

FRANK T. MARTINEZ
City Clerk

KAREN E. KALFAYAN
Executive Officer

When making inquiries
relative to this matter
refer to File No.

04-0345
00-2094

CITY OF LOS ANGELES
CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
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HELEN GINSBURG
Chief, Council and Public Services Division

April 27, 2005

PLACE IN FILES

MAY 02 2005

DEPUTY *vm*

Controller, Room 300
Accounting Division, F&A
Disbursement Division

RE: RECEIVE AND FILE THE CONTROLLER REPORTS, DATED DECEMBER 17, 2004 AND
MARCH 23, 2005, RELATIVE TO THE STATUS OF RESERVE FUND LOANS

At the meeting of the Council held April 26, 2005, the following action was
taken:

Attached report adopted.....
FORTHWITH.....
Mayor concurred
Ordinance adopted.....
Ordinance number.....
Motion adopted to approve committee report recommendation(s)... X
Effective date.....
Publication date.....
Findings.....
Mitigated Negative Declaration adopted.....
Categorically exempt.....
Generally exempt.....

Frank T. Martinez

City Clerk
crm



TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your BUDGET AND FINANCE Committee

reports as follows:

Public Comments: Yes No
X

BUDGET AND FINANCE COMMITTEE REPORT relative to the status of Reserve Fund loans.

Recommendation for Council action:

RECEIVE and FILE the Controller reports, dated December 17, 2004 and March 23, 2005, relative to the status of Reserve Fund loans, inasmuch as the reports are submitted for information only and no Council action is required.

Fiscal Impact Statement: Not applicable

SUMMARY

At its meeting of April 19, 2005, the Budget and Finance Committee considered reports from the Controller, dated December 17, 2004 and March 23, 2005, relative to the status of Reserve Fund loans. The Controller reports that the Mayor and the Council approve loans to the General Fund and Other Special Purpose Funds to be repaid upon receipt of revenues. The Controller is authorized to borrow from the Reserve Fund to cover departmental expenditures that exceed appropriations and/or available receipts at the end of the fiscal year. This measure is taken so that the Controller can reconcile the budget without departments returning to the Council at year-end to request additional appropriations, a process that would delay the closing of the City's General Ledger.

The Budget and Finance Committee recommended that the Controller reports dated December 17, 2004 and March 23, 2005, relative to the status of Reserve Fund loans be received and filed inasmuch as the reports are submitted for information only and no Council action is required. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
MISCIKOWSKI:	ABSENT
CARDENAS:	YES
SMITH:	YES
GARCETTI:	ABSENT

LB
#040345B
4/20/05

Tony Cardenas

MOTION ADOPTED TO APPROVE COMMITTEE REPORT RECOMMENDATION

ADOPTED

APR 26 2005

LOS ANGELES CITY COUNCIL

COUNCIL VOTE

Apr 26, 2005 10:38:40 AM, #2

Items for Which Public Hearings Have Been Held - Items 9- 28
Voting on Item(s): 9-20,23-27
Roll Call

CARDENAS	Yes
GARCETTI	Yes
GREUEL	Yes
HAHN	Yes
LABONGE	Absent
LUDLOW	Yes
MISCIKOWSKI	Yes
PARKS	Absent
PERRY	Yes
REYES	Yes
SMITH	Yes
VILLARAIGOSA	Yes
WEISS	Yes
ZINE	Yes
*PADILLA	Yes

Present: 13, Yes: 13 No: 0

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: DEC 17 2004

TO: The Budget and Finance Committee

FROM: Marcus Allen, Chief Deputy Controller *Ma*

SUBJECT: RESERVE FUND LOANS

Council File Nos. 99-1794 and 00-2094 requests the Controller to submit a quarterly report on the Status of all Reserve Fund loans. Attached are our reports for the quarter ended September 30, 2004.

The Mayor and Council approve loans to the General Fund and Other Special Purpose Funds to be repaid upon receipt of revenues. The Controller was authorized to borrow from the Reserve Fund to cover departmental expenditures that exceeded appropriations and/or available receipts at the end of fiscal year (Council File Nos. 02-0600-S73 and 03-0600-S59). This measure was taken so that the Controller could reconcile the budget without departments returning to the City Council at year-end to request additional appropriations, a process that would delay the closing of the City's General Ledger. The outstanding balance of \$1.7 million are included in the \$23.7 million Council approved borrowings.

Under Charter Section 261(i) the Controller shall maintain each fund on parity with its obligations by transferring from the Reserve Fund as a loan to any fund that becomes depleted through tardy receipt of revenues. Year-end advances for unfunded encumbrances and expenditures are therefore considered as Reserve Fund loans.

A summary of Reserve Fund loan transactions for fiscal years 2003-04 and 2004-05 is shown in Table I.

Table I Reserve Fund Loans As of September 30			
	<u>FY 2004-05</u>	<u>FY 2003-04</u>	<u>Increase</u> <u>(Decrease)</u>
Council Approved			
Beginning Balance, July 1	\$ 23,592,784	\$ 23,961,774	(\$ 368,990)
Add – Loans granted during the year	1,546,361	4,031,700	(2,485,339)
Less: Repayments and adjustments	(1,427,902)	(6,028,822)	4,600,920
Write-offs	—	—	—
Ending Balance, September 30	<u>23,711,243</u>	<u>21,964,652</u>	<u>1,746,591</u>
Charter Section 261(i)			
Beginning Balance, July 1	32,843,809	24,564,413	8,279,396
Less: Repayments and adjustments	(19,670,038)	(12,960,597)	(6,709,441)
Write-offs	—	—	—
Ending Balance, September 30	<u>13,173,771</u>	<u>11,603,816</u>	<u>1,569,955</u>
Total Loans Outstanding, September 30	<u>\$ 36,885,014</u>	<u>\$ 33,568,468</u>	<u>\$ 3,316,546</u>

RECEIVED
CITY CLERK'S OFFICE

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CITY CLERK
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The Budget and Finance Committee

Page 2

The status of the outstanding Reserve Fund loans as of September 30, 2004 based on departments' responses to our inquiries regarding the status and expected payment date of the advances is shown in Table II.

Table II
Status of Reserve Fund Loans
As of September 30, 2004

	<u>Council Approved</u>	<u>Charter Section 261(i)</u>	<u>Total</u>
Loans to be repaid by 6/30/05	\$ 1,039,342	\$ 7,106,484	\$ 8,145,826
Loans to be repaid upon receipt of invoice from other City departments and/or for investigation	568,347	5,315,922	5,884,269
Loans to be repaid upon receipt of revenue from other government agencies	12,164,266	393,301	12,557,567
Long-term loans	7,905,000	--	7,905,000
Loans recommended for write-off	<u>2,034,288</u>	<u>358,064</u>	<u>2,392,352</u>
Total	<u>\$ 23,711,243</u>	<u>\$ 13,173,771</u>	<u>\$ 36,885,014</u>

Attachment II provides more information on the "Council Approved" and "Charter Section 261(i) loans. The latter were made in connection with year-end closing and the need to balance the General Ledger. Departments are required to repay these loans or seek authority from the Council to write-off the loans.

MA:sr

Attachment

C:rf report Sept04

**CITY OF LOS ANGELES
RESERVE FUND
STATEMENT OF CONDITION
AS OF SEPTEMBER 30, 2004**

Cash Balance, July 1, 2004:

Emergency Reserve	\$ 61,000,000	
Contingency Reserve	<u>211,253,941</u>	\$ 272,253,941

Receipts:

Return of Advances Under Charter Section 261i for:		
Unfunded Expenditures	3,393,575	
Unfunded Encumbrances	16,276,464	
Return of Loans to Other Funds	1,425,813	
Transfers from Other Funds	5,756,494	
Transfer of Power & Water Revenue Surplus	30,000,000	
Miscellaneous	<u>2,082,181</u>	<u>58,934,527</u>

Total Available Cash and Receipts

331,188,468

Disbursements:

Transfers to Other Funds	442,123	
Loans to Other Funds	1,005,943	
Transfer to General Fund of DWP Revenue Surplus	30,000,000	
Transfer to Budget	122,871,472	
Reappropriations of Prior Year Funds for Capital Improvement Projects and Other Departmental Accounts	17,970,866	
Miscellaneous	<u>608,454</u>	<u>172,898,858</u>

Condition at September 30, 2004

158,289,610

Add - Authorized But Not Yet transferred to Other Funds:

Transfer to Budget	122,871,472	
Reappropriation per Budget and CF#04-0600-S31	8,821,464	
Additional Appropriations	<u>266,033</u>	<u>131,958,969</u>

Cash Balance, September 30, 2004:

Emergency Reserve	61,000,000	
Contingency Reserve	<u>229,248,579</u>	<u>\$ 290,248,579</u>

City of Los Angeles
Council Approved Reserve Fund Advances to the General Fund and Special Purpose Funds
As of September 30, 2004

Reimbursing Department, Fund or Agency		Disbursing Department, Fund or Project		Council File		Amount	Expected		Comments
Dept Name	Fund	Dept/Project Name	Fund	Number	Date		Pymt Date		
Aging	564	Aging	564	97-0966-S2	08/02/99	\$ 25,000.00	Long-term		Per CF97-0966-S2, loans are to be carried as long-term
Aging	395	Aging	395	97-0966-S2	08/02/99	1,250,000.00	Long-term		until such time as program is terminated.
Aging	40F	Aging	40F	99-0989	08/02/99	150,000.00	Long-term		
Aging	40F	Aging	40F	01-1507	08/13/01	150,000.00	Long-term		
Aging	410	Aging	410	02-1035	08/13/02	350,000.00	Long-term		
						1,925,000.00			
CAO	CRA	CAO	100	03-1245	10/16/03	47,000.00	June 2005		Payment in process
CAO	429	CAO	429	CAO memo	07/06/04	456,000.00	Nov 2004		Payment in process
CAO	429	CAO	429	CAO memo	09/23/04	116,500.00	Nov 2004		Payment in process
						619,500.00			
City Atty	368	City Atty	368	00-1981	11/19/02	0.26			For adjustment
City Atty	368	City Atty	100	02-1049	09/23/03	46,867.00	Dec 2004		To be reimbursed upon receipt of grant funds
City Atty	368	City Atty	368	01-1401	10/16/03	2.45			For adjustment
City Atty	368	City Atty	368	02-1820	10/16/03	17,551.66			Paid \$17,547.30 on 11/9/04 per JV2621820CFR016.
City Atty	368	General Services	100	00-0913	10/24/03	13,553.36	Dec 2004		To be reimbursed upon receipt of grant funds
City Atty	368	ITA	100	00-0913	10/24/03	6,258.70			To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	368	00-0913	10/24/03	37,281.99			To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	100	00-1981	12/16/03	22,262.00	Dec 2004		To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	368	00-1981	12/16/03	21,637.79			To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	100	04-0011-S1	06/08/04	12,349.00			To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	368	04-0011-S1	06/08/04	34,590.00			To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	100	04-0011-S1	07/06/04	86,451.00			To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	368	00-0913	07/23/04	90,559.00			To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	100	00-0913	07/23/04	488,755.00			To be reimbursed upon receipt of grant funds
City Atty	368	General Services	100	00-0913	07/23/04	65,150.00			To be reimbursed upon receipt of grant funds
City Atty	368	ITA	100	00-0913	07/23/04	7,000.00			To be reimbursed upon receipt of grant funds
						950,269.21			
Fire	492	City Clerk	100	00-1556	12-19-00	21,291.76	June 2005		Will reimburse when statute of limitation expires
Fire	335	Fire	335	03-0600-S61	06/15/04	314,234.22			Paid \$225,329.38 on 10/1/04 per JV3830600CFR013; balance will be paid upon receipt of reimbursement from FEMA.
						335,525.98			
CDD	47W	General Services	100	03-0600-S61	06/15/04	512,308.00			GSD preparing invoices for reimbursement
						512,308.00			
General Services	Council District Eight	General Services	100	04-1550	08/10/04	723.00			Awaiting reimbursement
General Services	Nat Elect. Contractors Assn	General Services	100	04-1627	09/07/04	672.00			Awaiting reimbursement
						1,395.00			
Mayor-CJ	42H	Mayor	100	00-0159	04/25/00	51,657.00	For write-off		Recommended for write-off
Mayor-CJ	47N	Mayor	47N	03-2569	06/16/04	11,000,000.00			To be reimbursed upon receipt of grant funds
Mayor-CJ	40A	Mayor	46	96-1690	07/13/99	7,360.05			For research
Mayor-CJ	43C	Mayor	100	99-1625	09/30/99	346.00			For research
						11,059,363.05			

City of Los Angeles
Council Approved Reserve Fund Advances to the General Fund and Special Purpose Funds
As of September 30, 2004

Reimbursing Department, Fund or Agency		Disbursing Department, Fund or Project		Council File		Amount	Expected		Comments
Dept Name	Fund	Dept/Project Name	Fund	Number	Date		Pymt Date		
Planning	46Y	Planning	100	00-0257-S2	12/05/03	150,000.00	Jan 2005		Payment from Caltrans expected to received on January, 2005.
						150,000.00			
PW-Board	C R A	PW-Board	100	01-1316	07/03/01	250,000.00	For write-off		Recommended for write-off
						250,000.00			
Police	339	Police	339	02-2480	05/02/03	144,253.58	June 2005		
						144,253.58			
Rec & Parks	302	Potrero Canyon Project	100	85-0578	12/23/87	2,100,000.00	Long-Term		Public liability project at Potrero Canyon; funds can not be returned yet. The California Coastal Commission and LA Dept of Building & Safety's position is that the entire Potrero property must be stabilized, certified, and a public park developed, before the certification and sale of any surplus lots will be permitted; Rec and Parks is willing to work with the office of Councilmember Miscikowski to meet with the Coastal Commission and Building & Safety to determine id there is a legislative alternative permitting certification and sale of some lots.
Rec & Parks	302	Potrero Canyon Project	100	85-0578	04/19/85	550,000.00	Long-Term		Until the Canyon is completely stabilized, City owned property can not be sold; funds can not be returned yet.
Rec & Parks	302	Potrero Canyon Project	100	91-0702-S2	11/26/91	700,000.00	Long-Term		Until the Canyon is completely stabilized, City owned property can not be sold; funds can not be returned yet.
Rec & Parks	437	Runyon Canyon Project	437	86-0698	05/15/86	1,500,000.00	Long-Term		Advance against the future sales of development rights from Runyon Canyon; no market for such sales has been developed and thus no funds are available to be returned yet.
Rec & Parks	302	Potrero Canyon Project	100	85-0578	06/21/98	1,130,000.00	Long-Term		Funds cannot be returned yet.
						5,980,000.00			
D O T	CAL Trans	D O T	100	98-0761	08/18/98	15,040.24	For write-off		Recommended for write-off
D O T	LA County	D O T	100	94-1064	05/01/96	30,000.00	For write-off		Recommended for write-off
D O T	ACTA	D O T	100	99-0975	10/14/99	17,214.77	For write-off		Recommended for write-off
D O T	White Mem Hosp/CW Driver	D O T	100	02-0706	07/31/02	81.44			For research
						62,336.45			
Year-End Closing Advances (CF 02-0600-S73 and CF 03-0600-S59):									
Personnel	100	Personnel	100	02-0600-S73	06/30/03	1,994.85	For write-off		Recommended for write-off
PW-St Services	100	PW-St Services	100	02-0600-S73	06/30/03	1,014,071.00	For write-off		Recommended for write-off
Building & Safety	100	Building & Safety	100	03-0600-S59	06/30/04	48,594.57			\$96,107 of the dept.'s FY04 budget reverted to RF. This amount should offset the \$48,594.57 advanced by the Reserve Fund.
Council	100	Council	100	03-0600-S59	06/30/04	2,321.73	Oct 2004		Paid on 10/7/04 per JV2830600CFR014N.
Police	100	Police	100	03-0600-S59	06/30/04	654,310.00	For Write-off		Recommended for write-off
						1,721,292.15			
Total						23,711,243.42			

City of Los Angeles
 Council Approved Reserve Fund Advances to the General Fund and Special Purpose Funds
 As of September 30, 2004

Reimbursing Department, Fund or Agency		Disbursing Department, Fund or Project		Council File		Expected	Comments
Dept Name	Fund	Dept/Project Name	Fund	Number	Date	Pymt Date	

Recap:

Loans to be repaid by 6/30/05	\$	1,039,342.09
Loans to be repaid upon receipt of invoice		
from other City departments and/or for research		568,346.77
Loans to be repaid upon receipt of revenue		
from other government agencies		12,164,266.70
Loans recommended to be written-off		2,034,287.86
Long-term loans		7,905,000.00
Total	\$	23,711,243.42

