

POLICY ISSUE: BUSINESS LICENSING AND COLLECTIONS REVENUES

QUESTION:

Should the Council consider additional revenue generating options in the following areas?

- Business License Application fee
- Enhanced enforcement of business license requirement
- Increase in fees for pre-collection accounts

BACKGROUND:

Over the past few months, City staff has been encouraged to take a close look at their operations with the goal of reducing costs and/or improving revenues. As a result of that effort, a number of viable revenue proposals were made. A summary of each follows.

Business License Application Fee

This proposed fee is based on and covers the cost of providing reviews on new business license applications. Depending on the type of license requested, reviews may be required by staff from Finance, Planning, NPU and Fire.

Current trends indicate the City receives approximately 200 new applications per month. Although a cost study has not been compiled, using an estimate of \$50 per application this fee could generate approximately \$120,000 annually. (200/mo x 12 x \$50 = \$120,000)

Enhanced Enforcement of Business License Requirement

Business Licensing and Mil Tax collection are currently done on the honor system. Although targeted audits are conducted on a percentage basis by MBIA, staff is not available to perform field audits to identify unlicensed businesses, do periodic checks of mil tax reporting and do focused enforcement. It is estimated that this type of effort could generate \$50,000 above the cost of the program. Staff proposes adding a limited-term position to conduct this activity on a pilot study basis to determine if the activity will produce sufficient revenues to make it cost-effective.

It should be noted that the City's current Business License Code does not provide enforcement or regulatory authority. These authorities will need to be provided by the City Council if this program is approved.

Increase in Fees for Pre-Collection Accounts

This proposed fee would capture the costs associated with in-house pre-collection of delinquent accounts. The fee would cover staff time, special

mailings, delinquency delivery and other research tools used to identify and collect delinquent accounts.

The fee will be based on actual costs including in-house collection efforts and preparation to deliver, if necessary, to an outside collection agency. Based on a recent pilot project within the Accounts Receivable Division, it is estimated that annually 1,000 miscellaneous receivable accounts (not including Utility accounts) become delinquent and require collection efforts. The Division anticipates a cost-based fee of approximately of \$37.25. Using current estimated numbers, revenues from the fee could add \$37,250 in new General Fund revenues. The pilot project recovered \$130,000 in-house before the accounts were referred to an outside contractor.

Increase Return Check Fee

The current return check fees for all Customer Services transactions is \$10.00. The existing fee has been in place since the mid 1990's (at a minimum) and is not reflective of the cost it takes to process. Staff recommends increasing this fee to \$25.00. Increasing this fee for returned checks will generate additional revenues for General Fund estimated at \$15,600 and will recover the cost of handling the transactions.

A \$25.00 fee is a median and consistent with fees charged by other agencies in the area.

FISCAL IMPACT:

The combined annual increase in General Fund revenues if all four options were implemented are estimated at \$222,850.

OTHER FACTORS FOR CONSIDERATION:

These options reflect good business practices. In general, these are activities that must be done. Since there are specific identifiable costs for each of these activities, it is appropriate to charge a fee for the services being provided.

ALTERNATIVES:

The Committee may choose to recommend all or none of these options.