### Comparison of Existing Rates
Stormwater

<table>
<thead>
<tr>
<th>City</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elk Grove (West)</td>
<td>13.28</td>
</tr>
<tr>
<td>Elk Grove (East)</td>
<td>11.68</td>
</tr>
<tr>
<td>Sacramento</td>
<td>11.31</td>
</tr>
<tr>
<td>Galt (Proposed-Tier 2)</td>
<td>6.02</td>
</tr>
<tr>
<td>Sacramento County</td>
<td>5.85</td>
</tr>
<tr>
<td>Modesto</td>
<td>3.24</td>
</tr>
<tr>
<td>Davis</td>
<td>3.02</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>2.92</td>
</tr>
<tr>
<td>Tracy (Phase II Permit)</td>
<td>1.20</td>
</tr>
<tr>
<td>Stockton Existing Rates</td>
<td>2.10</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td>6.06</td>
</tr>
</tbody>
</table>

### 2010-11 Expense Projection Comparison
WATER

<table>
<thead>
<tr>
<th>Operating Budget</th>
<th>Current Level</th>
<th>Needed Level</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Services</td>
<td>6,943,133</td>
<td>7,067,133</td>
<td>124,000</td>
</tr>
<tr>
<td>Other Services</td>
<td>4,476,581</td>
<td>4,476,581</td>
<td>-</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>11,249,094</td>
<td>11,249,094</td>
<td>-</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>4,304,408</td>
<td>4,304,408</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Budget Total</strong></td>
<td>26,973,216</td>
<td>27,097,216</td>
<td>124,000</td>
</tr>
<tr>
<td>Capital Improvement Projects</td>
<td>2,648,596</td>
<td>2,648,596</td>
<td>0</td>
</tr>
<tr>
<td>Reserve</td>
<td>2,500,000</td>
<td>2,500,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>32,121,812</td>
<td>32,245,812</td>
<td>124,000</td>
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</table>
### 2010-11 Expense Projection Comparison

#### WASTEWATER

<table>
<thead>
<tr>
<th>Operating Budget</th>
<th>Current Level</th>
<th>Needed Level</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Services</td>
<td>15,033,400</td>
<td>15,606,400</td>
<td>573,000</td>
</tr>
<tr>
<td>Other Services</td>
<td>13,733,461</td>
<td>13,733,461</td>
<td>-</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>6,491,634</td>
<td>6,491,634</td>
<td>-</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>5,701,215</td>
<td>10,901,215</td>
<td>5,200,000</td>
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<tr>
<td><strong>Operating Budget Total</strong></td>
<td><strong>40,959,709</strong></td>
<td><strong>46,732,709</strong></td>
<td><strong>5,773,000</strong></td>
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<tr>
<td>Capital Improvement Projects</td>
<td>-</td>
<td>5,887,911</td>
<td>5,887,911</td>
</tr>
<tr>
<td>Reserve</td>
<td>1,000,000</td>
<td>2,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>41,959,709</strong></td>
<td><strong>54,620,620</strong></td>
<td><strong>12,660,911</strong></td>
</tr>
</tbody>
</table>

### 2010-11 Expense Projection Comparison

#### STORMWATER

<table>
<thead>
<tr>
<th>Operating Budget</th>
<th>Current Level</th>
<th>Needed Level</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Services</td>
<td>3,335,551</td>
<td>3,621,551</td>
<td>286,000</td>
</tr>
<tr>
<td>Other Services</td>
<td>3,363,519</td>
<td>4,475,919</td>
<td>1,112,400</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>193,016</td>
<td>193,016</td>
<td>-</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>335,054</td>
<td>335,054</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating Budget Total</strong></td>
<td><strong>7,227,139</strong></td>
<td><strong>8,625,539</strong></td>
<td><strong>1,398,400</strong></td>
</tr>
<tr>
<td>Capital Improvement Projects</td>
<td>-</td>
<td>7,650,483</td>
<td>7,650,483</td>
</tr>
<tr>
<td>Reserve</td>
<td>-</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>7,227,139</strong></td>
<td><strong>16,276,022</strong></td>
<td><strong>9,048,883</strong></td>
</tr>
</tbody>
</table>
Rate Adjustment Factors

- Increased Responsibility 8%
- Debt Obligations 33%
- CIP Funding 52%
- Reserve Funding 7%
- Debt Obligations
- Reserve Funding
- CIP Funding
- Increased Responsibility

Rate Adjustment Process

- Solicit proposals from consultants
- Perform Rate Study
- Conduct Prop 218 processes
  - Stormwater – Majority Vote
  - Wastewater – Protest Vote
Recommendation to Council