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of September 30, 2004

Reimbursing		Disbursing		Document Number	Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept						
Building & Safety	346	General Services	JV40CHARTERADX3	06/30/03	47,746.00			Billing sent to FEMA; awaiting reimbursement.
Building & Safety	530	I T A	JV32CHARTERADX4	06/30/04	595,697.76	June 2005		Waiting for revised invoice.
					643,443.76			
CAO	43G	PW-Engineering	JV78CHARTERADX4	06/30/04	22,835.76	June 2005		Invoices for review and approval
CAO	43K	General Services	JV40CHARTERADX4	06/30/04	1,614,441.71	June 2005		Paid \$8,917 on 9/9/04 per JV50Unfexp011C; other invoices for review and approval
CAO	43K	PW-Contract Adm	JV76CHARTERADX4	06/30/04	163,308.90	June 2005		Invoices for review and approval
CAO	43K	PW-Engineering	JV78CHARTERADX4	06/30/04	929,748.51	June 2005		Invoices for review and approval
CAO	43L	General Services	JV40CHARTERADX4	06/30/04	5,281.00	June 2005		Invoices for review and approval
CAO	43L	PW-Contract Adm	JV76CHARTERADX4	06/30/04	38,253.91	June 2005		Invoices for review and approval
CAO	43L	PW-Engineering	JV78CHARTERADX4	06/30/04	57,834.23	June 2005		Invoices for review and approval
CAO	43P	General Services	JV40CHARTERADX4	06/30/04	933.01	June 2005		Invoices for review and approval
CAO	43P	PW-Contract Adm	JV76CHARTERADX4	06/30/04	22,592.95	June 2005		Invoices for review and approval
CAO	43P	PW-Engineering	JV78CHARTERADX4	06/30/04	34,935.95	June 2005		Invoices for review and approval
CAO	46A	PW-Contract Adm	JV76CHARTERADX4	06/30/04	1,642.35	June 2005		Invoices for review and approval
CAO	46A	PW-Engineering	JV78CHARTERADX4	06/30/04	41,889.78	June 2005		Invoices for review and approval
					2,933,698.06			
City Attorney	368	City Attorney	JV12CHARTERADX4	06/30/04	5,000.00			Will be reimbursed upon receipt of grant funds
					5,000.00			
City Clerk	41Z	City Attorney	JV12CHARTERADX4	06/30/04	50,380.00	For write-off		Recommended for write-off
					50,380.00			
C D D	356	C D D	JV22CHARTERADX4	06/30/04	27,285.26			CDD to adjust appropriations before payment is made.
C D D	356	Cultural Affairs	JV30CHARTERADX4	06/30/04	100,000.00			Waiting for Project Expenditures Plan from Cultural Affairs
C D D	356	PW-Engineering	JV78CHARTERADX4	06/30/04	67,779.03			Will pay upon receipt of invoices from PW-Engineering.
C D D	41F	C D D	JV22CHARTERADX4	06/30/04	19,559.93			For research
C D D	41F	PW-Sanitation	JV82CHARTERADX3	06/30/03	88,948.91	For write-off		Revised reversion worksheet was submitted after deadline. Will request authority to write-off.
C D D	424	Building & Safety	JV08CHARTERADX4	06/30/04	47,673.77	Nov 2004		Paid on 11/9/04 per JV22Unfexp0045S.
C D D	424	City Attorney	JV12CHARTERADX4	06/30/04	334,245.92	June 2005		Paid \$126,339.26 on 11/9/04
C D D	424	Cultural Affairs	JV30CHARTERADX4	06/30/04	3,707.40			Will pay upon receipt of invoices from Cultural Affairs.
C D D	424	I T A	JV32CHARTERADX1	06/30/01	126,273.00	For write-off		Recommended for write-off
C D D	424	General Services	JV40CHARTERADX3	06/30/03	35,234.18			For research
C D D	424	General Services	JV40CHARTERADX4	06/30/04	127,813.00	June 2005		Paid \$100,000 on 10/22/04 per JV22Unfexp0041S.
C D D	424	PW-Engineering	JV78CHARTERADX4	06/30/04	93,054.00			Will pay upon receipt of invoice.
C D D	424	PW-Street Lighting	JV84CHARTERADX0	06/30/00	14,073.03			Will pay upon receipt of invoice.
C D D	424	PW-Street Lighting	JV84CHARTERADX1	06/30/01	16,349.69			Will pay upon receipt of invoice.
C D D	43Y	I T A	JV32CHARTERADX4	06/30/04	63,828.96	Oct 2004		Paid on 10/15/04 per JV22Unfexp0037S.

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of September 30, 2004

Reimbursing		Disbursing	Document Number	Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept					
C D D	43Y	General Services	JV40CHARTERADX4	06/30/04	8,287.00	Nov 2004	Paid \$7,520 on 10/15/04 per JV22Unfexp0036S.
C D D	44A	I T A	JV32CHARTERADX4	06/30/04	284,936.56	Oct 2004	Paid on 10/15/04 per JV22Unfexp0038S.
C D D	44A	Mayor	JV46CHARTERADX4	06/30/04	26,853.20		For reconciliation between CDD & Mayor.
C D D	45W	General Services	JV40CHARTERADX4	06/30/04	380,121.00		Billed 7/12/04; CDD researching appropriations.
C D D	551	I T A	JV32CHARTERADX3	06/30/03	15,560.00		Will pay upon receipt of invoice.
					1,881,583.84		
Environmental Affairs	528	Transportation	JV94CHARTERADX4	06/30/04	177,658.76	Oct 2004	Paid on 10/14/04 per JV37Unfexp0035T.
					177,658.76		
Housing	41K	Housing	JV43CHARTERADX4	06/30/04	94,650.92	Nov 2004	Payment is being processed
Housing	41M	City Attorney	JV12CHARTERADX4	06/30/04	45,441.77	Nov 2004	Payment is being processed
Housing	41M	I T A	JV32CHARTERADX4	06/30/04	18,656.00	Nov 2004	Payment is being processed
Housing	41M	General Services	JV40CHARTERADX4	06/30/04	19,225.00	Nov 2004	Payment is being processed
Housing	440	City Attorney	JV12CHARTERADX4	06/30/04	23,860.16	Nov 2004	Payment is being processed
Housing	440	I T A	JV32CHARTERADX4	06/30/04	54,503.00	Nov 2004	Payment is being processed
Housing	440	General Services	JV40CHARTERADX4	06/30/04	19,225.00	Nov 2004	Payment is being processed
Housing	47G	General Services	JV40CHARTERADX4	06/30/04	58,086.12	Nov 2004	Payment is being processed
Housing	47G	Housing	JV43CHARTERADX4	06/30/04	118,742.09	Nov 2004	Payment is being processed
Housing	47Q	Housing	JV43CHARTERADX4	06/30/04	7,500.74	Nov 2004	Payment is being processed
Housing	561	I T A	JV32CHARTERADX4	06/30/04	3,252.00	Nov 2004	Payment is being processed
Housing	561	Housing	JV43CHARTERADX4	06/30/04	15,476.14	Nov 2004	Payment is being processed
					478,618.94		
Mayor	45N	Mayor	JV46CHARTERADX2	06/30/02	9,327.64	Nov 2004	Grant closed out; pending reimbursement from EDA
Mayor	45N	Mayor	JV46CHARTERADX4	06/30/04	22,498.56	Nov 2004	Grant closed out; pending reimbursement from EDA
Mayor	45X	C D D	JV22CHARTERADX4	06/30/04	130,000.00		For research
Mayor	46N	Mayor	JV46CHARTERADX4	06/30/04	75,622.56		For reconciliation between Mayor's Office and City Clerk.
Mayor	575	Mayor	JV46CHARTERADX3	06/30/03	91,841.96	For write-off	Recommended for write-off
Mayor	575	Mayor	JV46CHARTERADX4	06/30/04	311,137.25		Awaiting reimbursement from MBDA.
Mayor	669	Mayor	JV46CHARTERADX4	06/30/04	29,417.54		Awaiting reimbursement from EDA.
					669,845.51		
P W-Non Dept SPF	15A	CAO	JV10CHARTERADX4	06/30/04	9,329.81	Dec 2004	Payment in process
P W-Non Dept SPF	15H	CAO	JV10CHARTERADX4	06/30/04	15,264.26	Dec 2004	Payment in Process
P W-Non Dept SPF	15H	City Attorney	JV12CHARTERADX4	06/30/04	9,214.52		Pending invoice for \$1,193.49 to be processed subject to CAO's approval.
P W-Non Dept SPF	15K	PW-Engineering	JV78CHARTERADX4	06/30/04	46,417.41		Pending invoice for \$18,605.25 to be processed subject to CAO's approval.
P W-Non Dept SPF	15L	Animal Services	JV06CHARTERADX4	06/30/04	8,657.12		Pending invoice for \$5,235.45 to be processed subject to CAO's approval.
P W-Non Dept SPF	15L	CAO	JV10CHARTERADX4	06/30/04	14,095.54	Dec 2004	Payment in process

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of September 30, 2004

Reimbursing		Disbursing		Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept	Document Number				
P W-Non Dept SPF	15L	City Attorney	JV12CHARTERADX4	06/30/04	363.69		Awaiting invoices from City Attorney.
P W-Non Dept SPF	15N	General Services	JV40CHARTERADX4	06/30/04	293,990.54	Jun 2005	Paid \$687,834; Awaiting additional invoice from GSD.
P W-Non Dept SPF	15U	CAO	JV10CHARTERADX4	06/30/04	14,897.11	Dec 2004	Payment in process
P W-Non Dept SPF	15U	ITA	JV32CHARTERADX4	06/30/04	173,376.57		Awaiting invoices from ITA
P W-Non Dept SPF	15U	General Services	JV40CHARTERADX4	06/30/04	9,231.00	June 2005	Payment for \$102,466 being processed; waiting for other invoices from GSD
P W-Non Dept SPF	15U	PW-Engineering	JV78CHARTERADX4	06/30/04	12,934.35		Awaiting invoices from Bureau of Engineering.
P W-Non Dept SPF	173	General Services	JV40CHARTERADX2	06/30/02	13,869.00		For reconciliation between PW and GSD
P W-Non Dept SPF	173	General Services	JV40CHARTERADX4	06/30/04	12,036.00		Awaiting invoices from GSD
P W-Non Dept SPF	186	General Services	JV40CHARTERADX0	06/30/00	6,921.00		For reconciliation between PW and GSD
P W-Non Dept SPF	186	PW-Engineering	JV78CHARTERADX4	06/30/04	4,789.79		Pending invoice to be processed subject to CAO's approval.
P W-Non Dept SPF	189	General Services	JV40CHARTERADX0	06/30/00	79,721.00		For reconciliation between PW and GSD
P W-Non Dept SPF	206	PW-Street Services	JV86CHARTERADX4	06/30/04	136,298.98	Dec 2004	Will be paid from Gas Tax
P W-Non Dept SPF	291	PW-Contract Adm	JV76CHARTERADX4	06/30/04	323,708.67		Pending invoice to be processed subject to CAO's approval.
P W-Non Dept SPF	291	PW-Engineering	JV78CHARTERADX4	06/30/04	432,320.56		Pending invoice to be processed subject to CAO's approval.
P W-Non Dept SPF	294	General Services	JV40CHARTERADX4	06/30/04	315,230.00		Pending invoice to be processed subject to Proj. Manager's approval.
P W-Non Dept SPF	294	PW-Engineering	JV78CHARTERADX4	06/30/04	335,409.55		Pending invoice to be processed subject to CAO's approval.
P W-Non Dept SPF	46P	PW-Street Services	JV86CHARTERADX4	06/30/04	36,625.85	Oct 2004	Paid on 10/14/04 per JV50Unfexp042C.
P W-Non Dept SPF	511	General Services	JV40CHARTERADX4	06/30/04	4,541.00	Nov 2004	Awaiting invoices to be approved by Proj. Manager
P W-Non Dept SPF	608	General Services	JV40CHARTERADX1	06/30/01	2,183.00		For reconciliation between GSD and PW
P W-Non Dept SPF	608	General Services	JV40CHARTERADX2	06/30/02	214,649.00		For reconciliation between GSD and PW
P W-Non Dept SPF	608	General Services	JV40CHARTERADX3	06/30/03	446,773.00		For reconciliation between GSD and PW
P W-Non Dept SPF	608	General Services	JV40CHARTERADX4	06/30/04	106,439.00		Paid \$45,793 on 10/27/04 per JV50Unfexp043C.
P W-Non Dept SPF	760	Liability Claims	JV59CHARTERADX4	06/30/04	1,614.14		Awaiting invoices from GSD
					3,080,901.46		
Planning	524	PW-Engineering	JV78CHARTERADX1	06/30/01	12,272.76		For research
					12,272.76		
Transportation	363	General Services	JV40CHARTERADX4	06/30/04	49,848.32	Nov 2004	Paid on 11/1/04 per JV94Unfexp044Y.
Transportation	363	PW-Street Services	JV86CHARTERADX4	06/30/04	144,052.00		Pending receipt of supporting documents from Project Manager
Transportation	385	ITA	JV32CHARTERADX3	06/30/03	1,790.00	Dec 2004	
Transportation	385	Fire	JV38CHARTERADX2	06/30/02	2,213.28	Dec 2004	
Transportation	385	Fire	JV38CHARTERADX3	06/30/03	1,429.97	Dec 2004	
Transportation	385	Fire	JV38CHARTERADX4	06/30/04	7,500.00	Dec 2004	

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of September 30, 2004

Reimbursing		Disbursing	Document Number	Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept					
Transportation	385	General Services	JV40CHARTERADX4	06/30/04	1,568.00	Dec 2004	
Transportation	385	PW-Contract Adm	JV76CHARTERADX4	06/30/04	56,800.00	Dec 2004	
Transportation	385	PW-Engineering	JV78CHARTERADX4	06/30/04	41,973.86	Dec 2004	
Transportation	385	PW-Street Lighting	JV84CHARTERADX2	06/30/02	59,699.96	Dec 2004	
Transportation	385	PW-Street Lighting	JV84CHARTERADX4	06/30/04	9,342.88	Dec 2004	
Transportation	385	PW-Street Services	JV86CHARTERADX2	06/30/02	31,392.20		For research
Transportation	385	PW-Street Services	JV86CHARTERADX4	06/30/04	676,271.65	Dec 2004	
Transportation	540	PW-Contract Adm	JV76CHARTERADX3	06/30/03	619.89	For write-off	Recommended for write-off
Transportation	540	PW-Engineering	JV78CHARTERADX4	06/30/04	242,794.51	Dec, 2004	Cost report being reviewed
Transportation	540	PW-Street Lighting	JV84CHARTERADX1	06/30/01	173,492.05	Dec 2004	For reconciliation between PW and DOT
Transportation	540	PW-Street Lighting	JV84CHARTERADX3	06/30/03	19,288.56	Dec 2004	PW - St Lighting is in the process of reviewing the cost report.
Transportation	540	PW-Street Lighting	JV84CHARTERADX4	06/30/04	35,473.21	Dec 2004	Paid \$32,290.87 per JV22Unfexp0034 & 35 on 10/4/04.
Transportation	540	PW-Street Services	JV86CHARTERADX4	06/30/04	2,000.00	Dec 2004	Cost report being reviewed
Transportation	655	PW-Engineering	JV78CHARTERADX4	06/30/04	699,421.81		Awaiting cost report from PW - Engineering
Transportation	655	PW-Street Lighting	JV84CHARTERADX4	06/30/04	183,492.46		Awaiting cost report from PW - St. Lighting
Transportation	655	PW-Street Services	JV86CHARTERADX3	06/30/03	668,111.84		For research
Transportation	655	PW-Street Services	JV86CHARTERADX4	06/30/04	56,790.84		Awaiting cost report from PW - St. Services
Transportation	681	PW-Street Services	JV86CHARTERADX4	06/30/04	75,000.00		Pending receipt of JV and supporting documents
					3,240,367.29		
Total Advances for Unfunded Expenditures Under Charter Section 261(i)					13,173,770.38		

Recap:

Loans to be repaid by 6/30/05	7,106,484.27
Loans to be repaid upon receipt of invoice	
from other City departments and for research	5,315,921.56
Loans to be repaid upon receipt of revenue	
from other government agencies	393,300.79
Loans recommended to be written-off	358,063.76
Total	\$ 13,173,770.38

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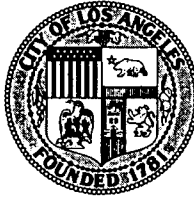
FRANK T. MARTINEZ
City Clerk

KAREN E. KALFAYAN
Executive Officer

When making inquiries
relative to this matter
refer to File No.

04-2481
00-2094

CITY OF LOS ANGELES
CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

January 10, 2005

City Administrative Officer,
Chief Legislative Analyst
Controller, Room 300
Accounting Division, F&A
Disbursement Division

RE: RECEIVE AND FILE THE CONTROLLER'S REPORT RELATIVE TO THE STATUS OF THE
RESERVE FUND LOANS FOR THE FISCAL YEAR ENDING JUNE 30, 2004

At the meeting of the Council held January 7, 2005, the following
action was taken:

Attached report adopted.....	<u>X</u>
Attached motion adopted().....	_____
Attached resolution adopted().....	_____
Motion adopted to approve attached report.....	_____
Motion adopted to approve attached communication.....	_____
To the Mayor FORTHWITH.....	_____
Findings adopted.....	_____
Negative Declaration adopted.....	_____
Categorically exempt.....	_____
Generally exempt.....	_____

Frank T. Martinez

City Clerk
et

PLACE IN FILES
JAN 19 2005
DEPUTY

[Signature]

1/19/05
[Signature]



cc 1/7/05

File No. 04-2481
00-2094

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your BUDGET AND FINANCE Committee

reports as follows:

Public Comments: Yes No
X

BUDGET AND FINANCE COMMITTEE REPORT relative to the status of Reserve Fund loans for the fiscal year ending June 30, 2004.

