twelve dollars (\$12.00) per business license processed. This processing fee will be adjusted annually based on published CPI inflation.
 - iii. If CITY signs this agreement by midnight August 31, 2015, and the service is implemented by November 30, 2015, then MUNISERVICES will waive the \$12 fee on the first 420 licenses we process for the CITY. This is a one-time fee-reduction.
2. Company Audit: Once a year MUNISERVICES will have an auditor prepare an Independent Service Auditor's Report on Controls Placed in Operation and Tests of Operating Effectiveness. This report is commonly called a SOC 1 report and will be made available upon request.
3. Term of the Agreement: This Agreement shall be for a term of three (3) years following the date of execution, with an automatic two year renewal if neither party has cancelled. Either party shall have the right to terminate this Agreement in the event of a material breach by the other party. Any such termination may be made only by providing ninety (90) days written notice to the other party, specifically identifying the breach or breaches on which termination is based. Following receipt of such notice, the party in breach shall have thirty (30) days to cure such breach or breaches. In the event that such cure is not made, this Agreement shall terminate in accordance with the initial ninety (90) days notice.
4. Effect of Termination: Notwithstanding non-renewal or termination of this Agreement, CITY shall be obligated to pay MUNISERVICES for services performed through the effective date of termination for which MUNISERVICES has not been previously paid. In addition, because the services performed by MUNISERVICES prior to termination or non-renewal of this Agreement may result in the CITY's receipt of revenue after termination which are subject to MUNISERVICES's fee, the CITY shall remain obligated after termination or non-renewal to provide to MUNISERVICES such information as is necessary for MUNISERVICES to calculate compensation due as a result of the receipt of revenue by the CITY. The CITY shall remain obligated to pay MUNISERVICES's invoices therefore in accordance with the terms of this Agreement.
5. Indemnity: To the full extent allowed by law, CITY hereby agrees to indemnify and hold MUNISERVICES harmless from any claims and against all costs, expenses, damages, claims and liabilities, relating to the determination of fees, penalties, taxes and other amounts due from taxpayers, the collection thereof, the Deposit Process pursuant to Section A(3), above and any refunding related thereto. To the full extent allowed by law, MUNISERVICES hereby agrees to indemnify and hold CITY harmless from any claims and against all costs, expenses, damages, claims and liabilities, relating to any negligent act or omission of MUNISERVICES.
6. Limitation of Liability: To the maximum extent permitted by law, in no event shall MUNISERVICES, its employees, contractors, directors, affiliates and/or agents be liable for any special, incidental, or consequential damages, such as, but not limited to, delay, lost data, disruption, and loss of anticipated profits or revenue arising from or related to the services, whether liability is asserted in contract or tort, and whether or not MUNISERVICES has been advised of the possibility of any such loss or damage. In addition, MUNISERVICES's total liability hereunder, including reasonable attorney's fees and costs, shall in no event exceed an amount equal to the fee paid by the CITY for the affected service to which the



claim pertains. The foregoing sets forth the CITY'S exclusive remedy for claims arising from or out of this Agreement. The provisions of this section allocate the risks between MUNISERVICES and the CITY and MUNISERVICES's pricing reflects the allocation of risk and limitation of liability specified herein.

- 7. Equal Opportunity to Draft: The Parties have participated and had an equal opportunity to participate in the drafting of this Agreement. No ambiguity shall be construed against any Party upon a claim that that party drafted the ambiguous language.
8. Assignment: This Agreement shall be binding upon and inure to the benefit of the Parties, their successors; representatives and assigns. MUNISERVICES shall not assign this Agreement, or delegate its duties or obligations under this Agreement, without the prior written consent of CITY, which consent shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the foregoing, MUNISERVICES may assign this Agreement, in whole or in part, without the consent of CITY to any corporation or entity into which or with which MUNISERVICES has merged or consolidated; any parent, subsidiary, successor or affiliated corporation of MUNISERVICES; or any corporation or entity which acquires all or substantially all of the assets of MUNISERVICES. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties and their successors or assigns.
9. Force Majeure: MUNISERVICES shall not be in default of its obligations hereunder to the extent that its performance is delayed or prevented by causes beyond its control, including but not limited to acts of God, government, weather, fire, power or telecommunications failures, inability to obtain supplies, breakdown of equipment or interruption in vendor services or communications.
10. Subcontractors: MUNISERVICES shall have the right to hire assistants as subcontractors or to use employees to provide the Services required by this Agreement. MUNISERVICES, in rendering performance under this Agreement shall be deemed an independent contractor and nothing contained herein shall constitute this arrangement to be employment, a joint venture, or a partnership. MUNISERVICES shall be solely responsible for and shall hold CITY harmless from any and all claims for any employee related fees and costs including without limitation employee insurance, employment taxes, workman's compensation, withholding taxes or income taxes.
11. Intellectual Property Rights: The entire right, title and interest in and to MUNISERVICES's database and all copyrights, patents, trade secrets, trademarks, trade names, and all other intellectual property rights associated with any and all ideas, concepts, techniques, inventions, processes, or works of authorship including, but not limited to, all materials in written or other tangible form developed or created in the course of this Agreement (collectively, the "Work Product") shall vest exclusively in MUNISERVICES. The foregoing notwithstanding, in no event shall any CITY-owned data provided to MUNISERVICES be deemed included within the Work Product.
12. Entire Agreement: This Agreement constitutes the entire agreement between the Parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter contained herein. Said Agreement shall not be amended, altered, or changed, except by a written Agreement signed by both parties hereto.
13. Invalidity: If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained thereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
14. Implementation: Implementation should begin as soon as possible from the signing of this Agreement (the "Effective Date") for the performance of services under the terms of this Agreement. Target go-live date is 90 days from the Effective Date. Should implementation be delayed beyond 120 days, pricing is subject to change.

IN WITNESS WHEREOF, the parties hereto as of the date first above written have duly executed this Agreement.

MUNISERVICES, LLC

City of Brisbane, a Municipal Corporation

By: [Signature]

By: _____

Its: Senior Vice-President

Its: _____

Date: July 23, 2015

Date: _____

APPROVED AS TO FORM:

[Signature of Michael Roush]

Michael Roush, City Attorney