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# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Adam Benson  
Director of Finance

**SUBJECT:** Biannual Report On Aging And  
Outstanding Revenue

**DATE:** October 1, 2019

City Administrator Approval

Date:

10/10/19

## RECOMMENDATIONS

**Staff Recommends That The City Council Receive And File The Biannual Informational Report On Aging And Outstanding Revenue.**

## EXECUTIVE SUMMARY

The purpose of this Biannual Aging and Outstanding Receivables report is to provide the Finance and Management Committee the status of aged receivable accounts that, after 90 days of being in an unpaid status, continue to have outstanding balances due the City. This report provides updates on aged accounts data after the Finance and Management Committee presentation on June 11, 2019.

- There are 738 delinquent accounts, totaling \$1.45 million that were delinquent during the first three quarters (June 2018-March 2019) of Fiscal Year (FY) 2018-19.
- During the fourth quarter (April – June 2019) of FY 2018-19, 644 accounts totaling \$1.67 million became delinquent.
- During the fourth quarter, staff collected \$0.81 million and closed 61 accounts.
- As of June 30, 2019, there were approximately 1,061 delinquent accounts moving through the collection process with an outstanding balance of \$2.31 million.

This report details the types of accounts with balances outstanding in excess of 90 days, and total outstanding balance.

## BACKGROUND / LEGISLATIVE HISTORY

The management of receivables in the City of Oakland is administered by Administrative Instruction 1051, which covers administrative procedures of Accounts Receivables-Billing, Collections, and Write-offs. Furthermore, the collectability of aged receivables is governed by California State Government Code of Civil Procedure Section 337- where the action is based on a written agreement that must be filed within four years.

The California Code of Civil Procedure contains most of the statutes that govern the filing and litigation of lawsuits in California, as well as legal notices that must be given in a variety of

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circumstances. Furthermore, it includes that statutes of limitation that control the period of time during which court actions must be commenced.

***Code of Civil Procedure § 337***

(1) An action upon any contract, obligation or liability founded upon an instrument in writing, except as provided in Section 336a of this code [...].

(2) An action to recover (a) upon a book account whether consisting of one or more entries; (b) upon an account stated based upon an account in writing, but the acknowledgment of the account stated need not be in writing; and, (c) a balance due upon a mutual, open and current account, the items of which are in writing provided, however, that where an account stated is based upon an account of one item, the time shall begin to run from the date of said item, and where an account stated is based upon an account of more than one item, the time shall begin to run from the date of the last item.

The statute of limitations to sue to collect a debt is four years for a written contract and two years for an oral contract.

***Returned checks are governed by the California Civil Code Division 3. Part 3. Section 1719***

(a) (1) Notwithstanding any penal sanctions that may apply, any person who passes a check on insufficient funds shall be liable to the payee for the amount of the check and a service charge payable to the payee for an amount not to exceed twenty-five dollars (\$25) for the first check passed on insufficient funds and an amount not to exceed thirty-five dollars (\$35) for each subsequent check to that payee passed on insufficient funds.

(2) Notwithstanding any penal sanctions that may apply, any person who passes a check on insufficient funds shall be liable to the payee for damages equal to treble the amount of the check[...]

***Litigation Process***

In addition, pursuing litigation is a final collection option to secure a judgement for 10-years if a person does not pay. During the 10-year period collection efforts can include garnish wages, levy bank accounts, and intercept State of California income tax returns. If the debt is not paid within the 10-year period, the City can be granted an additional 10-years. If the City is unable to secure payment of the debt within the second 10-year judgement, the City will write off the debt as uncollectable debt.

**ANALYSIS AND POLICY ALTERNATIVES**

The City of Oakland Finance Department has an in-house collection unit that manages City aged receivables. The Citywide Collections unit is housed in the Finance Department's Revenue Management Bureau. The City upgraded to the Oracle R12 Financial Management System, which includes a Collections Accounts Receivable module that is used to streamline the collections process for outstanding debt owed to the City.

With the upgrade to Oracle R12 and the addition of the Oracle collections module identifying delinquent accounts and the process of managing aged receivables has become more efficient. Departments are required to enter their receivables into Oracle's accounts receivable module. If the receivable is not liquidated by a payment within 90 days, the receivable is automatically moved to the collections module.

***Collection action by steps***

**Step 1** - Upon referral to the Collection unit, a collection fee of two times the invoice amount for invoices under \$300 is added to the debt, all other accounts are assessed a collection fee of \$300 or 10 percent, whichever is the greater. In the case of returned checks, a fee of treble damages, which is three times the face value of the returned check, is added in accordance with the Civil Code.

**Step 2** - Once the receivable is moved to the collections module, the Revenue Operations Supervisor assigns the account to one of the City's Collections Officers.

**Step 3** - The Collections Officer will send the first collection notice to the debtor that includes a collection fee of two times the amount of the invoice for invoices under \$300, otherwise all other accounts are assessed a collection fee of \$300 or 10 percent whichever is greater. The second and final notice is sent 30 days after the first notice if the debt remains outstanding.

