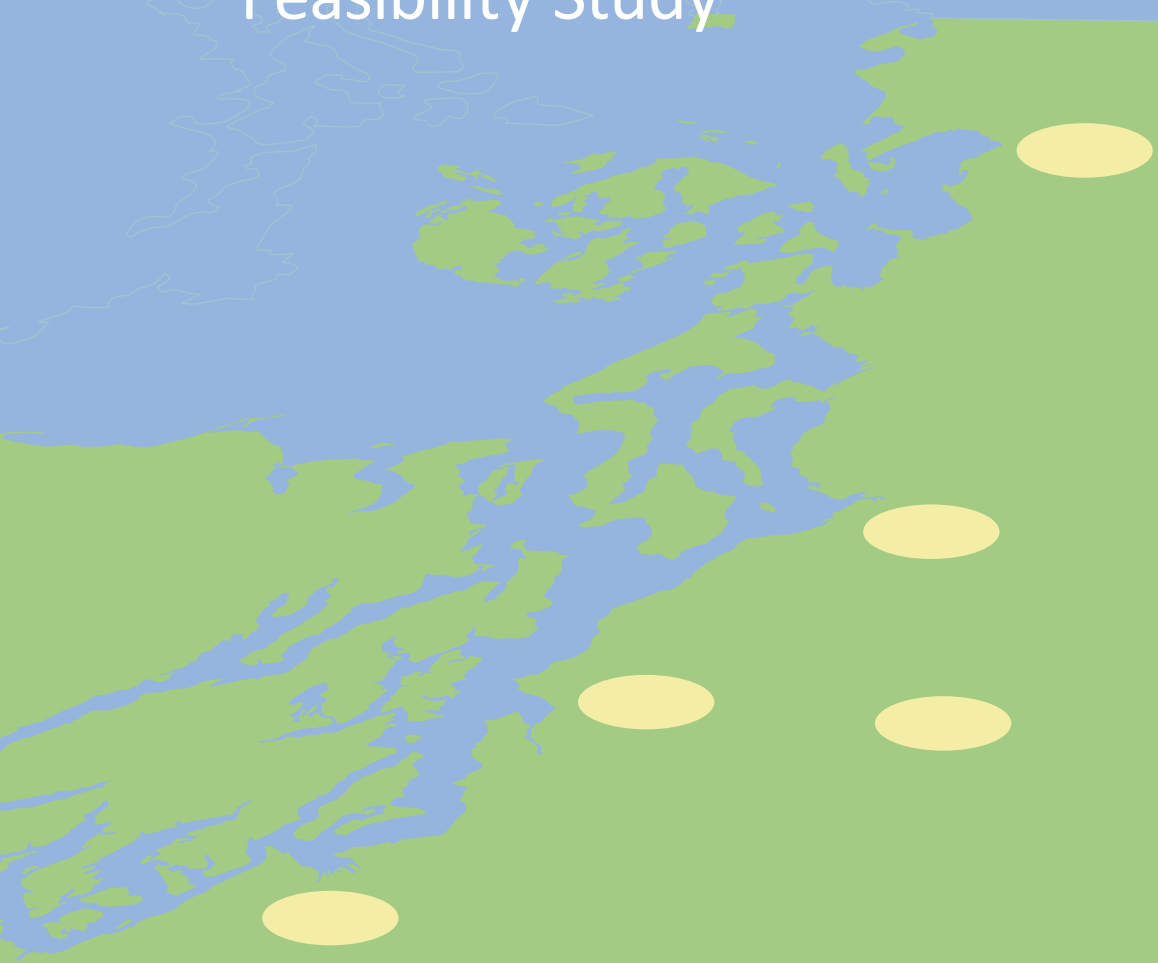
Five-City License and Tax Portal Feasibility Study



PROJECTCORPS™

License and Tax Portal Discovery Project

August 31, 2011

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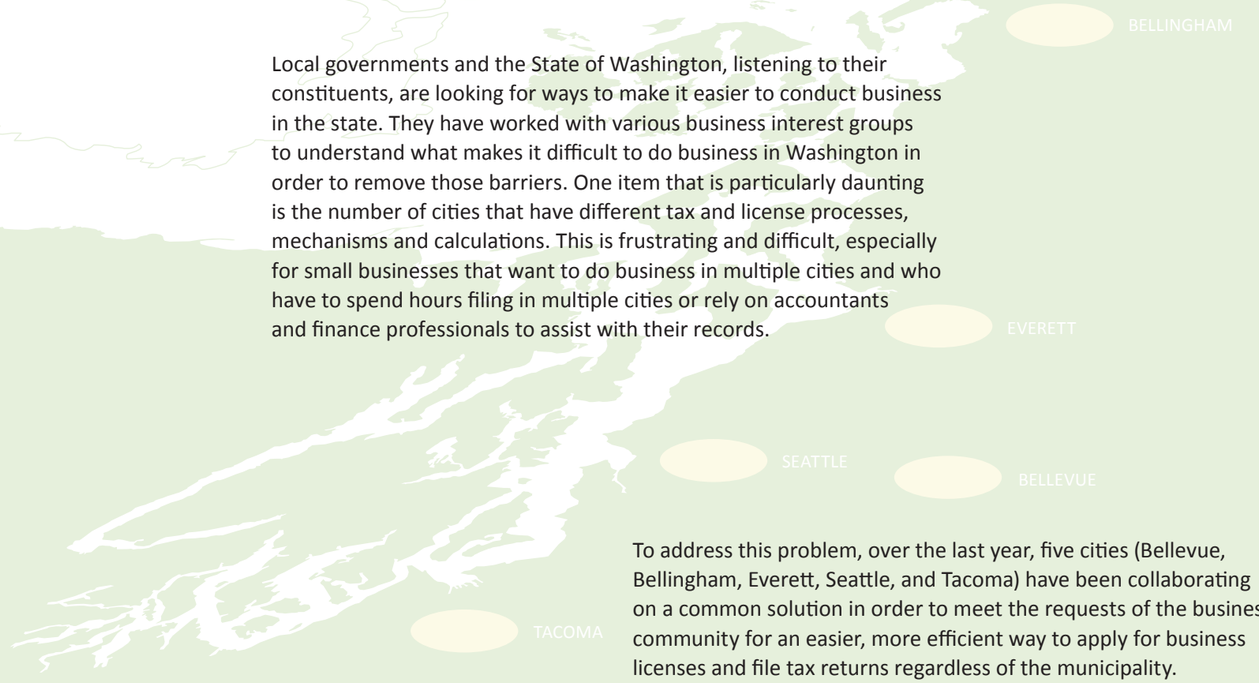
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The Need