- Approve issuance of RFPs of Wastewater and Stormwater rate studies

Questions
TO: Budget Finance and Economic Development Committee

FROM: Mark Moses, Chief Financial Officer

SUBJECT: REVISE STOCKTON MUNICIPAL CODE 3-133 - COLLECTION OF ACCOUNTS AND COUNCIL POLICY NO. 700-3 - UNCOLLECTIBLE ACCOUNTS

RECOMMENDATION

It is recommended that the City Council (1) adopt a ordinance approving changes made to Stockton Municipal Code, Section 3-133 – Collection of Accounts that requires the Administrative Services Department to pursue and properly bill, record and collect all monies due to the City and; (2) adopt a resolution approving revisions to Council Policy No. 700-3 - Uncollectible Accounts that provides guidelines to all City departments as to the criteria and procedures in determining an account uncollectible. These revisions will assist in collecting delinquent accounts for the City by streamlining the process and providing options for negotiations to satisfy outstanding debts. Also, authorize the City Manager to take appropriate actions to carry out the purpose and intent of this ordinance and resolution.

Summary

The Department of Administrative Services is responsible for the billing, collection and reporting of all monies due to the City and maintains several integrated accounts receivable modules (Miscellaneous Accounts Receivable and CIS Utility Billing) in order to perform this function. Occasionally money due the City is found to be uncollectible. Additionally, it is sometimes beneficial to the City to negotiate and accept a settlement in payment and satisfaction of a debt, obligation or claim due to the City. The current Council Policy and Stockton Municipal Code associated with this function limits the ability of the City to collect by not providing for the opportunity to accept a settlement on outstanding receivables and restricts the ability to appropriately report the accounts receivable assets. In a recent review, the City Attorney’s office has determined that it also imposes processes based on expenditure limits which do not apply to the writing off of bad debts.

The re-write of the Council Policy (exhibit A) and revision to the Stockton Municipal Code, Section 3-133 (exhibit B) revises the criteria for determining when an account is uncollectible to allow for more timely recognition of uncollectible accounts and streamlines the write off process and gives the Director of Administrative Services the authority to negotiate a partial payment or settlement when deemed beneficial to the City. Additionally, the correction/adjustment of incorrectly billed charges is removed from these items as they are not uncollectible accounts receivable.
DISCUSSION

Background

Because there is an inherent risk that some accounts might default on payment, it is a generally accepted accounting principle (GAAP) to record accounts receivable at net realizable value. The portion of the account receivable that is estimated to be not collectible is set aside in an Allowance for Doubtful accounts. Periodically, the actual amount of uncollectible receivable is written off. To set standards for the write off of uncollectible accounts, Council Policy No. 700-3 was put into effect August 12, 1997. The policy is very restrictive as to the conditions that must be met to classify an account as uncollectible. It also requires a very complex series of review and sign offs by numerous departments before accounts can be recognized as uncollectible. This leaves many accounts in active receivables, sometimes for years, which are, in fact uncollectible. Our outside auditors recommended that we correct this practice in order to comply with GAAP.

At the time the Council Policy was adopted, the City Attorney’s office determined that write-offs were equivalent to an expenditure of City funds, so the Policy set forth a different process for writing off charges above the limit set in Stockton Municipal Code Section 3-103 from the one for charges below that limit. A more recent interpretation by the current City Attorney is that writing off an account as uncollectible is not an expenditure and therefore does not require Council action.

When an account has been written off as uncollectible, it is because the opportunity to collect is marginal. Notwithstanding the determination of the likely inability to collect on an account, the Administrative Services Department continues to pursue collection of these accounts whenever possible. When collection is successful, the monies collected are recorded as a bad debt recovery.

Present Situation

The purpose of the revisions to Council Policy No. 700-3 is to keep intact the requirement to diligently pursue and properly bill, record and collect all monies due to the City while appropriately reflecting the City’s accounts receivable by recognizing uncollectible accounts in a timely manner. The recommended criteria to be used in determining when to write off an account is:

1. The debt, obligation or claim has been discharged by a United State Bankruptcy Court.

2. The responsible party owing the money has died leaving no estate.
3. The Director of Administrative Services (or his designee) has determined that the debt, obligation or claim is uncollectible or that it is beneficial to the City to negotiate and accept a settlement in payment of the debt, obligation or claim. The Director of Administrative Services (or his designee) shall have the ability to resolve any debt of $25,000 or less and to accept a settlement of no less than 75% of the total original charges on any debt. Any accounts exceeding these thresholds will be referred to the City Attorney’s office for resolution.

