



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 12/19/2023

ITEM NO: 8

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DATE: December 12, 2023  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Authorize the Town Manager to Execute a Second Amendment with HdL Companies for Business License Operations Management Services for Up to \$70,000 Annually Through December 31, 2025 with the Total Contract Not to Exceed \$233,000, and Discontinue the Business License Late Fee Penalty Waiver in the 2024 Calendar Year

**RECOMMENDATION:**

Staff recommends that the Council authorize the Town Manager to execute a second amendment with HdL Companies for business license operations management services for up to \$70,000 annually through December 31, 2025 with the total contract not to exceed \$233,000, and discontinue the business license late fee penalty waiver in the 2024 calendar year.

**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).

The Town requires all businesses located within Los Gatos and/or those that operate within Los Gatos to obtain a business license. Annual renewal payments are due on January 2 of each year. According to the Town Code, a 25% late fee penalty is assessed monthly, up to 100% on unpaid balances.

**PREPARED BY:** Gitta Ungvari  
Finance Director

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

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SUBJECT: Authorize the Town Manager to Execute a Second Amendment with HdL Companies for Business License Tax Operations Management Services for Up to \$70,000 Annually Through December 31, 2025

DATE: December 19, 2023

DISCUSSION:

With the second amendment, the Town would continue its current partnership with HdL Companies (HdL) through December 31, 2025 to provide dedicated business license support to Los Gatos businesses. Through the partnership, the Town's business license application and renewal process has been streamlined by offering online business license applications and renewals. 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.

Since March 2020, to alleviate the impacts of the pandemic, the Town Council has been working to remain supportive and adaptive to the community's businesses. One of the steps taken to support businesses included a business license late fee penalty suspension during the pandemic emergency proclamation. Council continued the business license late fee penalty waiver into 2023 to provide adequate time for businesses to adjust to the new process and fee structure.

Discontinuing the late fee penalty waiver in 2024 would enable the Town enforce business license compliance.

CONCLUSION:

Authorize the Town Manager to execute a second amendment with HdL Companies for business license operation management services for the Town of Los Gatos for up to \$70,000 annually through December 31, 2025 for a total contract amount not to exceed \$233,000, and discontinue the business license late fee penalty waiver in the 2024 calendar year.

FISCAL IMPACT:

The cost for business license administration a services is built into the FY 2023/24 operating budget. Fees for the administration services are assessed for each processed account, so the annual amount varies based on the number of active business licenses. Valid business license holders also pay business license processing fees that partially cover the consulting fee and staff time. The Town analyze the business license processing fee with the next comprehensive cost allocation study and Council may choose to adjust it. Providing the online platform and other HdL efficiencies enables businesses to pay on time, therefore staff estimates minimal collection of late fee penalties.

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ENVIRONMENTAL ASSESSMENT:

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

Attachments:

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