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2018 FEB 15 PM 12:47

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Biannual Report On Aging And
Outstanding Revenue

DATE: February 3, 2018

City Administrator Approval

Date:

2/15/18

RECOMMENDATIONS

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

EXECUTIVE SUMMARY

The Biannual Aging and Outstanding Receivables report is a new biannual report requested by the Finance Committee. The Finance Department will be bringing this report to the Committee with the Second and Fourth Quarter Revenue and Expenditure reports. This report will be refined over time as more research is conducted. The current report contains an analysis of aged receivables housed in the Oracle Collection module.

Accounts are presented by those that have a balance due of over \$1,000 and those that have a balance due of less than \$1,000, and are described and shown in this report. Over the last four years, the City had 3,054 accounts outstanding with original amounts of \$1,267,798 and remaining balance due of \$908,330. A further breakdown of these accounts can be found in the analysis section of this report.

BACKGROUND / LEGISLATIVE HISTORY

The management of receivables in the City of Oakland is administered by Administrative Instruction 1051, Accounts Receivables- Billing, Collections and Write-off Procedures. Furthermore, the collectability of aged receivables is governed by California law. California Code of Civil Procedure Section 337- Where the action is based on a written agreement, it must be filed within 4 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 [...].

Item: _____
Finance and Management Committee
February 27, 2018

(2) An action to recover (1) upon a book account whether consisting of one or more entries; (2) upon an account stated based upon an account in writing, but the acknowledgment of the account stated need not be in writing; (3) 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 4 years for a written contract and 2 years for an oral contract.

Returned check 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[...]

ANALYSIS AND POLICY ALTERNATIVES

The City of Oakland maintains an inhouse collection unit for 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 the City departments.

With the upgrade to Oracle R12 and addition of the Oracle collections module identifying and managing aged receivables has become more streamlined. 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.

Upon referral to the Collection unit, a collection fee of \$300 or 10% whichever is greater, is added to the debt. 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. Once the receivable is moved to the collections module, the Revenue Operations Supervisor assigns the account to one of the City's Collections Officers. The Collections Officer will send the first collection notice to the debtor that includes a collection fee of \$300 or 10% whichever is greater. The second and final notice is sent in 30 days of the first notice if the debt remains outstanding. 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, Staff reviewed aged receivables available in Oracle from 2015 forward.

Of the 495 aged receivables over \$1,000, 20 accounts are responsible for \$3.44 million, or 65% of the outstanding total. All of these accounts originated in 2017, well within the collection window and belong to project invoices that are monitored by the Accounts Receivable unit. The remaining 475 accounts, if not associated with a project invoice, have been assigned to Collection Officers and are moving through the collection process. The table below shows the detailed breakdown for receivable account type by calendar year for account over \$1,000.

Aged Receivables Over \$1,000 Yrs for 2015-18

Calendar Year	Account Type	Number of Accounts	Original Amount Due	Reminder Due	Status
2015	General Collections	1	\$ 1,923	\$ 1,546	Collectable
	Misc	62	\$ 233,557	\$ 232,471	Collectable
	Returned Check	2	\$ 5,063	\$ 4,031	Collectable
	2015 Total	65	\$ 240,543	\$ 238,049	Collectable
2016	Misc	36	\$ 122,880	\$ 109,043	Collectable
	Fire Department	1	\$ 5,197	\$ 5,197	Collectable
	Public Works	4	\$ 24,012	\$ 24,012	Collectable
	Parking Promissory Note	48	\$ 173,261	\$ 166,509	Collectable
	Returned Check	10	\$ 16,529	\$ 15,744	Collectable
	General Collections	1	\$ 137,900	\$ 137,900	Collectable
	2016 Total	100	\$ 479,779	\$ 458,405	Collectable
2017	ABAT	20	\$ 30,846	\$ 31,171	Collectable
	Finance	6	\$ 35,030	\$ 36,373	Collectable
	General Collections	12	\$ 77,059	\$ 56,322	Collectable
	Litter Enforcement	12	\$ 38,713	\$ 40,176	Collectable
	Misc	11	\$ 676,003	\$ 653,624	Collectable
	Fire Department	71	\$ 185,045	\$ 193,007	Collectable
	Police Department	33	\$ 160,364	\$ 141,690	Collectable
	Public Works	57	\$ 10,473,657	\$ 2,763,768	Collectable
	Parking Promissory Note	42	\$ 87,265	\$ 57,965	Collectable
	Real Estate	11	\$ 31,621	\$ 31,438	Collectable
	Returned Check	20	\$ 27,799	\$ 45,286	Collectable
	2017 Total	295	\$ 11,823,402	\$ 4,050,821	Collectable
2018	Business Tax	15	\$ 230,661	\$ 82,135	Collectable
	Collections General	2	\$ 4,304	\$ 2,907	Collectable
	Fire Department	2	\$ 6,814	\$ 6,814	Collectable
	Police Department	3	\$ 4,503	\$ 4,503	Collectable
	Public Works	5	\$ 358,607	\$ 358,607	Collectable
	Parking Promissory Note	6	\$ 10,303	\$ 8,403	Collectable
	Real Estate	1	\$ 1,100	\$ 1,100	Collectable
	General Collections	1	\$ 49,128	\$ 49,128	Collectable
	2018 Total	35	\$ 665,421	\$ 513,596	Collectable
Grand Total	495	\$ 13,209,145	\$ 5,260,871		

