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Report regarding a resolution approving the Fiscal Year 2019-20 Master Fee Schedule. (Christina Crosby, Interim Director of Finance).

RECOMMENDATION

It is recommended that the City Council adopt a resolution approving the Fiscal Year (FY) 2019-20 Mater Fee Schedule

BACKGROUND/DISCUSSION

The Fiscal Year (FY) 2019-20 Master Fee Schedule reflects the City’s comprehensive update of user fees that took place FY 2016-17 via a Cost Allocation Plan (CAP) and fee study. The next comprehensive review of the City’s fees will take place in the next year. In the intervening years, the City can apply the change in the Consumer Price Index (CPI) for the San Francisco - Oakland - Hayward area of 3.5 percent to the fees listed in the Master Fee Schedule with the following exceptions:

- Fees that are prescribed by state law, such as the cost of copies, or the cost for a returned check; and
Library Department fees, which are set by the Peninsula Library System.

New Fees

The only additions to the Master Fee Schedule for FY 2019-20 are fees related to Database Management and a new transaction fee for payments made with credit cards. The Database Management fee currently exists in the City’s Economic and Community Development Building Division for building permits and the Finance Department for business licenses. This Database Management fee was established to offset the software maintenance and upgrade cost of the permitting software. Enabling all departments that utilize the software to charge the Database Management fee when applicable will better fund the existing maintenance needs.

The 2.2 percent credit card transaction fee will be utilized across the city for all transactions over one thousand

dollars (\$1,000). The credit card transaction fee is primarily a cost recovery tool to offset the interchange fees that the City pays to the banks via merchant account transactions. These interchange fees vary based on credit card issuer, rewards accounts, type of transaction and amount. The City pays on average 2.2 percent for credit card transactions at this time. Currently the City has limited credit card transactions to less than ten thousand dollars (\$10,000), and the City is paying on average over twenty thousand dollars (\$20,000) per month or over two hundred and forty thousand dollars (\$240,000) annually. If this credit card transaction fee is instituted, it will mitigate the interchange fees paid by the City to banks and would allow those who want to pay via credit card the ability to do so regardless of the transaction amount. Staff will continue to monitor the percentage the City pays in interchange fees and incorporate further studies in the CAP and fee study to ensure proper cost recovery.

FISCAL IMPACT

The impact to the City's revenues as a direct result of the CPI increase is difficult to quantify, as revenues are largely dependent upon economic climate and demand. However, the potential savings in credit card transaction fees could save the City two hundred and forty thousand dollars (\$240,000) or more annually.

RELATIONSHIP TO STRATEGIC PLAN

The Master Fee Schedule update is the City's guidance on cost recovery and revenue for charges for service that supports Priority Area 3, Financial Stability.

CONCLUSION

Unilateral application of CPI to the City's fees provide a reasonable benchmark for keeping the City aligned with the cost of service until the next comprehensive fee study.