City of Culver City, California

City Council Agenda Item Report

Meeting Date: 10/23/06	Item Number: A-4
AGENDA ITEM: Proposal to Combine the Annual Fire Inspection Fee Billing with the Annual Business Tax Renewal Collection.	
Contact Person/Dept.: Richard Gallagher Crystal Alexander	Phone Number: (310) 253-5926 (310) 253-5844
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master Notification List (10/19/06); Culver City Chamber of Commerce (10/18/2006)	
Department Approval: Crystal Alexander (10/18/2006) Jeffrey I. Eastman (10/18/06)	City Manager Approval: Jerry B. Fulwood (10/18/2006)
City Controller Approval: Mary V. Noller (10/18/2006)	

RECOMMENDATION:

Staff recommends the City Council approve the proposal to change the billing methodology for the annual fire inspection fee. Approval of this proposal would permit annual billing of the fire inspection fee for in City businesses during the annual business tax certificate renewal process, rather than hand generating monthly bills, resulting in augmented funds via efficiencies (reduced billing costs) and additional revenues (increased collections and inspections.)

BACKGROUND:

Fire inspection fees were introduced in 1988 as a 'cost recovery' form of revenue to reimburse the City for costs incurred while performing annual fire inspections. Such inspections are conducted in commercial (not home occupation) business locations throughout the City.

Since the inception of this fee, it has been difficult to administer. The billing process is labor intensive and cumbersome, involving hard copy transfers of billing information, individual processing, and the involvement of numerous divisions. Additionally, as currently designed, the fire inspection fee does not include cost recovery of the "back office" billing and collection performed by the City Treasurer's Office. The fee only includes cost recovery for Fire Department services.

The labor intensive process creates a delay between inspections and billing which, in turn, has resulted in a lower collection rate for this source of revenue than is achieved in other areas. The City Treasurer's Office collection efforts, after internal remedies are exhausted, are hindered by the fact that these accounts are generally too small to be of much interest to outside collection agencies.

DISCUSSION:

The Fire Department has evaluated ways to remedy the challenge of improving collection and inspection efficiency. Additionally, the City Treasurer's Office has been evaluating issues large and small related to the billings and collections process for all revenues. The Business Tax Division of the City Treasurer's Office has an efficient system of billing, and established revenue collection has proven the effectiveness of the program.

By linking the billing of annual fire inspection fees of businesses with the annual collection of business tax, we anticipate increasing revenue collection by up to $25,000 annually if the collection rate is boosted to 95%. By returning all businesses to an annual inspection rotation, it will increase revenues by another $25,000.

This increase is not due to any increased or new fee, merely the results of utilizing a more effective billing process, which will free up inspectors to protect the community rather than handle paperwork. Approval of the proposal would allow one annual billing process, combining the annual fire inspection fee for business with the annual business tax renewal. New businesses would be assessed the annual fire inspection fee the first time when they initially apply for their business tax certificate.

Approval of the proposal would allow one billing to City businesses, incorporating both the annual fire inspection fee and annual business certificate renewal. This would make payment more convenient for the businesses, while making billing part of an annual, as opposed to monthly, process. Further, this up front payment for inspection follows current practice used for other City inspections, such as those performed by Building Safety. Finally, if for some reason the inspection is not performed and the business leaves the City, they can be provided a refund of the fire inspection fee upon application for said refund.

Timing for implementation of this proposal is crucial, as the annual business tax renewal forms are scheduled for mailing the first week of December. We cannot delay the mailing, as business certificate revenue represents a projected $8.8 million revenue stream to the City for FY 06-07. In addition, implementation will require an up front investment of time on behalf of staff in the Fire Department, City Treasurer's Office, and the Information Technology Department to convert existing data from two software systems, and to make manual changes as needed.

FISCAL ANALYSIS:

The anticipated annual increase in revenue is estimated to be $50,000. In addition, a hard to measure but true cost of the currently cumbersome billing process will be reduced. The Accounts Receivable division of the City Treasurer's Office will remain involved in the collection process that follows the billing.

As a final consideration, it is recommended that the upcoming Citywide review of all Fees & Charges be conducted to ensure identification and inclusion of the "back office" billing and collection costs currently absorbed by the City Treasurer's Office, including those for outside collection agencies.

MOTION:

That the City Council:

1. Approve the Proposal to Combine the Annual Fire Inspection Fee Billing with the Annual Business Tax Renewal Collection; and

2. Authorize the City Treasurer's Office, in Concert with the Fire Department and the Information Technology Department, to Implement the Proposal.