

**CITY MANAGER’S REPORT
AUGUST 14, 2023 CITY COUNCIL REGULAR MEETING**

ITEM: APPROVE WRITE-OFF OF UNCOLLECTIBLE UTILITY AND MISCELLANEOUS CUSTOMER ACCOUNTS FOR FISCAL YEAR 2022/23

RECOMMENDATION: Adopt Resolution to Approve Write-Off of Uncollectible Utility and Miscellaneous Accounts for Fiscal Year (FY) 2022/23

SUMMARY:

Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) require municipalities to evaluate and write-off delinquent accounts that are deemed uncollectible. As part of the annual audit process and in compliance with both GAAP and GASB requirements, the Finance Department has reviewed unpaid delinquent accounts assigned to collections. After a thorough review, staff has determined \$193,475 to be uncollectible for FY 2022/23 as detailed in Table 1 below:

Table 1

Customer Account Type	FY 2021/22 Approved Write-Offs	FY 2022/23 Recommended Write-Offs	Increase/ (Decrease) %	No. of Accounts to be Written-Off
Utility Customers (Residential and Commercial)	\$56,601	\$180,434	218.87%	192
Miscellaneous Customers	25,662	13,041	(49.18%)	12
Totals	\$82,263	\$193,475		204

On March 4, 2020, Governor Gavin Newsom proclaimed a state of emergency to exist in California as a result of the threat of COVID-19. That proclamation established policy of the State under Water Code section 106.3 that every human being has the right to safe, clean, affordable and accessible water adequate for human consumption, cooking, and sanitary purposes. The Governor signed executive order N-42-20 on April 2, 2020 that established a moratorium on water service disconnections statewide.

The total uncollectible amount consist of past due balances that have accumulated since March 2020 when water service shut off was suspended due to the pandemic. In order to prevent large unpaid balances from accumulating, the City utilizes water shut off procedure on balances unpaid after 60 days. Water service shut offs resumed on October 18, 2022.

The recommended utility write-offs represent 0.85% of the annual water and sewer charges billed to customers in FY 2022/23. The utility write-off amount in FY 2022/23 has increased by \$123 thousand or 218.87% from the prior fiscal year.

CITY MANAGER'S REPORT **PAGE 2**
AUGUST 14, 2023 CITY COUNCIL REGULAR MEETING
UNCOLLECTIBLE UTILITY AND MISCELLANEOUS CUSTOMER ACCOUNTS

The recommended miscellaneous write-off amount of \$13,041 include charges rendered by: Finance, Animal Services, Community Development, Police, Parks & Recreation, and Public works. Charges include animal impound, unpaid business license and programming fees, court ordered restitution, materials/equipment, and checks returned for insufficient funds.

Even though these accounts will reflect as "written off" in the City's financial system, there are further collection measures in place to seek repayment. For instance, the collection agency will continue to pursue repayment efforts on these accounts and forward any recovered payments to the City.

Tonight staff is requesting Council's approval to write-off \$193,475 of uncollectible utility and miscellaneous charges.

BACKGROUND:

On May 19, 1998, the City Council of the City of Lathrop adopted Resolution 98-664 regarding the approval and implementation of a revenue collection policy. On October 18, 2010, Council authorized the execution of an agreement with Golden State Collections, LLC.

The collection policy was put in place to help decrease the number of delinquent accounts (60-90 days). After unsuccessful collection attempts by City staff, the collection procedures allow City staff to refer customers' accounts that remain unpaid for 60-90 days to the collection agency for collection proceedings. The collection agency works on a commission-based structure. Their fee is 30% of the total amount collected.

Currently, there are two types of customer accounts referred to the collection agency. They are utility and miscellaneous customer accounts. The utility customer accounts include charges for water and wastewater. Miscellaneous customer accounts include charges rendered by: Finance, Animal Control, Community Development, Police, Parks & Recreation, and Public Works. Charges include animal impound, unpaid business license and programming fees, court ordered restitution, materials/equipment, and checks returned for insufficient funds.

