



Department Source: Finance

To: City Council

From: City Manager & Staff

Council Meeting Date: February 1, 2016

Re: Report of uncollectible accounts being written off

Executive Summary

Section 2-208(13) of the City Code states that the Director of Finance will establish a policy and procedure for determining and handling uncollectible accounts, as well as report the total amount of bad debt write-offs to the City Council. The policies and procedures established relate to the write-off of accounts the City no longer has legal claim. This allows for better tracking in the computer system and enhances our collections efforts. The attached resolution authorizes the Finance Director to write-off \$692,314.43 in utility accounts receivables. This will not affect the operating statements of the various funds since an allowance for bad debt is booked on a monthly basis.

Discussion

Section 2-208(13) of the City Code states that the Director of Finance will establish a policy and procedure for determining and handling uncollectible accounts, as well as report the total amount of bad debt write-offs to the City Council. Policies and procedures related to the write-off of accounts states that only accounts with a balance of \$5.00 or less and accounts for which the City no longer has legal claim.

Each year an established amount of bad debt expense is budgeted in each utility. As billing occurs each month, the Finance Department estimates the amount of bad debt expense based upon the historical average of uncollectible accounts by service area. These amounts are posted to the Bad Debt expense account and the Allowance for Estimated Uncollectible balance sheet account. The city adjusts these percentages each year based upon payment history; however, the City continues to have an excellent record of collections by collecting 99.9997 percent of gross billings over the given write-off period. The uncollectible balance for customer accounts include the collection and late fees that are written off on final accounts that cannot be collected. Staff continues to research ways to collect on delinquent accounts.

When the determination has been made that a specific account cannot be collected, it is written off by reducing the amount in the Receivable Account and the Allowance for Estimated Uncollectible Account. The account detail is also removed from the billing system. This has no effect on the operating statements of the utility funds.

The dollar amount of utility account write-offs presented this year is \$692,314.43 for 2,283 accounts. The last time the City Council approved write-offs was January 20, 2015 with Resolution 16-15.



Fiscal Impact

Short-Term Impact: None.
Long-Term Impact: None.

Vision & Strategic Plan Impact

Vision Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Strategic Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

Legislative History

Date	Action
N/A	N/A

Suggested Council Action

Adopt the resolution.