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Title: Report regarding a resolution authorizing the write-off of \$40,502 in uncollectable accounts receivable for parks and recreation program services. (Sharon Ranals, Parks and Recreation Director)

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Report regarding a resolution authorizing the write-off of \$40,502 in uncollectable accounts receivable for parks and recreation program services. (Sharon Ranals, Parks and Recreation Director)

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing the write-off of \$40,502 in uncollectable accounts receivable for parks and recreation program services over a 10 year period between 2008 and 2017.

BACKGROUND/DISCUSSION

Since November 1, 2017, Parks and Recreation Department staff have been working on implementing a new recreation management system (RMS) called CivicRec by CivicPlus, Inc. For nearly 20 years, the Parks and Recreation Department has used an RMS called CLASS by Active Network to track registration and process payments for recreation classes, childcare programs, and facility usage and rentals. The department processes approximately \$4 million per year in revenue, most of which is processed through CLASS.

CivicRec is on track to go live to the public for summer recreation class registration beginning on May 7, 2018. As part of the process of transitioning from one RMS to another, staff intends to start off with a clean slate, only importing recent, active account holder information, and minimizing the amount of credits and balances due that will be brought into CivicRec from CLASS.

The purpose of this staff report is to recommend that City Council write off the balances of 147 uncollectable accounts, totaling \$40,502, for parks and recreation program services offered from 2008 to 2017. These accounts result from non-payment by the customer. Based on the information provided, the department averaged about 15 overdue accounts at about \$4,000 per year. In the past year, the department processed transactions from over 5,000 household accounts with a total revenue amount at nearly \$4 million. The

uncollectable accounts comprise less than 1% of the total revenue collected per year.

Nearly 50 percent (\$19,740) of the overdue balances come from participants in the childcare program, most of whom receive County or State funds to assist with childcare expenses. These subsidy payments are often received one to two months after the service is provided and may change based on various factors such as number of program days per month. Childcare staff bills all accounts on a monthly basis, but in the case of subsidized families, a family's inability to make a full payment on their portion of the balance due is often not realized until one or two months later, when subsidy payments are received. Other balances in childcare, as well as from recreation and aquatics classes, are the result of input errors, families who have moved out of the area without a forwarding address, or clients who simply have not paid for services. Uncollectable accounts from recreation and aquatics classes make up another 10 percent (\$4,495) of the write off balance.

Recreation Supervisors in charge of each program effort make repeated efforts to collect uncollected revenue, including making phone calls, sending e-mails, letters, and scheduling in-person meetings to discuss establishing a payment plan in the circumstance where illness or loss of a job may have created a family hardship. Participants with unpaid balances are not permitted to enroll in new activities unless their overdue balances are paid in full, or a payment plan has been established, which is effective in capturing the great majority of overdue balances. The registration system could be configured to require payment in full prior to the start of a program or activity, but the payment default rate is very low compared to the net increase in registration and customer service benefit from being more flexible.

Finally, while not tracked in the RMS, staff is including in this request a write off of \$16,268 in unpaid fees from an artist studio rental from 2012 through 2016, which makes up the final 40 percent of the write off balance. This balance stemmed from a lessee who had significant medical issues and made irregular payments over the course of their lease before they were finally evicted for nonpayment of fees.

The current registration software system makes tracking of unpaid balances cumbersome. Moving forward, and with the help of the new RMS, staff anticipates a more streamlined process for billing and collecting payments that will be easier for both customers and staff. This will include the use of scheduled reporting functions that will allow staff to easily track program registration and payments, scheduled payment plans with the ability to automatically invoice customers based on a payment schedule, and overall simpler account access and navigation. As part of the second phase of RMS implementation, staff will be working on bringing other departmental functions into the RMS, such as tracking artist studio rentals. Furthermore, staff plans to implement an annual review of uncollectable accounts and bring those accounts to Council for write off approval when necessary.

FUNDING

Parks and Recreation Department revenue and expenditures are accounted for on a cash basis, meaning that funds are accounted for when actually paid or received. Any deferred revenue is recognized in the RMS, but is not factored into the City's finances. Thus, the waiver of \$40,502 in uncollectable accounts has no impact to the City's past, present, or future budget.

CONCLUSION

Staff recommends that City Council write off the balances of 147 uncollectable accounts, totaling \$40,502, for parks and recreation program services offered from 2008 to 2017.