

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: September 12, 2024

PREPARED BY: Richard D. Cannone, AICP, Director of Development Services

SUBJECT: AMEND ELECTRONIC PAYMENT POLICY ALLOWING CONVENIENCE FEES TO BE PAID BY CUSTOMER

RECOMMENDATION:

Amend the Electronic Payment Policy (Policy FIN-001) allowing convenience fees to be paid by customer.

BACKGROUND/ANALYSIS:

On April 13, 2017, the City Council adopted Resolution No. 2017-35, authorizing the acceptance of electronic payments, including credit and debit cards, for City-imposed fees, charges, fines, permits, and licenses. The resolution also granted the City Manager authority to establish policies and procedures regarding the acceptance of electronic payments, which was formalized in Policy FIN-001 (Electronic Payment Policy).

Policy FIN-001, established through Resolution No. 2017-35, stipulates that if the City Manager determines that the cost of providing electronic payment options cannot be covered through increased user fees or offset by internal cost savings, the City Manager, with City Council approval, may assess a "convenience fee" or service fee. This fee may also be administered by a third party.

On November 17, 2022, the City Council approved an amendment to Policy FIN-001 to allow an electronic payment option through Deckard Technologies for Short Term Rental (STR) Transient Occupant Tax (TOT) payments, with convenience fees borne by the STR owners who choose to use the online payment portal. Last fiscal year, 48% of the STR permit holders who do not have their TOT collected through Airbnb opted to remit their TOT payments electronically and pay the associated convenience fee.

TOT Payment	Amount
Total STR TOT Collected	\$ 2.7 million
Airbnb lump sum TOT payment	\$ 1.7 million
All other TOT payments	\$ 1.0 million
TOT paid electronically	\$ 480,000 (48%)

Approximately 99.5% of all credit card payments are processed through the Development Services Department, with a convenience fee charge of around 3% for credit card transactions. Below is a summary of the convenience fees paid by the City over the last five fiscal years:

Fiscal Year	Convenience Fees Paid
2019-2020	\$ 20,251
2020-2021	\$ 51,291
2021-2022	\$ 60,246
2022-2023	\$ 81,840
2023-2024	\$ 48,157

Staff recommends that the convenience fee for all online payments be borne by the customer if they choose to pay electronically. This change would align with the 2022 policy update for STR TOT payments and ensure that the City does not bear the significant cost of processing electronic payments. Additionally, implementing this change would create a uniform policy for all electronic payments, reducing confusion and administrative complexity.

Legal Review:

This report has been reviewed by the City Attorney's office.

FINANCIAL IMPACT:

Reduces the financial burden (lost revenue) on the City by passing the convenience fee onto customers who opt for electronic payment methods.