

RESOLUTION NO. 2013-197

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
ADOPTING A FORMAL COLLECTIONS, FINANCE CHARGE AND
WRITE-OFF POLICY**


WHEREAS, it is fiscally responsible to adopt policies to guide administration of revenue collection and delinquency management; and

WHEREAS, the City has informally followed standard procedures for collections, finance charge and write-offs in the past, including basic invoicing, lien and levy, late fee and penalty assessment, and recommendation of accounts to Council for write-off, among other methods; and

WHEREAS, the City Council desires to provide for consistency in administration of collections, finance charge and write-off administration in the future.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Elk Grove hereby adopts a formal Collections, Finance Charge and Write-off Policy, attached hereto as Exhibit A.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 9th day of October 2013.



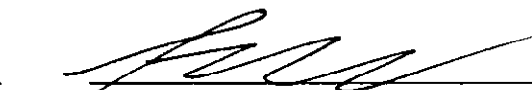
GARY DAVIS, MAYOR of the
CITY OF ELK GROVE

ATTEST:



JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:



JONATHAN P. HOBBS,
CITY ATTORNEY



City of Elk Grove Collections, Finance Charge and Write-off Policy

No. xxx-xx-xxx

Date:	Department: Finance	Authority: City Manager
Revised:	Division: Accounts Receivable	
<p>This Administrative Policy is declarative of existing City policy, is issued under the authority vested in the City Manager, and shall remain in place unless and until rescinded or superseded.</p>		<hr style="border: 0.5px solid black;"/> Laura Gill, City Manager

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PURPOSE

To promote control of City revenue collection and maximize the City's cash flow. To ensure the City of Elk Grove financial statements correctly reflect all amounts owed to the City, and establish guidelines by which credit is extended to City customers on a consistent basis. To manage the extension of credit by various departments and minimize the cost of collecting accounts receivable, and establish the procedure for implementing finance charges.

SCOPE

The policy covers all departments within the City with billing functions for services provided.

ASSIGNMENT OF RESPONSIBILITY

- A. **Accounts Receivable Staff** Process in a timely manner the payment receipt for invoices, process finance charges and approve authorized Finance Charge Write-offs.
- B. **City Council** Approve for write-off all items that meet the criteria established in this policy.
- C. **City Manager** Approve or make recommendation to approve write-offs that meet the criteria established in this policy.
- D. **Department Heads** Establish criteria for and method of pursuing collections on delinquent accounts. On a quarterly basis, or as often as necessary, review their department's accounts receivable, accumulated interest balances, Subrogation Receivables, obsolete inventory and fixed assets for determination of items eligible for write-off.
- E. **Finance Director** Continuously review collections procedures for adequacy and delinquent debt items eligible for write-off, approve or make recommendation to approve write-offs that meet the criteria established in this policy.
- F. **Accounting Manager** Provide departments with monthly updates regarding delinquent accounts and first level of review for proposed write-offs from all departments, in particular evaluating the future collectability of the receivable.

DEFINITIONS

- A. **Payment Request Letter:** A written notification of the pending amounts due, including a description of fees or interest applied and the City's collection process.
- B. **Finance Charge Write-off:** The elimination of penalties, interest and/or any other fee that has been applied to an accounts receivable item due to delinquency in order to facilitate recovery of the principal account balance.
- C. **Original Invoice:** The first invoice or bill for services, fine or penalty issued by the City to a customer. This bill shall clearly show a description

of the services provided, or the fine or penalty along with details of the violation which caused the assessment of the fine or penalty, the date on which the invoice was generated and the due date which is a minimum of 30 days from the date the invoice was generated.

- D. **Uncollectible:** An account which the responsible Department Head has had no correspondence with the debtor that would give the Department Head reason to believe the debtor has the means to pay the delinquent account and there has been no payment activity for at least 180 days; the contingency fee stated in the City's then current contract with a Collection Agency; and any amounts deemed uncollectible by the Collection Agency up to and including the full remaining balance on the account.
- E. **Write-off:** The elimination of an accounts receivable or subrogation receivable debt item from an account that is deemed unrecoverable and uncollectible.

COLLECTIONS PROCESS

The Finance Director is responsible for maintaining and updating this policy. At a minimum, City departments are expected to follow the basic collections practices identified in this section prior to consideration of an Accounts Receivable balance for write-off. The Accounts Receivable staff will work with each department to ensure monthly reporting of outstanding balances to ensure timely processing of Collections and Write-offs. If a proper and timely appeal is made at any time, the collections process will be put on hold (stayed) until completion of the appeal process. If an appeal is denied, the collection process will re-commence from that date of denial of the appeal. If an appeal is upheld, a new invoice summarizing the new amount, if any, will be issued immediately. A general appeals process is outlined in Chapter 1.11 of the City of Elk Grove Municipal Code. Note that there are limitations to the applicability of this appeal process. Please consult the code for your specific matter.

1. Billing and Preliminary Collections

This section establishes minimum collections procedures. Department Heads must at a minimum follow these procedures when recommending accounts for Write Off.

