

CITY OF OAKLAND
Agenda Report

FILED
OFFICE OF THE CITY CLERK
2003 NOV 25 PM 5:21

To: Office of the City Manager
Attn: Deborah A. Edgerly
From: Finance and Management Agency
Date: December 9, 2003

Re: Report and an Ordinance Amending Ordinance No. 9336 C.M.S. (Master Fee Schedule) as Amended, to Increase the Fee Collected on Delinquent Accounts; to Increase the Fee Imposed for the Delivery of Information Relating to Business Tax Certificates; to Add a Fee for the Administration of Promissory Notes; to Add a Fee for the Recordation of a Release of Lien; and to Include in the Master Fee Schedule the Fees Imposed for Administrative Service Charges Relating to Business Tax Liens and Real Estate Transfer Tax Liens and to Codify the Business Tax Certificate Replacement Fee in the Master Fee Schedule and an Ordinance Amending Chapters 4.20 and 5.04 of the Oakland Municipal Code to Remove the Amount of the Administrative Service Charges Imposed for Real Estate Transfer Tax Liens, Business Tax Liens and for the Issuance of Duplicate Business Tax Certificates.

SUMMARY

The Finance and Management Agency, Revenue Division, is proposing several amendments to the Master Fee Schedule to increase certain fees and to include certain fees that up to now have been authorized through the Oakland Municipal Code.

Staff recommends imposing the collection fee on delinquent accounts separately based upon the various collection activity on delinquent accounts and increasing the fee. Currently, the collection fee for the administration of managing promissory notes is included in the collection fee category in the Master Fee Schedule.

In addition, the current fee of \$10.70 for information relating to business tax certificates no longer supports the cost and delivery of the query.

To provide increased customer service to property owners with a lien recorded against their property, staff is recommending the issuance of a "release of lien" directly to the Alameda County Recorder's Office upon receipt of payment.

The administrative service charge for Business Tax liens, as allowed by Section 5.04.260 of the Oakland Municipal Code, and Real Estate Transfer Tax liens, as allowed by

Item: **6**
Finance and Management Committee
December 9, 2003

Section 4.20.070 of the Oakland Municipal Code, shall be defined in the Master Fee Schedule.

The fee for a replacement of the duplicate Business Tax Certificate, as allowed by Section 5.04.180 of the Oakland Municipal Code shall be defined in the Master Fee Schedule.

FISCAL IMPACT

The total increase in revenues as a result of adopting these amendments is \$280,000. Currently, \$145,000 is generated each year by the collection fee. With the implementation of the collection fee modification to the Master Fee Schedule, \$300,000 will be generated annually. In addition, fees imposed for the collection of delinquent CEDA loans will generate an additional \$125,000. The projected annual revenue is \$425,000 annually.

By implementing the business tax certificate fee modification to the Master Fee Schedule, an additional \$3,000 will be realized.

The creation of the administrative fee for a promissory note will result in an additional \$85,000.

The creation of a release of lien fee will not realize any additional revenue because it is simply an amendment. Changes codifying the administrative service charges for Business Tax; Real Estate Transfer Tax liens and the fee for a replacement of a duplicate Business Tax Certificate in the Master Fee Schedule have no fiscal impact.

BACKGROUND

The Collection Section of the Revenue Division has recently expanded its collection activities and has acquired more complex accounts. In addition, it has been approached by other jurisdictions to perform collection activities on their behalf. In order to provide these services, the department performed an in-depth analysis of the cost to perform all type of collection services.

Collection Fee/Promissory Notes:

Currently the Master Fee Schedule levies a collection fee on delinquent accounts in the amount of \$100 or 10% of the delinquent amount per account, whichever is less. It has been determined that the \$100 maximum no longer supports the cost of the actual collection process. Staff is proposing a change in the Master Fee Schedule to reflect a collection fee of 10% of the delinquency or \$100, whichever is greater.