4. 

5. The account had been referred to a credit collection agency which has determined the money due is uncollectible.

6. Small Claims Court has denied the City a judgment for the money due.

7. A court other than Small Claims has awarded a settlement or denied the City a judgment for the money due.

8. The statute of limitations has expired for claiming the money due the City.

Additionally, the revisions authorize the Director of Administrative Services to liquidate, by selling (factoring), certain accounts recognized as uncollectible to generate revenue from these non-productive receivables.

The procedural changes will make the write-off process more efficient and the elimination of the requirement to follow those procedures for incorrectly billed charges will improve customer service and provide more accurate records of the City's accounts receivable.

FINANCIAL SUMMARY

There is no cost associated with the proposed actions.

Respectfully submitted,

APPROVED BY

Mark Moses
Chief Financial Officer

___________________________
J. GORDON PALMER, JR.
CITY MANAGER

MM:KW:ddg
CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY

Subject: UNCOLLECTIBLE ACCOUNTS
Policy No. 700-3
Page No. 1 OF 2
Effective Date: 8/12/97

BACKGROUND

The Administrative Services Department is responsible for the billing and collection of all monies due to the City and maintains several integrated accounts receivable modules (Miscellaneous Accounts Receivable and CIS Utility Billing) achieve this. Other City Departments may maintain independent systems for managing certain types of debts, obligations or claims owed to the City. Occasionally a fee or charge debt obligation or claim (or a portion thereof) due to the City is found to be uncollectible. Additionally, it is sometimes beneficial to the City to negotiate and accept a settlement in payment and satisfaction of a debt, obligation or claim due to the City. It is important to establish a criteria for the disposition of such accounts. Timely recording of any uncollectible amount incurred by such determination or settlement is important.

PURPOSE

The purpose of this policy is to provide a guide to all City Departments and staff as to the criteria and procedures to follow in determining that an account a debt, obligation or claim (or portion thereof) is uncollectible and may be removed from the records as an outstanding receivable.

POLICY

It is the policy of the City of Stockton to diligently pursue and properly bill, record and collect, all monies due the City. Under certain circumstances money due the City may be written off as uncollectible. The following criteria shall be used in determining that monies are uncollectible. Accounts meeting any one of the criteria may be removed from the records as an outstanding receivable:
CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY

Subject: UNCOLLECTIBLE ACCOUNTS
Policy No. 700-3
Page No. 1 OF 2
Effective Date: 8/12/97

1. The responsible party owing the money due the City has been adjudicated as bankrupt in debt, obligation or claim has been discharged by a United States Bankruptcy Court.

2. The responsible party owing the money has died leaving no estate.

3. The Director of Administrative Services (or his designee) has determined that the debt, obligation or claim is uncollectible or that it is beneficial to the City to negotiate and accept a settlement in payment of the debt, obligation or claim.

4. The account had been referred to a credit collection agency which has determined the money due is uncollectible.

5. Small Claims Court has denied the City a judgement for the money due.

6. A court other than Small Claims has awarded a settlement or denied the City a judgement for the money due.

7. The statute of limitations has expired for claiming the money due the City.

The Director of Administrative Services may liquidate, by selling (factoring), certain accounts recognized as uncollectible to generate revenue from these non-productive receivables.

PROCEDURES

Uncollectible Fees and Charges of $20,706 or Less
CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY

Subject: UNCOLLECTIBLE ACCOUNTS
Policy No. 700-3
Page No. 1 OF 2
Effective Date: 8/12/97

In the event that a fee or charge in excess of $20,706 is determined to be uncollectible, staff will recommend disposition to the City Council in accordance with Stockton Municipal Code (SMC) 3-133.

Uncollectible Fees and Charges of $20,706 or Less

In the event that a fee or charge of $20,706 or less is determined to be uncollectible, staff will recommend disposition to the City Manager in accordance with SMC 3-133.

The dollar threshold for determining whether to refer the disposition of an account to City Council or to the City Manager will be determined to be the same dollar threshold as used to refer contracts to the City Council in accordance with SMC 3-013.

1. The Administrative Services Department is responsible to ensure that bad debts are recorded properly and in a timely manner.

2. A request in writing, addressed to the Director of Administrative Services is to be initiated by the responsible department. The request must be signed by a manager or department director of the responsible department and must contain the following information:
   - The name, address, amount and relevant particulars of the debt
   - The nature of the debt and the date incurred
   - An outline of the measures taken to collect the debt
   - The reason(s) why the debt is deemed to be uncollectible
   - A recommendation that the debt be written off under the provisions of this City Council Policy

3. After approval by the Director of Administrative Services, the debt will be removed from the records as an outstanding receivable.