A common solution that meets the business community's request for an easy, efficient way to apply for business licenses and file tax returns.

Local governments and the State of Washington, listening to their constituents, are looking for ways to make it easier to conduct business in the state. They have worked with various business interest groups to understand what makes it difficult to do business in Washington in order to remove those barriers. One item that is particularly daunting is the number of cities that have different tax and license processes, mechanisms and calculations. This is frustrating and difficult, especially for small businesses that want to do business in multiple cities and who have to spend hours filing in multiple cities or rely on accountants and finance professionals to assist with their records.



To address this problem, over the last year, five cities (Bellevue, Bellingham, Everett, Seattle, and Tacoma) have been collaborating on a common solution in order to meet the requests of the business community for an easier, more efficient way to apply for business licenses and file tax returns regardless of the municipality.

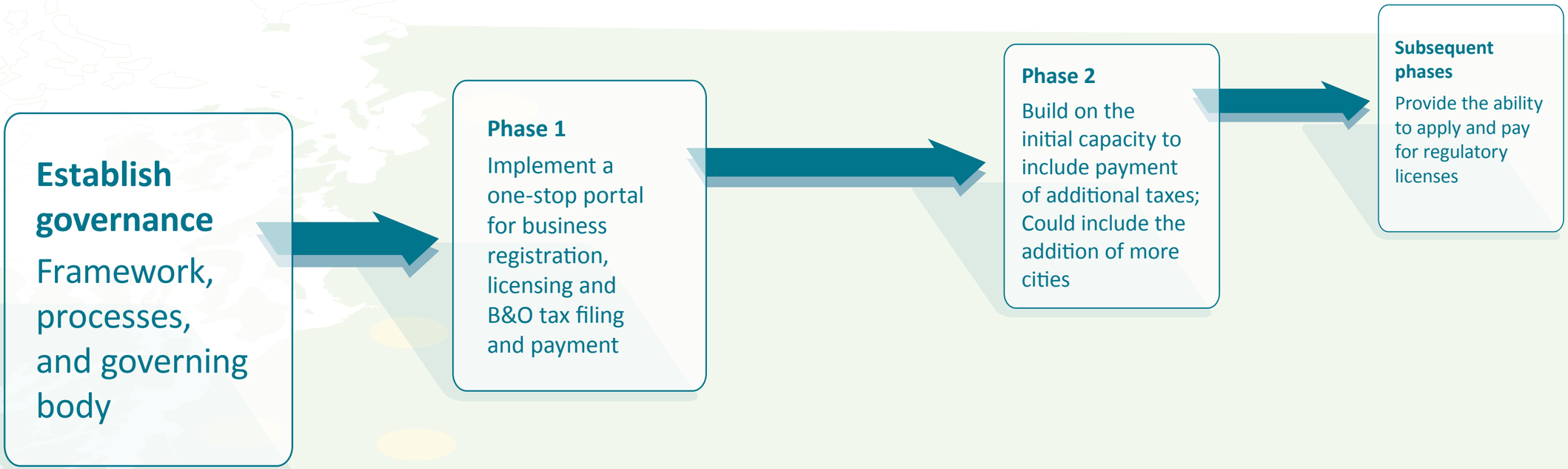
The License and Tax Portal Discovery Project is the feasibility study for the five cities to determine whether a common web portal is a possible means to meet the goal of simplified business license registration and local tax collection across the geography.

The short answer is yes; a common solution is feasible and, because of a high degree of commonality in tax processes, cities are the ideal implementers of a one-stop portal for business licensing and tax filing.

The Recommendation

A common portal to enable members of the business community to register their businesses, apply for and renew licenses, and file and pay taxes across any set of participating cities is feasible, practical and desirable.

THE RECOMMENDED PHASING IS …



The project team recommends that the one-stop web portal be implemented in a phased approach. This supports a quick implementation of the basic functions and avoids the areas of greatest risk to implementation.

