

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: November 14, 2024

PREPARED BY: Richard D. Cannone, AICP, Development Services Director

SUBJECT: STUDY SESSION: BUSINESS LICENSING EVALUATION

RECOMMENDATION:

1. Provide feedback on the following considerations:
 - a. Entering a Professional Services Agreement with Avenu Insights and Analytics (“Avenu”) for Business Licensing Services.
 - b. Establishing an annual fixed date of July 1st for Business Licensing renewals.

BACKGROUND/ANALYSIS:

In 2020, the City Manager, through the authorities granted by City Council for emergency provisions during the Pandemic, authorized Contract No. C41450 with Hinderliter De Llamas and Associates (HdL) to outsource the City’s business license functions in response to the backlog of licensing duties and local business needs for PPE loans, which required active business licenses. HdL took over all business licensing functions including new applications, renewals, and the pursuit of delinquent accounts. Staff is currently in the final year of the agreed upon agreement term.

Starting in August 2023, Development Services staff began a comprehensive evaluation of the business licensing services provided by HdL. This evaluation revealed several significant challenges that have impacted the effectiveness of the program. A primary issue identified was the limited access City staff had to the HdL software system, which has created difficulties in assisting customers in a timely and efficient manner. As a result, staff have been dependent on HdL for even basic tasks, such as providing printed copies of business licenses.

Under HdL’s service model, City staff have minimal capacity to fully address customers' business license needs. For example, when a customer visits the Development Services Center to request a printed copy of their business license, staff are required to direct the customer to log into their personal portal to access and print the document themselves or send an email request to HdL asking them to provide a link for the customer to print it. This lack of customer service has caused frustration for both staff and customers, who expect a more responsive customer service experience. A summary of the key findings include:

1. Limited Access to HdL Software
 - One of the primary concerns raised by staff was the lack of access to the HdL software system, which has restricted the staff’s ability to assist customers effectively.
 - Customer frustration has increased because of this limited access. Customers expect to be able to receive the necessary services directly from City staff, but instead they are being redirected to the online portal, which has caused inefficiencies and dissatisfaction.

2. Inconsistencies and Complaints from Local Businesses
 - Over the past six months, staff from both Development Services and the Finance Department have held numerous meetings and calls with HdL to address the lack of access and continued complaints from local businesses. These complaints primarily centered on communication issues, inconsistent service delivery, and confusion over how the City's business license program was being administered. Despite these discussions, the issues persisted, and local businesses remained dissatisfied with the service.
3. Compliance Program Suspension
 - In May 2024, the City launched the compliance component of the contract with HdL to address unlicensed and delinquent businesses in the City. This compliance program aimed to improve enforcement and increase license renewal compliance.
 - The compliance program officially launched in July 2024 but was suspended in August 2024 after it became clear that there were significant issues with how the program was being executed by HdL. Among the reasons for suspension were:
 - Inconsistencies in the implementation of the program.
 - Ongoing complaints from business owners regarding how they were being handled.
 - Misinterpretations of the City's business license ordinance that had not been properly communicated to City staff.
4. Lack of Clear Communication and Policy Alignment
 - Another major issue that became evident was the misalignment between HdL's interpretation of the City's business license ordinance and the City's actual policies. This lack of clear communication led to confusion among local businesses, with some businesses being incorrectly informed about their license status, fees, and renewal requirements.

To date, we have identified over 50 unresolved concerns related to intake processes, documentation, client services, the online portal, fee assessments, and fee collection. The service model provided by HdL has significantly limited the ability of City staff to assist customers effectively. Given these persistent challenges, we believe it is time to pursue a new vendor that can better meet our needs.

Considerations:

1. Enter into a contract with Avenu Insights and Analytics ("Avenu") for Business Licensing.

In 2021, Avenu was ranked second in a competitive selection process for managing the City's business license operations. The contract was ultimately awarded to HdL, in part due to their ability to supplement staff in the field for follow-up on delinquent or unlicensed businesses.

However, as noted earlier, the compliance services offered by HdL were suspended in August 2024 due to emerging issues, including inconsistencies in service delivery, limited staff access to critical data, and complaints from business owners regarding the handling of renewals and customer service. Given these challenges and the City's positive long-term

history with Avenu, staff is recommending that the City amend the current professional service contract with Avenu to include the management of business license operations.

The City has had a successful and long-standing relationship with Avenu for sales tax consulting services. Over the years, the City has been pleased with Avenu's responsiveness, customer service, and their ability to provide accurate and relevant data that supports decision-making and program management. Additionally, given the City's previous experience with Avenu, transitioning to their business license management services could be done more smoothly and quickly than with a completely new vendor. Avenu's familiarity with the City's operational needs, data systems, and customer service expectations would facilitate smooth integration and faster implementation of the business license program. Staff has reviewed the 50 unresolved concerns with Avenu to address the current gaps in business license operations, and believe those gaps will be closed upon implementation, including:

- **Business License Management:** Avenu would take on the management of business licenses within the City, including:
 - Issuance and renewal of business licenses.
 - Compliance monitoring and enforcement of the City's business license ordinance.
 - Tracking and follow-up on delinquent or unlicensed businesses.
- **System Access:** Avenu would grant full access to staff to ensure seamless data sharing and real-time access for City staff. This would include taking payments, assisting in processing applications at the lobby, and the ability to print a license for a customer.
- **Customer Service:** Avenu would provide dedicated customer support for business owners, assisting them with the application process, renewal procedures, and addressing any issues related to their business license.
- **Reporting and Data Analytics:** Avenu would provide the City with comprehensive reporting tools and data analytics to improve decision-making, streamline enforcement efforts, and ensure transparency in the business license process.

2. Establish an annual fixed date of July 1st for Business Licensing renewals.

The City currently has approximately 5,500 active business licenses, each with its own unique renewal date. This lack of standardization has contributed to several operational challenges, including inefficiencies in renewals, follow-up, and enforcement.

To address this, Development Services proposes a policy change to establish a fixed renewal date of July 1st each year for all business licenses. This change is designed to standardize operations, improve efficiency, and enhance service delivery, benefiting both City staff and business owners. Below are the key reasons for this proposed change:

1. Streamlined Operations and Allocation of Staff Time
 - A fixed renewal date will allow for better alignment of internal processes, making it easier to plan and allocate resources throughout the year.

- It will reduce the need for constant adjustments to renewal schedules, which can cause confusion and administrative burdens.
 - Staff will be able to prepare more effectively for the peak period leading up to July 1st and ensure that all renewal activities are handled within a set timeframe.
2. Improved Customer Experience
- It ensures that all businesses renew on the same schedule, preventing discrepancies in expiration dates and minimizing confusion among business owners.
 - A standard renewal date makes it easier for the City to communicate with businesses. Renewal notices will be sent on a fixed schedule, ensuring all businesses receive timely notifications well in advance of their renewal deadline. This improved communication reduces the number of customer inquiries and ensures that businesses are better informed about upcoming deadlines.
3. Easier Enforcement and Compliance
- A set renewal date will make it easier for Development Services to track non-compliance and focus enforcement efforts on one annual cycle. It will help avoid gaps in where businesses might be overlooked or unknowingly operate without a valid license.
 - Enforcement actions can be planned and executed more effectively with a fixed renewal date, ensuring all businesses renew their licenses in a timely manner.
4. Efficient Fee Assessment and Collection
- With all renewals occurring on the same date, the fee collection process will be more predictable and streamlined.
 - A standardized renewal period allows for better tracking of revenues, more accurate budgeting, and improved financial reporting for the City.
 - It will eliminate the complexity of managing multiple renewal dates for different businesses, making the tax and fee collection process more efficient.
5. Improved Data Management and Reporting
- A fixed renewal date will allow for easier tracking and reporting of renewal activity. The City can use data to monitor compliance rates, identify trends, and make data-driven decisions to improve the program.
 - It will also support better coordination with other City departments and services that rely on business license data, such as planning, code compliance, and economic development.
 - Improved budget estimations for business licensing and the El Paseo parking and business improvement area.
6. Alignment with Best Practices
- Many cities and municipalities have successfully implemented fixed renewal dates to improve the efficiency of their business license programs. Establishing a fixed date for renewals would align the City with best practices in business license management and help standardize operations across various work groups within the city that interact with business license data (e.g., code enforcement, planning, finance, economic development)

If the City Council is supportive of the change, Development Services will develop a detailed transition plan to move all businesses to the July 1st renewal date. This plan will involve:

- Communicating the new renewal date to all business owners well in advance.

- Providing clear instructions for businesses regarding the transition and what they need to do to comply.
- For businesses that have already paid or are due to renew outside of the July 1st window, a system for prorating fees or adjusting renewal periods will be developed that will provide a credit on the July 1st renewal invoice. This will ensure fairness and minimize disruption for businesses during the transition.

Legal Review:

This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

In the previous fiscal year, the cost for the HdL contract was \$150,972, with a budget allocation of \$180,000 for the current fiscal year. For comparison, the projected cost for Avenu is estimated at approximately \$114,000. This amount includes a one-time implementation fee of \$15,000, with the anticipated annual fee for subsequent years being around \$99,000 (subject to adjustments based on the Consumer Price Index, or CPI). Additionally, Avenu's fees will be \$18.00 per renewal or new business transaction.

Like HdL, Avenu will charge a 35% rate for Discovery Services. This rate is consistent with industry standards for consulting services related to business license management. A more detailed estimate of these charges will be provided should the City Council agree with the staff's recommendation.

ATTACHMENT:

1. Presentation