4. A notice of uncollectible accounts written off will be provided to the City Manager and City Council on a quarterly basis.

5. The Administrative Services Department is responsible for analyzing outstanding receivables and creating a provision for accounts deemed doubtful or uncollectible for each fiscal year. The amounts may be an exact amount or an
### CITY OF STOCKTON, CALIFORNIA
### CITY COUNCIL POLICY

<table>
<thead>
<tr>
<th>Subject:</th>
<th>Policy No.</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNCOLLECTIBLE ACCOUNTS</td>
<td>700-3</td>
<td>1 OF 2</td>
</tr>
</tbody>
</table>

| Effective Date: | 8/12/97 |

---

6. Other City Departments that maintain independent systems for managing certain types of debts, obligations or claims owed to the City are responsible for analyzing outstanding receivables and recommending a provision for accounts deemed doubtful or uncollectible for the end of each fiscal year. The amounts may be an exact amount or an estimate, but must be supportable by analysis and documentation held on file. This recommendation will be made to the Director of Administrative Services no later than July 15th of each year.

---

**Adopted by Resolution No. 97-0321 8/12/97**
CITY OF STOCKTON, CALIFORNIA  
CITY COUNCIL POLICY

<table>
<thead>
<tr>
<th>Subject:</th>
<th>Policy No. 700-3</th>
<th>Page No. 1 of 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNCOLLECTIBLE ACCOUNTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective Date:</td>
<td>8/12/97</td>
<td>04/14/09</td>
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BACKGROUND

Administrative Services Department is responsible for the billing and collection of all monies due to the City and maintains several integrated accounts receivable modules (Miscellaneous Accounts Receivable and CIS Utility Billing) in order to achieve this. Other City Departments may maintain independent systems for managing certain types of debts, obligations or claims owed to the City. Occasionally a debt, obligation or claim (or a portion thereof) due to the City is found to be uncollectible. Additionally, it is sometimes beneficial to the City to negotiate and accept a settlement in payment and satisfaction of a debt, obligation or claim due to the City. Timely recording of any uncollectible amount incurred by such determination or settlement is important.

PURPOSE

The purpose of this policy is to provide a guide to all City Departments and staff as to the criteria and procedures to follow in determining that a debt, obligation or claim (or portion thereof) is uncollectible and may be removed from the records as an outstanding receivable.

POLICY

It is the policy of the City of Stockton to diligently pursue and properly bill, record and collect, all monies due the City. Under certain circumstances money due the City may be written off as uncollectible. The following criteria shall be used in determining that monies are uncollectible. Accounts meeting any one of the criteria may be removed from the records as an outstanding receivable:

1. The debt, obligation or claim has been discharged by a United State Bankruptcy Court.
2. The responsible party owing the money has died leaving no estate.

3. The Director of Administrative Services (or his designee) has determined that the debt, obligation or claim is uncollectible or that it is beneficial to the City to negotiate and accept a settlement in payment of the debt, obligation or claim.

4. The account had been referred to a credit collection agency which has determined the money due is uncollectible.

5. Small Claims Court has denied the City a judgment for the money due.

6. A court other than Small Claims has awarded a settlement or denied the City a judgment for the money due.

7. The statute of limitations has expired for claiming the money due the City.

The Director of Administrative Services may liquidate, by selling (factoring), certain accounts recognized as uncollectible to generate revenue from these non-productive receivables.

**PROCEDURES**

1. The Administrative Services Department is responsible to ensure that bad debts are recorded properly and in a timely manner.

2. A request in writing, addressed to the Director of Administrative Services is to be initiated by the responsible department. The request must be signed by a manager or department director of the responsible department and must contain the following information:
   - The name, address, amount and relevant particulars of the debt
   - The nature of the debt and the date incurred
CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY

Subject: UNCOLLECTIBLE ACCOUNTS

Policy No. 700-3

Page No. 3 of 3

Effective Date: 8/42/07
04/14/09

- An outline of the measures taken to collect the debt
- The reason(s) why the debt is deemed to be uncollectible
- A recommendation that the debt be written off under the provisions of this City Council Policy

3. After approval by the Director of Administrative Services, the debt will be removed from the records as an outstanding receivable.

4. A notice of uncollectible accounts written off will be provided to the City Manager and City Council on a quarterly basis.

5. The Administrative Services Department is responsible for analyzing outstanding receivables and creating a provision for accounts deemed doubtful or uncollectible for each fiscal year. The amounts may be an exact amount or an estimate, but must be supportable by analysis and documentation held on file.

6. Other City Departments that maintain independent systems for managing certain types of debts, obligations or claims owed to the City are responsible for analyzing outstanding receivables and recommending a provision for accounts deemed doubtful or uncollectible for the end of each fiscal year. The amounts may be an exact amount or an estimate, but must be supportable by analysis and documentation held on file. This recommendation will be made to the Director of Administrative Services no later than July 15th of each year.

Re-Adopted by Resolution No. xx-xxxx 04/14/09
SEC. 3-133. COLLECTION OF ACCOUNTS:

It shall be the duty of the Administrative Services Department to diligently pursue and properly bill, record and collect, all moneys due the City. Penalty for late payment or adjudication of overdue accounts will be determined by Council action by classification within the ordinance setting fees or charges, but in no event shall such penalties be less than one percent (1%) per month. Where a debt, obligation or claim due to the City is found to be uncollectible, removal from the records as an outstanding receivable will be recorded in a timely manner according to City Council Policy 700-3. (Amended by Ordinance 020-97C.S. — Effective September 11, 1997) (Added by Ordinance 002-95C.S. — Effective March 22, 1995)
SEC. 3-133. COLLECTION OF ACCOUNTS:

It shall be the duty of the Administrative Services Department to diligently pursue and properly bill, record and collect, all moneys due the City. Penalty for late payment or adjudication of overdue accounts will be determined by Council action by classification within the ordinance setting fees or charges, but in no event shall such penalties be less than one percent (1%) per month. Where a fee or charge in excess of $20,706 is incorrectly levied or found to be uncollectible, upon certification of both the City Attorney and Director of Finance, such accounts will be referred to the City Manager who will promptly report to the Council a recommendation as to disposition thereof. The Twenty Thousand Seven Hundred Six Dollar ($20,706) criteria provided for in this section shall be adjusted to the same dollar amount as provided in Section 3-103 of the Stockton Municipal Code. Where a fee or charge of $20,706 or less, as adjusted by Section 3-103 of the Stockton Municipal Code, is incorrectly levied or found to be uncollectible, upon certification of both the City Attorney and Director of Finance, such accounts will be recommended to the City Manager as to disposition thereof, who shall report to the City Council such disposition.

Where a debt, obligation or claim due to the City is found to be uncollectible, removal from the records as an outstanding receivable will be recorded in a timely manner according to City Council Policy 700-3. (Amended by Ordinance 020-97C.S. — Effective September 11, 1997) (Added by Ordinance 002-95C.S. — Effective March 22, 1995)
Resolution No. ____________

STOCKTON CITY COUNCIL

APPROVING AN AMENDMENT TO COUNCIL POLICY 700-3 UNCOLLECTIBLE ACCOUNTS THAT PROVIDE GUIDELINES TO ALL CITY DEPARTMENTS AS TO THE CRITERIA AND PROCEDURES IN DETERMINING AND ACCOUNT UNCOLLECTIBLE

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. That City Council Policy No. 700-3, UNCOLLECTIBLE ACCOUNTS is hereby amended to allow the City staff more leverage with efforts to diligently pursue and properly bill, record and collect, all monies due the City, and under certain circumstances when money due the City may be written off as uncollectible, the following criteria shall be used in making this determination and may be removed from the records as an outstanding receivable:

   a) The debt, obligation or claim has been discharged by a United State Bankruptcy Court.

   b) The responsible party owing the money has died leaving no estate.

   c) The Director of Administrative Services (or his designee) has determined that the debt, obligation or claim is uncollectible or that it is beneficial to the City to negotiate and accept a settlement in payment of the debt, obligation or claim.

   d) The account had been referred to a credit collection agency which has determined the money due is uncollectible.

   e) Small Claims Court has denied the City a judgment for the money due.

   f) A court other than Small Claims has awarded a settlement or denied the City a judgment for the money due.

   g) The statute of limitations has expired for claiming the money due the City.

2. The Director of Administrative Services may liquidate, by selling (factoring), certain accounts recognized as uncollectible to generate revenue from these non-productive receivables.
3. That these revisions will assist in collecting delinquent accounts for the City by providing options for negotiations to satisfy outstanding debts.

4. A copy of the revised City Council Policy No. 700-3 is attached as Exhibit A and incorporated by this reference.

5. The City Manager is authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

PASSED, APPROVED and ADOPTED ____________________________.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton
Call to Order: 3:00 PM

Roll Call 3:04 PM
Present:
Councilmember Holman
Vice Chair Miller
Chair Fritchlen

Absent:
Councilmember Eggman.