- A. An Original Invoice is generated then sent to customer. The invoice will give the customer a minimum of 30 days to pay the balance.
- B. If an account is delinquent past the due date on the invoice, a Payment Request Letter will be generated and sent to the customer, clearly stating the previous balance, a late charge consistent with the charge set by contract or law, and an explanation of future interest charges to be assessed to outstanding balances as described in section 1 under Finance Charge Write-Offs of this policy.
- C. Reasonable collections efforts must be maintained, and commensurate with the outstanding balance. These efforts include but are not limited to follow up written invoices, collections phone calls, in person meetings, and/or filing a lawsuit for collection.
- D. Each Department Head is responsible for documenting collections efforts and submitting this documentation with any request for Write Off.

- E. If a delinquent account can legally be secured either through lien, attachment to a tax roll or other methods, such measures should normally be taken prior to recommendation of the account for Write Off, unless otherwise prevented by City policy or the Department Head has reasonable expectation the account will be collected absent these measures.

2. Payments

- A. All payments made within 30 days of the Original Invoice will have no additional fees assessed.
- B. Payments made after 30 days must include interest and/or late charges at the rate(s) allowed by contract or by law unless a charge waiver is granted.
- Department Heads have the authority to grant a charge waiver one time per customer, per year not to exceed \$5,000.
 - Authority for future waivers shall be subject to City Manager approval up to an aggregate waiver amount of \$10,000 per customer. Waivers of penalties greater than \$10,000 per customer must be approved by the City Council.
- C. Payments will be posted promptly to the proper account using the City's current accounting software at the Finance Cashier's point of collection.
- D. If an account has been sold to a collections agency, or otherwise secured via tax, lien or other method that is not collectible by the City, the customer will be directed to arrange payments with the collecting entity.

3. Payment Plans and Appeals

City Staff may grant payment plans in certain circumstances. Payment plans can be granted by City Staff subject to the same dollar, authority level and authorization limits as prescribed under ACCOUNTS RECEIVABLE WRITE-OFFS Section 3. Levels of Authorization and Approval. Payment arrangements may be approved under the following conditions:

- All debt due must be paid within 24 months.
- A promissory note must be signed with an agreement including a provision that calls for full payment if note is defaulted upon.

If a proper and timely appeal is made of any staff collection decision, the collection process will be put on hold (stayed) until the completion of the appeal process. If an appeal is denied, the collection process will re-commence from that date. If an appeal is upheld, a new invoice summarizing the decision will be issued immediately. Such payment plans are subject to the same limitation as identified for the staff level appeals:

- All debt due must be paid within 24 months
- A promissory note must be signed with an agreement including a provision that calls for full payment if note is defaulted upon.

4. Deposits, Loans and Fee Deferral Agreements

In the regular course of business, the City occasionally preforms work based upon deposit or extends credit terms, such as through deferred impact fees,

affordable housing loans or economic development incentives. In such cases, the City secures a contractual relationship with either the depositor or the recipient of the loan or fee deferral containing provisions for the City's use of the deposit to cover delinquent balances or to access securities provided for under the loan or fee deferral to pay past due amounts once owed. Specific collections provisions within existing contracts are not affected by this policy. In all cases, unless prohibited by law or an existing contract, or if found to be impracticable under the circumstances (e.g. where a bond is posted as security), the City will first cash in deposits and securities prior to pursuing collections action against any debtor.

Nothing herein shall be deemed to preclude the City Council from approving any contract that differs from the terms of this policy.

ACCOUNTS RECEIVABLE WRITE-OFFS

1. Review Requirements

On a quarterly basis, or as often as necessary, accounts receivable and subrogation receivable will be reviewed by the Department Head for determination of items eligible for write-off by the appropriate department manager. A detailed report shall be presented to the Finance Director upon completion of the review. The Finance Director should continuously review delinquent debt on a Citywide basis.

2. Receivables Eligible for Write-Off

The following accounts are eligible for write-off, provided reasonable collections procedures have been followed with appropriate documentation, as determined by the Finance Director:

- (i) The City's collection procedures have been followed and the account remains unpaid for greater than 180 days after the due date shown on the Original Invoice, and the account has been deemed Uncollectible;
- (ii) The debtor cannot be located, nor any of the debtor's assets in the event the assets could be seized, claimed or otherwise used to satisfy debt obligations;
- (iii) The debtor has no reasonably available assets that may be used for payment of the debt, and there is no reasonable expectation they will have any in the reasonably foreseeable future;
- (iv) The debt is disputed and the City has insufficient documentation to pursue collections efforts;
- (v) The debtor has declared a bankruptcy and received a discharge of the debt;
- (vi) The debtor has died and there is no known estate or guarantor;
- (vii) It is determined that it is not cost effective to continue collection efforts;
- (viii) Portions of the debt constituting finance charges and/or interest used as a collections tool for reducing outstanding balances (see Sections 1 and 2 under "Finance Charge Write-Offs" below);
- (ix) Accounts delinquent under \$50 with no activity for over 180 days;

- (x) Accounts owned by companies no longer in business and for which collections efforts have failed;
- (xi) Court judgments that have been satisfied and/or compromise of debt by proper authority.
- (xii) Up to a write-off value of \$24,499.99, the Finance Director may consider other reasons for write-off on a case by case basis when articulated reasons do not describe a particular debt situation that in the Finance Director's discretions is uncollectible. The City Manager may consider other reasons up to a value of \$50,000.00.

3. Levels of Authorization and Approval

A. Accounting Manager or Revenue Manager

1. Items that are determined to be write-off eligible with a value of less than or equal to \$4,999.99 shall first require the following authorizations:
 - Department Head
 - Accounting Manager or Revenue Manager

B. Finance Director

1. Items that are determined to be write-off eligible with a value of less than or equal to \$24,999.99 shall first require the following authorizations:
 - Department Head
 - Accounting Manager or Revenue Manager
 - Finance Director

C. City Manager

1. Items that are determined to be write-off eligible with a value of greater than or equal to \$25,000 and less than or equal to \$49,999.99 shall first require the following authorizations:
 - Department Head
 - Accounting Manager or Revenue Manager
 - Finance Director
 - City Manager

D. City Council

1. Items that are determined to be write-off eligible with a value of greater than or equal to \$50,000 shall first require the following authorizations:
 - Department Head
 - Accounting Manager or Revenue Manager
 - Finance Director
 - City Manager
 - City Council

4. Documentation Requirements

- A. All items deemed to be written off should be documented and demonstrate that the costs of pursuing a debt outweighs the benefits of

pursuing collections. Levels of effort in record keeping and collection must be commensurate with collection value. Generally, the greater the Write-Off amount requested, the greater the amount of required documentation. The documentation should, at a minimum, include:

- Copies of invoices, collections letters, returned mail, and/or returned checks;
 - Report of calls and/or written correspondence supporting collection efforts, and whether the account has been turned over to a collection agency;
 - Any documents supporting a claims court or other judgment rendered by proper authority;
 - Memo of explanation justifying each write-off and background
 - General ledger detail report; and
 - Reconciliation report and detail support copies.
- B. All documentation must support the total amount to be considered for write-off and must evidence authorizations as described in section 3 of this policy.
- C. All supporting documentation must be attached to the Journal Voucher authorizing the write-off.
- D. Records of accounts written-off must be maintained in accordance with Federal and State record retention rules as well as the City's Record Retention Policy.

FINANCE CHARGE WRITE-OFFS

1. Finance Charges

Finance charges will be applied monthly to the extent allowed by law or contract. Interest will accumulate at the rate set by contract or law on all outstanding receivable balances. The entire month's interest accrual will post to the account at this time. In addition, a onetime late charge will be assessed on all balances at the time the balance becomes past due, if permitted by contract or law.

2. Procedures

- A. The following are justification for Finance Charge Write-Offs based on the write-off authority established in this section:

Customer Not at Fault:

- Misapplication of payment resulting in new or additional finance charges
- Timing difference between when payments are received and when they are applied to the account
- Other situations beyond the control of the customer, as determined by the Department Head

Customer at Fault:

- Interest has been deemed uncollectible

- Interest reduction is used as a negotiation tool to help collect account balances

B. Authorization levels for Finance Charge Write-Offs are as follows:

1. **All Staff Levels**
 - i. All Staff Levels are eligible to Write-Off one Finance Charge per account per year up to a \$50 value if the debtor pays the principal balance prior to the Finance Charge waiver. The item shall first require the following approval:
 - Staff Executing Write-Off at Point of Service
 - Department Head
2. **Accounting Manager or Revenue Manager**
 - i. Finance Charges that are determined to be write-off eligible with a value of less than or equal to \$4,999.99 shall first require the following authorizations:
 - Department Head
 - Accounting Manger
3. **Finance Director**
 - i. Finance Charges that are determined to be write-off eligible with a value of less than or equal to \$24,999.99 shall first require the following authorizations:
 - Department Head
 - Accounting Manager or Revenue Manager
 - Finance Director
4. **City Manager**
 - i. Items that are determined to be write-off eligible with a value of greater than or equal to \$25,000 and less than or equal to \$49,999.99 shall first require the following authorizations:
 - Department Head
 - Accounting Manager or Revenue Manager
 - Finance Director
 - City Manager
5. **City Council**
 - i. Items that are determined to be write-off eligible with a value of greater than or equal to \$50,000 shall first require the following authorizations:
 - Department Head
 - Accounting Manager or Revenue Manager
 - Finance Director
 - City Manager
 - City Council

**CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2013-197**

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

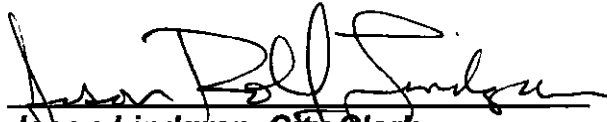
I, Jason Lindgren, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on October 9, 2013 by the following vote:

AYES : **COUNCILMEMBERS:** ***Davis, Detrick, Cooper, Hume, Trigg***

NOES: **COUNCILMEMBERS:** ***None***

ABSTAIN : **COUNCILMEMBERS:** ***None***

ABSENT: **COUNCILMEMBERS:** ***None***



**Jason Lindgren, City Clerk
City of Elk Grove, California**