To be as cost effective as possible, the portal would use commercial, off-the-shelf software components.

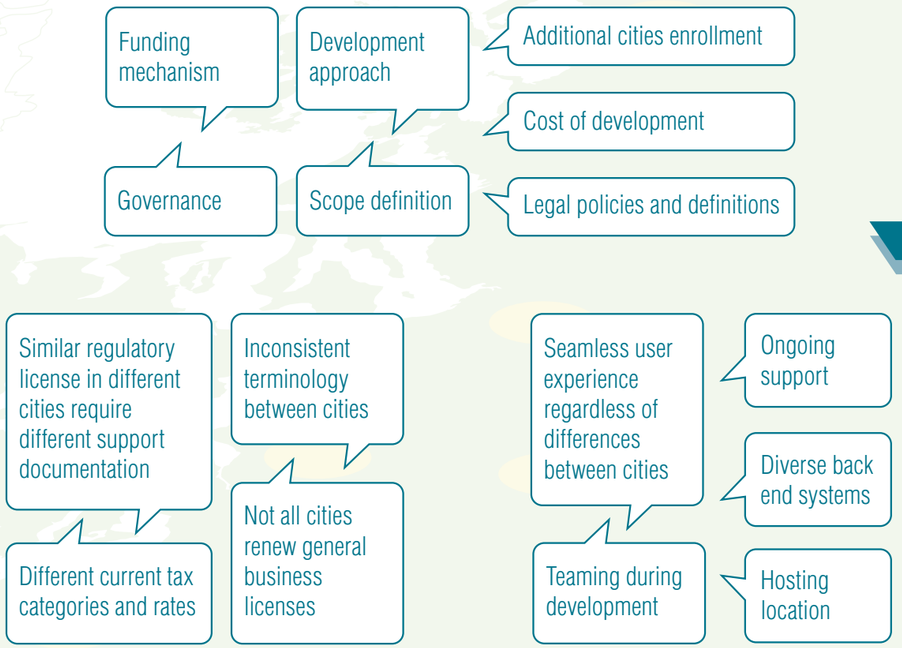
The following steps are recommended to implement the common portal:

- The cities' leadership defines and agrees to a common governance framework to provide central authority to steer development and implementation efforts as well as ongoing support and maintenance for the system. This includes definition of the governing committee, its charter, rules, membership, responsibilities and authority.
- A legal process and definitions sub-committee is similarly defined to support the governing committee.
- The governing committee directs analysis of hosting options and endorses a hosting solution.
- The project team performs the additional analysis to determine the final scope.
- The project team gathers detailed requirements for creation of the portal.
- A detailed project plan for Phase 1 of the common portal project is developed and the project launched.

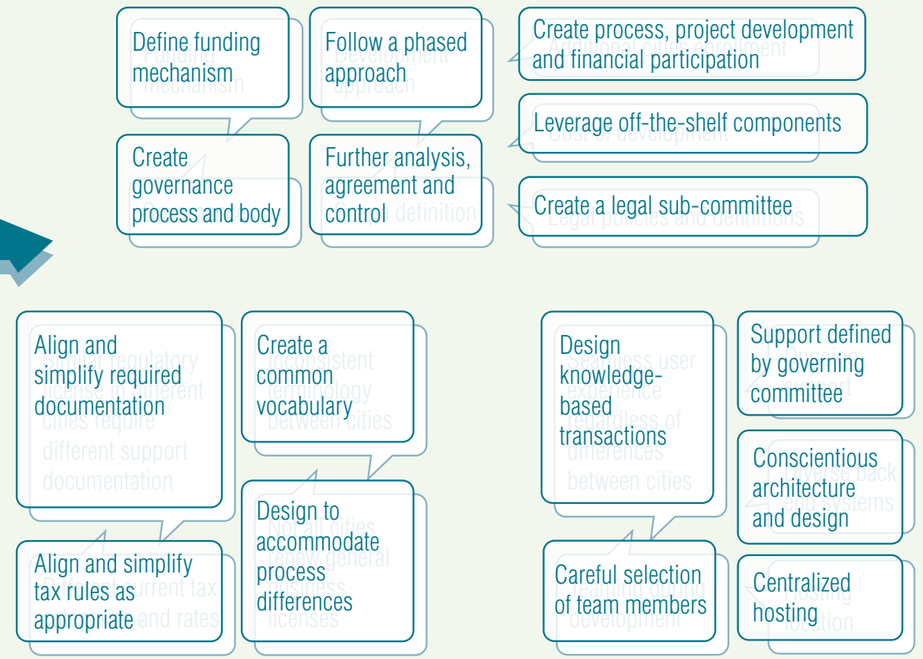
The Challenge

Success of building and implementing a portal depends on understanding and carefully planning for and addressing a number of challenges facing such an initiative. These are driven by having five different sponsoring municipalities, as well as the approach, scope and cost faced in defining and managing large projects of a complex nature.