The following City staff and members of the public were in attendance:

J. Gordon Palmer, Jr., City Manager
Ren Nosky, City Attorney
Mark Moses, Chief Financial Officer
Joe Maestretti, Budget Director
Laurie Montes, Deputy City Manager
Janet Salvetti, Deputy Director Administrative Services
Katherine Gong Meissner, City Clerk
Dianna Garcia, Director Human Resources
Di Smith, Assistant Director - Human Resources
Patti Johnson, Information Technology
Carol Marshall, Budget Staff
Mahin Shah, Budget Staff
Erin Mettler, Program Manager - Revitalization Dept.
Kim Trammel, Administrative Analyst - City Manager’s Office
Tom Henning, Program Manager - Police Department
Rick Butterworth, Program Manager - Fire Department
Dora M. Sidrian, Deputy City Clerk, Recorder
Patty Vasquez Recorder
David Siders, The Record

ISSUE(S)

1. Uncollectible Receivables
2. Department 2009-10 Budget Reviews
   - Internal Service Fund
- Municipal Utilities Department
3. MUD Supplemental Financial Report

RECOMMENDATIONS

1. Issue: Uncollectible Receivables.
Accept the Committee Report for Filing.
Adopt an ordinance to amend the SMC, Chapter 3-133 and amend Council Policy 700-3, to facilitate proposed improvements.

2. Issue: Internal Service Fund
Accept the Committee Report for filing.

3. Issue: Municipal Utilities Department Supplemental Financial Report

None - Information Only

COMMITEE REPORT TO THE CITY COUNCIL
DISCUSSION 3:05 PM

1. Uncollectible Receivables 3:05 PM

Laurie Montes, Deputy City Manager introduced the order of Agenda items.

Mark Moses, Chief Financial Officer presented the information regarding Uncollectible Receivables with the use of a Powerpoint (filed). Note: One Powerpoint was used to present the information on the succeeding presentations.

The proposal included:

- What is Prompting the Recommended Changes - current rules and accounting principles; writing off receivables for financial reporting; Related Codes and Policies - SMC3-133 and Policy 700-3.

- The recommended changes will allow the process to be streamlined for timely write off of uncollectible accounts; give authority to accept settlement of debts, sell (factor) accounts, and allow immediate adjustment to incorrectly billed accounts.

- Exploring in the Future
  Pilot Program; factoring old receivables that collection agencies won't pursue; renegotiating existing contracts; identify/implement
online payment processor; research feasibility of outbound auto-dialing system regarding delinquent accounts.

- Bad Debt Write-Off History
  General fund related write-offs which includes Miscellaneous Accounts Receivables and Utilities; and Pending Write-Off.

Mr. Moses recommended that the Committee forward to the Council and amend SMC 3-133 and Council Policy 700-3 to accommodate proposed operational improvements.

Questions from the Committee members were asked regarding:

1. writing off claims and totally uncollectable debts

2. the normal percentage rate for collections contracts

3. the timeline for renegotiating existing contract with collections agency

It was noted that the main policy changes were to the format, and adding section 3, which allows the Director of Administrative Services or designee to determine that a debt is uncollectable, and may liquidate/factor certain accounts.

Mr. Moses responded to the questions posed and elaborated on collections.

Motion: Approve 1. Forward the Committee Report to the Council for Approval - Uncollectable Receivables for filing.
Moved by Councilmember Holman, seconded by Vice Chair Miller

Vote: Motion carried 3-0

Yes: Chair Fritchen, Vice Chair Miller, and Councilmember Holman.
Recuse: Councilmember Eggman.

2. Department 2009-10 Budget Reviews 3:26 PM

Internal Service Funds 3:27 PM

Joe Maestretti, Budget Officer presented the information contained in the Powerpoint filed under Collectible Receivables.

The presentation included information on revenues and expenditures
for the various funds:

- Fleet fund
- Computer Equipment fund
- Radio Equipment fund
- Telecommunications fund
- Miscellaneous Equipment fund
- Central Duplicating fund
- Risk Management Fund
- Worker’s Compensation fund
- Health Fund
- Unemployment Fund
- Long Term Disability & Life Insurance fund
- Retirement fund
- Compensated Absences fund
- All Internal Service Funds - Projected Cash Balances

Questions and comments from the Committee included:

1. Are the departments charged for vehicle usage?

2. Is the age of equipment continually monitored to set up a replacement schedule and is replacement of equipment on target?

3. Are police vehicles replaced at a certain mileage level?

4. How are fees set for printing and mailings?

5. Increasing Health costs

Mr. Maestretti and Gordon MacKay, Public Works Department, responded to the questions.

