



TO: Elizabeth Pauli, City Manager
FROM: Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Resolution– Cancellation of amounts due per TMC 1.06.226
DATE: December 7, 2021

SUMMARY:

The Finance Department is seeking City Council approval to write-off several amounts that exceed \$25,000. The total amount of write-off is \$234,289 which is immaterial to the Departments and the City as a whole. Pursuant to TMC 1.06.226, write-offs over \$25,000 require City Council approval. The Finance Department regularly reviews amounts due to the City that are over 5 years old or less to assure that the City’s financial statements are accurate. In doing so, staff has identified several accounts related to Public Works, Planning Development Services and Tax & License that exceed \$25,000 and require approval from City Council by resolution to have the debt cancelled.

STRATEGIC POLICY PRIORITY:

- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The City works hard to collect revenue it is owed. These efforts include multiple communications with vendors, payment plan options, discussion with the legal department to file a claim in court, capturing amounts from performance bonds, and/or referral to the City’s collection agency. Occasionally, after such efforts are made, it is determined that some amounts are uncollectable and need to be written off (for example, if a vendor is no longer in business it is difficult to collect money owed the City). If the City fails to write-off these uncollectable debts, then the City’s financial statements lose accuracy since it appears the City is owed more revenue than it actually anticipates collecting. Typically these uncollectable amounts are relatively small dollar amounts - hundreds of dollars to a few thousand dollars. TMC 1.06.226 provides for City staff to write off amounts under \$25,000. Rarely do amounts exceed \$25,000.

The Public Works Department performed engineering, inspection and review work for two different developers which total a write-off amount of \$54,426.

The Public Works Department is also seeking reimbursement from private citizens for damaged caused by them to City owned traffic signal cabinets which total approximately \$89,345.

Planning Development Services had issued a commercial new building permit and had sent communication to the customer on eight occasions prior to expiration of the permit. The invoice balance of \$64,129 is severely misaligned with actual staff time spent on the permit.

Tax & License had an outstanding invoice to a financial institution and was unable to collect \$26,389 due to the institution filing bankruptcy.



ISSUE:

By leaving these uncollectable amounts on the City's books, the City's financial statements are overstated by approximately \$234,289. It is a best practice to routinely write-off uncollectable debt. By leaving amounts on the books that the City does not anticipate collecting, eventually revenues will be overstated by larger and larger amounts.

ALTERNATIVES:

The alternative is to continue to have the accounts outstanding and not cancel/write-off the amounts due to the City and have the City's financial statements overstated.

RECOMMENDATION:

To approve the recommendation of City Manager to cancel the amount due, per TMC 1.06.226.

FISCAL IMPACT: Prior revenues will be decreased by approximately \$170,160 and expenses will increase for Planning Development Services \$64,129.

EXPENDITURES: Planning Development Services will have an increase of \$64,129 for bad debt expense.



FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
4110- Planning Development Services	542000	5423000	\$64,129
TOTAL			\$64,129

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1060-Private Work Orders	60000013031 & 60000028777	4345300	\$54,426
1065- Public Works Street lights	60000046726 & 60000043956	4341100	\$89,345
0010- General Fund	106500	4316300	\$26,389
TOTAL			\$170,160

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: YES

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No.

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

Effected funds will manage within their existing budget authority and within available resources.