CHALLENGES …



… AND RECOMMENDED APPROACHES



GUIDING PRINCIPLES

1. The architecture will enable supporting a wide variety of backend systems.
2. Continue to align and simplify tax rules across cities.
3. Continue to align and simplify regulatory licenses and required documentation.
4. Leverage knowledge-driven transaction design to accommodate different rules for different cities.
5. A common governance framework for oversight and direction of the portal during the project and once in production is required and is critical, as is a supporting legal policies and definitions sub-committee for legal interpretation and guidance.
6. This can be either hosting at a vendor facility or an existing centralized data center or a hybrid of initially hosting at a vendor facility and then later migrating (in-sourcing) to a centralized data center.
7. The governing committee defines the resource management model to facilitate the change and ongoing enhancement of functionality and the technical requirements of on-boarding additional cities. This support may be in-house, out-sourced or a combination of both.
8. Expense sharing for development and on going support needs to be defined and managed through a funding model.
9. A shared lexicon and vocabulary across the participating entities will support the legal policies and definitions developed as part of governance. Ideally this will be reconciled with existing forms, websites and other materials, which may contain municipality-specific language.
10. The development team needs to consist of resources from each of the participating entities, that represent their entities' constituents and work together to develop a common portal that serves the needs of the business communities operating in all jurisdictions.
11. The architecture needs to support the addition of more cities.
12. The cities have legitimate differences in process and needs and have different backend systems that need to be accommodated.
13. The scope of the feasibility study included assessment of business registration, business licensing and B&O tax filing. Regulatory licensing and other taxes require further analysis by the cities to determine to what extent the scope of the portal should include these functions.
14. Off-the-shelf components and proven architecture and design can be leveraged to build the portal in a cost-effective manner.
15. A phased approach to development and implementation of the portal can expedite realization of benefits and reduce risk, beginning with business registration, business licensing and B&O tax filing and collection.

The Analysis

There is a high degree of alignment and commonality between the cities, and more is attainable. With the right architecture, a common portal can readily accommodate the system differences between the cities.

APPROACH

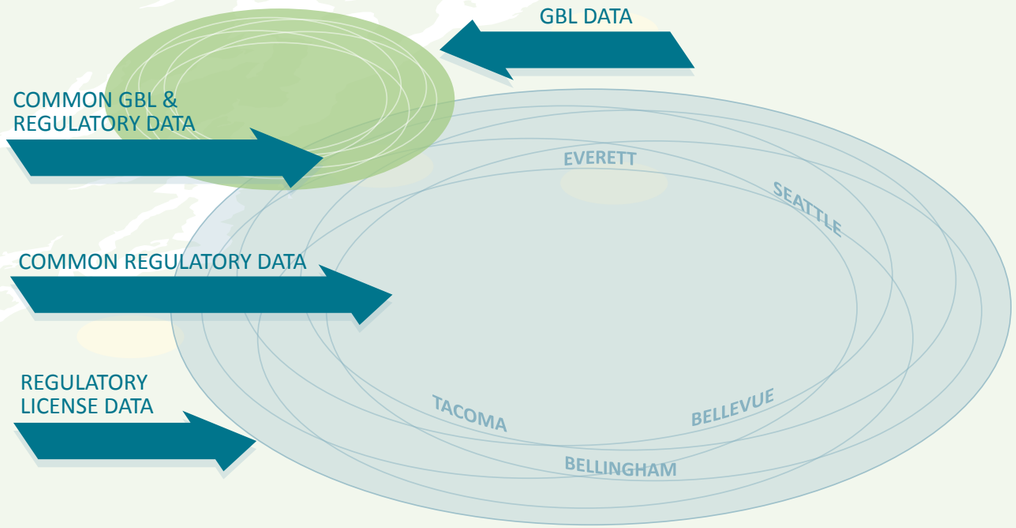
The study documented each cities' current processes and data, in a consistent manner to enable comparison between cities and against identified requirements of a common portal. Each city's current documentation was collected and the city's subject matter experts were interviewed to ensure the documentation of current processes and data was accurately captured.

The current processes and data were analyzed to understand similarities and differences and metrics developed to assist in interpretation (see appendices).

Joint facilitated sessions were conducted in which all the participating cities were represented. The team reviewed the current state documentation and analysis of similarities and difference, and reached consensus on the feasibility of a common portal, the requirements for the portal, and issues and challenges faced.

Based on the consensus reached in the facilitated sessions, a proposed solution architecture and approach was developed.

PROPORTIONAL REPRESENTATION



ALIGNMENT

The study found a high degree of alignment between the cities in terms of process and data. This conclusion is based on the following metrics. The metrics are estimates, but indicate significant commonality and alignment.