Municipal Utilities Department 4:09 PM

Mark Madison, Director of Municipal Utilities Department, presented the information using the MUD Business Plan and information contained in the Powerpoint file under Collectible Receivables. He introduced staff who were in attendance:

Jeff Willet, Assistant Director/Engineering Manager
Bob Granberg, Deputy Director, Water Resources
Ralph Risso, Program Manager
Mahin Shah, Budget Analyst
The information presented included:
- Water Fund
- Wastewater Fund
- Stormwater Fund
  - current fee $2.10 p/month per household
  - Issues with Proposition 218 make raising fee difficult
  - Utility is larger and more costly to operate

A question was asked by a Committee member as to why the stormwater fee has not been adjusted since 1991.

Mr. Madison explained a potential fee increase relative to Proposition 218.


Mr. Madison Presented the Supplemental Financial Report with the use of a Powerpoint (filed).

The following topics were covered:
- Balanced Budget Approach (Water) (Wastewater)
- Future Funding Requirements
- Capital Improvement Needs
- Reserve Funding Operations & Maintenance Requirements
- Debt Requirements
- Increased Responsibilities - Phase II Staffing
- 2010-11 Expense Projection Comparison
- Rate Adjustment Factors
- Rate Adjustment Process

Laurie Montes, Deputy City Manager, noted that the Council will hold a special study session to allow the departments to present their budgets before going to the full Council for adoption.

MUD will still need to compile a report of findings to proceed with the RFP process. No formal action on behalf of this Committee is necessary on this item.

Vice Chair Miller asked what kind of analysis has been done regarding the increased staffing for phase 2.

Mark Madison said the study conducted associated with the MUD Business Plan indicates that most positions are not out-
sourceable. He provided examples of those types of positions.

Vice Chair Miller noted that two of the questions she asked were posed online (filed), and a third comment was received as well.

Adjournment 4:54 PM

BUDGET/FINANCE/ECONOMIC DEVELOPMENT COMMITTEE

Vice Mayor Kathy Miller (Chair)

Councilmember Dale Fritchen (Vice Chair)

Councilmember Leslie Martin (Member)
FY08-09 Financial Reporting Timeline (as of April 8, 2009)

May '09
- Engagement with audit firm starts
- Interim Audit (on site) May 11-29
- Review of progress on response to findings

July '09 - Sept '09
- Year-end closing work by staff and departments

late Sept '09 to early Nov '09
- Final Audit (on site)

early-mid Nov '09
- Auditor partner review

late Nov '09
- Financial Statement Production

early to mid-Dec '09
- Financial Statement Distribution
- Audit Committee
- Full Council
ORDINANCE NO. __________

AN ORDINANCE AMENDING THE STOCKTON MUNICIPAL BY AMENDING SECTION 3-133, COLLECTION OF ACCOUNTS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section I. AMENDMENT OF CODE.

Section 3-133 of the Stockton Municipal Code is hereby amended and shall read as follows:

SEC. 3-133. COLLECTION OF ACCOUNTS:

It shall be the duty of the Administrative Services Department to diligently pursue and properly bill, record and collect, all moneys due the City. Penalty for late payment or adjudication of overdue accounts will be determined by Council action by classification within the ordinance setting fees or charges, but in no event shall such penalties be less than one percent (1%) per month. Where a fee or charge in excess of $20,706 is incorrectly levied or found to be uncollectible, upon certification of both the City Attorney and Director of Administrative Services, such accounts will be referred to the City Manager who will promptly report to the Council a recommendation as to disposition thereof. The Twenty Thousand Seven Hundred Six Dollar ($20,706) criteria provided for in this section shall be adjusted to the same dollar amount as provided in Section 3-103 of the Stockton Municipal Code. Where a fee or charge of $20,706 or less, as adjusted by Section 3-103 of the Stockton Municipal Code, is incorrectly levied or found to be uncollectible, upon certification of both the City Attorney and Director of Finance, such accounts will be recommended to the City Manager as to disposition thereof, who shall report to the City Council such disposition.

Where a debt, obligation or claim due to the City is found to be uncollectible, removal from the records as an outstanding receivable will be recorded in a timely manner according to City Council Policy 700-3, as amended from time to time.

SECTION II. SEVERABILITY.

In the event any section or portion of this ordinance shall be determined invalid or unconstitutional, such section or portion shall be deemed severable and all other sections or portions hereof shall remain in full force and effect.
SECTION III. EFFECTIVE DATE.

This ordinance shall take effect and be in full force and effect thirty (30) days after its passage.