Currently the fee for the administration of managing promissory notes is incorporated in the collection fee category in the Master Fee Schedule. In order to separate the cost of the administration of promissory notes for delinquent accounts and parking citations from

Item: 6

Finance and Management Committee
December 9, 2003

the collection fee category, an additional fee entitled "Administrative Fee for Promissory Notes" will be added. A steady increase in the number of promissory notes requested by debtors to the City has necessitated the creation of a fee to offset the cost of administration, estimated to be \$100.

As part of our analysis to determine the cost to collect on delinquent monies owed to the City, staff contacted various collection agencies to determine their collection fees. It was found that private collection agencies fees vary from between 35% to 49% of the amount due. As the department has acquired a number of skip-tracing tools in the past two years that has assisted the department in locating debtors and their assets, an analysis of the cost for the skip-tracing tools was included in our analysis as well as the staff's hourly rate, inclusive of overhead, or fraction thereof.

Delivery of Tax Information:

During the 2002-03 midcycle review, an increase to the current fee of \$10.70 for information relating to business tax certificates was proposed. However, the Council requested that staff perform more analysis on this matter to ensure that the costs are justifiable. Staff has done extensive research and has determined that the current cost of \$10.70 no longer supports the cost and delivery of query requests. Staff has often had to write programs, assemble data in formats that are significant to the requestor, manually sort through data, and other time-consuming tasks associated with data requests.

Listed below are the rates charged by other jurisdictions, all based on factors noted above:

<u>City:</u>	<u>Hard Copy:</u>	<u>Disk:</u>	<u>CD:</u>	<u>Email:</u>
Antioch	\$50	\$50		
Carson	\$30	\$25	\$25	\$10
Daly City	\$150			
Fresno	\$.80 per page			
Newport Beach	Cost	Cost	Cost	Cost
Novato	\$25			
Orange	Cost	Cost	Cost	Cost
Oxnard	Cost	Cost	Cost	Cost
Pleasanton	\$50	\$100		\$100
San Rafael		\$10		
Thousand Oaks		\$50		
Ventura	\$5	\$5	\$5	\$0
Vista	\$85	\$85	\$85	\$85

Approximately, \$1,000 is generated annually for the general fund by providing business tax certificate information to requestors. However, a review of the requests made last year, the actual cost is closer to \$4,000 annually. Therefore, the modification to the fee is necessary to offset the cost of the queries.

Item: 6
Finance and Management Committee
December 9, 2003

Accordingly, staff is proposing a change in the Master Fee Schedule by reflecting a fee in the amount of \$75 per hour (staff's salary plus overhead), or fraction thereof, plus the cost of materials (currently \$.05 per page for hardcopy, \$.97 per disk, \$3.20 per cd-rom, no material cost for email).

Release of Lien Fee:

To provide increased customer service to property owners with a lien recorded against their property, staff is recommending the issuance of a "release of lien" directly to the Alameda County Recorder's Office upon receipt of payment. Annually, approximately 30,000 liens are forwarded to the County for recordation. The "release of lien" is not issued until the property owner or their representative requests. Oftentimes, this process delays the ability to transfer or refinance the property. In order to provide more effective customer service to these property owners, it is proposed that staff issue the release directly to the County upon receipt of payment.

The \$11 recordation fee charged by the County would be included in the original lien amount and forwarded to the County upon the issuance of the release. In order to implement such a service, the new fee must be listed in the Master Fee Schedule.

Codify in Master Fee Schedule:

The Municipal Code currently specifies an administrative service charge for Business Tax liens (Section 5.04.260) and Real Estate Transfer Tax liens (Section 4.20.070) and a fee to replace a duplicate Business Tax Certificate (Section 5.04.180). In order to ensure the public has full information on the associated costs, it is proposed that those fees be codified in the Master Fee Schedule.

KEY ISSUES AND IMPACTS

The primary impact of the passage of this ordinance is that the Master Fee Schedule will have been distributed to all affected and interested parties. Cost to distribute the changes to the Master Fee Schedule will be absorbed by the Finance and Management Agency.

Because of the recent requests made to the Finance and Management Agency to accept collection accounts that are more intricate and time-consuming (i.e., defaulted collateralized loans referred by CEDA, which typically have large balances due) and the proposal to accept collection accounts from other jurisdictions, an evaluation of the services was recently performed.