Recommendation for Council action:

RECEIVE and FILE the Controller's report relative to the status of Reserve Fund loans for the fiscal year ending June 30, 2004, inasmuch as the report is submitted for information and no Council action is required.

Fiscal Impact Statement: Not applicable

SUMMARY

At its meeting of December 14, 2004, the Budget and Finance Committee considered the Controller's report relative to the status of Reserve Fund loans for the fiscal year ending June 30, 2004. Under Charter Section 261(i), the Controller shall maintain each fund on parity with its obligations by transferring from the Reserve Fund as a loan to any fund that becomes depleted through tardy receipt of revenues. Advances for unfunded encumbrances and expenditures are therefore considered as Reserve Fund loans.

The Controller reports that the Mayor and Council approved loans to the General Fund and Other Special Purpose Funds to be repaid upon receipt of revenues. The Controller was authorized to borrow from the Reserve Fund to cover departmental expenditures that exceeded appropriations and/or available receipts at the end of the fiscal year. This measure was taken so that the Controller could reconcile the budget without departments returning to the Council at year-end to request additional appropriations, a process that would delay the closing of the City's General Ledger. At the closing of fiscal year 2003-04, the Controller transferred a total of \$705,226 as follows: Department of Building and Safety - \$48,594; Council - \$2,322; and Police - \$654,310. The total of Reserve Fund loans outstanding June 30, 2004 is \$56,436,593. The Controller's report provides further detail relative to the status of Reserve Fund loans.

The Budget and Finance Committee recommended that the Controller's report relative to the status of Reserve Fund Loans for fiscal year ending June 30, 2004, be received and filed inasmuch as the report is submitted for information and no Council action is required. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

Bernard C. Bush
Tony Cardenas
EC

<u>MEMBER</u>	<u>VOTE</u>
PARKS:	YES
MISCIKOWSKI:	YES
CARDENAS:	YES
SMITH:	YES
GARCETTI:	YES

LB
#042481
12/22/04

Rpt
ADOPTED

JAN 07 2005

LOS ANGELES CITY COUNCIL

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: NOV 23 2004

TO: The Budget and Finance Committee

FROM: Marcus Allen, Chief Deputy Controller *MA*

SUBJECT: RESERVE FUND LOANS

Attached are our reports for the fiscal year ending June 30, 2004 on the Status of all Reserve Fund loans required under Council File Nos. 99-1794 and 00-2094.✓

The Mayor and Council approved loans to the General Fund and Other Special Purpose Funds to be repaid upon receipt of revenues. The Controller was authorized to borrow from the Reserve Fund to cover departmental expenditures that exceeded appropriations and/or available receipts at the end of fiscal year (Council File Nos. 02-0600-S73 and 03-0600-S59). This measure was taken so that the Controller could reconcile the budget without departments returning to the City Council at year-end to request additional appropriations, a process that would delay the closing of the City's General Ledger. At the closing of fiscal year 2003-04, the Controller transferred a total of \$705,226 as follows: Building and Safety - \$48,594; Council - \$2,322; and Police - \$654,310. The total transfer at fiscal year-end 2002-03 was \$4,841,011.

Under Charter Section 261(i), the Controller shall maintain each fund on parity with its obligations by transferring from the Reserve Fund as a loan to any fund that becomes depleted through tardy receipt of revenues. Advances for unfunded encumbrances and expenditures are therefore considered as Reserve Fund loans.

Table I is a summary of Reserve Fund loan transactions for fiscal years 2002-03 and 2003-04.

Table I Reserve Fund Loans As of June 30			
	<u>FY 2003-04</u>	<u>FY 2002-03</u>	<u>Increase</u> <u>(Decrease)</u>
Council Approved			
Beginning Balance, July 1	\$ 23,961,774	\$ 14,251,334	\$ 9,710,440
Add – Loans granted during the year	18,189,883	17,634,382	555,501
Less: Repayments and adjustments	(16,639,917)	(4,877,845)	(11,762,072)
Write-offs	<u>(1,918,956)</u>	<u>(3,046,097)</u>	<u>1,127,141</u>
Ending Balance, June 30	<u>23,592,784</u>	<u>23,961,774</u>	<u>(368,990)</u>
Charter Section 261(i)			
Beginning Balance, July 1	24,564,413	30,817,984	(6,253,571)
Add – Loans granted during the year	30,622,312	21,389,944	9,232,368
Less: Repayments and adjustments	(21,146,066)	(25,855,811)	4,709,745
Write-offs	<u>(1,196,850)</u>	<u>(1,787,704)</u>	<u>590,854</u>
Ending Balance, June 30	<u>32,843,809</u>	<u>24,564,413</u>	<u>8,279,396</u>
Total Loans Outstanding, June 30	<u>\$ 56,436,593</u>	<u>\$ 48,526,187</u>	<u>\$ 7,910,406</u>

RECEIVED
CITY CLERK'S OFFICE

2004 NOV 30 PM 2: 52

CITY CLERK
BY vm
DEPUTY

10/1

NOV 30 2004

The Budget and Finance Committee

Page 2

Table II shows the status of the outstanding Reserve Fund loans as of June 30, 2004 based on departments' responses to our inquiries regarding the status and expected payment date of the advances.

Table II			
Status of Reserve Fund Loans			
As of June 30, 2004			
	<u>Council Approved</u>	<u>Charter Section 261(i)</u>	<u>Total</u>
Loans to be repaid by 6/30/05	\$ 1,834,286	\$ 26,465,000	\$ 28,299,286
Loans to be repaid upon receipt of invoice from other City departments and/or for investigation	334,139	5,680,051	6,014,190
Loans to be repaid upon receipt of revenue from other government agencies	11,485,071	429,643	11,914,714
Long-term loans	7,905,000	—	7,905,000
Loans recommended for write-off	<u>2,034,288</u>	<u>269,115</u>	<u>2,303,403</u>
Total	<u>\$ 23,592,784</u>	<u>\$ 32,843,809</u>	<u>\$ 56,436,593</u>

Attachment II provides more information on the "Council Approved" and "Charter Section 261(i) loans. The latter were made in connection with year-end closing and the need to balance the General Ledger. Departments are required to repay these loans or seek authority from the Council to write-off the loans.

MA:sr

Attachment

C:rf report June04

**CITY OF LOS ANGELES
RESERVE FUND
STATEMENT OF CONDITION
AS OF JUNE 30, 2004**

Cash Balance, July 1, 2003:

Emergency Reserve	\$ 61,000,000	
Contingency Reserve	<u>234,520,331</u>	\$ 295,520,331

Receipts:

Return of Advances Under Charter Section 261(i):		
Unfunded Expenditures	10,600,512	
Unfunded Encumbrances	10,651,832	
Return of Loans to Other Funds	10,104,184	
Return of Loans to the General Fund (Note 1)	45,000,000	
Transfer of Power & Water Revenue Surplus	206,863,000	
Mid-Year Reversion of Unencumbered Balance	14,707,818	
Reversion of Unencumbered Balance	78,406,527	
Unallocated Revenue:		
Revenue Overage	78,404,881	
Transfer from MICLA	14,244,980	
Others	2,187,088	
Miscellaneous	<u>6,929,430</u>	<u>478,100,252</u>

Total Available Cash and Receipts	773,620,583
-----------------------------------	-------------

Disbursements:

Transfers to Budget	149,577,501	
Transfer to General Fund - Unappropriated Balance	28,053,613	
Transfer to General Fund of DWP Revenue Surplus	177,863,000	
Transfer to Other Funds	7,384,616	
Loans to Other Funds	17,488,561	
Loans to General Fund (Note 1)	45,000,000	
Reappropriations of Prior Year Funds:		
for Capital Improvement Projects		
and Other Departmental Accounts	43,247,939	
Advances Under Charter Section 261(i):		
Unfunded Expenditures	14,345,847	
Unfunded Encumbrances	16,276,464	
Advances for Unfunded Expenditures per CF#03-0600-S59	705,226	
Miscellaneous	<u>1,423,875</u>	<u>501,366,642</u>

Cash Balance, June 30, 2004	272,253,941
Transfer of Uncommitted Balance from Tax Reform Fund	<u>5,756,494</u>

Cash Balance, June 30, 2004:

Emergency Reserve	61,000,000	
Contingency Reserve	<u>217,010,435</u>	<u>\$ 278,010,435</u>

Note 1 - Represents cash advance to the General Fund to meet Cash Flow requirements which was repaid as monthly receipts exceeded monthly expenditures.

City of Los Angeles
Council Approved Reserve Fund Advances to the General Fund and Special Purpose Funds
As of June 30, 2004

Reimbursing Department, Fund or Agency		Disbursing Department, Fund or Project		Council File		Amount	Expected Pymt Date	Comments
Dept Name	Fund	Dept/Project Name	Fund	Number	Date			
Aging	564	Aging	564	97-0966-S2	08/02/99	\$ 25,000.00	Long-term	Per CF97-0966-S2, loans are to be carried as long-term
Aging	395	Aging	395	97-0966-S2	08/02/99	1,250,000.00	Long-term	until such time as program is terminated.
Aging	40F	Aging	40F	99-0989	08/02/99	150,000.00	Long-term	
Aging	40F	Aging	40F	01-1507	08/13/01	150,000.00	Long-term	
Aging	410	Aging	410	02-1035	08/13/02	350,000.00	Long-term	
						1,925,000.00		
CAO	CRA	CAO	100	03-1245	10/16/03	47,000.00	June 2005	Payment in process
						47,000.00		
City Atty	368	City Atty	368	00-1981	11/19/02	0.26		For adjustment
City Atty	368	City Atty	100	02-1049	09/23/03	129,978.00	Dec 2004	Paid \$83,111 on 9/21/04 per JV2621049CFR005.
City Atty	368	City Atty	100	02-1049	09/23/03	4,131.00	Sept 2004	Paid on 9/21/04 per JV2621049CFR005.
City Atty	368	City Atty	100	00-1763	09/23/03	11,422.00	Sept 2004	Paid on 9/14/04 per JV2601763CFR003.
City Atty	368	City Atty	100	01-1401	10/16/03	26,720.98		To be reimbursed upon receipt of grant funds
City Atty	368	City Atty	368	01-1401	10/16/03	7,198.00		To be reimbursed upon receipt of grant funds
City Atty	368	City Atty	368	02-1820	10/16/03	17,551.66		To be reimbursed upon receipt of grant funds
City Atty	368	City Atty	100	00-0913	10/24/03	532,633.00	Sept 2004	Paid on 9/21/04 per JV2600913CFR006.
City Atty	368	General Services	100	00-0913	10/24/03	66,300.00	Dec 2004	Paid \$50,653.24 on 9/21/04 per JV2600913CFR006.
City Atty	368	ITA	100	00-0913	10/24/03	6,258.70		To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	368	00-0913	10/24/03	44,531.00		To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	100	00-1981	12/16/03	113,416.00	Dec 2004	Paid \$91,154 9/21/04 per JV2601981CFR004
City Atty	368	City Attorney	368	00-1981	12/16/03	21,637.79		To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	100	04-0011-S1	06/08/04	12,349.00		To be reimbursed upon receipt of grant funds
City Atty	368	City Attorney	368	04-0011-S1	06/08/04	34,590.00		To be reimbursed upon receipt of grant funds
						1,028,717.39		
Fire	492	City Clerk	100	00-1556	12-19-00	21,291.76	June 2005	Will reimburse when statute of limitation expires
Fire	335	Fire	335	03-0600-S61	06/15/04	314,234.22		Awaiting reimbursement from FEMA
						335,525.98		
CDD		General Services	100	03-0600-S61	06/15/04	278,103.00		GSD preparing invoices for reimbursement
						278,103.00		
Mayor-CJ	42H	Mayor	100	00-0159	04/25/00	51,657.00	For write-off	Recommended for write-off
Mayor-CJ	47N	Mayor	47N	03-2569	06/16/04	11,000,000.00		To be reimbursed upon receipt of grant funds
Mayor-CJ	46-CJ	Mayor	46	96-1690	07/13/99	7,360.05		For research
Mayor-CJ	46-CJ	CDD	45X	01-0406-S1	09/09/02	(5,350.92)	Sept 2004	Overpayment to Reserve Fund; Adjusted on 9/27/04 per JV2610406CFR012
						11,053,666.13		
Planning	100	Planning	46Y	00-0257-S2	12/05/03	150,000.00	Jan 2005	Payment from Caltrans expected to received on January, 2005.
						150,000.00		

City of Los Angeles
Council Approved Reserve Fund Advances to the General Fund and Special Purpose Funds
As of June 30, 2004

Reimbursing Department, Fund or Agency		Disbursing Department, Fund or Project		Council File		Amount	Expected Pymt Date	Comments
Dept Name	Fund	Dept/Project Name	Fund	Number	Date			
PW-Board	C R A	PW-Board	100	01-1316	07/03/01	250,000.00	For write-off	Recommended for write-off
						250,000.00		
Police	339	Police	100	01-1881	10/25/01	37,760.20	Sept 2004	Paid on 9/22/04 per JV2611881CFR009.
Police	339	Police	100	00-1690	05/08/02	63,600.00	Sept 2004	Paid on 9/22/04 per JV2601690CFR007.
Police	339	Police	339	02-2480	05/02/03	258,500.00	June 2005	Paid \$114,246.42 on 9/22/04 per JV2622480CFR009
						359,860.20		
								Public liability project at Potrero Canyon; funds can not be returned yet. The California Coastal Commission and LA Dept of Building & Safety's position is that the entire Potrero property must be stabilized, certified, and a public park developed, before the certification and sale of any surplus lots will be permitted; Rec and Parks is willing to work with the office of Councilmember Miscikowski to meet with the Coastal Commission and Building & Safety to determine id there is a legislative alternative permitting certification and sale of some lots.
Rec & Parks	302	Potrero Canyon Project	100	85-0578	12/23/87	2,100,000.00	Long-Term	Until the Canyon is completely stabilized, City owned property can not be sold; funds can not be returned yet.
Rec & Parks	302	Potrero Canyon Project	100	85-0578	04/19/85	550,000.00	Long-Term	Until the Canyon is completely stabilized, City owned property can not be sold; funds can not be returned yet.
Rec & Parks	302	Potrero Canyon Project	100	91-0702-S2	11/26/91	700,000.00	Long-Term	Advance against the future sales of development rights from Runyon Canyon; no market for such sales has been developed and thus no funds are available to be returned yet.
Rec & Parks	437	Runyon Canyon Project	437	86-0698	05/15/86	1,500,000.00	Long-Term	Funds cannot be returned yet.
Rec & Parks	302	Potrero Canyon Project	100	85-0578	06/21/98	1,130,000.00	Long-Term	
						5,980,000.00		
D O T	CAL Trans	D O T	100	98-0761	08/18/98	15,040.24	For write-off	Recommended for write-off
D O T	LA County	D O T	100	94-1064	05/01/96	30,000.00	For write-off	Recommended for write-off
D O T	ACTA	D O T	100	99-0975	10/14/99	17,214.77	For write-off	Recommended for write-off
D O T	White Mem Hosp/CW Driver	D O T	100	02-0706	07/31/02	81.44		For research
						62,336.45		
Year-End Closing Advances (CF 02-0600-S73 and CF 03-0600-S59):								
LA Convention Ctr	100	LA Convention Ctr	100	02-0600-S73	06/30/03	\$ 401,283.06	Sept 2004	Paid on 9/27/04 per JV2611942CFR011
Personnel	100	Personnel	100	02-0600-S73	06/30/03	1,994.85	For write-off	Recommended for write-off
PW-St Services	100	PW-St Services	100	02-0600-S73	06/30/03	1,014,071.00	For write-off	Recommended for write-off
Building & Safety	100	Building & Safety	100	03-0600-S59	06/30/04	48,594.57		\$96,107 of the dept.'s FY04 budget reverted to RF. This amount should offset the \$48,594.57 advanced by the Reserve Fund.
Council	100	Council	100	03-0600-S59	06/30/04	2,321.73	Oct 2004	Payment in process
Police	100	Police	100	03-0600-S59	06/30/04	654,310.00	For Write-off	Recommended for write-off
						2,122,575.21		
Total						23,592,784.36		

City of Los Angeles
 Council Approved Reserve Fund Advances to the General Fund and Special Purpose Funds
 As of June 30, 2004

