

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Discussion of Ordinance No. 711 – New Chapter for Shoreline Municipal Code 3.65 – Collection of Debt
<b>DEPARTMENT:</b>	Administrative Services
<b>PRESENTED BY:</b>	Patti Rader, Interim Administrative Services Director
<b>ACTION:</b>	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

**PROBLEM/ISSUE STATEMENT:**

As a result of the normal course of business, the City collects taxes, fees, and various charges for services. Some taxpayers or customers become delinquent on these payments and staff needs to have a collection process in place to attempt to fully collect on these accounts. Staff would also like the ability to use a collection agency to assist with collections and to have the ability to administratively write off smaller debts when collection efforts have not been successful or when there is no cost effective means of collecting the debt.

**FINANCIAL IMPACT:**

There is no direct financial impact in adopting this ordinance. In the event that the City contracts with a collection agency, all associated fees would be paid by the debtor.

**RECOMMENDATION**

Staff recommends that Council discuss Ordinance No. 711 to establish procedures for the collection of debt and enacting a new chapter 3.65 - Collection of Debt. Ordinance No. 711 is currently scheduled for Council adoption on May 4, 2015.

Approved By:            City Manager *JN*    City Attorney *MK*

## **INTRODUCTION**

As a result of the normal course of business, the City collects taxes, fees, and various charges for services. Some taxpayers or customers become delinquent on these payments and staff needs to have a collection process in place to attempt to fully collect on these accounts. Staff would also like the ability to use a collection agency to assist with collections and to have the ability to administratively write off smaller debts when collection efforts have not been successful or when there is no cost effective means of collecting the debt.

## **BACKGROUND**

RCW 19.16.500 authorizes cities, subject to certain procedural requirements, to retain collection agencies for the purpose of collecting outstanding accounts receivable with Council approval. The State has a contract currently in place with multiple collection agencies. The State screens the agencies and holds them to a standard that includes the use of best practices when attempting to recover debts. The contract also allows the collection agencies to pass on all costs associated with the collection of the debt to debtors, resulting in no additional cost to the contracting entity.

Staff would like to pursue reviewing collection agencies that are available to the City under the current State contract and select one that meets the City's criteria. The criteria would include not only an agency's past collection experience but also strict adherence to best debt collection practices. It is of utmost importance that debtors are not subjected to harassment or any other forms of unnecessary negative interactions with the collection agency. Collection agencies would only be used after City staff had exhausted all other means of attempting collection on unpaid debt.

Even with the use of collection agencies, there are times when certain debts either become uncollectible or it is no longer cost effective to continue to pursue collections. For those cases, staff would like the ability to administratively write-off or forgive the existing debt. For larger amounts, staff would propose bringing specific items to Council for approval to remove the items from the City's outstanding Accounts Receivable.

## **DISCUSSION**

To enact and codify these abilities, staff is proposing that Council adopt proposed Ordinance No. 711. Adoption of this ordinance would allow for the following actions:

- Designate that the Administrative Services Director establish, maintain, and enforce procedures for the collection of debt,
- Allow the Administrative Services Director to contract with a collection agency to assist with the collection of outstanding debt,
- Allow the Administrative Services Director to write off debt that has been deemed as being uncollectable in amounts of \$1,000 or less, and
- Allow the City Manager to write off debt that has been deemed as being uncollectable in amounts between \$1,001 and \$5,000.

If Ordinance No. 711 is approved, staff will proceed with the development of a Debt Collection Policy. The policy will detail the City's procedure for collecting debts, included debts related to insufficient funds checks, damage to City property, breach of contract, code enforcement abatement costs, assessment of civil penalties, and taxes and fees. It will also include procedures to write-off or remove uncollectible debt from the City's accounts receivable.

For all uncollectible amounts of debt over \$5,000, the Administrative Services Director will bring these uncollectible amounts to Council for their approval to have the debt be written off or adjusted.

At this time, staff is estimating that there are 10 to 12 accounts that staff would like to administratively write off due to unsuccessful attempts at collection or because the debt has exceeded the applicable statute of limitations. In some cases, the debt will be referred to a collection agency for a final attempt at collection.

If Council approves Ordinance No. 711, staff would return to Council in May or June with a request to remove the debt from the City's accounts receivables for unpaid gambling taxes and penalties for the former operators of Parkers Casino. This casino ceased operations in early 2012 when the Washington State Gambling Commission suspended their license, as ownership of the casino had been transferred and the new ownership had not applied for a license to continue operations. The City entered into a promissory note with the prior ownership in 2011, and while the first payment was made, no subsequent payments were made, leaving an outstanding balance of \$149,528. The City filed a lawsuit against Parkers ownership on February 7, 2012 to recover for the breach of contract and for unpaid gambling taxes. However, staff have been unable to collect the judgment. This is currently the highest value debt on the City's accounts receivable.