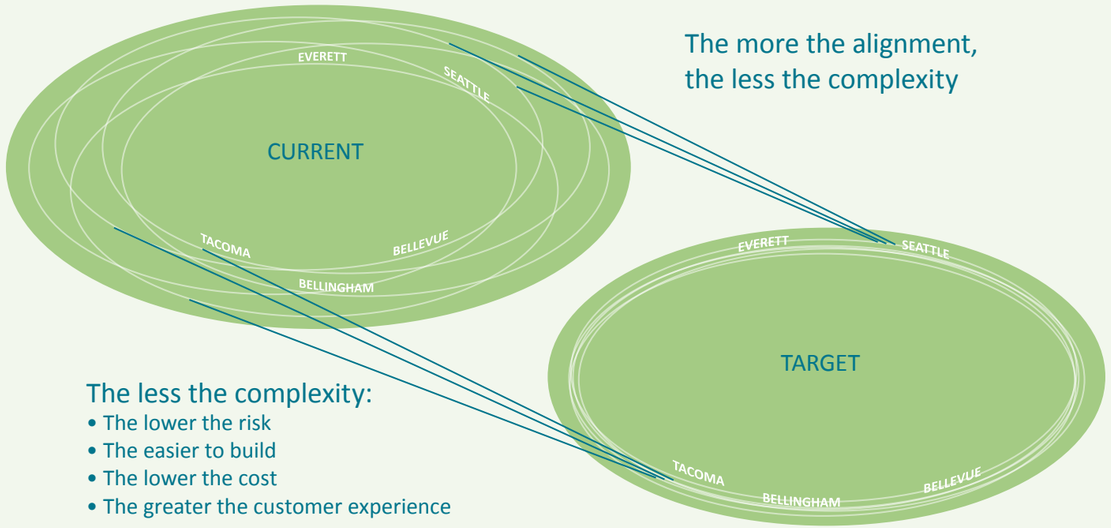
Businesses There are 105,000 business registered across the four cities that provided registration information. Approximately fourteen percent of these registered businesses are registered in more than one of the cities, over 14,400 businesses. Fully 600 of the businesses are registered in all four of the cities. There is a significant body of businesses that has to deal with the different licensing and tax processes of the cities and who would benefit most from a common portal.

Processes There are 140 business registration, license renewal, tax filing and tax collection process items were compared across the cities. Fully half of these process items are similarly performed across all five cities. An additional 25% are similarly performed across four of the five cities. There is a high degree of commonality of processes across the cities.

Data There is a limited set of 80 data elements required for business registration and general business license processes across all five cities. Fully 25% of these data elements are later used to process regulatory license application and renewal processes across the cities.

There are 250 data elements required for regulatory license application and renewal processes across the five cities. As stated above, about 10% of these are already collected as part of business registration and general business licensing. About 60% of these 250 data elements are used in common by the five cities. The remaining 100 data elements, 40% of the total, are unique to one of the cities. Each city has between 10 and 40 unique data elements. There is a significant degree of alignment of data and opportunity to achieve more.

ALIGNMENT LOWERS RISK



The less the complexity:

- The lower the risk
- The easier to build
- The lower the cost
- The greater the customer experience

The Analysis continued

The following are all the issues identified by the team during the facilitated sessions. Further work is required by the cities to resolve these issues but no show-stoppers were identified.

