AGENDA ITEM NO. 3.b

Concord **REPORT TO MAYOR AND COUNCIL**

TO THE HONORABLE MAYOR AND COUNCIL:

DATE: July 7, 2015

SUBJECT: WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE ACCOUNTS OVER $750

Report in Brief

The periodic purging of delinquent, uncollectible accounts receivable is a fiscally prudent practice to ensure an accurate position of the City's expected revenues. While the Finance Department makes every effort to collect unpaid accounts receivable, some inevitably become uncollectible and must be written off the books.

The list of uncollectible accounts to be written off comprises two (2) fiscal years' of requests. For many of the uncollectible accounts, judgments in favor of the City have been received from the Contra Costa County Small Claims Court. However, the City has been unsuccessful in collecting the money.

Staff is recommending the write-off of uncollectible accounts receivable in the total amount of $231,228: $73,631 against the City's General Fund, $75,000 against Capital Improvement Program (CIP) Project #PJ2152 and $82,597 against the Sewer Fund.

Background

Policy and Procedure Number 30 provides guidance on the write-off of uncollectible accounts receivable and gives the Director of Finance the authority to write-off bad debts in amounts up to $750 with concurrence with the City Attorney. Uncollectible accounts over $750 require City Council authorization to write-off.

A write-off may be considered after diligent collection actions have been exhausted or a court judgment has been awarded. Collections efforts performed prior to considering an item uncollectible include sending a past-due letter, sending a ten-day demand letter, a courtesy telephone call , and lastly and if warranted based on the amount of the bad debt, filing a Small Claims Court action after all other collection efforts have failed. Generally, uncollected accounts that are at least 180 days old are considered for write-off.

Typically, the request to write-off uncollectible accounts is presented to City Council on an annual basis; however, due to staff turnover in the Finance Department, this request was last presented to the City

Council on July 23, 2013 The action presented tonight represents two (2) fiscal years of uncollectible accounts.

Discussion

After thorough research and exhaustive collections efforts, staff has determined that several accounts meet the criteria of uncollectible accounts receivable and should be written-off the City's financial records. A summary of these accounts follow:

Billing Type	Number	Amount
Returned Checks	6	$6,848
Damage to City Property	6	$49,266
False Alarms	6	$17,517
Boundless Playground Grant	1	$75,000
Heather Acres Sewer Assessment Accounts	16	$82,597
	Total Write-Off	$231,228

The City pursued collections all the way through filing Small Claims actions for all of the first three items above except for one claim of damage to City property. This one claim of $23,212 involved a transient individual whom the City is unable to locate. The Small Claims Court judgments will remain on file for ten years and are renewable for an additional ten years. While staff is recommending writing off these uncollectible accounts, the City may still collect on the debts in the future, as the Treasury Technician continues various collection remedies such as court-ordered wage garnishments, bank levies or property levies.

In FY2009-10, the City was awarded a Boundless Playgrounds Grant in the amount of $75,000. The grant funding was used for the purchase and installation of playground equipment and playground surfacing at Cambridge Park (PJ2152). Boundless Playgrounds, Inc. was a non-profit organization who not only agreed to provide the grant funding, but also acted as a consultant on the development of the playground design. As with the majority of outside grant funding, the City allocated the $75,000 up-front in a reimbursable account for use during the life of the project, and forwarded invoices to Boundless Playgrounds for reimbursement. Unbeknownst to City staff, Boundless Playgrounds was in the process of filing for bankruptcy and dissolving the corporation. Since that time, staff has worked to track down a responsible party to honor the terms of the Grant, as well as for reimbursement of corresponding invoices. Unfortunately, staff has been unsuccessful in this endeavor. Based on this information, staff feels that this reimbursement is uncollectable and requests that the debt be written off.

The last category recommended for write-off is the remaining accounts receivable associated with the Heather Acres Sewer Assessment District. The City issued refunds in incorrect amounts on November 12, 2010 and subsequently noticed property owners of the overpayments on February 10, 2012. . The City was not successful at collecting all of the money that had been overpaid. The amount proposed to be written off is $82,597. This Assessment District expired June 30, 2014 and the statute of limitations on collections of the overpayments expired in 2013. Furthermore, seven of the properties have changed ownership. With the

expiration of the assessment district, staff recommends writing off the balance of the outstanding accounts in the amount of $82,597 against the Sewer Fund.

