

City of Santa Fe, New Mexico

memo

Date: November 5, 2015

To: Mayor and Councilmembers

Via: Brian Snyder, City Manager 

From: Oscar S. Rodriguez, Finance Director



ITEM & ISSUE: Delinquent Account Collection Policy

BACKGROUND & SUMMARY :

This memo presents staff's recommendations for improving the city's collection of delinquent fees and payments.

Last September, the Council passed Resolution 2015-80 directing staff to research and report to the Governing Body within 60 days the options for City departments to initiate collections of delinquent fees and payments for services rendered.

Delinquent collections is a significant problem for the city. We currently have a total of \$6.5 million in delinquent receivables:

	<u>180-Days+</u>
Ambulance	610,483
Airport	700,009
Utilities	1,346,296
Parking	2,633,028
False Alarm	<u>1,188,145</u>
Total	6,477,961

In FY 2014-15, the city wrote off as uncollectable \$9.8 million (more than four year-old delinquent accounts), including \$3.2 million owed to the General Fund (See page 47 in the FY2013-14 CAFR). This year, we will be reporting \$9.1 million as the "uncollectable allowance" in our year-end financial statement.

Each department pursues delinquent accounts in their own fashion because of the nature of the delinquency, service rendered, and applicable laws. For example, the utility department's collections process includes turning off service, and the Fire Department has on contract a collection agency that aggressively notifies the delinquent customers. The City Attorney's Office is final stopping point in all of the department's collections process. The city as a whole does not have, however, a clear and written policy directing any particular next steps. The general understanding among staff is that the usual last step in the collection process is not to be taken: send the delinquent account to a collection agency that will take the necessary next steps to collect, including reporting the delinquency to the credit bureaus.

This issue has been discussed by the Council in the past, and individual Councilors have expressed their reservations about "hard collections." Nonetheless, there has been no formal vote giving any specific direction.

Recommendation

Collections likely will improve with a clear policy directive from the City Council for the departments to take further steps toward collecting delinquent fees and payments. The city has two options to choose from in this direction:

Council can authorize staff to turn over delinquent accounts above 180 days to an appropriate collection agency for collection. With this direction, staff will solicit the services of such an agency and bring the contract to the Council for approval. This option will put the burden on hard collecting on an outside agency.

Council can authorize staff to undertake on its own the same collections effort as a collection agency through the addition of a new position in the City Attorney's Office. Staff will prepare the necessary budget adjustment request and written procedures if this is the preferred option. This option will allow for the extra step of possible problem solving before any legal action is taken to collect.

For either option, it is strongly recommended that the city first undertake an aggressive public communication campaign to inform the public and any would-be delinquent payer of the city's new stance on delinquent accounts.

I am happy to answer any questions you may have.

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CITY OF SANTA FE, NEW MEXICO

RESOLUTION NO. 2015-80

INTRODUCED BY:

Councilor Signe Lindell

Councilor Peter Ives

A RESOLUTION

DIRECTING STAFF TO RESEARCH OPTIONS FOR CITY DEPARTMENTS TO INITIATE COLLECTIONS OF DELINQUENT FEES AND PAYMENTS FOR SERVICES RENDERED.

WHEREAS, the City of Santa Fe continues to suffer the effects of the 2008 recession, with growth levels below the national average; and

WHEREAS, every year the City must make difficult decisions on budgetary funding, resulting in many projects and programs not receiving the funding they truly need; and

WHEREAS, gross receipts taxes provide an unstable source of revenue for City operations that are heavily dependent on the health of the local economy; and

WHEREAS, the Governing Body wishes to ensure that the City has adequate funding to provide first-class services to the residents of the City of Santa Fe, without imposing an additional financial burden on taxpayers; and

WHEREAS, several City departments and divisions, including the Fire Department and Water Division, have monies due to them that have remained outstanding for many years; and

1 **WHEREAS**, the Fire Department bills an annual average of \$4 million for the
2 emergency services it provides, yet only collects \$2 million annually as a result of not referring
3 delinquent accounts to a collection agency; and

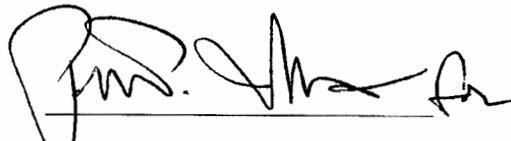
4 **WHEREAS**, the Water Division of the Public Utilities Department has delinquent bills
5 of over \$6.5 million, much of which is uncollectable and will have to be written off; and

6 **WHEREAS**, many City of Santa Fe departments do not have policies in place to collect
7 delinquent unpaid bills; and

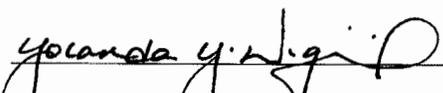
8 **WHEREAS**, the City of Santa Fe and its residents would benefit from ensuring all
9 residents are treated equally by ensuring that all unpaid bills and fees are collected.

10 **NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE**
11 **CITY OF SANTA FE** that staff is directed to research and report to the Governing Body within
12 60 days of the adoption of this resolution, the options for City departments to initiate collections
13 of delinquent fees and payments for services rendered.

14 PASSED, APPROVED AND ADOPTED this 9th day of September, 2015.

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17 JAVIER M. GONZALES, MAYOR

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20 ATTEST:

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23 VOLANDA Y. VIGIL, CITY CLERK
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APPROVED AS TO FORM:



KELLEY A. BRENNAN, CITY ATTORNEY