

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: April 10, 2025

PREPARED BY: Kalaina Perez, Management Analyst

SUBJECT: APPROVE AMENDMENT NO. 2 TO CONTRACT NO. C41450 WITH HINDERLITER, DE LLAMAS AND ASSOCIATES (HDL) TO CONTINUE BUSINESS LICENSE TAX AND FEES ADMINISTRATION.

RECOMMENDATION:

1. Approve Amendment No. 2 to Contract No. C41450 with HdL to extend the term for one (1) year.
2. Authorize the City Attorney to make any non-monetary changes to the agreement.
3. Authorize the City Manager or designee to execute any amendments to the agreement.

BACKGROUND/ANALYSIS:

In May 2021, the City entered into a contractual agreement with HdL to outsource business license services. This decision was made in response to significant operational challenges posed by the COVID-19 pandemic, which resulted in a substantial backlog of business license applications and strained internal resources.

On January 9, 2025, during a study session, the City Council and staff reviewed concerns regarding the current processing of business licenses and explored the benefits of bringing these services back in-house. A key factor in this transition is the City's investment in Clariti software, which will enable a more efficient and streamlined approach once the business license module is fully implemented in the first quarter of 2026.

As the current four-year contract with HdL expires on April 30, 2025, a one-year contract extension is necessary to maintain services until they can be brought back in-house. This extension will provide the required time to implement the Clariti Software, enhance operational efficiency, and ensure uninterrupted service delivery.

The following four services are provided under the current contract:

1. **Operations Management Services** - Processing of renewals and new applications.
2. **Online Payment Processing** – Handling credit card and eCheck transactions.
3. **Discovery Services** – Identifying businesses subject to business licensing requirements.
4. **Collection Services** – Collecting outstanding business license-related debts.

Staff recommends keeping all four services in the contract; however, at this time, authorization will only be given for **Operations Management Services** and **Online Payment Processing** (items 1 and 2). Staff from the Development Services and Finance Departments will continue to monitor the contract and assess the need for Discovery and/or Collection Services.

HdL's Client Services Team has made significant progress in collaboration with staff, further supporting the need for a smooth transition. Therefore, staff recommends approving a one-year contract extension with HdL to support the implementation of Clariti and ensure an efficient transfer of business licensing back in-house.

Legal Review:

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

FINANCIAL IMPACT:

Funds in the amount of \$180,000 have been requested as part of the FY 2025-26 Annual Budget in Account No. 1104421-4309300 for this purpose. There is no additional impact on the General Fund.

ATTACHMENTS:

1. HdL Draft Amendment No. 2
2. HdL Amendment No. 1
3. HdL Contract No. C41450