




Office of the City Manager

CONSENT CALENDAR

May 22, 2007

To: Honorable Mayor and
Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: Robert Hicks, Acting Director, Finance Department

Subject: Write-Off of Delinquent Accounts Receivable Owed by the Berkeley Unified School District

RECOMMENDATION

Adopt a Resolution authorizing the write-off of outstanding Sewer fees and Clean Storm Water fees owed by the Berkeley Unified School District (BUSD).

FISCAL IMPACTS OF RECOMMENDATION

The impact on the City's financial position (i.e. assets minus liabilities) for the write-off recommendation in this report is a decrease of \$282,378 in accounts receivable due to the Sewer Fund and a decrease of \$79,099 in accounts receivable due to the Clean Storm Water Fund.

CURRENT SITUATION AND ITS EFFECTS

The City has been carrying outstanding sewer fees of \$282,378 dating from July 1, 1992 through June 30, 1998, and outstanding clean storm water fees of \$79,099, dating from July 1, 1993 through June 30, 1997.

BUSD challenged the legality of a limited proportion of the City's sewer fees and clean storm water fees due to a court case (San Marcos Water District v. San Marcos Unified School District) dating back to 1989, and refused to pay any of those fees for several years. The City and BUSD have come to terms regarding the legality of assessing these fees and are in negotiations to finalize payment of outstanding sewer fees of \$523,077, clean storm water fees of \$393,323, and Aquatic's Program/Pool Usage fee of \$268,620 dating back to July 1, 2000. However, the outstanding sewer fees, dating back to 1992, and clean storm water fees, dating back to 1993, are too old to pursue via legal action and, therefore, should be removed from the City's financial records rather than appearing as receivable balances that have a potential of being collected.

Since January 2006, sewer fees have appeared as a line item on BUSD's water bill. BUSD has paid the sewer fees to the East Bay Municipal Utility District (EBMUD) and EBMUD remits the sewer fees to the City on a monthly basis. Clean storm water fees of approximately \$56,189 are assessed to the district annually. The fiscal year 2007 clean storm water fees are included in the \$393,232 balance due. The Aquatic's Program ended in June 2003 and therefore, there are no on-going fees assessed for this program.

BACKGROUND

The periodic purging of delinquent, outstanding accounts receivable is a fiscally responsible method to ensure an accurate statement of the City's financial position and an accurate assessment of the amount the City expects to collect from its receivables. The outstanding sewer fees, dating back to July 1992, and the outstanding clean storm water fees, dating back to July 1993, have remained on the City's financial records far longer than is generally accepted for an accounts receivable balance with the potential of being recovered.

RATIONALE FOR RECOMMENDATION

The timely identification of loss of value is essential to appropriately measuring the value of the City's assets. The write-off of delinquent account receivable balances is a critical component in accurately reflecting the City's assets in the financial statements.

ALTERNATIVE ACTIONS CONSIDERED

The City could continue to carry the outstanding sewer fee and clean storm water fee receivable balances on the accounting books in the hope that BUSD would eventually pay the balance. However, since the receivables are too old for the City to seek legal recourse, it is doubtful that these balances would ever be paid.

CONTACT PERSON

Robert Hicks, Acting Finance Director, 981-7300

Heather Murphy, Revenue Collection Manager, Finance Department, 981-7261

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

AUTHORIZING THE WRITE-OFF OF DELINQUENT ACCOUNTS RECEIVABLES OWED
BY THE BERKELEY UNIFIED SCHOOL DISTRICT

WHEREAS, diligent efforts are made to collect on delinquent accounts; and

WHEREAS, the write-off of uncollectible accounts is necessary to provide an accurate measure of the City's financial position; and

WHEREAS, Administrative Regulation 3.15 states that departments shall analyze accounts and make write-off recommendations of bad debt to the City Council; and

WHEREAS, it is fiscally responsible to write-off delinquent accounts that are deemed uncollectible.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley authorizes the write-off of delinquent Berkeley Unified School District accounts receivables as listed below.

<u>Delinquent Accounts Receivable Amount</u>	<u>Responsible Department</u>	<u>Amount</u>
Sewer Fees	Public Works	\$282,378
Clean Storm Water Fees	Public Works	<u>\$ 79,099</u>
Total		<u>\$361,477</u>