ISSUES OF ALIGNMENT BETWEEN CITIES

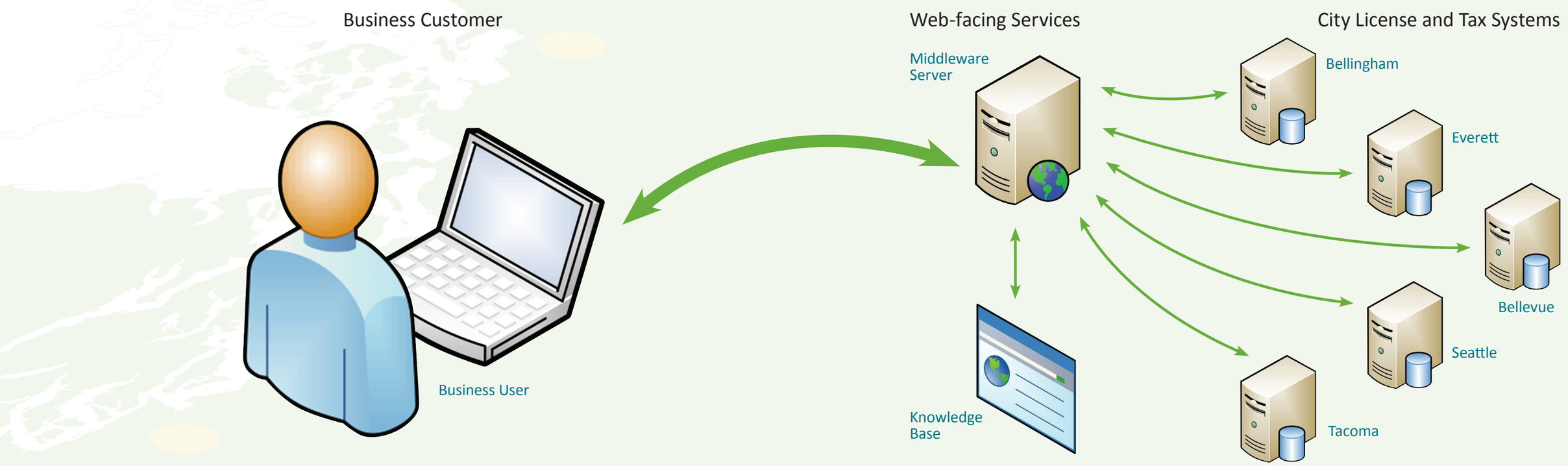
1. There is currently no common unique identifier across the five cities. While all cities have a capability to gather the UBI (Unified Business Identifier) number, it is only mandatory for Bellevue because Bellevue makes use of the Washington State license application, MLS. Without a common identifier, it is difficult and potentially error prone to relate businesses and their activities across multiple cities.	Recommendation: Use UBI and require for portal use; provide capability to easily obtain a UBI number if the business does not already have it. Risk: Businesses may continue outside of the portal if they do not want to obtain a UBI.
2. While most cities provide the registration (license) number at the time complete documentation and payment are received, Bellevue does not issue the number until zoning has been validated. While a portal can accommodate this, the desire is to have a more uniform process in place for this basic function.	Recommendation: Issue license number "pending approval" by using a status indicator. Risk: The license may be denied after the business believes that it is issued.
3. There is some level of disparity between the terminology used by the cities for the high level enrollment and record for businesses. Everett uses the term "registration" as it does not consider itself to be providing official permission for the business under law but rather it provides a written record of the business. It is suggested that the cities work to come up with a common view and definition to unify the process.	Recommendation: Use the term "license" throughout the portal and print the document per each city's nomenclature. Risk: Potential confusion regarding what having a license or registration means.
4. There are currently multiple payment methods across the cities for obtaining and renewing licenses which also differ from the various methods of collecting tax payments; sometimes within the same city. The group is encouraged to normalize payment methods within each city and across the cities to the degree possible.	Recommendation: Work offline to come to agreement on payment methods. Find third party payment services. Risk: Need policy decision across the cities regarding fees and ability to pass on to the customer.
5. There are inconsistencies across the cities regarding the timing of issuing general license registration, particularly in regards to zoning and dependent regulatory licenses. An effort to bring the timing more inline across the cities would be beneficial.	Recommendation: Review potential to move all renewals to their anniversary date. Risk: There is a potential first year budget impact. Risk: There are potential impacts to existing system logic.
6. There is a lack of consistency across the cities regarding the accounting of financial transactions; business number, account number or obligation number. Making the method of attaching the transaction to the business more consistent would be beneficial.	Recommendation: Create obligation number methodology across the Cities to include; city paid, city, business branch (location), fee or tax type, and classification. Risk: There are potential impacts to existing system logic.
7. Currently different cities deal with multiple locations for a business differently. Differences include such items as fees, numbering (suffixes) and such. Working toward more consistency would be beneficial.	Recommendation: Create obligation number methodology across the cities to include; city paid, city, business branch (location), fee or tax type, and classification. Risk: There are potential impacts to existing system logic.
8. Each city defines the "principals" in the business differently. The team needs to review and recommend an approach to reaching consistency.	Recommendation: The portal should ask for "additional contact information" rather than use the terminology of "principals" as the data is typically only used as contact information. Risk: A city may need to refer to the State database for additional information at times.
9. Need a method to determine tax filing status and exceptions.	Recommendation: Create a common methodology and manage exceptions. Risk: None noted.
10. Need to define a consistent method to determine "look back" taxes for discovery accounts.	Recommendation: Define consistent method for look back period for tax filing for both voluntary and discovery. Risk: Potential need for one or more cities to change current practices or policies.
11. Determine a consistent approach across the cities' locations to support move and closure processes.	Recommendation: Review potential to have "Master/Parent" account with locations or branches and provide flexibility to report as one business or multiple businesses. Risk: Potential problem with existing system logic.

ISSUES OF INTEGRATION OF PORTAL PROCESS AND DESIGN

1. The team needs to recommend a method to spread partial payments across the impacted cities when a business is making partial payments and has obligations in multiple cities.	Recommendation: Requires review by the cities; Any obligation created must be paid in full if paying online. Provide flexibility to file one or multiple cities in any one online session. Risk: It may be difficult to reach a policy decision across the cities.
2. Verify legal acceptability of no signature for electronic applications and filing.	Recommendation: Validate acceptability with the State and/or city attorneys as well as any need for disclaimers. Risk: None noted.
3. Is there an actual need for free-form comments fields?	Recommendation: Do not provide free-form fields but provide contextual "contact me" capability and a Knowledge Base for assistance. Risk: None noted.
4. Determine mechanisms to provide tax and revenue data to portal for fees for renewal.	Recommendation: Review during Design as an integration question. Risk: None noted.
5. Research and verify the state pre-emption for ambulances	Recommendation: This is a research item only. Risk: None noted.
6. Will walk-ins be allowed to make tax payments for other cities?	Recommendation: Provide a kiosk for walk-in customers to use. Do not accept over the counter payments for other cities. Risk: None noted.
7. Determine to what degree the portal should calculate taxes, if at all.	Recommendation: Calculate taxes based on customer input. Determine the degree of complexity to be supported. Risk: None noted.
8. Which taxes could be paid through the portal? How much assistance is given to the customer to determine the amount owed to each city?	Recommendation: Provide capability to pay B&O taxes initially and apply for General Business License. Architect the portal for ease of additional function or cities. Evaluate other taxes and licenses in more detail. Risk: None noted.
9. Will customers be able to use the portal to set up a payment plan/ make partial payments?	Recommendation: No. Risk: None noted.
10. Can credit balances only be used within the same city that has the credit?	Recommendation: Yes. Risk: None noted.
11. Will the cities allow walk-ins at all if there is online capability?	Recommendation: Yes, suggested through the kiosk. Risk: None noted.
12. How and where will the portal be hosted?	Recommendation: Work effort to determine is required. Risk: None noted.
13. How will technical support be provided across the cities?	Recommendation: This is a question to be asked of vendors in any RFP for the portal. Risk: None noted.
14. How will customer support be provided across the cities?	Recommendation: Convene a subcommittee or working group to determine and evaluate options. Risk: None noted.

