

**CITY MANAGER’S REPORT
SEPTEMBER 12, 2022 CITY COUNCIL REGULAR MEETING**

ITEM: UNCOLLECTIBLE UTILITY AND MISCELLANEOUS CUSTOMER ACCOUNTS

RECOMMENDATION: Approve Write-Off of Uncollectible Utility and Miscellaneous Accounts for Fiscal Year (FY) 2021/22

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 \$82,263 to be uncollectible for FY 2021/22 as detailed in Table 1 below:

Table 1.

Customer Account Type	FY 2020/21 Approved Write-Offs	FY 2021/22 Recommended Write-Offs	Increase/ (Decrease) %	No. of Accounts to be Written-Off
Utility Customers (Residential and Commercial)	\$42,081	\$56,601	34.50%	162
Miscellaneous Customers	1,993	25,662	1,187.00%	15
Totals	\$44,074	\$82,263		177

The recommended utility write-offs represent 0.29% of the annual water and sewer charges billed to customers. The utility write-off amount in FY 2020/21 has increased by almost \$15 thousand or 34.50% from the prior fiscal year. Collecting a security deposit, requiring occupants to provide rental agreement or purchasing agreement before establishing service and offering assistance programs has proven to be effective means in maintaining low levels of uncollectible accounts.

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. Additionally, the Finance Department conducts a review of all new customers prior to establishing service to ensure there are no outstanding balances.

Tonight staff is requesting Council’s approval to write-off \$82,263 of uncollectible charges.

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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.

Utility Customer Accounts

During FY 2021/22, Golden State Collections, LLC, received claims for further collection process on 162 delinquent utility customer accounts totaling \$56,601. Of the \$56,601 assigned to Golden State Collections, LLC, the agency recovered \$1,110 from 6 customer accounts recorded on the current and prior year claims. This represents a 1.96% recovery rate (see Table 2) from the total referred. Also included in Table 2, are accounts with balances less than \$5, which are refrained from the collection agency. During FY 2021/22, there was two account with a balance less than \$5.

Table 2.

Utility Customer Accounts	FY 2019/20	FY 2020/21	FY 2021/22
Total Utility Customers	7,368	8,266	9,379
Accounts Sent to Collection Agency	167	97	162
Amount Assigned to Collection Agency	\$38,155	\$42,081	\$56,601
Amount Recovered by Collection Agency	\$770	\$3,621	\$1,110
Recovery Rate	2.02%	8.60%	1.96%
Account < \$5.00	1	5	2
Total Write-Offs	\$38,155	\$42,081	\$56,601

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The utility write-off amount in FY 2021/22 has increased by almost \$15 thousand or 34.50%. Of the 162 utility customer accounts, there are 30 residential accounts with past due balances of \$500 or more. These accounts totaled approximately \$31 thousand and makes up for 53.93% of the overall utility write-off amount. The high balances are attributed from the financial impacts of the COVID-19 pandemic on Lathrop residents.

The City of Lathrop recently applied for 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 \$56,601 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 will contribute to reduce the overall total number of accounts and dollar amounts to be written off.

Miscellaneous Customer Accounts

Miscellaneous customers' accounts referred to collections for FY 2021/22 totaled \$25,662 from 15 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 2021/22
Accounts Sent to Collection Agency	9	6	0	0	15
Amount Assigned to Collection Agency	\$985	\$24,678	\$0	\$0	\$25,662
Amount Recovered by Collection Agency	\$140	\$0	\$0	\$0	\$140
Accounts < \$5.00	-	-	-	-	-
Total Write-offs					\$25,662

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REASON FOR RECOMMENDATION:

The Finance Department has conducted a thorough review of the utility and miscellaneous customer accounts and recommends \$82,263 to be considered uncollectible.

FISCAL IMPACT:

Decrease customers' outstanding balances due to uncollectible debt as follows:


Utility customer accounts:	\$ 56,601
Miscellaneous customer accounts:	<u>25,662</u>
Total amount of uncollectible accounts:	\$ 82,263

ATTACHMENTS:

None.

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APPROVALS:



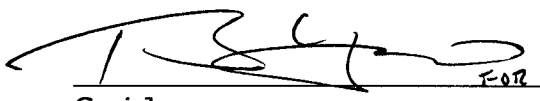
Chia Lor
Senior Accountant

08.29.2022
Date



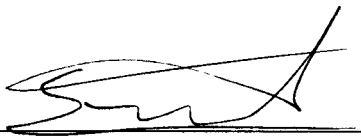
Thomas Hedegard
Deputy Finance Director

8/29/2022
Date



Cari James
Director of Finance

8/29/2022
Date



Salvador Navarrete
City Attorney

8.30.2022
Date



Stephen J. Salvatore
City Manager

9.6.22
Date

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