CITY MANAGER'S REPORT **PAGE 3**
AUGUST 14, 2023 CITY COUNCIL REGULAR MEETING
UNCOLLECTIBLE UTILITY AND MISCELLANEOUS CUSTOMER ACCOUNTS

Utility Customer Accounts

During FY 2022/23, Golden State Collections, LLC, received claims for further collection processed on 198 delinquent utility customer accounts totaling \$184,313. Of the \$184,313 assigned to Golden State Collections, LLC, the agency recovered \$4,658 from 27 customer accounts recorded on the current and prior year claims. This represents a 2.52% recovery rate (see Table 2) from the total referred. In addition, Table 2 includes accounts with balances of less than \$5, which are not assigned to the collection agency. During FY 2022/23, there were no accounts with a balance less than \$5.

Table 2.

Utility Customer Accounts	FY 2020/21	FY 2021/22	FY 2022/23
Total Utility Customers	8,266	9,379	9,895
Accounts Sent to Collection Agency	97	162	198
Amount Assigned to Collection Agency	\$42,081	\$56,601	\$184,313
Amount Recovered by Collection Agency	\$3,621	\$1,110	\$4,658
Recovery Rate	8.60%	1.96%	2.52%
Account < \$5.00	5	2	0
Total Write-Offs	\$42,081	\$56,601	\$180,433

The utility write-off amount in FY 2022/23 has increased by \$123 thousand or 218.87%. Of the 192 utility customer accounts, there are 84 residential accounts with past due balances of \$500 or more. These accounts total approximately \$144 thousand and makes up for 77.96 % of the overall utility write off amount. The high balances are attributed from the financial impacts of the COVID-19 pandemic on Lathrop residents.

During the pandemic, water service shut off was suspended across the state. The City utilizes the water shut off procedure to prevent customers from accumulating large past due balances. The City resumed water service shut offs in October 2022.

The City received funding from the State Water Resources Control Board (SWRCB) to assist residential and commercial customers who incurred utility debt as a result of the COVID-19 Pandemic. Residential and commercial customers with outstanding balances were conditionally eligible to have credits applied to their utility account. The credits were posted to all eligible, active and inactive, accounts. The recommended write off of \$180,433 for utility customers would be significantly higher if the SWRCB assistance funding was not available.

Staff will continue to re-enforce current programs that offers payment assistance, such as extending payment due date or granting payment arrangement, to utility customers carrying past due balances. In addition, the Finance Department conducts a review of all new customers prior to establishing service to ensure there are no outstanding balances.

CITY MANAGER'S REPORT **PAGE 4**
AUGUST 14, 2023 CITY COUNCIL REGULAR MEETING
UNCOLLECTIBLE UTILITY AND MISCELLANEOUS CUSTOMER ACCOUNTS

Miscellaneous Customer Accounts

Miscellaneous customer accounts referred to collections for FY 2022/23 totaled \$13,041 from 12 accounts related to Animal Services, Public Works, and Parks and Recreation billings, as summarize in Table 3. Animal Services billings included emergency call costs, veterinary costs, impoundment, and shelter fees. Billings for Public Works included City property damages, material, and equipment replacement costs. Parks and Recreation billings included non-sufficient fund returned check fees and unpaid programming fees.

Table 3.

Miscellaneous Customer Accounts	Animal Services	Public Works	Parks & Rec	Misc.	FY 2022/23
Accounts Sent to Collection Agency	6	4	0	2	12
Amount Assigned to Collection Agency	\$1,013	\$5,378	\$0	\$6,650	\$13,041
Amount Recovered by Collection Agency	\$0	\$0	\$0	\$0	\$0
Accounts < \$5.00	-	-	-	-	-
Total Write-offs					\$13,041

REASON FOR RECOMMENDATION:

The Finance Department has conducted a thorough review of the utility and miscellaneous customer accounts and recommends \$193,529 to be considered uncollectible.

