

RESOLUTION NO. 2019-82

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MARINA SETTING RETURN CHECK FEES

WHEREAS, the City of Marina accepts checks when paying various City fees; and

WHEREAS, some checks are returned to the City because a bank account has insufficient funds to satisfy the cash demand; and

WHEREAS, when checks are returned to the City, additional cost is placed upon the City to collect amounts that are due the City; and,

WHEREAS, the City should collect the full cost of a returned check if the payer repeatedly presents checks without sufficient funds to the City; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MARINA DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council directs the Finance Director to implement the following schedule for returned checks:

1. Bank Charge Plus \$15.00 provided it is paid within 30-Days from the Notice of Deficiency;
2. If not, the Return Check Fee is \$135.00.

PASSED and ADOPTED by the City Council of the City of Marina at a special meeting duly held on this 7th day of August 2019 by the following vote:

AYES, COUNCIL MEMBERS: Berkley, O'Connell, Morton, Delgado

NOES, COUNCIL MEMBERS: None

ABSENT, COUNCIL MEMBERS: Urrutia

ABSTAIN, COUNCIL MEMBERS: None

ATTEST:

Bruce C. Delgado, Mayor

Anita Sharp, Deputy City Clerk

Date July 26, 2019

Item No: **8f(1)**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of August 7, 2019

**CITY COUNCIL TO CONSIDER ADOPTING RESOLUTION NO. 2019-,
SETTING RETURN CHECK FEES**

REQUEST:

It is requested that the City Council consider lowering the returned check fee to \$35 instead of \$135.

BACKGROUND:

After conducting a fee study in 2018, the City Council set fees for the City, generally at the cost of service. For the past year, the City has been charging the fee set by Council for returned checks. However, the fee, although justified by cost, is much higher than what is charged generally, making the returned check fee appear punitive. This is mainly due to California State law that limits the returned check fee allowed by California merchants to \$25. Although the City may not be limited to what merchants may charge for returned checks, it does seem inconsistent for the City to have a much larger fee than what most people experience.

ANALYSIS:

Recently, the City was contacted by a parent who realized they had insufficient funds in their checking account to cover a \$15 check for a recreation program. They approached us directly, trying to make good on the check. We had to let the check be processed and the check did bounce. Nevertheless, according to the City's current fee schedule, Finance would be obligated to collect \$135 fees as well as the original amount of the check.

The City's fee is based on the fully burdened employee costs to collect the returned check fee. The original analysis estimated that the Accounting Services Manager would spend on average 10 minutes on each returned check and an Accounting Technician would spend 45 minutes with each returned check as well as incurring a \$25 bank charge.

In some cases, however, an individual will approach Finance directly because they have determined that they have written a check which will not have sufficient funds to clear the bank. In such cases, the time spent by Finance to collect good funds on the check is much less than the average time spent.

Finally, most other establishments that accept checks charge an amount much less than \$135 for returned checks. People understand they need to pay for processing when a check does not clear, but the current fee appears punitive to them. As a result, Finance recommends the following adjustment to the fee schedule:

1 st returned check within a fiscal year fee:	\$35
2 nd returned check within a fiscal year fee:	\$70
Any additional returned checks in a fiscal year:	\$135

FISCAL IMPACT:

The City has relatively fee checks returned each year, something on the order of 20 a year, thus the financial consequence (\$2,000) is relatively small.

CONCLUSION:

This request is submitted for City Council consideration and possible action.

Respectfully submitted,

Eric Frost
Interim Finance Director
City of Marina

REVIEWED/CONCUR:

Layne Long
City Manager
City of Marina

SOURCE OF FUNDING: