



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 04/02/2024

DATE: March 25, 2024
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Authorize the Town Manager to Execute a Third Amendment with HdL Companies for Business License Consulting and Reviewing Services to Review Draft Procedures for the Apportionment of Business License Taxes with Netflix Inc. Not to Exceed \$40,000 with a Total Contract Not to Exceed \$273,000

RECOMMENDATION:

Staff recommends that the Council authorize the Town Manager to execute a third amendment with HdL Companies for business license consulting and reviewing services to review draft procedures for the apportionment of business license taxes with Netflix Inc. not to exceed \$40,000 with a total contract not to exceed \$273,000.

BACKGROUND:

In November 2022, Los Gatos voters approved Measure J, which modernized the Town's business license tax program. This was the first update to the program since 1991 and included adjustments to flat rate fees, retailing gross receipts, and e-commerce, manufacturing, wholesaling, and jobbing gross receipts. HdL Companies assisted the Town with the business license modernization process (Attachment 3).

Once those services were completed, the Town executed a first amendment to the original agreement for business license tax and fee administration services until December 31, 2023 (Attachment 2). With the second amendment, the Town continued its partnership with HdL Companies (HdL) through December 31, 2025 to provide dedicated business license support to Los Gatos businesses.

Through this arrangement, the Town's business license application and renewal process has been streamlined by offering online business license applications and renewals.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Town Attorney, and Assistant Town Manager

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SUBJECT: Authorize the Town Manager to Execute a Third Amendment with HdL
Companies for Business License Consulting Services

DATE: March 25, 2024

BACKGROUND (continued):

HdL is assisting with a variety of business license related tasks, including new applications, annual renewals, payments, compliance inquiries, and other general support. Staff is continuously monitoring and fine-tuning the business license application and renewal process to improve the customer experience.

DISCUSSION:

During the 2024 business license renewal cycle, Netflix Inc.'s legal team reached out to Town staff to memorialize the business license tax payment methodology in a draft written Agreed Upon Procedure. Staff is recommending that the Town engage with HdL to guide the process to ensure proper reporting practices and conformance with tax law. With this third amendment, HdL would review the gross receipts and proposed apportionment methodology and present the Town with their findings. The consultant would also conduct any necessary follow up with staff regarding the tax renewal received in 2024 following the final determination of the apportionment methodology.

CONCLUSION:

Authorize the Town Manager to execute a third amendment with HdL Companies for business license consulting and reviewing services to review draft procedures for the apportionment of business license taxes with Netflix Inc. not to exceed \$40,000 with a total contract not to exceed \$273,000.

FISCAL IMPACT:

There are sufficient funds in the adopted budget to cover the cost of the consulting services.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Third Amendment with HdL Compaines
2. Second Amendment with HdL Compaines
3. First Amendment with HdL Companies
4. Original Agreement with HdL Companies