FISCAL IMPACT:

Decrease customer's outstanding balances due to uncollectible debt as follows:

Utility customer accounts:	\$ 180,434
Miscellaneous customer accounts:	<u>13,041</u>
Total amount of uncollectible accounts:	\$ 193,475

ATTACHMENTS:

- A. Resolution to Approve Write-Off of Uncollectible Utility and Miscellaneous Accounts for Fiscal Year (FY) 2022/23

CITY MANAGER'S REPORT **PAGE 5**
AUGUST 14, 2023 CITY COUNCIL REGULAR MEETING
UNCOLLECTIBLE UTILITY AND MISCELLANEOUS CUSTOMER ACCOUNTS

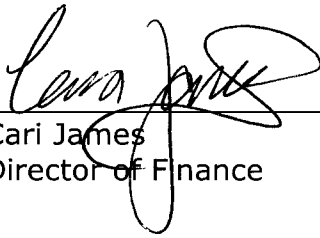
APPROVALS:



Chia Lor
Senior Accountant

07.28.23

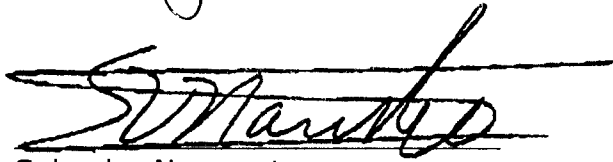
Date



Cari James
Director of Finance

7/31/23

Date



Salvador Navarrete
City Attorney

7/31/2023

Date



Stephen J. Salvatore
City Manager

8.3.23

Date

RESOLUTION NO. 23-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP
APPROVING THE WRITE-OFF OF UNCOLLECTIBLE UTILITY AND
MISCELLANEOUS CUSTOMER ACCOUNTS FOR FISCAL YEAR 2022/23**

WHEREAS, Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) require municipalities to evaluate and write-off delinquent accounts that are deemed uncollectible; and

WHEREAS, As part of the annual audit process and in compliance with both GAAP and GASB requirements, the Finance Department has reviewed unpaid delinquent accounts assigned to collections; and

WHEREAS, After a thorough review, staff has determined \$193,475 to be uncollectible for FY 2022/23 as detailed in Table 1 below; and

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WHEREAS, on March 4, 2020, Governor Gavin Newsom proclaimed a state of emergency to exist in California as a result of the threat of COVID-19. That proclamation established policy of the State under Water Code section 106.3 that every human being has the right to safe, clean, affordable and accessible water adequate for human consumption, cooking, and sanitary purposes. The Governor signed executive order N-42-20 on April 2, 2020 that established a moratorium on water service disconnections statewide; and

WHEREAS, the total uncollectible amount consist of past due balances that have accumulated since March 2020 when water service shut off was suspended due to the pandemic. In order to prevent large unpaid balances from accumulating, the City utilizes water shut off procedure on balances unpaid after 60 days. Water service shut offs resumed on October 18, 2022; and

WHEREAS, the recommended utility write-offs represent 0.85% of the annual water and sewer charges billed to customers in FY 2022/23. The utility write-off amount in FY 2022/23 has increased by \$123 thousand or 218.87% from the prior fiscal year; and

WHEREAS, the recommended miscellaneous write-off amount of \$13,041 include charges rendered by: Finance, Animal Services, Community Development, Police, Parks & Recreation, and Public works. Charges include animal impound, unpaid business license and programming fees, court ordered restitution, materials/equipment, and checks returned for insufficient funds; and

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lathrop approves the write-off of uncollectible accounts in the amount of \$180,434 in Utility Customers and \$13,041 in Miscellaneous Customers for Fiscal Year 2022/23.

The foregoing resolution was passed and adopted this 14th day of August, 2023, by the following vote of the City Council, to wit:

AYES:

NOES:

ABSENT:

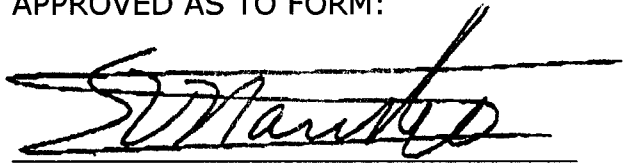
ABSTAIN:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney