



## Agenda Item Staff Report

**To:** Honorable Mayor and Members of City Council  
*For the Meeting of September 10, 2024*

**From:** Chris Constantin, City Manager

**Prepared by:** Michael O'Brien, Director of Administrative Services

**Subject:** Approve Resolution 2024-65 Authorizing the City Manager to Enter into an Agreement with HdL Companies for Transient Occupancy Tax and Short-Term Rental Administration Services.

### **SUMMARY**

The City of San Dimas is requesting approval to enter into an agreement with HdL Companies to provide Transient Occupancy Tax (TOT) Administration and Short-Term Rental (STR) Administration services. HdL's services will streamline the City's tax collection process, ensure compliance among lodging providers, and enhance revenue through effective management and monitoring of both TOT and STR operations.

### **RECOMMENDATION**

Staff recommends that the City Council:

- Approve Resolution 2024-65 authorizing the City Manager to execute the agreement with HdL Companies for the provision of TOT and STR Administration services as outlined in the proposal dated August 22, 2024, in a form approved by the City Attorney.

### **FISCAL IMPACT**

The services provided by HdL will have associated costs as follows:

- \$900.00 per property per year for TOT administration, plus CPI adjustments.
- \$16.00 per filing for STR administration, plus CPI adjustments.
- \$5,000.00 per year for STR compliance, plus CPI adjustments.
- A one-time implementation fee of \$4,500.00.

These expenses will be covered by the revenues generated through the administration of TOT and STR taxes, with the potential for increased revenue collection due to improved compliance and audit processes. HdL estimates that short term revenues in the City generate \$150,000 in annual revenue, which would equate to \$18,000 in additional tax revenue for the City, less the fees charged by HDL.

## **BACKGROUND**

HdL Companies is a well-established provider of tax and fee administration services, specializing in assisting local governments with efficient and effective revenue collection. HdL's services include a comprehensive approach to managing TOT and STR taxes, including registration, payment processing, compliance monitoring, and audits.

The City of San Dimas has successfully partnered with HdL Companies for the administration of its Business License program. HdL's expertise in tax and fee administration has significantly improved business compliance within the City by ensuring that all businesses adhere to the requirements outlined in the municipal code. Through their comprehensive approach, which includes education, monitoring, and regular audits, HdL has not only enhanced compliance but also increased revenue collections. The additional revenue generated as a result of HdL's effective administration has consistently exceeded the fees charged by the company, providing a net financial benefit to the City. This success demonstrates HdL's capability to manage and optimize municipal revenue programs, making them an ideal partner for expanding their services to include Transient Occupancy Tax and Short-Term Rental Administration.

In addition to business license administration, the City has previously engaged HdL to conduct Transient Occupancy Tax (TOT) audits. The most recent audit agreement which had a cost of \$20,000, of which 4 of the City's 6 hotels have been audited to date, identified over \$60,000 in TOT revenue that had been omitted from the remittance reports by these hotels and should have been paid to the City.

By entering into this new agreement with HdL, the City will not only benefit from ongoing administration and compliance services but will also increase the frequency of TOT audits from every 5 years to every 3 years which is allowed per our municipal code. This enhanced frequency of audits will come at a minimal additional cost, further ensuring that the City maximizes its revenue from TOT collections and maintains high compliance rates among lodging providers.

## **DISCUSSION/ANALYSIS**

HdL's services will provide the City of San Dimas with the following benefits:

1. **Improved Compliance and Revenue Collection:** HdL's approach to TOT administration involves continuous monitoring and regular audits of lodging providers, ensuring that all due taxes are collected in a timely manner. Their STR administration services include a thorough identification process of short-term rental properties, helping the City to capture all eligible tax revenues.
2. **Streamlined Processes:** HdL will manage the City's TOT and STR tax databases, process all filings and payments, and provide comprehensive reports. This reduces the administrative burden on City staff, allowing them to focus on other priorities.
3. **Enhanced Transparency and Accountability:** The HdL client portal offers 24/7 access to real-time data on tax filings and payments, enabling City officials to monitor the effectiveness of the program and ensure accountability.
4. **Community Support and Education:** HdL provides extensive support to lodging providers, ensuring they understand their tax obligations and how to comply. This includes educational campaigns and dedicated customer support services.

By entering into this agreement, San Dimas will enhance its ability to manage and enforce TOT and STR taxes, leading to more accurate revenue collection and increased compliance.

### **ALTERNATIVES**

- The City Council could choose not to enter into the agreement with HdL, resulting in the City continuing to manage TOT and STR administration in-house with existing resources.
- The City Council could request further information or modifications to the proposed agreement before making a decision.

### **ENVIRONMENTAL REVIEW**

Pursuant to CEQA guidelines Section 15061 (b)(3), CEQA does not apply to this item because there is no potential for causing a significant effect on the environment. Therefore, no additional environmental review is needed at this time.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael O'Brien", written in a cursive style.

Michael O'Brien  
Director of Administrative Services

Attachments:

1. Resolution 2024-65
2. HDL Proposal