**Step 4** - Failure to bring the debt whole within 60 days from the first notice, will result in the City filing an action with the Court to secure a judgement to collect the debt. Judgements are good for 10 years and can be renewed for an additional 10 years, while the Collection Officers attempt to collect the debt. In accordance with State debt collection laws.

Collections of delinquent accounts is a time-consuming process, in that research is needed to successfully gather all supporting documentation to support the City's legal ability to be granted a judgement by the court. The Collections unit utilizes specialized software and research services to locate debtors to be able to serve legal notices, levy banking accounts, obtain wage garnishments, and refer debtors to the Franchise Tax Board for collections. These are the resources available to attempt to receive payment.

Staff reviewed aged receivables accounts from the fourth quarter to report the following results for accounts with outstanding balances, excluding projects, notes, and loans as these accounts are paid overtime by the Grantor with some expected timing delays.

**Table 1** provides a breakdown for accounts listed by transaction category, corresponding aggregated totals owed to the City at the end of quarter three Fiscal Year (FY) 2018-19 (Q3) plus the delinquencies of quarter four FY 2018-19 (Q4), payments received during Q4, as well as the total remaining at the end of Q3 FY.

**Table 1: Accounts in Delinquency**

Category	Description	Balance Remaining From Accounts Delinquent at Q1-3 FY 2019	New Delinquent Amount Added Through Q4 FY 2019	Total Amount Due	Amount Collected Through Q4 FY 2019	Outstanding Balance
Police- Spec Events	OPD cost recovery fees charged for providing services at special events	\$ 242,168	\$ 315,046	\$ 557,214	\$ 158,152	\$ 399,062
Fire Prevention	Fire inspection and false alarm fees	\$ 116,804	\$ 1,226	\$ 118,030	\$ 1,226	\$ 116,804
Board-ups	Charges for boarding up vacant properties	\$ 238,746	\$ 7,127	\$ 245,873	\$ 3,613	\$ 242,260
Payroll	Overpayments to employees or underwitholding of employee benefits	\$ 8,544	\$ 15,021	\$ 23,565	\$ 100	\$ 23,465
Real Estate- Rent	City property lease agreements	\$ 24,274	\$ 28,868	\$ 53,142	\$ 18,395	\$ 34,747
Litter Enforcement	Illegal dumping	\$ 48,564	\$ 63,069	\$ 111,633	\$ 1,300	\$ 110,333
Parking Promissory Notes	Parking citation payment plans	\$ 194,145	\$ 334,687	\$ 528,832	\$ 79,971	\$ 448,861
Business Tax*	Unpaid business taxes	\$ 473,373	\$ 509,915	\$ 983,288	\$ 500,239	\$ 483,049
Return Checks	Insufficient funds	\$ 94,423	\$ 101,063	\$ 195,486	\$ 28,437	\$ 167,049
Sewers & Sidewalks	Repairs to privately owned properties	\$ 4,884	\$ 275,218	\$ 280,102	\$ 2,186	\$ 277,916
Miscellaneous		\$ 2,229	\$ 16,280	\$ 18,509	\$ 16,280	\$ 2,229
<b>Total</b>		<b>\$ 1,448,154</b>	<b>\$ 1,667,520</b>	<b>\$ 3,115,674</b>	<b>\$ 809,899</b>	<b>\$ 2,305,775</b>

\*Business tax- the outstanding balance due includes assessments based upon industry average. These assessments may be reduced when businesses responding to collection notices produce tax returns resulting in the actual tax due being either increased or decreased.

**Judgments**

As explained earlier, judgments are good for a 10-year period and can be renewed for an additional 10 years while the Collections Officer attempt to collect the debt during the statutory collection timeframe. During the judgement period, Collection Officers will garnish wages, levy bank accounts, and intercept taxes. For the 10-year period, there are a total of 1,162 cases in which the City has won judgements for a total amount of \$1,661,190. **NOTE: Judgments remain in Aged Receivable balances until the debt is paid.**

**FISCAL IMPACT**

This is an informational report and does not have a fiscal impact.

**PUBLIC OUTREACH / INTEREST**

There was no public outreach required past the posting on the City's website.

**COORDINATION**

This report has been coordinated with the Budget Bureau, of the Finance Department.

**SUSTAINABLE OPPORTUNITIES**

***Economic:*** No direct economic opportunities have been identified.

***Environmental:*** No direct environmental impacts have been identified.

***Social Equity:*** No social equity opportunities have been identified.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Receive And File The Biannual Informational Report On Aging And Outstanding Revenue.

For questions regarding this report, please contact Margaret L. O'Brien, Revenue & Tax Administrator, (510) 238-7480.

Respectfully submitted,



Adam Benson  
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Finance Department

Prepared by:  
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Revenue and Tax Administrator