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AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Biannual Report On Aging And
Outstanding Revenue

DATE: October 17, 2018

City Administrator Approval

Date: 11/1/18

RECOMMENDATIONS

Staff Recommends That The City Council Receive The Biannual 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. This report provides updates on aged accounts data after the Finance and Management Committee presentation on February 27, 2018. There are a total of 1,321 accounts in collections for a current total amount outstanding of \$3,320,803 and for an 18 month collection amount of \$1,367,786.

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.

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 doesn't pay. During the 10-year period collection efforts can be to garnish wages, levy bank accounts, and intercept State of California income tax returns. If the debit 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 all 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 an Accounts Receivable module that is used to streamline the collections process for outstanding debt owed to the City. Prior to the upgrade to Oracle R12, the City utilized a standalone collections database and was dependent upon delinquent accounts being referred to the unit by City departments.

With the upgrade to Oracle the R12 and addition of the Oracle collections module identifying 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 fire 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 invoice for fire inspections under \$300, otherwise all other account 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 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.

As of the February 27, 2018 presentation, staff has reviewed the aged receivables accounts available in Oracle from 2017 forward to report the following results for accounts with outstanding balances, excluding projects and notes and loans as these accounts are paid overtime by the Grantor with some expected timing delays.

Table 1 below provide a breakdown for accounts listed by transaction account group, showing the number of accounts in each inventory transaction group, corresponding aggregated totals for beginning amounts owed to the City, and unpaid balances that are due for each monetary category by year in collections. In FY 2017-18, there are a total of 1,321 accounts outstanding for an amount owed of \$3,320,803 of which \$1,367,786, was collected. The remaining balance of \$1,953,017 remains outstanding.

Table 1: Accounts in Collection

	Calendar Year 2017				Calendar Year To Date 2018			
	Count of Accounts	Sum of Original Amount	Sum of Payments	Sum Amount Remain	Count of Accounts	Sum of Original Amount	Sum of Payments	Sum Amount Remain
ABAT	26	\$ 34,746	\$ 11,650	\$ 23,096	3	\$ 3,200	\$ -	\$ 3,200
Business Tax	69	\$ 314,009	\$ 292,097	\$ 21,912	79	\$ 556,728	\$ 32,910	\$ 523,818
Damage Claims	36	\$ 58,372	\$ 5,104	\$ 53,268	48	\$ 206,835	\$ 63,360	\$ 143,475
Finance	8	\$ 35,073	\$ 875	\$ 34,197	5	\$ 8,124	\$ 2,113	\$ 6,011
Fire	67	\$ 125,535	\$ 50,027	\$ 75,508	108	\$ 151,504	\$ 20,141	\$ 131,363
General Collections	29	\$ 45,801	\$ 25,103	\$ 20,698	13	\$ 85,750	\$ 31,625	\$ 54,125
Litter	11	\$ 38,713	\$ 1,000	\$ 37,713	2	\$ 27,652	\$ -	\$ 27,652
Miscellaneous	4	\$ 193,549	\$ 143,564	\$ 49,985	0	\$ -	\$ -	\$ -
Parking Promissory Note	243	\$ 346,124	\$ 264,498	\$ 81,625	256	\$ 350,869	\$ 168,980	\$ 181,889
Police	11	\$ 192,582	\$ 150,042	\$ 42,540	15	\$ 73,165	\$ 9,938	\$ 63,227
Public Works	36	\$ 6,753	\$ 364	\$ 6,389	82	\$ 287,977	\$ 44,722	\$ 243,255
Real Estate	25	\$ 46,934	\$ 28,056	\$ 18,878	6	\$ 21,669	\$ 6,086	\$ 15,583
Return Checks	70	\$ 38,384	\$ 13,850	\$ 24,534	68	\$ 68,955	\$ 1,681	\$ 67,274
Information Technology					1	\$ 1,800	\$ -	\$ 1,800
Grand Total	635	\$ 1,476,575	\$ 986,231	\$ 490,344	686	\$ 1,844,228	\$ 381,556	\$ 1,462,672

Account in Collection CYs 17-18 1,321
 Amount Remain in Collections 1,953,017
 Total Amount Collected \$ 1,367,786

The increase in the business tax inventory category for 2018 is due to the increase in business tax non-compliance collection efforts. The increase in the public works category is due to the both the increased number of damages claims and high dollar values of claims. Currently there are on miscellaneous accounts outstanding for 2018.

Judgments

As explained earlier, judgements are good for 10-year period and can be renewed for an additional 10 years while the Collection Officers 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 840 cases in which the City has won judgements for a total amount of \$829,683. **NOTE: Judgements remain in Aged Receivable balances until the debt is paid.**

Other Agencies with Aged Accounts

For the 18-month period, government agencies have 17 outstanding invoices, which account for 0.72% of all outstanding account receivable invoices and account for 1.34% of outstanding revenues. The State of California Department of Transportation is the largest agency with and amount due and represents 91% of all government agencies, as shown in **Table 2**. Staff expects 100 percent of these outstanding invoices to be paid by the Grantor with some expected timing delays.

Table 2: Other Agency Accounts in Collections

Agency	Amount
Alameda County Sheriff's Office	\$ 4,088
HIDTA	\$ 1,370
Housing Authority of the City of Oakland	\$ 977
Housing Authority of the City of Oakland @1227	\$ 158
Oakland Housing Authority	\$ 1,268
Oakland State Building Authority	\$ 2,222
State of California Department of Transportation	\$ 138,748
U.S. Secret Secret Services	\$ 3,120
Total	\$ 151,951

FISCAL IMPACT

This is an information only 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 Controller Bureau, of the Finance Department. No additional coordination was necessary for this report.

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 The Biannual Report On Aging And Outstanding Revenue.

For questions regarding this report, please contact Andy Best, Principal Revenue Analyst, (510) 238-7009.

Respectfully submitted,



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