



STAFF REPORT
9/14/2022

TO: Honorable Mayor and City Council Members
FROM: Nathan Statham, Finance Director
SUBJECT: Set City penalty and penalty interest rates.

STAFF RECOMMENDATION:

Approve Resolution No. 2022-82 setting a penalty and penalty interest rate for delinquent or deficient transactions that do not currently have a specified penalty and/or penalty interest rate.

BACKGROUND:

The City's municipal code has numerous sections that stipulate a penalty and/or penalty interest should be charged at a rate set by Council through a separate resolution. There are other instances that occur administratively from time-to-time where a penalty and/or penalty interest are warranted, but there is no established standard penalty or penalty interest rate. Often this leads to the inability to adequately charge such rates.

A significant number of the City's municipal code sections allowing for penalty and penalty interest charges do specify one or both of the rates. Additionally, many City agreements and programs separately state a penalty and penalty interest rate (often in a default provision of an agreement). This action is not intended to supersede or negate any otherwise specified penalty and/or penalty interest rate. The sole purpose of this action is to establish a penalty and penalty interest rate that can be used in instances where no other penalty and/or penalty interest rate is set.

DISCUSSION/ANALYSIS:

Penalty rates are intended to be punitive in nature. The intent being to dissuade responsible parties from intentionally failing to remit required payments to the City. The proposed penalty and penalty interest rates are based on industry standards for certain taxes. Established City tax penalty rates range from 20% (TOT) to 50% (Cannabis) for failing to timely file and pay depending on length of delinquency.

Some City ordinances have provisions for the waiving or reduction of penalties and/or interest by certain City staff or City Council. Since the proposes penalties and penalty interest rates will be applied to situations that could potentially be caused by exigent circumstances, the resolution contains a provision for the waiving or reduction of the penalties by the City Manager or other

City staff specifically charged within the municipal code section under which the penalty and penalty interest are being applied provided the waiver is warranted and in the best interest of the City.

FISCAL IMPACT:

This action should provide additional revenue to the City's various funds over time.

ALTERNATIVES:

1. Approve staff's recommendation to approve Resolution No. 2022-82 setting the City penalty rate at 15% and the penalty interest rate at 0.75% per month (9% annualized).
2. Approve Resolution No 2022-82 setting the City penalty and penalty interest rate, but stipulate different rates than recommended.
3. Do not approve a penalty and penalty interest rate limiting staff's ability to utilize penalties to ensure timely reporting and payment.

ATTACHMENTS

Resolution 2022-82