Reimbursing Department, Fund or Agency		Disbursing Department, Fund or Project		Council File		Expected		
Dept Name	Fund	Dept/Project Name	Fund	Number	Date	Amount	Pymt Date	Comments
Recap:								
Loans to be repaid by 6/30/05						\$ 1,834,285.83		
Loans to be repaid upon receipt of invoice								
from other City departments and/or for research						334,139.32		
Loans to be repaid upon receipt of revenue								
from other government agencies						11,485,071.35		
Loans recommended to be written-off						2,034,287.86		
Long-term loans						7,905,000.00		
Total						\$ 23,592,784.36		

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of June 30, 2004

Reimbursing		Disbursing		Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept	Document Number				
Aging	395	General Services	JV40CHARTERADX4	06/30/04	4,326.71	Sept 2004	Paid on 9/14/04 per JV02Unfexp013.
					4,326.71		
Building & Safety	346	General Services	JV40CHARTERADX3	06/30/03	47,746.00		Billing sent to FEMA; awaiting reimbursement.
Building & Safety	530	Building & Safety	JV08CHARTERADX4	06/30/04	26,093.49	Aug 2004	Paid on 8/18/04 per JV08Unfexp005.
Building & Safety	530	I T A	JV32CHARTERADX4	06/30/04	595,697.76	Oct 2004	Invoice received on 9/14/04; payment pending.
					669,537.25		
CAO	43G	PW-Engineering	JV78CHARTERADX4	06/30/04	22,835.76	June 2005	Invoices for review and approval
CAO	43K	General Services	JV40CHARTERADX4	06/30/04	1,623,358.71	June 2005	Paid \$8,917 on 9/9/04 per JV50Unfexp011C; other invoices for review and approval
CAO	43K	PW-Contract Adm	JV76CHARTERADX4	06/30/04	163,308.90	June 2005	Invoices for review and approval
CAO	43K	PW-Engineering	JV78CHARTERADX4	06/30/04	929,748.51	June 2005	Invoices for review and approval
CAO	43L	General Services	JV40CHARTERADX4	06/30/04	5,281.00	June 2005	Invoices for review and approval
CAO	43L	PW-Contract Adm	JV76CHARTERADX4	06/30/04	38,253.91	June 2005	Invoices for review and approval
CAO	43L	PW-Engineering	JV78CHARTERADX4	06/30/04	57,834.23	June 2005	Invoices for review and approval
CAO	43P	General Services	JV40CHARTERADX4	06/30/04	933.01	June 2005	Invoices for review and approval
CAO	43P	PW-Contract Adm	JV76CHARTERADX4	06/30/04	22,592.95	June 2005	Invoices for review and approval
CAO	43P	PW-Engineering	JV78CHARTERADX4	06/30/04	34,935.95	June 2005	Invoices for review and approval
CAO	46A	PW-Contract Adm	JV76CHARTERADX4	06/30/04	1,642.35	June 2005	Invoices for review and approval
CAO	46A	PW-Engineering	JV78CHARTERADX4	06/30/04	41,889.78	June 2005	Invoices for review and approval
					2,942,615.06		
City Attorney	368	City Attorney	JV12CHARTERADX4	06/30/04	5,000.00		Will be reimbursed upon receipt of grant funds
					5,000.00		
City Clerk	41Z	City Attorney	JV12CHARTERADX4	06/30/04	50,380.00	For write-off	Recommended for write-off
					50,380.00		
C D D	356	C D D	JV22CHARTERADX4	06/30/04	27,285.26		CDD to adjust appropriations before payment is made.
C D D	356	Cultural Affairs	JV30CHARTERADX4	06/30/04	100,000.00		Waiting for Project Expenditures Plan from Cultural Affairs
C D D	356	PW-Engineering	JV78CHARTERADX4	06/30/04	67,779.03		Will pay upon receipt of invoices from PW-Engineering.
C D D	41F	C D D	JV22CHARTERADX4	06/30/04	19,559.93		For research
C D D	41F	PW-Sanitation	JV82CHARTERADX3	06/30/03	88,948.91		For research
C D D	424	Building & Safety	JV08CHARTERADX4	06/30/04	47,673.77		Will Pay upon receipt of invoices from Bldg and Safety
C D D	424	City Attorney	JV12CHARTERADX4	06/30/04	334,245.92	June 2005	Will reimburse \$290,187.91 in Sept 2004.
C D D	424	Cultural Affairs	JV30CHARTERADX4	06/30/04	3,707.40		Will pay upon receipt of invoices from Cultural Affairs.
C D D	424	I T A	JV32CHARTERADX1	06/30/01	126,273.00	For write-off	Recommended for write-off

City of Los Angeles
Reserve Fund Advances Under Charter Section 2611
As of June 30, 2004

Reimbursing		Disbursing		Document Number	Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept						
C D D	424	General Services	JV40CHARTERADX3	06/30/03	35,234.18			For research
C D D	424	General Services	JV40CHARTERADX4	06/30/04	200,968.00	June 2005		Paid \$73,155 on 9/16/04 per JV22Unfexp0012s.
C D D	424	PW-Board	JV74CHARTERADX4	06/30/04	180,000.00	Aug 2004		Paid on 8/31/04 per JV22Unfexp0009s.
C D D	424	PW-Engineering	JV78CHARTERADX4	06/30/04	93,054.00			Will pay upon receipt of invoice.
C D D	424	PW-Street Lighting	JV84CHARTERADX0	06/30/00	14,073.03			Will pay upon receipt of invoice.
C D D	424	PW-Street Lighting	JV84CHARTERADX1	06/30/01	16,349.69			Will pay upon receipt of invoice.
C D D	424	PW-Street Lighting	JV84CHARTERADX4	06/30/04	21,423.04	June 2005		Paid \$11,480 on 8/23/04 per JV22Unfexp0006s.
C D D	43Y	C D D	JV22CHARTERADX4	06/30/04	194,491.85	Aug 2004		Paid on 8/9/04 per JV22Unfexp0001s.
C D D	43Y	I T A	JV32CHARTERADX4	06/30/04	63,828.96	June 2005		Invoice sent by ITA on 9/22/04
C D D	43Y	General Services	JV40CHARTERADX4	06/30/04	8,287.00	Oct 2004		Payment is being process
C D D	44A	I T A	JV32CHARTERADX4	06/30/04	284,936.56	Oct 2004		Invoice sent by ITA on 9/22/04
C D D	44A	Mayor	JV46CHARTERADX4	06/30/04	26,853.20			This is unused balance of appropriation and should be reversed. For research.
C D D	45C	C D D	JV22CHARTERADX4	06/30/04	36,342.05			Will reimburse upon receipt of grant funds
C D D	45W	General Services	JV40CHARTERADX4	06/30/04	380,121.00			Billed 7/12/04; CDD researching appropriations.
C D D	551	I T A	JV32CHARTERADX3	06/30/03	15,560.00			Will pay upon receipt of invoice.
					2,386,995.78			
Environmental Affairs	528	Transportation	JV94CHARTERADX4	06/30/04	177,658.76			Awaiting invoice from department
					177,658.76			
Housing	41K	Housing	JV43CHARTERADX4	06/30/04	94,650.92	Oct 2004		Payment is being processed
Housing	41M	City Attorney	JV12CHARTERADX4	06/30/04	45,441.77	Oct 2004		Payment is being processed
Housing	41M	I T A	JV32CHARTERADX4	06/30/04	18,656.00	Oct 2004		Payment is being processed
Housing	41M	General Services	JV40CHARTERADX4	06/30/04	19,225.00	Oct 2004		Payment is being processed
Housing	440	City Attorney	JV12CHARTERADX4	06/30/04	23,860.16	Oct 2004		Payment is being processed
Housing	440	I T A	JV32CHARTERADX4	06/30/04	54,503.00	Oct 2004		Payment is being processed
Housing	440	General Services	JV40CHARTERADX4	06/30/04	19,225.00	Oct 2004		Payment is being processed
Housing	47G	General Services	JV40CHARTERADX4	06/30/04	58,086.12	Oct 2004		Payment is being processed
Housing	47G	Housing	JV43CHARTERADX4	06/30/04	118,742.09	Oct 2004		Payment is being processed
Housing	47Q	Housing	JV43CHARTERADX4	06/30/04	7,500.74	Oct 2004		Payment is being processed
Housing	561	I T A	JV32CHARTERADX4	06/30/04	3,252.00	Oct 2004		Payment is being processed
Housing	561	Housing	JV43CHARTERADX4	06/30/04	15,476.14	Oct 2004		Payment is being processed
					478,618.94			
Mayor	40B	Police	JV70CHARTERADX4	06/30/04	380,344.29	Sept 2004		Paid on 9/21/04 per JV26Unfexp017.
Mayor	44W	City Attorney	JV12CHARTERADX4	06/30/04	18,360.00	Sept 2004		Paid on 9/21/04 per JV26Unfexp014.
Mayor	45N	Mayor	JV46CHARTERADX2	06/30/02	9,327.64	Oct 2004		Grant closed out; pending reimbursement from EDA

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of June 30, 2004

Reimbursing		Disbursing		Document Number	Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept						
Mayor	45N	Mayor	JV46CHARTERADX4	06/30/04	22,498.56		Oct 2004	Grant closed out; pending reimbursement from EDA
Mayor	45X	C D D	JV22CHARTERADX4	06/30/04	130,000.00			For research
Mayor	46N	Mayor	JV46CHARTERADX4	06/30/04	75,622.56			For reconciliation between Mayor's Office and City Clerk.
Mayor	575	Mayor	JV46CHARTERADX3	06/30/03	91,841.96		For write-off	Recommended for write-off
Mayor	575	Mayor	JV46CHARTERADX4	06/30/04	311,137.25			Awaiting reimbursement from MBDA.
Mayor	664	City Attorney	JV12CHARTERADX4	06/30/04	285,949.00		Sept 2004	Paid on 9/21/04 per JV26Unfexp015.
Mayor	667	Police	JV70CHARTERADX4	06/30/04	279,938.70		Sept 2004	Paid on 9/21/04 per JV26Unfexp016.
Mayor	669	Mayor	JV46CHARTERADX4	06/30/04	29,417.54			Awaiting reimbursement from EDA.
						1,634,437.50		
P W-Non Dept SPF	15A	CAO	JV10CHARTERADX4	06/30/04	9,329.81		Dec 2004	Payment in process
P W-Non Dept SPF	15A	General Services	JV40CHARTERADX4	06/30/04	113,647.00		Oct 2004	Payment for \$113,647 being processed.
P W-Non Dept SPF	15G	General Services	JV40CHARTERADX4	06/30/04	148,921.00		Aug 2004	Paid on 8/13/04 per JV50Unfexp0003c.
P W-Non Dept SPF	15H	CAO	JV10CHARTERADX4	06/30/04	15,264.26		Dec 2004	Payment in Process
P W-Non Dept SPF	15H	City Attorney	JV12CHARTERADX4	06/30/04	9,214.52			Pending invoice for \$1,193.49 to be processed subject to CAO's approval.
P W-Non Dept SPF	15K	PW-Engineering	JV78CHARTERADX4	06/30/04	46,417.41			Pending invoice for \$18,605.25 to be processed subject to CAO's approval.
P W-Non Dept SPF	15L	Animal Services	JV06CHARTERADX4	06/30/04	8,657.12			Pending invoice for \$5,235.45 to be processed subject to CAO's approval.
P W-Non Dept SPF	15L	CAO	JV10CHARTERADX4	06/30/04	14,095.54		Dec 2004	Payment in process
P W-Non Dept SPF	15L	City Attorney	JV12CHARTERADX4	06/30/04	363.69			Awaiting invoices from City Attorney.
P W-Non Dept SPF	15N	General Services	JV40CHARTERADX4	06/30/04	981,829.54		Jun 2005	Payment for \$687,834 being processed; waiting for other invoices from GSD
P W-Non Dept SPF	15U	CAO	JV10CHARTERADX4	06/30/04	14,897.11		Dec 2004	Payment in process
P W-Non Dept SPF	15U	I T A	JV32CHARTERADX4	06/30/04	173,376.57			Awaiting invoices from ITA
P W-Non Dept SPF	15U	General Services	JV40CHARTERADX4	06/30/04	111,697.00		Jun 2005	Payment for \$102,466 being processed; waiting for other invoices from GSD
P W-Non Dept SPF	15U	PW-Engineering	JV78CHARTERADX4	06/30/04	12,934.35			Awaiting invoices from Bureau of Engineering.
P W-Non Dept SPF	158	General Services	JV40CHARTERADX4	06/30/04	103,876.34		Aug 2004	Paid on 8/13/04 per JV50Unfexp002c.
P W-Non Dept SPF	173	General Services	JV40CHARTERADX2	06/30/02	13,869.00			For reconciliation between PW and GSD
P W-Non Dept SPF	173	General Services	JV40CHARTERADX4	06/30/04	12,036.00			Awaiting invoices from GSD
P W-Non Dept SPF	186	General Services	JV40CHARTERADX0	06/30/00	6,921.00			For reconciliation between PW and GSD
P W-Non Dept SPF	186	PW-Engineering	JV78CHARTERADX4	06/30/04	4,789.79			Pending invoice to be processed subject to CAO's approval.
P W-Non Dept SPF	189	General Services	JV40CHARTERADX0	06/30/00	79,721.00			For reconciliation between PW and GSD
P W-Non Dept SPF	189	General Services	JV40CHARTERADX4	06/30/04	223,155.66		Aug 2004	Paid 8/13/04 JV50Unfexp004C
P W-Non Dept SPF	206	PW-Street Services	JV86CHARTERADX4	06/30/04	136,298.98		Dec 2004	Will be paid from Gas Tax
P W-Non Dept SPF	291	PW-Contract Adm	JV76CHARTERADX4	06/30/04	323,708.67			Pending invoice to be processed subject to CAO's approval.
P W-Non Dept SPF	291	PW-Engineering	JV78CHARTERADX4	06/30/04	432,320.56			Pending invoice to be processed subject to CAO's approval.

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of June 30, 2004

Reimbursing		Disbursing		Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept	Document Number				
P W-Non Dept SPF	294	General Services	JV40CHARTERADX4	06/30/04	315,230.00		Pending invoice to be processed subject to Proj. Manager's approval.
P W-Non Dept SPF	294	PW-Engineering	JV78CHARTERADX4	06/30/04	335,409.55		Pending invoice to be processed subject to CAO's approval.
P W-Non Dept SPF	46P	PW-Street Services	JV86CHARTERADX4	06/30/04	36,625.85	Dec 2004	Payment in process
P W-Non Dept SPF	511	General Services	JV40CHARTERADX4	06/30/04	4,541.00	Oct 2004	Awaiting invoices to be approved by Proj. Manager
P W-Non Dept SPF	608	General Services	JV40CHARTERADX1	06/30/01	2,183.00		For reconciliation between GSD and PW
P W-Non Dept SPF	608	General Services	JV40CHARTERADX2	06/30/02	214,649.00		For reconciliation between GSD and PW
P W-Non Dept SPF	608	General Services	JV40CHARTERADX3	06/30/03	446,773.00		For reconciliation between GSD and PW
P W-Non Dept SPF	608	General Services	JV40CHARTERADX4	06/30/04	375,702.00	Aug 2004	Paid \$269,263 per JV50UnfexpP0010C
P W-Non Dept SPF	760	Liability Claims	JV59CHARTERADX4	06/30/04	1,614.14		Awaiting invoices from GSD
					4,730,069.46		
Planning	524	PW-Engineering	JV78CHARTERADX1	06/30/01	12,272.76		For research
					12,272.76		
Rec & Parks	209	General Services	JV40CHARTERADX4	06/30/04	3,938.00	Sept 2004	Fully paid on 9/15/04 per JV88Unfexp0018N
Rec & Parks	301	General Services	JV40CHARTERADX4	06/30/04	38,917.00	Aug 2004	Paid on 8/25/04 per JV88Unfexp007n
Rec & Parks	302	Cultural Affairs	JV30CHARTERADX4	06/30/04	150,000.00	Aug 2004	Paid on 8/31/04 per JV88Unfexp008n
					192,855.00		
Transportation	363	General Services	JV40CHARTERADX4	06/30/04	49,848.32		Pending receipt of supporting documents from Project Manager
Transportation	363	PW-Street Services	JV86CHARTERADX4	06/30/04	144,052.00		Pending receipt of supporting documents from Project Manager
Transportation	385	ITA	JV32CHARTERADX3	06/30/03	1,790.00	Dec 2004	
Transportation	385	Fire	JV38CHARTERADX2	06/30/02	2,213.28	Dec 2004	
Transportation	385	Fire	JV38CHARTERADX3	06/30/03	1,429.97	Dec 2004	
Transportation	385	Fire	JV38CHARTERADX4	06/30/04	7,500.00	Dec 2004	Partial payment of \$1,711.89
Transportation	385	General Services	JV40CHARTERADX4	06/30/04	1,568.00	Dec 2004	
Transportation	385	PW-Contract Adm	JV76CHARTERADX4	06/30/04	56,800.00	Dec 2004	Partial payment of \$52,645.80
Transportation	385	PW-Engineering	JV78CHARTERADX4	06/30/04	41,973.86	Dec 2004	Partial payment of \$25,791.63
Transportation	385	PW-Street Lighting	JV84CHARTERADX2	06/30/02	59,699.96	Dec 2004	
Transportation	385	PW-Street Lighting	JV84CHARTERADX4	06/30/04	9,342.88	Dec 2004	Partial payment of \$9,240.62
Transportation	385	PW-Street Services	JV86CHARTERADX2	06/30/02	31,392.20		For research
Transportation	385	PW-Street Services	JV86CHARTERADX4	06/30/04	676,271.65	Dec 2004	Partial payment of \$670,429.62
Transportation	540	City Attorney	JV12CHARTERADX4	06/30/04	493.91	Sept 2004	Paid on 9/22/04 per JV94Unfexp0190y
Transportation	540	PW-Contract Adm	JV76CHARTERADX3	06/30/03	619.89	For write-off	Recommended for write-off
Transportation	540	PW-Engineering	JV78CHARTERADX3	06/30/03	31,216.62	Sept 2004	Paid on 9/22/04 per JV94Unfexp0200y

City of Los Angeles
Reserve Fund Advances Under Charter Section 261i
As of June 30, 2004

Reimbursing		Disbursing		Date	Unfunded Expenditures	Expected Pymt Date	Comments
Department	Fund	Dept	Document Number				
Transportation	540	PW-Engineering	JV78CHARTERADX4	06/30/04	242,794.51	Dec, 2004	Cost report being reviewed
Transportation	540	PW-Street Lighting	JV84CHARTERADX1	06/30/01	173,492.05	Dec 2004	For reconciliation between PW and DOT
Transportation	540	PW-Street Lighting	JV84CHARTERADX3	06/30/03	19,288.56	Dec 2004	PW - St Ligting is in the process of reviewing the cost report.
Transportation	540	PW-Street Lighting	JV84CHARTERADX4	06/30/04	35,473.21	Dec 2004	Cost report being reviewed
Transportation	540	PW-Street Services	JV86CHARTERADX4	06/30/04	2,000.00	Dec 2004	Cost report being reviewed
Transportation	655	ITA	JV32CHARTERADX2	06/30/02	10,500.00	Dec 2004	
Transportation	655	PW-Engineering	JV78CHARTERADX4	06/30/04	699,421.81		Awaiting cost report from PW - Engineering
Transportation	655	PW-Street Lighting	JV84CHARTERADX4	06/30/04	183,492.46		Awaiting cost report from PW - St. Ligting
Transportation	655	PW-Street Services	JV86CHARTERADX3	06/30/03	668,111.84		For research
Transportation	655	PW-Street Services	JV86CHARTERADX4	06/30/04	56,790.84		Awaiting cost report from PW - St. Services
Transportation	681	PW-Street Services	JV86CHARTERADX4	06/30/04	75,000.00		Pending receipt of JV and supporting documents
					3,282,577.82		
Total Advances for Unfunded Expenditures Under Charter Section 261(i)					16,567,345.04		
Add - Advances for Unfunded Encumbrances Under Charter Section 261(i)					16,276,463.84	July 2004	Reversed on 7/1/04
Grand Total					\$ 32,843,808.88		
 Recap:							
Loans to be repaid by 6/30/05					26,464,999.87		
Loans to be repaid upon receipt of invoice							
from other City departments and for research					5,680,051.32		
Loans to be repaid upon receipt of revenue							
from other government agencies					429,642.84		
Loans recommended to be written-off					269,114.85		
Total					\$ 32,843,808.88		

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COUNCIL VOTE

Jan 7, 2005 10:21:29 AM, #2

Items for Which Public Hearings Have Been Held - Items 6- 17
Voting on Item(s): 8-12,14
Roll Call

CARDENAS	Yes
*GARCETTI	Yes
GREUEL	Yes
HAHN	Absent
LABONGE	Yes
LUDLOW	Absent
MISCIKOWSKI	Absent
PARKS	Yes
PERRY	Absent
REYES	Yes
SMITH	Yes
VILLARAIGOSA	Absent
WEISS	Yes
ZINE	Yes
PADILLA	Yes

Present: 10, Yes: 10 No: 0

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

00-2094

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK

Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

PLACE IN FILES

MAY 12 2004

DEPUTY *jm*

May 6, 2004

Councilmember Greuel
Councilmember Zine
Office of Finance
Chief Legislative Analyst
City Attorney

Controller, Room 300
Accounting Division, F&A
Disbursement Division
City Administrative Services
Treasurer

RE: AMENDING THE LOS ANGELES ADMINISTRATIVE CODE TO REVISE THE DELINQUENT
ACCOUNT WRITE-OFF PROCEDURES AND TO RESTRUCTURE THE BOARD OF REVIEW

At the meeting of the Council held April 21, 2004, the following
action was taken:

Attached report adopted.....	_____
Attached motion (Greuel - Zine) adopted.....	_____ X
Attached resolution adopted().....	_____
Ordinance adopted.....	_____ X
Motion adopted to approve attached report.....	_____
Motion adopted to approve attached communication.....	_____
Ordinance Number.....	_____ 175944
Posted date.....	_____ 5-03-04
Effective date.....	_____ 6-12-04
Mayor vetoed.....	_____
Mayor approved.....	_____ 4-29-04
Mayor failed to act - deemed approved.....	_____
Findings adopted.....	_____

J. Michael Carey
City Clerk
dng



Mayors Office Stamp
OFFICE OF THE MAYOR
RECEIVED
2004 APR 23 PM 3:02
CITY OF LOS ANGELES

TIME LIMIT FILES
ORDINANCES

RECEIVED
CITY CLERK'S OFFICE
Stamp
2004 APR 23 PM 2:58
CITY CLERK
BY _____
DEPUTY

COUNCIL FILE NUMBER 00-2094

COUNCIL DISTRICT _____ **MAY 03 2004**

COUNCIL APPROVAL DATE APRIL 21, 2004

LAST DAY FOR MAYOR TO ACT _____

ORDINANCE TYPE: ☐ Ord of Intent ☐ Zoning ☐ Personnel ☐ General

☐ Improvement ☐ LAMC ☒ LAAC ☐ CU or Var Appeals - CPC No _____

SUBJECT MATTER: ORDINANCE AMENDING SECTIONS 5.182 AND 5.184 OF THE LOS ANGELES ADMINISTRATIVE CODE TO REVISE DELINQUENT ACCOUNT WRITE-OFF PROCEDURES, TO DESIGNATE THE CONTROLLER AS THE CHAIR OF THE BOARD OF REVIEW, AND TO REPLACE THE CITY ATTORNEY WITH THE DIRECTOR OF FINANCE AS A MEMBER OF THE BOARD OF REVIEW

APPROVED DISAPPROVED

PLANNING COMMISSION

DIRECTOR OF PLANNING

CITY ATTORNEY

X

CITY ADMINISTRATIVE OFFICER

OTHER

BY _____
DEPUTY

CITY CLERK

2004 APR 30 PM 12:42

RECEIVED
CITY CLERK'S OFFICE

APR 29 2004

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO: _____

*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC. 250(b)(c)

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR APR 30 2004

ORDINANCE NO. 175944

DATE PUBLISHED _____

DATE POSTED MAY 03 2004

EFFECTIVE DATE JUN 12 2004

ORD OF INTENT: HEARING DATE _____ ASSESSMENT CONFIRMATION _____

ORDINANCE FOR DISTRIBUTION: Yes ☐ No ☐

M. Eller
MAY 04 2004

ORDINANCE NO. 175944

An Ordinance amending Sections 5.182 and 5.184 of the Los Angeles Administrative Code to revise delinquent account write-off procedures, to designate the Controller as the Chair of the Board of Review, and to replace the City Attorney with the Director of Finance as a member of the Board of Review.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Section 5.182 of the Los Angeles Administrative Code is amended to read:

Sec. 5.182. Submission of Findings to Board of Review.

If any board, commission, or head of any department finds that any money is due, or believed to be due the City for fees for permits, or resulting from the issuance of any permit or as the result of the contemplated issuance of a permit, or resulting from any services performed by the City at the special instance and request of the debtor, or resulting from any act of the debtor, and is uncollectible, or that efforts to collect any sum would be disproportionately costly in relation to the probable outcome of the collection efforts, the board, commission, or head of a department, shall prepare a report setting forth the findings and submit the findings and reasons to a Board of Review. The report from each board, commission, or head of any department shall be prepared and submitted to the Board of Review no less than annually.

To aid in the collection of accounts receivable and the write off of uncollectible accounts, each department with accounts receivable shall maintain a listing of all its accounts receivable arranged by age of the account. Information on the age of the uncollectible account will be included in the findings submitted to the Board of Review for each account included in the report.

The Board of Review shall consist of the Controller, the City Treasurer and the Director of Finance, or the duly appointed representative of each. The Controller shall be the Chair and shall be responsible for establishing and publicizing a regular meeting schedule to all City departments, developing a standard reporting format, and for notifying the respective department of the Board's decision as to each report of uncollectible accounts. The Board of Review shall convene at least quarterly unless there are no reports from City departments to be considered.

Upon unanimous approval of the findings by the Board of Review, the board, commission or head of the department concerned, is authorized to remove from the active accounts receivable of that board, commission or department, any unpaid sum owing, or believed to be owing to the City from any person, when the amount involved is less than the sum of \$1,000.00.

Sec. 2. Section 5.184 of the Los Angeles Administrative Code is amended to read:

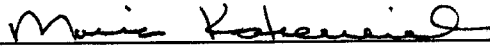
Sec. 5.184. Procedure When Board of Review Does Not Unanimously Approve Findings.

If the Board of Review does not unanimously approve the findings, the matter shall be returned to the board, commission, or head of the department. The board, commission, or head of the department shall submit its report to the Council together with the findings of the Board of Review. The Council will then consider removal of the active accounts and make a final determination of the matter.

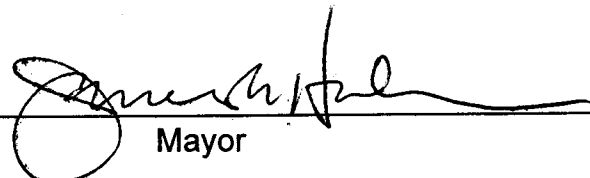
Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, **by a majority vote** of all of its members, at its meeting of APR 21 2004

J. MICHAEL CAREY, City Clerk

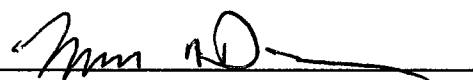
By 
Deputy

APR 29 2004
Approved _____


Mayor

Approved as to Form and Legality

ROCKARD J. DELGADILLO, City Attorney

By 
MIGUEL A. DAGER
Deputy City Attorney

Date 4/15/04

File No.00-2094

199638

DECLARATION OF POSTING ORDINANCE

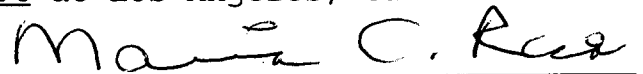
I, MARIA C. RICO, state as follows: I am, and was at all times hereinafter mentioned, a resident of the State of California, over the age of eighteen years, and a Deputy City Clerk of the City of Los Angeles, California.

Ordinance No. 175944 - Amended 5.182 & 5.184 of the L.A.A.C. to revise delinquent account write-off procedures, to designate the Controller as the Chair of the Board of Review, & to replace the City Attorney with the Director of Finance as a member of the Board of Review - a copy of which is hereto attached, was finally adopted by the Los Angeles City Council on April 21, 2004, and under the direction of said City Council and the City Clerk, pursuant to Section 251 of the Charter of the City of Los Angeles and Ordinance No. 172959, on May 3, 2004, I posted a true copy of said ordinance at each of three public places located in the City of Los Angeles, California, as follows: 1) One copy on the bulletin board at the Main Street entrance to Los Angeles City Hall; 2) one copy on the bulletin board at the ground level Los Angeles Street entrance to the Los Angeles Police Department; and 3) one copy on the bulletin board at the Temple Street entrance to the Hall of Records of the County of Los Angeles.

Copies of said ordinance were posted conspicuously beginning on May 3, 2004 and will be continuously posted for ten or more days.

I declare under penalty of perjury that the foregoing is true and correct.

Signed this 3rd day of May 2004 at Los Angeles, California.


Maria C. Rico, Deputy City Clerk

Ordinance Effective Date: June 12, 2004 Council File No. 00-2094

VERBAL MOTION

I HEREBY MOVE that Council ADOPT the following recommendation of the City Attorney (Item No. 25, CF 00-2094) relative to amending the Los Angeles Administrative Code (LAAC) to revise the delinquent account write-off procedures and to restructure the Board of Review, SUBJECT TO THE APPROVAL OF THE MAYOR:

PRESENT and ADOPT the accompanying ORDINANCE amending Sections 5.182 and 5.184 of the LAAC to revise delinquent account write-off procedures, to designate the Controller as the Chair of the Board of Review, and to replace the City Attorney with the Director of Finance as a member of the Board of Review.

Fiscal Impact Statement: None submitted by the City Attorney. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

(Audits and Governmental Efficiency Committee waived consideration of the above matter)

PRESENTED BY _____
WENDY GREUEL
Councilmember, 2nd District

SECONDED BY _____
DENNIS P. ZINE
Councilmember, 3rd District

April 21, 2004

CF 00-2094

Motion & Ord
ADOPTED

APR 21 2004

LOS ANGELES CITY COUNCIL

COUNCIL VOTE

Apr 21, 2004 10:23:12 AM, #3

ITEM(S)

Voting on Item(s): 7,22,23,24,25

Roll Call

CARDENAS	Yes
GARCETTI	Yes
GREUEL	Yes
HAHN	Yes
LABONGE	Yes
LUDLOW	Absent
MISCIKOWSKI	Yes
PARKS	Yes
PERRY	Yes
REYES	Yes
SMITH	Yes
VILLARAIGOSA	Absent
WEISS	Absent
ZINE	Yes
*PADILLA	Yes

Present: 12, Yes: 12 No: 0

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 00-2094

- ☐ Council Member(s) CD 2 & CD 3
- ☒ Interested Department Office of Finance
- ☒ Mayor (with/without file) file
- ☒ Chief Legislative Analyst _____
- ☒ City Administrative Officer _____
- ☒ Controller _____
- ☐ City Clerk _____
- ☐ City Clerk, Chief Administrative Services _____
- ☒ Treasurer _____
- ☒ City Attorney (~~with blue sheet~~ without blue sheet) _____
- ☐ Department of Transportation _____
- ☐ Personnel Department _____
- ☐ Los Angeles Housing Department _____
- ☐ City Planning Department _____
- ☐ Community Redevelopment Agency _____
- ☐ Board of Public Works _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

25

Wednesday
4-21-04

PLEASE SCHEDULE THE FOLLOWING ITEM FOR COUNCIL ON WEDNESDAY, 4/21/04, per Councilmember Greuel's request:

COMMUNICATION FROM THE CITY ATTORNEY and ORDINANCE

ITEM NO. () - Motion Required

00-2094 COMMUNICATION FROM THE CITY ATTORNEY and ORDINANCE relative to amending the Los Angeles Administrative Code (LAAC) to revise the delinquent account write-off procedures and to restructure the Board of Review.

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

PRESENT and ADOPT the accompanying ORDINANCE amending Sections 5.182 and 5.184 of the LAAC to revise delinquent account write-off procedures, to designate the Controller as the Chair of the Board of Review, and to replace the City Attorney with the Director of Finance as a member of the Board of Review.

Fiscal Impact Statement: None submitted by the City Attorney. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

(Audits and Governmental Efficiency Committee waived consideration of the above matter)

IS
4/16/04
#002094.blb.wpd

RECEIVED
CITY CLERK'S OFFICE

2004 APR -6 AM 10: 27



C.F. #00-2094

CITY CLERK
BY _____ DEPUTY

OFFICE OF THE CITY ATTORNEY
ROCKARD J. DELGADILLO
CITY ATTORNEY

REPORT NO. R 04-0163

APR 0 5 2004

REPORT RE:

g
An Ordinance amending Sections 5.182 and 5.184 of the Los Angeles Administrative Code to revise delinquent account write-off procedures, to designate the Controller as the Chair of the Board of Review, and to redesignate the Director of Finance as a member of the Board of Review.

Honorable City Council
City of Los Angeles
Room 300, City Hall
Los Angeles, CA 90012

(Council File 00-2094)

Honorable Members:

Pursuant to your instructions of February 4, 2004, we have prepared and transmit herewith, approved as to form and legality, a draft of an ordinance revising the delinquent account write-off procedures and restructuring the Board of Review. The Board is currently comprised of the Controller, the Treasurer, and the City Attorney.

The Ordinance restructures the Board by designating the Controller as the Board's Chair and designating the Director of Finance as a member of the Board. The City Attorney will advise the Board.

The Ordinance revises the Board's procedures by requiring quarterly meetings, departmental reports no less than annually, and by requiring the Chair to establish a standard reporting and notification format. The Ordinance also provides that accounts that are not approved for write-off by the Board be submitted to the full Council for consideration.

AUDITS & GOVERNMENTAL
EFFICIENCY

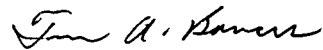
APR - 8 2004



J. Michael Carey, City Clerk
April 5, 2004
Page 2

This draft has been approved as to form by the Controller, the Director of Finance, and the City Treasurer under Council Rule 38. Any questions should be directed to Deputy City Attorney Miguel Dager at (213) 978-8064.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Terree A. Bowers".

TERREE A. BOWERS
Chief Deputy City Attorney

ORDINANCE NO. _____

An Ordinance amending Sections 5.182 and 5.184 of the Los Angeles Administrative Code to revise delinquent account write-off procedures, to designate the Controller as the Chair of the Board of Review, and to replace the City Attorney with the Director of Finance as a member of the Board of Review.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Section 5.182 of the Los Angeles Administrative Code is amended to read:

Sec. 5.182. Submission of Findings to Board of Review.

If any board, commission, or head of any department finds that any money is due, or believed to be due the City for fees for permits, or resulting from the issuance of any permit or as the result of the contemplated issuance of a permit, or resulting from any services performed by the City at the special instance and request of the debtor, or resulting from any act of the debtor, and is uncollectible, or that efforts to collect any sum would be disproportionately costly in relation to the probable outcome of the collection efforts, the board, commission, or head of a department, shall prepare a report setting forth the findings and submit the findings and reasons to a Board of Review. The report from each board, commission, or head of any department shall be prepared and submitted to the Board of Review no less than annually.

To aid in the collection of accounts receivable and the write off of uncollectible accounts, each department with accounts receivable shall maintain a listing of all its accounts receivable arranged by age of the account. Information on the age of the uncollectible account will be included in the findings submitted to the Board of Review for each account included in the report.

The Board of Review shall consist of the Controller, the City Treasurer and the Director of Finance, or the duly appointed representative of each. The Controller shall be the Chair and shall be responsible for establishing and publicizing a regular meeting schedule to all City departments, developing a standard reporting format, and for notifying the respective department of the Board's decision as to each report of uncollectible accounts. The Board of Review shall convene at least quarterly unless there are no reports from City departments to be considered.

Upon unanimous approval of the findings by the Board of Review, the board, commission or head of the department concerned, is authorized to remove from the active accounts receivable of that board, commission or department, any unpaid sum owing, or believed to be owing to the City from any person, when the amount involved is less than the sum of \$1,000.00.

Sec. 2. Section 5.184 of the Los Angeles Administrative Code is amended to read:

Sec. 5.184. Procedure When Board of Review Does Not Unanimously Approve Findings.

If the Board of Review does not unanimously approve the findings, the matter shall be returned to the board, commission, or head of the department. The board, commission, or head of the department shall submit its report to the Council together with the findings of the Board of Review. The Council will then consider removal of the active accounts and make a final determination of the matter.

Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, **by a majority vote** of all of its members, at its meeting of _____

J. MICHAEL CAREY, City Clerk


By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

ROCKARD J. DELGADILLO, City Attorney

By  _____
MIGUEL A. DAGER
Deputy City Attorney

Date 4/5/04

File No.00-2094

199638

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

00-2094

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

PLACE IN FILES

FEB 05 2004

DEPUTY *nm*

February 4, 2004

Honorable James Hahn, Mayor
City Attorney (with blue sheet)
Office of Finance
Chief Legislative Analyst
City Administrative Officer
Controller, Room 300
Accounting Division, F&A
Disbursement Division
City Treasurer

RE: REVISING THE CITY'S DELINQUENT ACCOUNT WRITE-OFF PROCEDURES

At the meeting of the Council held February 3, 2004, the following
action was taken:

Attached report adopted
Attached motion () adopted.....
Attached resolution () adopted.....
FORTHWITH.....
Ordinance adopted.....
Motion adopted to approve communication recommendation(s)..... X

J. Michael Carey

City Clerk
jr

SEID

AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER

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AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE
Report Communication for Signature

Council File Number: 00-2094

Committee Meeting Date: 11-19-03

Council Date: 2-3-04

COMMITTEE MEMBER	YES	NO	ABSENT
Councilmember Wendy Greuel, Chair	✓		
Councilmember Jack Weiss			✓
Councilmember Janice Hahn			✓

Remarks Approved recommendations for revising the City's
delinquent account write-off procedures

ILENE SHAPIRO, Legislative Assistant ----- Telephone 978-1077

42

TO CITY CLERK FOR PLACEMENT ON NEXT
REGULAR COUNCIL AGENDA TO BE POSTED

Tuesday
1-3-04
#53

JAN 28 2004

TO: LOS ANGELES CITY COUNCIL

File No. 00-2094

FROM: COUNCILMEMBER WENDY GREUEL, CHAIR
AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

	<u>Yes</u>	<u>No</u>
Public Comments	—	<u>XX</u>

COMMUNICATION FROM CHAIR, AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE relative to revising the City's delinquent account write-off procedures.

Recommendations for Council action:

1. REQUEST the City Attorney to prepare and present an Ordinance amending the Los Angeles Administrative Code (LAAC) with respect to the Board of Review that considers requests to write-off uncollectible accounts in order to:
 - a. Require boards, commissions, and department heads to submit reports not less frequently than annually to the Board of Review (established by LAAC Section 5.182) regarding delinquent accounts that are deemed uncollectible or when efforts to collect the accounts would be disproportionately costly to the probable outcome of the collection efforts.
 - b. Reconstitute the Board of Review to replace the City Attorney with the Director of Finance. The City Attorney would continue to advise the Board of Review on legal issues related to revenue collection. Name the Controller as the Board of Review Chair.
 - c. Clarify that those accounts that the Board of Review does not approve for removal from the accounts receivable of a department be referred by the department to the Council.
2. REQUEST the Board of Review to:
 - a. Establish a regular meeting schedule and publicize its meetings to all City departments so that delinquent accounts can be addressed with regularity. The meetings of the Board of Review should occur at least quarterly unless there are no pending requests from City departments to be considered.

- b. Establish a standard format for departments to use that would help clarify the type of information necessary to make a decision on whether to excuse an account and facilitate departments' reporting obligations.
 - c. Transmit, regardless of its decision on a matter, an official decision notice to the requesting department.
3. INSTRUCT departments to maintain a chronological list of the age of accounts receivables to help prioritize collection efforts and reduce the number of older, outstanding accounts that are nearing expiration. Using such a list to monitor accounts receivables would also help avoid expiration of the statute of limitations whereby the City is forced to write-off rather than collect a delinquent account.

Fiscal Impact Statement: None submitted by the City Controller, City Attorney, Director of Finance and the City Treasurer. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Summary:

The report from the City Controller, City Attorney, Director of Finance and City Treasurer, dated September 17, 2003, attached to the Council file, responds to the Council's May 15, 2002, request for a report to the Audits and Governmental Efficiency Committee with recommendations for revising the City's delinquent account write-off procedures.

The report states that under the provisions of the LAAC, the Board of Review (Board) reviews and makes recommendations and decisions about certain delinquent accounts owed the City, which are deemed uncollectible by the operating department involved. The Board is currently comprised of the City Controller, the City Attorney and the City Treasurer, or their designees. The report summarizes the procedures relating to such delinquent accounts and the Board's role:

1. If any board, commission or department head determines that a delinquent account (relating to fees for permits or services performed by the City) is uncollectible after reasonable efforts to collect it have been exhausted, or determines that efforts to collect the account would be disproportionately costly to the probable outcome of the collection efforts, a report, consisting of findings and reasons for writing off the delinquent account, may be prepared and submitted to the Board.
2. If the delinquent account *is less than* \$1,000 and the Board unanimously approves the findings, the board, commission, or department head concerned may remove the delinquent account from the active accounts receivable (LAAC Section 5.182).

3. If the delinquent account is *equal to or greater than* \$1,000 and the Board unanimously approves the findings, the matter is referred to the full Council for its consideration (LAAC Section 5.183).
4. If the Board does not unanimously approve the recommendation regardless of the amount in question, the matter is returned to the board, commission or department. Upon the approval of the findings by the Council, the board, commission, or department head concerned may remove the delinquent account from the active accounts receivable (LAAC Section 5.184).
5. Removing a delinquent account from the active accounts receivable does not preclude the City from collecting or attempting to collect the outstanding receivable should the account later prove collectible, unless the period of the statute of limitations set by the State of California expires, in which case the delinquent account may be canceled (LAAC Section 5.185).

The report notes that the LAAC does not state, although it could support the inference, that the department whose accounts are not approved for removal from accounts receivable may nevertheless request that the Council approve the removal notwithstanding the recommendation of the Board. The report states that if that is the intent, it should be stated expressly. If it is not, the LAAC should be revised to state that the action of the Board is final. During the discussion of this matter at the Audits and Governmental Efficiency (AGE) Committee of November 19, 2003, the Controller's representative recommended that the LAAC be clarified to state that those accounts that the Board does not approve for removal from the accounts receivable of a department be referred by the department to the Council.

A City Attorney's representative stated that the City Attorney's Office concurs with the recommendations. He pointed out that the process has been somewhat informal in the past. The bulk of the recommendations are to formalize the process for handling these uncollectible accounts. The process being discussed begins with each department making the determination that an account is uncollectible (that the efforts to collect have been exhausted). The departments are requesting permission to remove the accounts from the potentially collectible accounts of the department. Occasionally, the Board finds, and will find in the future, that a greater effort should be made to collect on the account(s). The Board makes recommendations on how to collect on the accounts receivable.

The City Attorney's representative went on to state that the members of the Board will be enhanced by the addition of the Office of Finance, the City's experts in the area of what can and should be done to collect these accounts. The amendments strengthen the process. If the Council concurs, the Council will request the City Attorney to prepare the Ordinance. The City Attorney's Office already has a draft Ordinance and will be able to return to the Council forthwith.

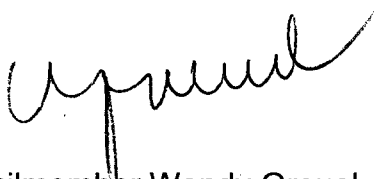
The Chair of the AGE Committee (Chair) inquired as to what accounts receivables were written off last year. A City Attorney's representative stated that the accounts written off

last year were sewer service charges at approximately \$11 million dollars. Prior to that ambulance service charges, for substantially more money, were written off.

The Chair stated that she desires an annual report from the Board including the cumulative amount of the accounts written off that are under \$1,000. A City Attorney's representative suggested that the Ordinance include language stating that copies of the Board's reports shall be provided to the Chair of the Budget and Finance Committee and the President of the Council. The Chair stated that her office will work with the City Attorney's Office in drafting the language for the Ordinance.

The Chair of the AGE Committee approved the recommendations of the City Controller, City Attorney, Director of Finance and City Treasurer. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,



Councilmember Wendy Greuel, Chair
Audits and Governmental Efficiency Committee

<u>MEMBER</u>	<u>VOTE</u>
GREUEL:	YES
WEISS:	ABSENT
HAHN:	ABSENT

IS
12/10/03
#002094b.wpd

ADOPTED
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION **S**
FEB 03 2004

LOS ANGELES CITY COUNCIL

COUNCIL VOTE

Feb 3, 2004 10:58:19 AM, #4

Items for Which Public Hearings Have Not Been Held - Items 31-51
Voting on Item(s): 31-42,45-46,48-51
Roll Call

CARDENAS	Yes
GARCETTI	Yes
GREUEL	Yes
HAHN	Yes
LABONGE	Yes
LUDLOW	Yes
MISCIKOWSKI	Yes
PARKS	Yes
PERRY	Yes
REYES	Yes
SMITH	Yes
VILLARAIGOSA	Yes
WEISS	Yes
ZINE	Yes
*PADILLA	Yes

Present: 15, Yes: 15 No: 0

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 00-2094

- ☐ Council Member(s) _____
- ☒ Interested Department Office of Finance
- ☒ Mayor (~~with~~/without file) _____
- ☒ Chief Legislative Analyst _____
- ☒ City Administrative Officer _____
- ☒ Controller _____
- ☐ City Clerk _____
- ☐ City Clerk, Chief Administrative Services _____
- ☐ Treasurer _____
- ☒ City Attorney (with blue sheet / without blue sheet) _____
- ☐ Department of Transportation _____
- ☐ Personnel Department _____
- ☐ Los Angeles Housing Department _____
- ☐ City Planning Department _____
- ☐ Community Redevelopment Agency _____
- ☐ Board of Public Works _____
- ☒ City Treasurer
- ☐ _____
- ☐ _____
- ☐ _____

ANTOINETTE CHRISTOVALE
DIRECTOR of FINANCE

RECEIVED
CITY CLERK'S OFFICE

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

C.F. #00-2094
OFFICE OF FINANCE
200 N. SPRING ST.
ROOM 220 - CITY HALL
LOS ANGELES, CA 90012

(213) 978-1782

2003 SEP 25 AM 10:38

CITY CLERK

BY _____ DEPUTY

September 19, 2003

CF
Audits and Governmental Efficiency Committee
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012
Attention: Ilene M. Shapiro, Legislative Assistant

RE: Revising the City's Delinquent Account
Write-Off Procedures (CF#00-2094)

Dear Ms. Shapiro:

As requested by the City Council, enclosed is the report to the Audits and Governmental Efficiency Committee with recommendations for revising the City's delinquent account write-off procedures.

Thank you for your assistance to this matter.

Sincerely,

Antoinette Christovale
Director of Finance

Enclosure

**AUDITS & GOVERNMENTAL
EFFICIENCY**

SEP 26 2003

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Date: September 17, 2003

To: Audits and Governmental Efficiency Committee

From: *Laurel N. Chick*
Laurel N. Chick
City Controller

Rockard J. Delgadillo
Rockard J. Delgadillo
City Attorney

Antoinette D. Christovale
Antoinette D. Christovale
Director of Finance

Joya C. De Foor
Joya C. De Foor
City Treasurer

Subject: Recommendations for Revising the City's Delinquent Account
Write-Off Procedures (CF#00-2094)

SUMMARY

At its May 15, 2002 meeting, the City Council adopted an Audits and Governmental Efficiency Committee (Committee) report requesting the City Controller, City Attorney, and City Treasurer to report back to the Committee with recommendations for revising the City's delinquent account write-off procedures. This report responds to that request.

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor, request the City Attorney to prepare appropriate amendments to the Administrative Code with respect to the Board of Review that considers requests to write off uncollectible accounts in order to:

1. Require boards, commissions, and department heads to submit reports to the Board of Review (established by Los Angeles Administrative Code Section 5.182) regarding delinquent accounts that are deemed uncollectible or when efforts to collect the account would be disproportionately costly to the probable outcome of the collection efforts.
2. Reconstitute the Board of Review to include the Director of Finance and name in the Administrative Code the Controller as the Board's chair.

That the Board of Review:

3. Establish a regular meeting schedule and publicize its meetings to all City departments so that delinquent accounts can be addressed with regularity. The meetings of the Board should occur at least quarterly unless there are no pending requests from City departments or offices to be considered.
4. Establish a standard reporting format for departments to use that would help clarify the type of information necessary to make a decision on whether to excuse an account and facilitate departments' reporting obligations.
5. Regardless of its disposition on a matter, should transmit an official decision notice to the requesting department. Los Angeles Administrative Code section 5.184 should also be clarified to more directly state the intent with respect to accounts that the Board of Review does not approve for removal from the accounts receivable of a department or office.

In addition to actions taken by the City Council and Board of Review:

6. Departments should be required to maintain records of the age of accounts receivables so that a chronological list can be generated to help prioritize collection efforts and reduce the number of older, outstanding accounts that are nearing expiration. Using such a list to monitor accounts receivables would also help avoid an expiration of a statute of limitations whereby the City is forced to write off rather than collect a delinquent account.

DISCUSSION

Board of Review Authorization

Under provisions of the Los Angeles Administrative Code (LAAC), the Board reviews and makes recommendations and decisions about certain delinquent accounts owed the City, which are deemed uncollectible by the operating department or office involved. The Board is currently comprised of the City Controller, the City Attorney, and the City Treasurer, or their designees. The following information summarizes the procedures relating to such delinquent accounts and the Board's role therein.

- If any board, commission, or department head determines that a delinquent account (relating to fees for permits or services performed by the City) is uncollectible after reasonable efforts to collect it have been exhausted, or determines that efforts to collect the account would be disproportionately costly to the probable outcome of the collection efforts, a report, consisting of findings and reasons for writing off the delinquent account, may be prepared and submitted to the Board.

- If the delinquent account *is less than* \$1,000 and the Board unanimously approves the findings, the board, commission, or department head concerned may remove the delinquent account from the active accounts receivable. (LAAC Ch. 11, Art. 1, Sec. 5.182)
- If the delinquent account *is equal to or greater than* \$1,000 and the Board unanimously approves the findings, the matter is referred to the full City Council for its consideration. (LAAC Ch. 11, Art. 1, Sec. 5.183)
- If the Board does not unanimously approve the recommendation regardless of the amount in question, the matter is returned to the board, commission or department. Upon the approval of the findings by the Council, the board, commission, or department head concerned may remove the delinquent account from the active accounts receivable. (LAAC Ch. 11, Art. 1, Sec. 5.184)
- Removing a delinquent account from the active accounts receivable does not preclude the City from collecting or attempting to collect the outstanding receivable should the account later prove collectible, unless the period of the statute of limitations set by the State of California expires, in which case the delinquent account may be canceled. (LAAC Ch. 11, Art. 1, Sec. 5.185)

Recommendation #1

Require boards, commissions, and department heads to submit reports not less frequently than annually to the Board regarding delinquent accounts that are deemed uncollectible or when efforts to collect the account would be disproportionately costly to the probable outcome of the collection efforts.