Of the 3,054 aged receivables under \$1,000, 1,262 accounts totaling \$382,386 or 43 percent are from the April 2017 billing of Oakland Fire Department 2015-16 vegetation management inspections. As invoices were received by the public, they began questioning the validity of the invoices. The invoices were later deemed to be uncollectable due to lack of supporting documentation and data entry errors. Staff is working through the administrative process to remove each of these uncollectable accounts from the Oracle collection system.

Note: All accounts within the Reminder Due column in the table below are in the status of Collectable.

It is also important to note that there are also 992 accounts from 2008-2018 totaling \$1.44 million that are prevailing judgments. Judgements are good for 10 years and can be renewed for an additional 10 years, while the Collection Officers attempt to collect the debt.

Aged Receivables Under \$1,000 Yrs for 2015-18

Calendar Year	Account Type	Number of Accounts	Original Amount Due	Reminder Due	Status
2015	General Collection	157	\$ 101,647	\$ 74,141	Collectable
	Misc	1	\$ 2,590	\$ 915	Collectable
	Returned Check	59	\$ 11,576	\$ 9,752	Collectable
	2015 Total	217	\$ 115,813	\$ 84,807	Collectable
2016	General Collection	59	\$ 46,883	\$ 24,886	Collectable
	Misc	8	\$ 15,505	\$ 2,172	Collectable
	Fire Department	1029	\$ 194,629	\$ 193,096	Collectable
	Public Works	1	\$ 158	\$ 158	Collectable
	Returned Check	54	\$ 14,245	\$ 12,782	Collectable
	2016 Total	1151	\$ 271,420	\$ 233,094	Collectable
2017	ABAT	6	\$ 3,900	\$ 1,275	Collectable
	Finance Misc	2	\$ 42	\$ 42	Collectable
	General collections	182	\$ 213,206	\$ 101,271	Collectable
	Fire Department	1307	\$ 422,526	\$ 411,889	Collectable
	Police Department	12	\$ 34,981	\$ 4,364	Collectable
	Public Works	26	\$ 108,365	\$ 8,642	Collectable
	Real Estate	21	\$ 15,610	\$ 3,674	Collectable
	Returned Check	47	\$ 9,187	\$ 16,621	Collectable
	2017 Total	1603	\$ 807,817	\$ 547,778	Collectable
2018	General collections	73	\$ 67,933	\$ 38,872	Collectable
	Police Department	3	\$ 1,261	\$ 1,261	Collectable
	Real Estate	2	\$ 1,400	\$ 750	Collectable
	Returned Check	5	\$ 2,154	\$ 1,769	Collectable
	2018 Total	83	\$ 72,748	\$ 42,652	Collectable
Grand Total		3,054	\$ 1,267,798	\$ 908,330	

FISCAL IMPACT

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

PUBLIC OUTREACH / INTEREST

No public outreach was necessary for this report other than posting on the City's website.

COORDINATION

This report has been coordinated with the Controller Bureau.

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

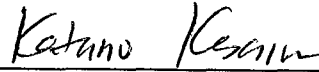
Receive the Biannual Report on Aging And Outstanding Receivables.

ACTION REQUESTED OF THE CITY COUNCIL

Receive the Biannual Report on Aging And Outstanding Receivables.

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

Respectfully submitted,



Katano Kasaine
Director of Finance
Finance Department

Reviewed by:
Margaret O'Brien
Revenue and Tax Administrator
Revenue Management Bureau