

**CITY OF REDDING, CALIFORNIA
COUNCIL POLICY**

SUBJECT	RESOLUTION NUMBER	POLICY NUMBER	EFFECTIVE DATE	PAGE
UNCOLLECTIBLE GENERAL ACCOUNTS RECEIVABLE	91-482	410	11/05/91	1

BACKGROUND

The Finance Department is charged with the responsibility of administering General Accounts Receivable for the City. After due diligence collection efforts by the City, uncollectible accounts are customarily written off and handled depending on dollar impact in one of the following manners: (1) Referred to collection agencies with which the City has a contractual relationship; (2) Referred to the City Attorney for recovery through the courts; (3) Filed as claims in Small Claims Court by Finance staff; or (4) Handled by Finance staff based on a case-by-case analysis as deemed appropriate.

PURPOSE

The goal of the Policy regarding Uncollectible General Accounts Receivable is the efficient handling of uncollectible accounts for which referral to collection agencies or the courts would be futile and not cost effective.

POLICY

The Director of Finance shall have the authority to write off and clear as uncollectible any general account receivable for which the balance due the City is less than \$5,000 meeting the following criteria:

1. Where the debtor is determined to be deceased with no surviving spouse and Finance staff has ascertained that the individual's estate is insufficient to pay the amount due, with such finding supported by official agency (police, coroner) documentation, where Finance staff has determined through research that decedent debtor has or is unlikely to have sufficient discoverable assets or resources to clear the debt.
2. Where the debtor is determined to be physically incapacitated to such an extent that determination of the probability of his/her regaining the ability to pay the debt is doubtful or impractical, e.g., chronic vegetative state, coma, etc., as supported by a written statement from the debtor's physician.
3. Where the debtor is determined to be incarcerated in a state prison for a long-term commitment, i.e., over one year, requiring an unreasonable and non-cost-effective effort on the part of Finance staff to track subsequent ability to pay the debt following the debtor's release. (Where the debtor has been sentenced to local county facility commitment as

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part of a grant of probation, i.e., less than one year, the matter will be referred to a collection agency. If the debt is one for which the sentencing court has ordered restitution and named the City as the victim to receive restitution, there may be some recourse through the Probation Department.)

4. Where the debtor is determined to be housed in a mental health facility for a period of such length or lack of definition that determination of the debtor's ability to pay the debt subsequent to release would be problematic and/or unreasonable, as supported by the written statement of an attending mental health care provider.
5. Where it is determined that the debtor's sole source of income is a grant from a social services program (AFDC, SSI, etc.) against which a creditor is prevented from lodging a lien. (The mere fact that a debtor is found to be the recipient of such aid would not prevent a reasonable effort to determine whether the debtor possesses other assets or resources against which a lien could be lodged, other than the granting social service agency resource.)
6. Where the claim cannot be supported by documentation as to the debtor's responsibility with regard to the claim, e.g., upon receipt of information that the debtor was wrongly named as the responsible party by the reporting agency or that the contractual arrangement giving rise to the claim no longer exists.

The City Manager shall have the authority to approve the write-off as uncollectible of any general account receivable meeting the above criteria for which the balance due the City is equal to or in excess of \$5,000, but less than \$10,000. The City Council shall have such authority with regard to any general account receivable for which the balance due the City is equal to or in excess of \$10,000.

PROCEDURE

Where the amount of the City's claim is less than \$10,000, Finance staff will submit an Interdepartment Communication to the City Manager or the Director of Finance, depending upon the amount due, detailing the facts, alternatives, and recommendation for clearance. This document will contain language allowing the City Manager or Director of Finance to sign, indicating agreement or disagreement with the recommendation. Were the City Manager or Director of Finance to disagree with the staff recommendation,

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an alternative course of action would be recommended to Finance staff.

Where the amount of the City's claim is equal to or in excess of \$10,000, the Director of Finance will submit a report to the City Council containing a request for write-off and detailing the facts supporting such a recommendation. The City Council's agreement or disagreement with such recommendation will be recorded in City Council minutes.

Following approval, the account balance will be adjusted to zero.