ADOPTED: __________________________

EFFECTIVE: __________________________

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton
Resolution No.  

STOCKTON CITY COUNCIL

APPROVING AN AMENDMENT TO COUNCIL POLICY 700-3, UNCOLLECTIBLE ACCOUNTS, THAT PROVIDES GUIDELINES TO ALL CITY DEPARTMENTS AS TO THE CRITERIA AND PROCEDURES IN DETERMINING AN ACCOUNT UNCOLLECTIBLE

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. That City Council Policy No. 700-3, UNCOLLECTIBLE ACCOUNTS is hereby amended to allow the City staff more leverage with efforts to diligently pursue and properly bill, record and collect, all monies due the City; and under certain circumstances when money due the City may be written off as uncollectible.

2. A copy of the revised City Council Policy No. 700-3 is attached as Exhibit A and incorporated by this reference.

3. The City Manager is authorized to take the appropriate actions to carry out the intent of this Resolution.

PASSED, APPROVED and ADOPTED ________________________________.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

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City Atty: LSW
Review Date May 27, 2009

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CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY

Subject: UNCOLLECTIBLE ACCOUNTS

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BACKGROUND

Administrative Services Department is responsible for the billing and collection of all monies due to the City and maintains several integrated accounts receivable modules (Miscellaneous Accounts Receivable and CIS Utility Billing) in order to achieve this. Other City Departments may maintain independent systems for managing certain types of debts, obligations or claims owed to the City. Occasionally a debt, obligation or claim (or a portion thereof) due to the City is found to be uncollectible. Additionally, it is sometimes beneficial to the City to negotiate and accept a settlement in payment and satisfaction of a debt, obligation or claim due to the City. Timely recording of any uncollectible amount incurred by such determination or settlement is important.

PURPOSE

The purpose of this policy is to provide a guide to all City Departments and staff as to the criteria and procedures to follow in determining that a debt, obligation or claim (or portion thereof) is uncollectible and may be removed from the records as an outstanding receivable.

POLICY

It is the policy of the City of Stockton to diligently pursue and properly bill, record and collect, all monies due the City. Under certain circumstances money due the City may be written off as uncollectible. The following criteria shall be used in determining that monies are uncollectible. Accounts meeting any one of the criteria may be removed from the records as an outstanding receivable:

1. The debt, obligation or claim has been discharged by a United State Bankruptcy
CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY

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Court.

2. The responsible party owing the money has died leaving no estate.

3. The Director of Administrative Services (or his designee) has determined that the debt, obligation or claim is uncollectible or that it is beneficial to the City to negotiate and accept a settlement in payment of the debt, obligation or claim.

4. The account had been referred to a credit collection agency which has determined the money due is uncollectible.

5. Small Claims Court has denied the City a judgment for the money due.

6. A court other than Small Claims has awarded a settlement or denied the City a judgment for the money due.

7. The statute of limitations has expired for claiming the money due the City.

The Director of Administrative Services may liquidate, by selling (factoring), certain accounts recognized as uncollectible to generate revenue from these non-productive receivables.

PROCEDURES

1. The Administrative Services Department is responsible to ensure that bad debts are recorded properly and in a timely manner.

2. A request in writing, addressed to the Director of Administrative Services is to be initiated by the responsible department. The request must be signed by a manager or department director of the responsible department and must contain the following information:
CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY

Subject: UNCOLLECTIBLE ACCOUNTS
Policy No. 700-3
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07/02/09

- The name, address, amount and relevant particulars of the debt
- The nature of the debt and the date incurred
- An outline of the measures taken to collect the debt
- The reason(s) why the debt is deemed to be uncollectible
- A recommendation that the debt be written off under the provisions of this City Council Policy

3. After approval by the Director of Administrative Services, the debt will be removed from the records as an outstanding receivable.

4. A notice of uncollectible accounts written off will be provided to the City Manager and City Council on a quarterly basis.

5. The Administrative Services Department is responsible for analyzing outstanding receivables and creating a provision for accounts deemed doubtful or uncollectible for each fiscal year. The amounts may be an exact amount or an estimate, but must be supportable by analysis and documentation held on file.

6. Other City Departments that maintain independent systems for managing certain types of debts, obligations or claims owed to the City are responsible for analyzing outstanding receivables and recommending a provision for accounts deemed doubtful or uncollectible for the end of each fiscal year. The amounts may be an exact amount or an estimate, but must be supportable by analysis and documentation held on file. This recommendation will be made to the Director of Administrative Services no later than July 15th of each year.

Re-Adopted by Resolution No. xx-xxxx 04/14/09
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