### **FINANCIAL IMPACT**

There is no direct financial impact in adopting this ordinance. In the event that the City contracts with a collection agency, all associated fees will be paid by the debtor.

### **RECOMMENDATION**

Staff recommends that Council discuss Ordinance No. 711 to establish procedures for the collection of debt and enacting a new chapter 3.65 - Collection of Debt. Ordinance No. 711 is currently scheduled for Council adoption on May 4, 2015.

### **ATTACHMENTS**

Attachment A: Proposed Ordinance No. 711

**ORDINANCE NO. 711**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, ESTABLISHING PROCEDURES FOR THE COLLECTION OF DEBT AND USE OF COLLECTIONS AGENCIES AND ENACTING A NEW CHAPTER 3.65 COLLECTION OF DEBT, IN THE SHORELINE MUNICIPAL CODE.**

WHEREAS, RCW 19.16.500 authorizes cities, subject to certain procedural requirements, to retain collection agencies for the purpose of collecting outstanding accounts receivable; and

WHEREAS, it is desirable to authorize the Administrative Services Director to refer uncollectible debts or delinquent accounts of any City department to a collection agency for collections; and

WHEREAS, it is necessary to write off certain debts or accounts if found to be uncollectible; and

WHEREAS, it is desirable to authorize the City Manager and the Administrative Services Director to write off certain accounts receivables if found to be uncollectible;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON DO ORDAIN AS FOLLOWS:**

**Section 1. Findings of Fact.** The recitals set forth above are hereby adopted as findings of the City Council.

**Section 2. New Chapter.** A new chapter 3.65 Collection of Debt is added to the Shoreline Municipal Code to read as follows:

3.65.010 Establishment of Procedures

The Administrative Services Director shall establish and maintain policies and procedures relating to the collection of debt. All City departments must comply with these policies and procedures.

3.65.020 Use of Collection Agencies

The Administrative Services Director shall establish policies and procedures governing the assignment or other referral of delinquent accounts or debt to a collection agency that has entered into a contract with the City for that purpose. All City departments must comply with these policies and procedures.

3.65.030 Write-off of Amounts of \$5,000 or Less – Administrative Approval

In certain cases amounts which are due any department of the City, including its public utilities, from any individual or corporate debtor thereto under provisions of leases, contracts, other instruments or agreements, or under provisions of rate or other ordinance or resolutions, or

which are due and legally enforceable from any person, corporation or insurance company as a result of damages to city property may remain unpaid for long time periods. After the Administrative Service Director has determined that there is no cost effective means of collecting the debt, the debt may be canceled, written off, reduced or otherwise compromised as follows:

- A. Amounts due the city which are in excess of \$1,000 but which are no greater than \$5,000 may, after reasonable efforts for the collection or settlement thereof have been exhausted, be authorized by the City Manager or designee to be canceled, written off or settled in part upon recommendation of the City Attorney and Administrative Services Director.
- B. Amounts due the city which are no greater than \$1,000 may, after reasonable efforts for the collection or settlement thereof have been exhausted, be authorized by the Administrative Services Director to be canceled, written off or settled in part upon approval of the City Attorney and Administrative Services Director, based on written procedures developed by the Administrative Services Director and approved by the City Manager.

3.65.035 Write-off of Amounts in Excess of \$5,000 – Council Approval

Amounts due the city in excess of \$5,000 which are due any department of the city, including public utilities, from any individual or corporate debtor thereto under provision of leases, contracts, other instruments or agreements, or under provisions of rate or other ordinances or resolutions, or which are due and legally enforceable from any person, corporation or insurance company as a result of damages to city property, may not be canceled, written off, reduced or otherwise compromised without the authorization of the City Council upon recommendation of the City Manager.

**Section 3. Effective Date.** A summary of this ordinance consisting of its title shall be published in the official newspaper of the City. The ordinance shall take effect and be in full force five days after passage and publication.

**APPROVED BY THE CITY COUNCIL ON MAY 4, 2015**

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Mayor Shari Winstead

**ATTEST:**

**APPROVED AS TO FORM:**

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Jessica Simulcik Smith  
City Clerk

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Margaret King  
City Attorney

Publication Date:

Effective Date: