



REPORT TO MAYOR AND COUNCIL

TO THE HONORABLE MAYOR AND COUNCIL:

DATE: June 22, 2009

SUBJECT: YEAR-END WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE

Report in Brief

While the Finance Department makes every effort to collect unpaid accounts receivable, some inevitably become uncollectible and must be written off the books. Fifteen invoices and eleven loans, \$27,797.22 of General Fund money and \$225,308.94 of Redevelopment and Community Development Block Grant Fund money, are recommended for write-off at this time.

Background

Current policy requires formal approval by the City Council before any uncollectible receivable over the amount of \$750 can be written off.

Prior to recommending write-off, the Finance Department makes every effort to collect on unpaid receivables. Actions taken include a past-due letter, a ten-day demand letter and a Small Claims Court action after the original receivable remains unpaid. Only after all efforts have failed is a receivable considered for write-off.

Discussion

A summary of the fifteen invoices and the eleven loans is as follows:

<u>Billing Type</u>	<u>Number</u>	<u>Amount</u>
Damage to City Property	9	18,839.86
Driving under the Influence	3	3,484.98
False Alarms	3	5,472.38
	Total General Fund Write-Off	\$ 27,797.22
Rehabilitation Loans	6	137,755.69
Ownership/Purchase Assist. Loans	3	73,585.89
Emergency Rental Assist. Loans (ERAP)	2	13,967.36
	Total CDBG & RDA Set Aside Write-Off	\$ 225,308.94

The City has pursued Small Claims actions in all but one of the fifteen False Alarm, D.U.I, and Damage to City Property cases. One case was not pursued due to bankruptcy. Five cases were dropped due to

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the City being unable to locate the individual to serve papers. The City won judgements on the remaining nine cases from the Court; however, there are currently no assets to attach. The judgements will remain on file for ten years and are renewable for an additional ten years. While staff is recommending writing off these unpaid debts, the City can still collect on the debts in the future if the opportunity arises.

In addition, the City participates in the California State Intercept Program which allows the City to send the information on all nine invoices to the State of California. In the event the debtor has a State tax refund or lottery winning, the City of Concord will receive the amount owed. This allows the City to collect even if the receivable has been written off.

More information on each of the eleven loans recommended for write off is presented in the narrative below. FY 2008-09 has been a difficult year for low-income property owners and there is a great likelihood there will be additional loan defaults in FY 2009-10.

Staff recommends writing off six loans in the Rehabilitation Loan Program: four for condominiums where the property owners have defaulted on their first mortgages and two for mobile homes. One of the mobile home loans was for a coach which was being used to manufacture illegal drugs. The potential clean-up costs resulting from the drug activity, the cost of back rent and utility charges were all considered when the City chose to allow the park owner to proceed with the legal process that resulted in the City loan being wiped out. On the second mobile home, the property owner died intestate with no next of kin. Given the condition, age and size of the coach and the drop in the real estate market, it was deemed more cost effective to turn the coach over to the mobile home park owner. This property owner also had an ERAP loan which we are writing off below.

Staff recommends writing off three loans in the Ownership/Purchasing Assistance Loan Program. Two are for condominiums and one is a Habitat for Humanity home. The City received a Notice of Default on one, a Bankruptcy notice on the second and the property owner lost the loan from Habitat on the third.

Staff recommends writing off two loans in the ERAP Loan Program. Both are for mobile homes of which one is in foreclosure and the second, mentioned above, is the property owner that died intestate with a rehabilitation loan.

Fiscal Impact

The write-off of \$253,106.16 recognizes the inevitability that the money will not be collected.

Of that amount \$27,797.22 represents unpaid invoices in the General Fund. Staff will continue to make every effort to collect even though the invoice amounts have been written off. The remaining \$225,308.94 is uncollectible Housing loans.

Public Contact

Notice of this meeting has been posted.

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Recommendation for Action

Staff recommends the City Council authorize the write-off of the uncollectible accounts receivable on the books.



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Attachment #1: Uncollectible Accounts Listing over \$750

2009 ACCOUNTS RECEIVABLE(General Fund) WRITE-OFFS OVER \$750

<u>Name</u>	<u>Amount</u>	<u>Reason</u>	<u>Description</u>
Rodrigo Rodriguez	\$1,630.66	Judgement	Damage to City property
Deals on Wheels	\$1,475.55	Judgement	False alarms
Pedro Martinez	\$1,087.01	Judgement	Damage to City property
Russell Lang	\$1,003.31	Judgement	Damage to City property
Daniel Hayes	\$6,672.35	Unable to locate	Damage to City property
Quality Tune Up	\$2,646.80	Judgement	False alarms
Circuit City	\$1,350.03	Bankruptcy	False alarms
Erik Gonzalez	\$831.70	Unable to locate	Damage to City property
Oscar Oliva	\$805.25	Judgement	Damage to City property
Lisa Sassenberg	\$940.50	Unable to locate	Damage to City property
Esiquio Lomeli	\$1,384.98	Judgement	DUI
Claudia Velo	\$997.68	Unable to locate	Damage to City property
Jake Allen	\$1,000.00	Judgement	DUI
Ramon Iniguez	\$1,100.00	Judgement	DUI
Joel Falgout	\$4,871.40	Unable to locate	Damage to City property
TOTAL	\$27,797.22		