PROGRAM DESCRIPTION

The Master Fee Schedule was established by the City Council in 1976. The schedule was developed to assure that the fees charged by the City are equitable and reflect the cost of services.

Item: 6
Finance and Management Committee
December 9, 2003

SUSTAINABLE OPPORTUNITIES

The implementation of the changes to the Master Fee Schedule will more closely offset administrative costs, thus reducing the reliance on the general fund to offset the shortfall.

DISABILITY AND SENIOR CITIZEN ACCESS

This section is not applicable.

RECOMMENDATION AND RATIONALE

In order to offset more of the cost of the collection of delinquent accounts, staff and material costs for queries and provide better customer service, staff recommends approval of the proposed amendments to the Master Fee Schedule.

ALTERNATIVE RECOMMENDATION

There are no alternative recommendations.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the Council approve the proposed amendments to the Master Fee Schedule.

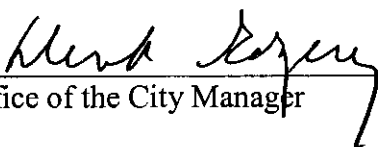
Respectfully submitted,



WILLIAM E. NOLAND
Interim Director, Finance and
Management Agency

Prepared by:
Debra Taylor Johnson
Revenue Manager

APPROVED FOR FORWARDING TO THE
FINANCE AND MANAGEMENT COMMITTEE:


Office of the City Manager

Item: 6
Finance and Management Committee
December 9, 2003

Michelle S. ...
CITY ATTORNEY

INTRODUCED BY COUNCILMEMBER _____

OFFICE OF THE CITY CLERK
2003 NOV 25 PM 5:22

ORDINANCE NO. _____ C.M.S.

(WITH ATTACHMENT A)

AN ORDINANCE AMENDING ORDINANCE NUMBER 9336 C.M.S. (MASTER FEE SCHEDULE), AS AMENDED, TO INCREASE THE FEE COLLECTED ON DELINQUENT ACCOUNTS; TO INCREASE THE FEE IMPOSED FOR THE DELIVERY OF INFORMATION RELATING TO BUSINESS TAX CERTIFICATES; TO ADD A FEE FOR THE ADMINISTRATION OF PROMISSORY NOTES; TO ADD A FEE FOR THE RECORDATION OF A RELEASE OF LIEN; AND TO INCLUDE IN THE MASTER FEE SCHEDULE THE FEES IMPOSED FOR ADMINISTRATIVE SERVICE CHARGES RELATING TO BUSINESS TAX LIENS AND REAL ESTATE TRANSFER TAX LIENS AND CODIFY THE BUSINESS TAX CERTIFICATE REPLACEMENT FEE IN THE MASTER FEE SCHEDULE

WHEREAS, the City of Oakland (the "City") periodically updates its Master Fee Schedule to account for general cost of living increases and program changes or other costs; and

WHEREAS, the City currently levies a collection fee on delinquent accounts in the amount of \$100 or 10% of the amount due, whichever is less; and

WHEREAS, the amount imposed by the City is insufficient to support the costs incurred by the City for the actual collection process; and

WHEREAS, the City proposes to increase the fee imposed on the collection of delinquent accounts to the amount of \$100 or 10% of the amount due, whichever is greater, in order to enable the City to recover its costs; and

WHEREAS, the City is frequently requested to provide public information relating to business tax accounts in formats which differ from the formats the City uses to maintain such public information; and

WHEREAS, City staff spend a great deal of time writing and running computer programs in order to respond to such requests; and

WHEREAS, the City currently levies a fee in the amount of \$10.70 to subsidize the costs to the City of staff time incurred in responding to such requests; and

WHEREAS, the amount charged by the City is insufficient to support the costs incurred by the City; and

WHEREAS, the City proposes to increase the fee imposed on the delivery of information in formats which differ from the formats the City uses to maintain such public information to enable the City to recover its costs; and

6.1
FINANCE & MANAGEMENT CMTE.

WHEREAS, the City does not impose a separate fee for the administration of promissory notes; and

WHEREAS, there has been a steady increase in the number of promissory notes administered by the City, and the costs of administering the promissory notes has risen accordingly; and

WHEREAS, the City proposes imposing a new "Administrative Fee for Promissory Notes" to enable the City to offset the cost of administration of such activity; and

WHEREAS, the City does not currently impose a fee for the recordation of a release of lien; and

WHEREAS, the County of Alameda currently charges \$11.00 to record a release of lien; and

WHEREAS, in order to expedite the recordation of a release of lien; the City proposes imposing a new fee in an amount equal to the amount charged by the Alameda County Recorder's Office to cover the costs of recordation charged by the County of Alameda; and

WHEREAS, pursuant to Sections 4.020.070 and 5.04.260 of the Oakland Municipal Code, the City is authorized to impose a \$50.00 administrative service charge for the collection of delinquent Business Taxes and Real Estate Transfer Taxes by special tax roll assessment; and

WHEREAS, pursuant to Section 5.04.180 of the Oakland Municipal Code, the City is authorized to impose a \$25.00 administrative service charge for the issuance of a duplicate business tax certificate to replace a certificate that has been lost or destroyed; and

WHEREAS, the administrative service charges for the collection of such delinquent taxes and for the issuance of a duplicate business tax certificate are currently not included in the Master Fee Schedule; and

WHEREAS, in order to ensure that the public has knowledge of all City imposed fees, the City proposes including the administrative service charges for the collection of delinquent taxes and the issuance of a duplicate business tax certificate in the Master Fee Schedule; and

WHEREAS, the proposed changes to the Master Fee Schedule will enable the City to recover a greater portion of its costs in the future; and

WHEREAS, the City Council finds and determines that the herein-referenced modifications and additions are reasonable and necessary;

NOW THEREFORE, the Council of the City of Oakland does hereby ordain as follow:

Section 1. The Master Fee Schedule as set forth in Ordinance Number 9336 C.M.S., as amended, is hereby amended to:

- (a) increase the fee imposed on the collection of delinquent accounts to the amount of \$100 or 10% of the amount due, whichever is greater; and
- (b) increase the fee imposed on the delivery of information in formats which differ from the formats the City uses to maintain such public information, to staff's hourly rate, plus the cost of material; and
- (c) impose an "Administrative Fee for Promissory Notes" to enable the City to offset the cost of administration of such activity; and
- (d) impose a fee in an amount equal to the amount charged by the Alameda County Recorder's Office to cover the costs of recordation of release of liens;
- (e) include the administrative service charges for the collection delinquent Business Taxes and Real Estate Transfer Taxes by special tax roll assessment; and
- (f) include the administrative service charge for the issuance of a duplicate business tax certificate.

as set forth in Attachment A, attached hereto and made a part hereof.

Section 2. This ordinance shall be effective upon approval by the Council of the City of Oakland.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN and PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

**ATTACHMENT A
AMENDMENT TO MASTER FEE SCHEDULE**

COLLECTION FEE ON DELINQUENT ACCOUNTS	Greater of: 10.0% of amount due or \$100.00
INFORMATION RELATING TO BUSINESS TAX CERTIFICATES	Per report charge of: \$75 per hour, or fraction thereof, plus cost of material
ADMINISTRATIVE SERVICE CHARGE AS ALLOWED BY OAKLAND MUNICIPAL CODE SECTION 4.20.070	\$50.00 per Lien
ADMINISTRATIVE SERVICE CHARGE AS ALLOWED BY OAKLAND MUNICIPAL CODE SECTION 5.04.180	\$25.00 per duplicate certificate
ADMINISTRATIVE SERVICE CHARGE AS ALLOWED BY OAKLAND MUNICIPAL CODE SECTION 5.04.260	\$50.00 per Lien
ADMINISTRATIVE FEE FOR PROMISSORY NOTES	\$100.00 per Note

Michelle Sexton

OFFICE OF THE CITY CLERK
2003 NOV 25 PM 5:22

NOTICE AND DIGEST

AN ORDINANCE AMENDING ORDINANCE NO. 9336 C.M.S. (MASTER FEE SCHEDULE) AS AMENDED TO INCREASE THE FEES IMPOSED ON THE COLLECTION OF DELINQUENT BUSINESS TAX ACCOUNTS AND THE DELIVERY OF INFORMATION RELATING TO BUSINESS TAX CERTIFICATES; TO IMPOSE FEES TO COVER THE COSTS OF RECORDATION OF RELEASE OF LIENS AND THE ADMINISTRATION OF PROMISSORY NOTES; AND TO INCLUDE THE ADMINISTRATIVE SERVICE CHARGES FOR THE COLLECTION DELINQUENT BUSINESS TAXES AND REAL ESTATE TRANSFER TAXES.

This is an ordinance amending Ordinance No. 9336 C.M.S. (Master Fee Schedule), as amended, to

1. increase the fees imposed on the collection of delinquent business tax accounts; and
2. increase the fee imposed on the delivery of information in formats which differ from the formats the City uses to maintain such public information; and
3. impose a fee to cover the costs of recordation of release of liens; and
4. impose a fee to cover the costs of administering promissory notes; and
5. include administrative service charges for the collection delinquent business taxes and real estate transfer taxes.

6.1
FINANCE & MANAGEMENT CMTE.
DEC 9 2003

Maile Soto
CITY ATTORNEY

OFFICE OF THE CITY CLERK
2003 NOV 25 PM 5:22

ORDINANCE NO. _____ C.M.S.

AN ORDINANCE AMENDING CHAPTERS 4.20 AND 5.04 OF THE OAKLAND MUNICIPAL CODE TO REMOVE THE AMOUNT OF THE ADMINISTRATIVE SERVICE CHARGES IMPOSED FOR REAL ESTATE TRANSFER TAX LIENS, BUSINESS TAX LIENS AND FOR THE ISSUANCE OF DUPLICATE BUSINESS TAX CERTIFICATES

WHEREAS, pursuant to Section 4.20.070 of the Oakland Municipal Code, the City of Oakland imposes an administrative charge of fifty dollars (\$50.00) on each property approved for a tax lien by the City Council for failure to pay real estate transfer taxes; and

WHEREAS, pursuant to Section 5.04.260 of the Oakland Municipal Code, the City of Oakland imposes an administrative charge of fifty dollars (\$50.00) on each property approved for a tax lien by the City Council for failure to pay business taxes; and

WHEREAS, pursuant to Section 5.04.180 of the Oakland Municipal Code, the City of Oakland imposes an administrative charge of twenty-five dollars (\$25.00) for the issuance of a duplicate business tax certificate issued to replace any that has been lost or destroyed; and

WHEREAS, Ordinance No. 9336 C.M.S., as amended, sets forth the Master Fee Schedule for all fees and charges imposed by the City of Oakland; and

WHEREAS, this Council has approved adding the administrative service charges for imposition of Real Estate Transfer Tax liens, Business Tax liens and the issuance of duplicate business tax certificates to the Master Fee Schedule; and

WHEREAS, the City desires to amend Sections 4.20.070, 5.04.180 and 5.04.260 of the Oakland Municipal Code to remove references to the amounts charged for Real Estate Transfer Tax liens, Business Tax liens and the issuance of duplicate business tax certificates;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF OAKLAND DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The City Council finds and determines the forgoing recitals to be true and correct and hereby adopts and incorporates them into this Ordinance.

SECTION 2. The Municipal Code is hereby amended to add, delete, or modify sections as set forth below (section numbers and titles are indicated in **bold type**; additions are indicated by underscoring and deletions are indicated by ~~strike-through type~~;

6-2
FINANCE & MANAGEMENT CMTE.
DEC 9 2003

portions of the regulations not cited or not shown in underscoring or strike-through type are not changed.