Fiscal Impact

The timely identification of losses and subsequent write-off of delinquent, uncollectible accounts is a critical component in accurately reflecting the City's assets in the financial statements. Staff is recommending accounts totaling $231,228 be written off effective June 30, 2015. The impact of this recommendation is a loss in the amount of $231,228: $73,631 to the General Fund, $75,000 to CIP Project # PJ2152 and $82,597 to the Sewer Fund.

Consistent with generally accepted accounting principles, the uncollectible amounts cannot be categorized as 'deferred revenue' due to the uncertainty of the collection of payment. Staff will continue to maintain a file of bad debt accounts upon the event collections are successful in the future.

Public Contact

Notice of this meeting has been posted.

Recommendation for Action

Staff recommends the City Council authorize the write-off of the uncollectible accounts receivable in the amount of $231,228 effective June 30, 2015.

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Attachment A: Uncollectible Accounts Listing Over $750

ANNUAL WRITE OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE
Attachment A

Category	Date	Entity/Address	Description	Status	Amount
Returned Checks	09/14/12	Life & Peace Network	Leisure Srvcs	Collection Process	$ 1,522
	03/26/13	Willard Lund	Permit Fees	Collection Process	514
	05/24/13	Scott McArdle	Permit Fees	Collection Process	795
	10/23/13	Robert Krummen	Sports Concessions		1,576
	02/04/14	Lisa Northey	Permit Fees	Collection Process	1,165
	09/18/14	Chad Danielson	Permit Fees	Pending Small Claims/Collection Process	1,276
					6,848
Damage to City Property	03/16/12	Royal Corralejo	Damages	Unable to locate	5,000
	03/16/12	Royal Corralejo	Damages	Unable to locate	2,480
	11/22/13	Christopher Santoyo	Damages	Collections process	5,000
	11/22/13	Christopher Santoyo	Damages	Collections process	2,203
	11/22/13	Alexio Villasenor	Damages	Unable to locate	4,625
	11/22/13	Jorge Landaverde	Damages	Unable to locate	3,872
	12/06/13	Johnny Brown	Damages	Unable to locate- Transient	23,212
	08/29/14	Amie Beville	Damages	Collections process	2,875
					49,266
False Alarms	11/07/12	Seafood City	Faulty Alarm		6,154
	12/30/12	Auction Direct Auto	Faulty Alarm	Out of Business	1,043
	03/16/13	Construction Material Testing	Faulty Alarm		1,350
	09/08/13	LA Clinica De La Rasa	Faulty Alarm		3,077
	11/17/13	Adult Mental Health	Faulty Alarm		2,117
	01/05/14	Montecito Business Corp	Faulty Alarm		3,776
					17,517

ANNUAL WRITE OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE
Attachment A

Playground Grant	Boundless Playground	Grant	Bankrupt Business	**75,000**
Heather Acres Assessment District	5054 Sutherland Dr, Concord CA 94521	Assessment	District Closed	4,940
	5060 Sutherland Dr, Concord CA 94521	Assessment	District Closed	4,940
	5067 Sutherland Dr, Concord CA 94521	Assessment	District Closed	4,940
	1560 Sutherland Ct, Concord CA 94521	Assessment	District Closed	4,940
	5047 Sutherland Dr, Concord CA 94521	Assessment	District Closed	4,940
	1579 Ayers Rd, Concord CA 94521	Assessment	District Closed	4,940
	998 Rosehedge Ct, Concord CA 94521	Assessment	District Closed	4,940
	1566 Manchester Ct, Concord CA 94521	Assessment	District Closed	4,940
	1572 Manchester Ct, Concord CA 94521	Assessment	District Closed	4,940
	1578 Manchester Ct, Concord CA 94521	Assessment	District Closed	4,940
	1573 Manchester Ct, Concord CA 94521	Assessment	District Closed	4,940
	1567 Manchester Ct, Concord CA 94521	Assessment	District Closed	4,940
	1561 Manchester Ct, Concord CA 94521	Assessment	District Closed	4,940
	5077 Sutherland Dr, Concord CA 94521	Assessment	District Closed	4,940
	5076 Sutherland Dr, Concord CA 94521	Assessment	District Closed	4,940
	1536 Manchester Dr, Concord CA 94521	Assessment	District Closed	4,940
	1564 Sutherland Ct, Concord CA 94521	Assessment	District Closed	3,562
				82,597
	Total request of accounts to be written-off			**$ 231,228**