The Solution

Based on the previous analysis, and with the right architecture, the common portal can accommodate substantial differences in processing systems by using off-the-shelf components, which reduces cost and risk. This architecture masks differences in the cities' various processes and systems to present a common user interface and support additional cities' participation.



No two of the five cities have tax and license processing systems that are the same. They all differ in architecture, databases and processing rules. These differences can be masked from the portal by using a standard component between the portal and the processing systems. This technology layer is known as "middleware" and contains rules to determine which system and format to send a transaction based on the user input. Middleware has been commercially available for approximately twenty years and is available from a number of software vendors to meet specific design points. The middleware will need to be tailored to integrate to each back-end system, but the design point of middleware is that it does not matter what architecture, platform or coding is used for any of the connecting systems.

Several of the cities are in the process of or are contemplating replacing their existing back-end systems. These cities may exploit the portal middleware to help bridge customer-facing functionality while replacing their license and tax systems. The customer need not see any change or experience any disruption of services provided through the common portal.

In addition to the middleware layer, the recommendation is to use off the shelf components created primarily for the call center and customer service industries to create the portal and the business rules that need to drive it. These components can be used to create the actual web design, the database of information about the transactions requested and completed by each customer, and the business logic to determine what information is required of the customer based on the cities and transaction types the customer is processing. This technology has been available for more than ten years and is used by very large organizations such as financial institutions, telecom and governmental agencies that process tens of thousands of transactions daily. By leveraging this technology, the customer is no longer required to remember different rules for different cities and can be prompted for additional information if needed. Creating the business rules does not require technical coding but can be performed by advanced business users. See Appendix A for high-level portal requirements defined and decisions made by the team and the recommended architecture and technology components.

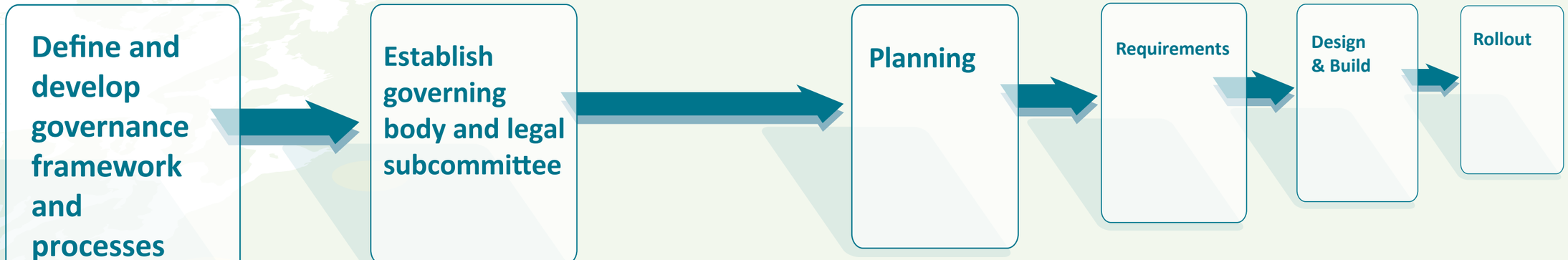
The Implementation

Strong governance and good system development practices will give a portal project the needed momentum.

PLANNING

Planning is the first step in the implementation process. During this initial period, a number of critical elements are documented and agreed upon. This project has a specific risk regarding governance due to the multiple cities involved. The five cities worked particularly well together on the License and Tax Portal Discovery Project and will be challenged to continue the positive working approach as the project answers such governance questions as funding, detailed scope determination and overall management and accountability. These are difficult questions when only one organization is involved and will be more complex given the five municipalities involved.

During the Planning, the initial Requirements will be determined in sufficient detail to develop and score Requests for Quote. The project itself will also be developed including project plans, dependencies and staffing models. Contract negotiations will also take place and all of these efforts need to have a structure created to reach agreement between the cities.



REQUIREMENTS

The next period is devoted primarily to the detailed documentation and acceptance of the Requirements. This effort requires collaboration with the business users of all of the cities. In addition, this process will ideally include representation from one or more external business groups, providing a greater challenge but setting the stage for greater success.

The determination on hosting of the application needs to be made during this time. There are a number of questions to be answered and agreed to regarding this decision. Will one of the cities or the State host the application or will it be hosted by a vendor? In addition, this is the time to determine the ongoing maintenance, improvement and change management approaches to this jointly held portal. Governance of these processes needs to be clearly defined and accepted by the cities.

Attention needs to be paid at this point to the communication planning to the general business communities as well as to the city employees. This is a positive change in the way businesses interact with the cities, but it is a substantial change and attention should be paid to making it as easy as possible for the users to know about the change and to find information about the new process.

DESIGN & BUILD

The final period of the project is spent on the Design, Build, Test and Implementation of the application. Multiple technical environments will be created for building and testing the application. The detail of the design will be documented and business rules will be created. The interfaces from the middleware to the processing systems will be built.