SECTION 3. Section 4.20.070 of the Municipal Code is hereby amended in its entirety to read as follows:

4.20.70 Due dates, delinquencies, penalties, interest, administrative charges and lien release recordation fees.

The tax imposed under this chapter is due and payable at the time the deed instrument or writing effecting a transfer subject to the tax is delivered, and is delinquent if unpaid at the time of recordation thereof. In cases where a transfer is effected but not recorded with the County Recorder within ninety (90) days of acceptance, all statutes of limitations regarding liability for this tax will be tolled until the city has actual knowledge of the transfer or recordation, at which time the tax on the unrecorded transfer will relate back to the actual transfer date of such unrecorded transfer. Accordingly penalties and interest will accrue back to such date of actual unrecorded transfer and will be the joint and several liability of both the former transferor and current recording transferring party. In the event that the tax is not paid prior to becoming delinquent, a delinquency penalty of ten percent of the amount of the tax due shall accrue. In the event a portion of the tax is unpaid prior to becoming delinquent, the penalty shall only accrue as to the portion remaining unpaid. An additional penalty of fifteen (15) percent shall accrue if the tax remains unpaid on the ninetieth day following the date of the original delinquency. Interest shall accrue at the rate of one percent a month or fraction thereof, on the amount of tax, inclusive of penalties, from the date the tax becomes delinquent to the date of payment. Interest and penalty shall become part of the tax. An administrative charge of ~~fifty dollars (\$50.00)~~ on ~~each property~~ and a release of lien filing fee in an amount equal to the amount charged by the Alameda County Recorder's Office as set forth in the Master Fee Schedule of the City shall be added to the amount owed for each property approved for a tax lien by the City Council.

SECTION 4. Section 5.04.180 of the Municipal Code is hereby amended in its entirety to read as follows:

5.04.180 Lost Certificate.

The Business Tax Division shall issue a duplicate business tax certificate to replace any certificate issued under the business tax provisions of this chapter which has been lost or destroyed at no cost to the taxpayer for the first duplicate certificate. An administrative charge, as set forth in the Master Fee Schedule of the City, shall be imposed for each replacement certificate issued thereafter. ~~Each replacement certificate issued thereafter will be issued at a cost of twenty five dollars (\$25.00.)~~

SECTION 5. Section 5.04.260 of the Municipal Code is hereby amended in its entirety to read as follows:

5.04.260 Collection of delinquent taxes by special tax roll assessment.

With the confirmation of the report by the City Council, the delinquent business tax charges contained therein which remain unpaid by the owner of the business/business property shall constitute a special assessment against said business property and shall be collected at such time as is established by the County Assessor for inclusion in the next property tax assessment.

The Director of Finance shall turn over to the County Assessor for inclusion in the next property tax assessment the total sum of unpaid delinquent business tax charges consisting of the delinquent business taxes, penalties, interest at the rate of twelve (12) percent per annum from the date of recordation to the date of lien, an administrative charge of ~~fifty dollars (\$50.00)~~ and a release of lien filing fee in an amount equal to the amount charged by the Alameda County Recorder's Office as set forth in the Master Fee Schedule of the City.

Thereafter, said assessment may be collected at the same time and in the same manner as ordinary municipal taxes are collected, and shall be subject to the same penalties and the same procedure of sale as provided for delinquent ordinary municipal taxes. The assessment liens shall be subordinate to liens except for those of state, county and municipal taxes with which it shall be upon parity. The lien shall continue until the assessment and all interest and charges due and payable thereon are paid. All laws applicable to the levy, collection and enforcement of municipal taxes shall be applicable to said special assessments.

IN COUNCIL, OAKLAND, CALIFORNIA, SEPTEMBER __, 2003

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION

ATTEST: _____
CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

Michelle S...

OFFICE OF THE CITY CLERK
OAKLAND
2003 NOV 25 PM 5:22

NOTICE AND DIGEST

AN ORDINANCE AMENDING OAKLAND MUNICIPAL CODE TO REMOVE THE AMOUNT OF THE ADMINISTRATIVE SERVICE CHARGES IMPOSED FOR REAL ESTATE TRANSFER TAX LIENS AND BUSINESS TAX LIENS

This is an ordinance amending Sections 4.20.070 and 5.04.260 of the Oakland Municipal Code to remove references to the amounts charged for Real Estate Transfer Tax liens and Business Tax liens. Such amounts are now set forth in the City of Oakland Master Fee Schedule.

G. Z

FINANCE & MANAGEMENT CMTE.

DEC 9 2003