Several types of testing will take place prior to implementation. The first testing validates that all of the parts of the system work individually and together. The basic functionality will be tested to make certain that the required capabilities are adequately supported. Business representatives will be requested to test the usability of the system and finally, each documented requirement will be tested to make certain that nothing was missed and that the system functions as designed. Once these tests are passed, the system will be implemented for general use.

ROLLOUT

Successful implementation of the common portal depends on an effective rollout. The rollout audience includes both the external users (the business community), and internal resources supporting the portal and the cities' processing systems. The rollout program will include education and training for internal support resources, and for the business community to ensure they realize the benefits of the portal.

The rollout program will include education and training for internal resources to ensure they are prepared to support it and understand how it affects their responsibilities; and outreach, education and training to the business community to ensure they understand the benefits of the portal to their businesses, what it can do for them and how they can use it and learn more about it, and how they can obtain assistance in using it.

The Conclusion

The Project team strongly recommends a common License and Tax Portal be implemented as soon as practical to enable members of the business community to register their businesses, apply for and renew licenses, and file and pay taxes across all participating cities.

It's needed...

It's feasible...

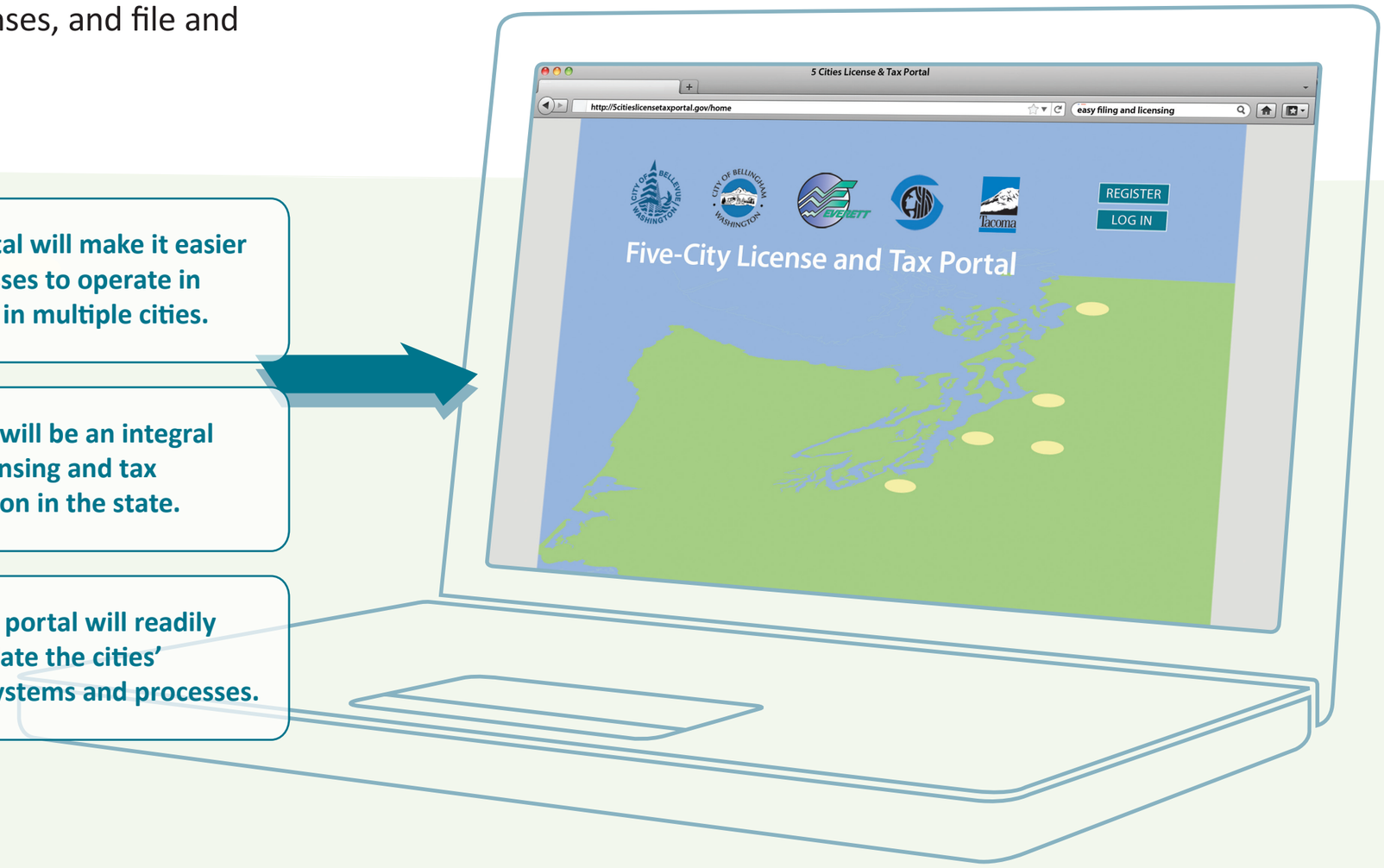
It's practical...

It's desirable...

A web portal will make it easier for businesses to operate in one city or in multiple cities.

The portal will be an integral part of licensing and tax simplification in the state.

A common portal will readily accommodate the cities' different systems and processes.



Using proven off-the-shelf technology and following good system development practices, will minimize risk, and allow for reliable implementation at a fraction of the cost of traditional custom-development.



Study conducted by

PROJECTCORPS™

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