Board of Review Requirements

The Board convenes as requested by one of its members, usually when a sufficient number of delinquent accounts require review and judgment. The Board may also convene when requested by City departments, although such requests are rare.

No standard rules or regulations exist governing the decisions about whether to approve, or recommend to the City Council, that an account be written off. Such a decision is left to Board members, who consider, among other factors, the type of account, the amount involved, and the reason, if stated, for delinquency. Furthermore, no standard reporting format has been prescribed to departments for recommending Board action on delinquent accounts.

There are no Board rules, regulations or procedures. Some departments are unaware of the Board's purpose and authority. One main reason for the Board's lack of structure is the fact that it is not officially chaired by any one of its members. Designating one of the members as chair to be responsible for the Board's business, i.e., scheduling and running meetings and performing staff work, would help ensure that its business is performed in a timely and consistent manner.

Recommendation #2

At the City Attorney's suggestion to include the Director of Finance, it is recommended that the Board of Review be reconstituted to include the Director of Finance as a member of the Board. The City Charter effective July 1, 2000 vested responsibility for developing and implementing the City's revenue policy in the Director of the Office of

Finance and further granted the power and duty for setting the guidelines for the collection of outstanding receivables to Finance. Consistent with the above, twenty-one positions in the City Attorney's collection division were transferred to the Office of Finance effective July 1, 2003. This composition more closely reflects the financial nature of removing uncollectible accounts from the active accounts receivables. The City Attorney would continue to advise the Board on legal issues related to revenue collection but would not participate as an assigned member of the Board. It is further recommended that the Controller be named in the Administrative Code as the Board's chair.

Board of Review Decisions

The Board's decisions are based on information provided by a department in a report requesting approval of the findings that the delinquent accounts are uncollectible. No standard reporting format has been established for use by departments that request a delinquent account be written off. If the Board unanimously approves the department's findings, Board members should sign a form entitled, "Report of Findings Pursuant to Section 53.182 L.A.A.C." which is transmitted to the department.

Recommendation #3

The Board should establish a regular meeting schedule and publicize its meetings to all City departments so that delinquent accounts can be addressed with regularity. Matters that involve discussion of the potential for initiating (or not initiating) litigation and of possible litigation strategy may be held in closed session with the City Attorney available for counsel.

Recommendation #4

The Board should establish a standard reporting format for departments to use that would help clarify the type of information necessary to make a decision on whether to write off an account and facilitate departments' reporting obligation.

Recommendation #5

The Board, regardless of its disposition on a matter, should transmit an official decision notice to the requesting department. Los Angeles Administrative Code section 5.184 should be clarified to more directly state the intent with respect to accounts that the Board of Review does not approve for removal from the accounts receivable of a department or office. As presently written, it does not say, although it could support the inference, that the office or department whose accounts are not approved for removal from accounts receivable may nevertheless request that the City Council approve that removal notwithstanding the recommendation of the Board. If that is the intent, it should be stated expressly. If it is not, the Code should be revised to state that the action of the Board of Review is final.

Recommendation #6

Departments should be required to maintain records of the age of accounts receivables so that a chronological list can be generated to help prioritize collection efforts and reduce the number of older, outstanding accounts that are nearing expiration. Using such a list to monitor accounts receivables would also help avoid an expiration of a statute of limitations whereby the City is forced to write off rather than collect a delinquent account.

A significant guiding principle that could be used to determine whether a delinquent account may be written off is the age of the account receivable, but many departments are not required to maintain such information. The statute of limitations on collecting a delinquent account is usually three years and is often cited as a reason for deeming an account as uncollectible. As mentioned in the Citywide billing and collection guidelines issued in May, 2002, it is critical that departments use aging reports to manage their internal and external collection efforts and minimize the loss of revenue due to statute limitations. Using the age of an account to determine whether to attempt collection provides insight into the probability of it being collected; that is, those accounts nearing the statute of limitations may be deemed unworthy of further action, while newer accounts may warrant immediate attention and City resources.

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

00-2094

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012

Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

PLACE IN FILES

FEB 25 2003

DEPUTY

February 12, 2003

Honorable James Hahn, Mayor
City Attorney
Chief Legislative Analyst
City Administrative Officer
All City Departments

RE: OUTSIDE COLLECTION SERVICES FOR DELINQUENT ACCOUNTS

At the meeting of the Council held February 11, 2003, the following
action was taken:

Attached report adopted	<u>X</u>
Attached motion () adopted.....	_____
Attached resolution adopted.....	_____
FORTHWITH.....	_____
Ordinance adopted.....	_____
Motion adopted to approve communication recommendation(s).....	_____

City Clerk
jr

steno\022094



FF 11/2/2003

16

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

Report/Communication for Signature

Council File Number: 00-2094Committee Meeting Date: 02/03/03Council Date: 02/11/03

COMMITTEE MEMBER	YES	NO	ABSENT
Councilmember Tom LaBonge, Chair	✓		
Councilmember Wendy Greuel	✓		
Councilmember Holden			✓

Remarks

Outside Collection Service
for delinquent accounts

Miranda Paster, Legislative Assistant ----- Telephone 978-1076

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

reports as follows:

	<u>Yes</u>	<u>No</u>
Public Comments	<u>XX</u>	<u>—</u>

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE REPORT relative to
outside collection services for delinquent accounts.

Recommendations for Council action:

1. AUTHORIZE the City Attorney to finalize and execute a two-year contract with two, one-year renewal options with GC Services, to provide collection services on a contingency fee basis. The City Attorney would be responsible for administering the proposed contract, though other City departments would have the opportunity to refer delinquent accounts with a value of \$1,000 or less for outside collection.
2. AUTHORIZE the City Attorney to finalize and execute a two-year contract with two, one-year renewal options with OSI Collections Services, to provide collection services on a contingency fee basis. The City Attorney would be responsible for administering the proposed contract, though other City departments would have the opportunity to refer delinquent accounts with a value of \$1,000 or less for outside collection.
3. AUTHORIZE the City Attorney to finalize and execute a two-year contract with two, one-year renewal options with Allied Interstate, to provide collection services on a contingency fee basis.
4. AUTHORIZE the City Attorney, at its discretion, to refer pre-judgment and post-judgment accounts of any amount to either GC Services, OSI Collection Services or allied Interstate.
5. AUTHORIZE all City departments and offices that refer delinquent accounts to the contractors for collection and are subsequently billed for those services in accordance with the provisions of the contracts, to process payments of those fees as Revenue Refunds from the revenue accounts into which the funds collected are deposited.

6. INSTRUCT all City departments to ensure a fair and accurate collection process. The City of Los Angeles wants to be fair to all the people of the city, therefore, the City needs to collect what is owed in order to better serve all of its citizens.

Fiscal Impact Statement: The Revenue Collection Task Force (RCTF) reports that the fiscal impact of these recommendations cannot be calculated at this time; however, it is anticipated that with the execution of the proposed contract(s), the City would receive additional revenue from collection of delinquent accounts.

Summary:

On February 3, 2003, the Audits & Governmental Efficiency (AGE) considered the RCTF report dated January 7, 2003. The AGE Committee approved the RCTF's recommendations. The Chair requested that the collection process reflect that the City of Los Angeles wants to be fair to all the people of the city. The City needs to collect what is owed in order to better serve all the citizens. If departmental errors are made in the collection process, the department must acknowledge the errors and apologize.

In its report dated January 7, 2003, the RCTF reported that Council instructed the RCTF to develop and release a Request for Proposals (RFP) for the City to contract with an outside collection agency to pursue the City's delinquent accounts.

The RFP was released in August 2002. Of the 22 proposals received and evaluated, the top six scoring companies were interviewed by the RCTF and scored. The RCTF recommends the following three companies: GC Services, OSI Collection Services and Allied Interstate. The RCTF proposed that City departments refer their delinquent accounts less than \$1,000 (pre-judgment) to two of the firms: GC Services and OSI Collection Services.

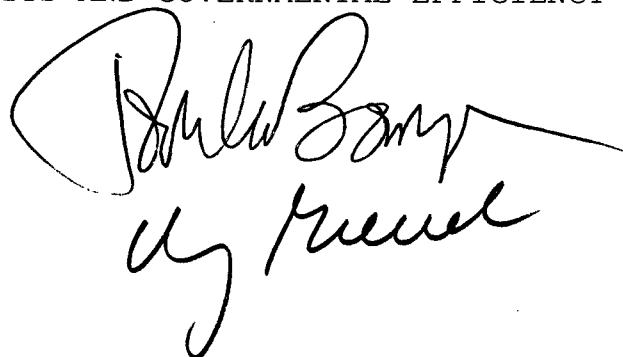
This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

MCP
02/04/03

#002094a.wpd



Handwritten signature of Phil Bong, with the name 'Phil Bong' written below it.

Report
ADOPTED

FEB 11 2003

LOS ANGELES CITY COUNCIL

COUNCIL VOTE

Feb 11, 2003 10:38:58 AM, #4

Items for Which Public Hearings Have Been Held - Items 9-24
Voting on Item(s): 12-14,16-17,22-23
Roll Call

BERNSON	Absent
GALANTER	Absent
GARCETTI	Yes
GREUEL	Yes
HAHN	Yes
HOLDEN	Yes
LABONGE	Yes
MISCIKOWSKI	Yes
PACHECO	Absent
PERRY	Yes
REYES	Yes
WEISS	Yes
ZINE	Yes
*PADILLA	Yes
	Absent

Present: 11, Yes: 11 No: 0

- [illegible]

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCERECEIVED
CITY CLERK'S OFFICE

Date: January 7, 2003

2003 JAN 15 AM 7:10

To: Audits and Governmental Efficiency Committee

CITY CLERK

BY _____ DEPUTY

From: Revenue Collection Task Force

William T Fujioka, City Administrative Officer, Chair

Rockard J. Delgadillo, City Attorney

Laura N. Chick, City Controller

Ronald F. Deaton, Chief Legislative Analyst

Antoinette Christovale, Office of Finance

Subject: **OUTSIDE COLLECTION SERVICES****Summary**

The City Council (C.F. 00-2094) instructed the Revenue Collection Task Force to develop and release a Request for Proposals (RFP) for the City to contract with an outside collection agency to pursue the City's delinquent accounts.

An RFP was released in August 2002 to over 45 companies and posted on the City's website. Twenty-two proposals were received by the due date in September. The proposals were evaluated and scored based upon several criteria developed by the Task Force. Six companies with the top scores were then interviewed by the Task Force to obtain more specific information on each company. The interviews were also scored and combined with the written proposal scores. The Task Force recommends the selection of the three companies with the highest combined scores to contract for collection services. Two of the companies will provide a full range of collection services to City departments and the third company will provide collection services for the City Attorney.

The recommendation to contract with three companies will foster competition between the companies and allow the City to evaluate their performance in collecting the City's debt. This recommendation evolved from discussions with the finalists regarding contracting with multiple firms and exploring how other large agencies manage their delinquent accounts. It is the intent of the Task Force to reserve the right to reassign City accounts based on performance results and other criteria. The Task Force proposes that City departments refer their delinquent accounts under \$1,000 (pre-judgment) to two firms: GC Services and OSI

**AUDITS & GOVERNMENTAL
EFFICIENCY**

JAN 16 2003

Collection Services. Additionally, while the City Attorney may refer accounts within its Office to any of the three vendors, it will specifically refer post-judgment accounts to GC Services, and refer aged, delinquent accounts over one year old, to Allied Interstate.

The City Attorney will be the contract administrator for all three proposed contracts; however, other City departments would have the opportunity to utilize the contracts through administrative provisions included in the contracts. Compensation would be set in the contracts on a contingency fee basis with rates ranging from 14 percent to 20 percent depending on the recommended company.

At the suggestion of the Controller, it is proposed that payments of the contingency fees to each of the contractors be processed as "revenue refunds". Given the structure of the City's accounting system, this is the most efficient way to process those payments at this time. However, because in actuality these are payments to contractors which will be made from revenue accounts, a practice which is out of the ordinary, the City Attorney advises that the Council must grant specific authority for the payments to be processed in this manner (as revenue refunds) by the various departments and offices.

Recommendations

That the Council:

1. Authorize the City Attorney to finalize and execute a two-year contract with two, one-year renewal options with GC Services, to provide collection services on a contingency fee basis. The City Attorney would be responsible for administering the proposed contract, though other City departments would have the opportunity to refer delinquent accounts with a value of \$1,000 or less for outside collection;
2. Authorize the City Attorney to finalize and execute a two-year contract with two, one-year renewal options with OSI Collection Services, to provide collection services on a contingency fee basis. The City Attorney would be responsible for administering the proposed contract, though other City departments would have the opportunity to refer delinquent accounts with a value of \$1,000 or less for outside collection;
3. Authorize the City Attorney to finalize and execute a two-year contract with two, one-year renewal options with Allied Interstate, to provide collection services on a contingency fee basis;
4. Authorize the City Attorney, at its discretion, to refer pre-judgment and post-judgment accounts of any amount to either GC Services, OSI Collection Services or Allied Interstate; and,
5. Authorize all City departments and offices that refer delinquent accounts to the contractors for collection and are subsequently billed for those services in accordance with the provisions of the contracts, to process payments of those fees as Revenue Refunds from the revenue accounts into which the funds collected are deposited.

Fiscal Impact Statement

The fiscal impact of these recommendations cannot be calculated at this time; however, it is anticipated that with execution of the proposed contract(s), the City would receive additional revenue from collection of delinquent accounts.

DISCUSSION

1. Background

A large inventory of delinquent accounts in both the City Attorney and other City departments is available for outside collection. These delinquent accounts include statutory fees such as noncompliance fees, inspection fees, illegal sign posting fees, and excessive false alarm fees, as well as other accounts receivable such as business taxes and property damage claims. The City Attorney's current inventory of accounts valued at less than \$1,000 each includes approximately 9,700 accounts ranging from six months to three years old, with a total value of \$4.1 million. In 2001-02, approximately \$1.1 million was collected on outstanding accounts valued at less than \$1,000. In addition, the City Attorney has approximately 1,390 judgments with a total value of \$2.6 million. The Council recently adopted new policies that allow departments to refer accounts over 45 days old and under \$1,000 to an outside collection company for collection. The recommended contract award provides departments access to two collection firms and is anticipated to generate more net revenue to the City.

The resources and tools in use by private collection companies suggest that it would be more cost effective for the City to refer delinquent accounts under \$1,000 for outside collection. Significant funding for both staffing and system development is not available to provide the City Attorney with the necessary resources to match those that could be provided by outside contractors. The recommended companies have large informational databases and search engines that allow them to match delinquent account records and automated call centers that minimize staff time in pursuing accounts.

The City Attorney, along with the assistance of the Collection Task Force, was authorized to release a Request for Proposal (RFP) to solicit assistance from outside collection companies. The Task Force, consisting of representatives from the City Attorney, City Controller, Office of Finance, Chief Legislative Analyst, and City Administrative Officer, developed the RFP and released it in August 2002.

2. Request For Proposal

The RFP was both mailed to 45 collection companies and posted on the City's website for viewing and downloading. Additionally, notices inviting bids were placed in the Los Angeles Times, Metropolitan News, La Opinion, and the Los Angeles Sentinel. Interested companies were to submit their proposals with an explanation detailing their collection qualifications, including the following:

- A statement describing the company's collection procedures and policies.
- A statement of corporate capability to undertake the pursuit of lengthy accounts receivables collection on a contingency fee basis and the ability to be bonded at a minimum of \$1 million.
- An explanation of the company's payment reporting methodology along with sample reports.

- Examples of the average gross collection rate for each client and the nature of debt collected.
- A representative list of governmental agencies or private enterprises for whom the contractor has performed similar work within the last five years, including a description of those efforts and the name, title and phone number of an informed individual to contact.

Other information was requested in the proposal, including items such as recent audited financial statements, a contingency based pricing proposal, the minimum information from the City that was required to pursue delinquent accounts, and membership status in collection organizations or associations. All proposals were to adhere to the City's standard contract provisions including Living Wage and Service Worker Retention Ordinances, Equal Benefits Ordinance, and Contractor Responsibility Ordinance. A pre-bidders conference was held on August 22, 2002, which was attended by representatives of 12 companies.

The proposals were due to the City Attorney by September 6, 2002. Twenty-two (22) companies submitted proposals to the RFP that varied in size from small, two-person firms to large corporations with offices and employees nationwide.

3. Evaluation Process

The Task Force evaluated 19 of the 22 proposals, as specified below. (Three of the 22 proposals were deemed non-responsive).

- a. Reviewed all proposals that were received by the response due date and time for completeness and conformance to the proposal specifications contained in the RFP and eliminated those proposals which were found to be non-responsive to the RFP requirements;
- b. Completed a formal evaluation of each responsive proposal and ranked the proposals in order of merit and benefit to the City using the criteria contained in the RFP as benchmarks;
- c. Established a short list of proposals, based upon the competitive range of the proposal scores;
- d. Conducted interviews with those companies on the short list and completed reference checks with current clients, in order to confirm the representations that were contained in the proposals;
- e. Completed a final evaluation and compilation of the scores and made recommendations for contract award.

The final approval of contract award is contingent upon review and approval by the City Council and for form and legality by the City Attorney.

4. Evaluation Criteria

The evaluation criteria were also developed by the Task Force and were based on the requirements set forth in the RFP. Attachment 1 details the specific criteria and the assigned points for each criterion. The criteria and their assigned points are summarized below:

- Project methodology and work plan – 25 points
- Qualifications of the company – 30 points
- Features, functions, technical architecture, and vision – 10 points
- Pricing proposals – 20 points
- Size, location, and financial stability of the company – 15 points

The highest score possible for a written proposal was 100 points. The companies with the top six scores were then interviewed to obtain more specific information. During the interview process, sixteen questions were asked of proposers that covered areas such as: collection process and procedures, governmental experience, technology and consulting services, judgment procedures, suggestions on multiple firm selection and project start-up. The questions were focused on gathering information that would assist the Task Force in narrowing the list of proposers for final selection. The total possible score for the interview was 20 points. These points, when combined with the RFP response points, result in a total possible score of 120 points.

5. Recommended Contractors

Through the interview process, the firms recommended that the City select more than one firm and divide the account referrals between them. This approach will promote competition and assist the City in evaluating the performance of its contractors. The City also received the same recommendation from other municipalities, which were contacted during the reference checks on the firms.

Accordingly, based on the scoring of the proposals, the Task Force recommends selection of the top three companies for contract award. These proposed contracts would replace the two collection contracts with the City Attorney that have expired. GC Services had the highest score of 108. Next, OSI Collection Service and Allied Interstate were virtually tied at 103.6 and 103.4 respectively. The scores for the six finalists are presented in Attachment 2. All of the recommended companies meet the necessary qualifications as contained in the RFP and possess prior experience in providing similar services to other municipalities, including the collection of self-reported gross receipts taxes, non-compliance fees, license fees, and other statutory fees.

The Task Force is recommending two-year contracts with two, one-year extensions for each of the three companies. The pre-judgment, delinquent accounts referred by departments will be divided alphabetically between GC Services and OSI Collection Service. This method will allow departments to refer multiple delinquent accounts with the same debtor to one contractor, thus avoiding confusion for the debtor. Pre-judgment accounts are defined as accounts that have not been heard or a judgment has not been rendered by a court of law. Allied Interstate will be assigned aged accounts over

one year old and other accounts that are currently held in the City Attorney's Office. (See Table 1 below).

At this time, the City Attorney will refer post-judgment accounts to GC Services based on their experience in this area. Post-judgment accounts are those where a court (Superior or Small Claims) has rendered a judgment or monetary verdict against a debtor. (See Table 1 below).

Table 1		
Recommended Contractor	Pre-judgment	Post-judgment
GC Services	Yes	Yes
OSI Collection Services	Yes	No
Allied Interstate	Yes	No

6. Compensation/Payment Method

The recommended contractors will assume all expenses and costs incurred in collection of any account referred to them by the City. However, a contingency fee will be paid on the amount collected for each account. The fees vary within a narrow range for the three companies. GC Services' fee is 15.7 percent on both pre-judgment and post-judgment. OSI Collection Service's fee is 19.9 percent on pre-judgment and Allied Interstate's fee ranges from 14 to 16.5 percent on pre-judgment depending on the type of delinquent debt. These prices are competitive in the marketplace and are lower than the fees of the City Attorney's current contracts, which are 24 percent on pre-judgment and 40 percent on post-judgment.

Each company will submit a monthly report and invoice listing all collections for the prior month and the gross amount collected on each account. Funds will be transmitted to the City monthly and City staff will then review the invoice and accounts and pay the contractor from the revenue source account from which the gross amount is deposited. This payment process will allow the funds to be received and paid from the same revenue account for better tracking and reporting. The City Controller determined that a gross remittance process is preferable at this time for auditing purposes, rather than allowing contractors to withhold payments from the amount of collections they remit to the City (net remittance). This payment process is already in use in the Office of Finance for tax discovery efforts. If this process becomes burdensome for departments, it can be changed to a net remittance payment process at a later date.

A major concern of using the net remittance approach is the increased workload on departments using the Accounts Receivable System (ARS). Departments are encouraged to use the ARS since it provides information on accounts receivable not otherwise available. Normally, a payment on a receivable in the ARS liquidates the entire receivable if the total, or gross, amount is received. If only a portion is received, or the net amount after the contractor deducts its fees, the department must enter two documents for each invoice to liquidate the receivable. For departments with a large number of receivables this would be time consuming and discourage the use of the ARS.

Each of the proposed contractors has indicated that they have information technology departments and will work with the City to develop electronic interfaces for the City to transmit its receivables to them. City staff will also attempt to work with them on the electronic transmittal of information back to the City in an effort to reduce the workload of departments.

7. Proposed Contracts

A proposed sample contract is attached as Exhibit 1. This sample will be used as basis for development of three separate contracts for each of the recommended collection companies. These proposed contracts would then need to be finalized with the contractors before they are ready for execution. Each contract will be slightly different because of the distribution of the City's accounts. Departments will access the pre-judgment contracts through administrative means, which details the contact person, technical requirements and specifics relating to the nature of the debt.

a. Scope of Work

The requested collection services include mailing past-due notices, utilizing skip-tracing methods, filing delinquent notifications with credit bureaus and communicating with former City customers to pay unpaid bills, invoices, or claims. Collection services for Small Claims or other judgments will also include asset searches, writs of execution, filing and recording abstracts and satisfactions of judgement.

The City will determine which accounts will be referred to the proposed contractors. Upon collection, a contingency fee will be paid to the contractors in accordance with the contract provisions.

The City's delinquent accounts will be referred by electronic transfer, electronic file, or in paper format. The referral will include the name, address, type of account, unpaid balance, if available, and any other relevant information in the City's possession at the time of referral. The proposed contractors will have a period of one year to collect on the delinquent accounts. At the end of one year, the accounts must be returned to the City unless the City chooses to extend the collection period of the delinquent accounts. The City will have, at any time, the ability to recall from the contractors, without any charges, any accounts already referred to the contractors.

The City will evaluate the contractor's performance at the end of six months. The evaluation will include net collections, complaints by City departments, complaints by debtors, adherence or non-adherence to contract provisions, and any other factors that the City considers material to the performance of the contractors. The City reserves the right to modify the number and types of collection activity referred to each firm.

b. Contract Provisions

The proposed contractors must adhere to the highest legal, ethical, and professional standards. This includes operating within the guidelines set forth by Federal and State regulations regarding fair debt collection practices. In addition, the contractors must strictly adhere to the confidentiality provisions specified by the City and keep the City's information separate from information related to other clients. City funds will also be held in separate trust accounts until transmitted to the City.

The City will have the ability to review and approve all letters, notices, and call scripts that are used on the City's behalf. Also, City departments will have the option to listen or monitor telephone conversations between the companies and the City's debtors as a further quality assurance measure.

Accounts transferred to these agencies that remain unpaid after 90 days from the transfer will be reported to credit bureaus. In compliance with the Privacy Act, a 60-day notice to the debtor is required before reporting a delinquent consumer debt. Although the 90-day period is conservative, the Task Force believes this would be in the City's best interest during the first year of the contracts and can be easily changed, if warranted. Most companies report their delinquent accounts to credit bureaus between 60 and 90 days.

In addition, the proposed contractors will be required to abide by the following limitations which include:

- The contractors may not transfer, subcontract or assign accounts to any third party, including any attorney, without written consent of the City.
- The contractors may not collect more than the amount of the unpaid closing amount shown on the final invoice, plus any penalties and interest accruing on the unpaid account after the date of assignment, if the City has authorized such penalties and interest. In addition, the contractors cannot add penalties or interest not authorized by the City.
- The contractors may not send any letter or other message, written or verbal, which is intended to convey, or which conveys to the debtor directly or indirectly, that the contractor intends any legal action against the customer. All letters used by the contractor for collection on City accounts must be approved by the City as to form and content in writing before use. Threats of legal action (lawsuits) are prohibited by law.
- The contractors may not take any legal action against the debtor.
- The contractors may not initiate, negotiate, or reach settlements on any subject account referred to it, and shall not imply either directly or indirectly that it has such authority unless authorized by the City.

- The contractors will be prohibited from encouraging the use of pay-day loans in their collection efforts. In addition, they may not refer debtors to financing companies that they are associated with for debt consolidation loans. This will eliminate any conflict of interest with those associated financing companies.
- The contractors must deposit all monies collected for the City into a special trust fund. This fund shall be kept separate and not commingled with other contractor funds or clients funds.
- The contractors will be required to submit a collection report on all returned accounts where the contractors have been unable to collect the unpaid amounts.
- The contractors shall perform their work as independent contractors and not represent themselves as employees of the City. Contractors may not use or display the official seal of the City of Los Angeles on any letterheads or communications with any debtor without written consent from the City.

c. Contract Administration

The City Attorney will have the authority to enter into the primary contractual agreements with the selected vendors; however, other City departments will utilize the contracts through an administrative process. The City Attorney will also manage all legal matters and any necessary contract amendments. In addition, the City Attorney will address payment and debtor disputes related to those accounts referred by the City Attorney. However, on those accounts referred directly by other City departments, each department will be responsible for monitoring its referrals, timely payments to vendors, and resolution of debtor disputes. The Office of Finance will track departmental referrals, collection results and other benchmarking factors so that the Taskforce can make recommendations regarding possible reallocation of accounts among the contractors. The Office of Finance will also assist in the initial startup and coordination of the program with departments.

ATTACHMENT 1 EVALUATION CRITERIA

The criteria developed by the Task Force were based on the requirements set forth in the RFP. Each criterion is detailed below and their assigned points.

1. Project Methodology and work plan – 25 points: Review of the company's approach and methods for collection of delinquent debt. Companies were to provide an explanation of their collection efforts and philosophy towards collections. This would include the company's use of collection tools such as dunning notices, phone calls, skip tracing, automated dialers, database programming, etc. Determination if the company has a logical and organized approach to collection. Review the length of time before the first attempt to contact the debtor is made. Also, review the language of letters and notices to determine if threatening or intimidating language is used.
2. Qualifications of the company – 30 points: Review of several different areas of the company such as:
 - Prior experience of the company in providing similar services to municipalities including tax collection services.
 - The collection experience of the personnel that would be assigned to the City.
 - The amount of management oversight that would be dedicated to the City.
 - List and explanation of training that is provided to the company's collection staff.
 - The existing caseload of the company's collection agents.
 - The company's ability to accept the City's data whether it is electronic or paper-based.
 - The company's ability to keep the City's account data separated from other clients and the ability to adhere to the City's confidentiality provisions.
 - The company's ability to submit timely reports, as well as the ability to generate ad hoc reports.
3. Features, functions, technical architecture, and vision – 10 points: Other services that the company may be offering to the City. Technical assistance in the area of data integration and transfer is important because the City is unable to easily transfer data electronically. With the addition of other City departments, a coordinated data transfer process is important. Training for City staff on best practices for collection efforts and possible process reengineering may be very beneficial.
4. Pricing Proposals – 20 points: The pricing proposals should be based on the age, type and volume of the City's delinquent accounts. It must be very clear as to what the company is proposing.

5. Size, location, and financial stability of the company – 15 points: This criterion looked at the size of firm whether they had one office and one employee or several offices nationwide with several thousand employees. Other areas concerned the financial stability of the company and whether the company has sufficient cash reserves to pursue the City's accounts. The company must also have more than one client supporting its revenue base. Audited financial statements were viewed favorably in the evaluation. Additionally, since the contract will be on a contingency fee basis, the company must be able to bear all start-up costs.
-

Several other pass/fail criteria were used in the RFP review. These criteria included the submission of a non-collusion statement, affirmative action plan, service worker retention and living wage forms, contractor responsibility forms, and equal benefits forms.

40965

ATTACHMENT 2
SUMMARY OF COLLECTION TASK FORCE SCORES AND RANKING

	GC Services	OSI Collection Service	Allied Interstate	Alliance One	Revenue Assurance Professionals	Risk Mgmt. Alternatives
Scorer 1						
RFP	93	91	92	88	80	88
Interview	16	18	17	17	15	14
Total	109	109	109	105	95	102
Scorer 2						
RFP	84	74	67	74	71	70
Interview	16	18	16	19	12	10
Total	100	92	83	93	83	80
Scorer 3						
RFP	96	94	96	92	87	90
Interview	18	17	16	16	15	10
Total	114	111	112	108	102	100
Scorer 4						
RFP	96	83	92	79	86	85
Interview	17	18	16.75	17.5	14	10.75
Total	113	101	108.75	96.5	100	95.75
Scorer 5						
RFP	89	86	87	86	79	78
Interview	15	19	17	17	14	12
Total	104	105	104	103	93	90
Totals						
RFP	91.6	85.6	86.8	83.8	80.6	82.2
Interview	16.4	18	16.6	17.3	14	11.4
Total Score	108	103.6	103.4	101.1	94.6	93.6
Rank	1	2	3	4	5	6

DRAFT

A G R E E M E N T
between
THE CITY OF LOS ANGELES
and
XXXXX COLLECTION CO.
FOR COLLECTION SERVICES FOR DELINQUENT ACCOUNTS

This Agreement is made and entered into and between the Office of the City Attorney of the City of Los Angeles, an office of the City of Los Angeles, created and existing under the Charter of the City of Los Angeles (hereinafter "City") and XYZ Co. , a Delaware Corporation (hereinafter "Contractor").

W I T N E S S E T H :

WHEREAS, the City Council authorized the City Attorney, (CF00-2094) with assistance of the Revenue Collection Task Force, to prepare and release a Request for Proposals (RFP) for outside collection services to pursue delinquent accounts; and

WHEREAS, the Revenue Collection Task Force has evaluated the proposals received and unanimously recommends contractors as the most responsive bidders; and

WHEREAS, the City Council has approved Contractors as the vendors for outside collection services to pursue City's delinquent accounts; and

WHEREAS, the parties hereto wish to enter into an Agreement to which Contractors will perform the work and furnish all labor, materials and equipment necessary to recover the monies due the City as a result of aggressive pursuit of outstanding accounts receivables.

NOW, THEREFORE, in consideration of the above premises and the covenants, representations and agreements herein contained, the parties hereby covenant and agree as follows:

ARTICLE I. SERVICES TO BE PROVIDED

Contractor is an independent organization which will provide collection agency services with regard to collection of certain accounts receivable for the City departments, bureaus or offices listed on Exhibit A, incorporated herein by reference, in amounts less than

\$1,000.00 for accounts at least 45 days overdue. The City Attorney, at its discretion, may refer delinquent accounts at least 45 days overdue to Contractor. Contractor agrees to provide said services to City pursuant to the terms and conditions of this agreement.

The Contractor's services called for herein include, but are not limited to : locating debtors, arranging for payments, mailing dunning notices, skip-tracing delinquent accounts, telephone contact with debtors, and filing delinquent notifications with credit bureaus. All correspondence shall be sent by first class mail.

ARTICLE II. REFERRAL PROCESS

The City, through its designated departments, bureaus or offices referenced in Exhibit A , may refer certain accounts that are each under \$1,000.00 and overdue at least 45 days, to the Contractor with debtor's name and last known address or other information in its possession at the time of referral, as may be deemed appropriate.

It is understood that City may contract with multiple agencies for collection services. City may utilize any account allocation process that it deems appropriate, which includes, but not limited to, distribution by alphabet.

ARTICLE III. PERFORMANCE REQUIREMENTS

- A. Contractor agrees to operate within the guidelines set forth by the Federal and State regulations regarding fair debt collection practices.

In performing the services requested, the Contractor shall:

1. not assign, refer or transfer any account referred to it by the City to any other person or entity without written consent of the City Attorney's Office.
2. perform its work as an independent contractor. Contractor shall, at all times inform the debtors that it is acting as a collection agency for City, but that it is an entity separate and apart from the City.
3. collect only unpaid amounts as invoiced by the originating City department without any additional charges, fees or interest unless specifically authorized by City. Collection of any additional authorized amounts will be included in gross amount assigned and owing to City.
4. deposit all monies collected into a special trust fund. This fund shall be

kept separate and not commingled with other funds of the Contractor or other clients of the Contractor.

5. deliver to the referring City department or office on or before the fifteenth (15th) of each month, all monies collected during the previous month. A Payment Report setting forth the details of the payments received shall accompany the monthly delivery. The Payment Report shall include:
 - a) Name
 - b) Account number
 - c) Batch number
 - d) Collections
 - e) Commissions
 - f) Remaining balance due.
6. not use or display the official seal of the City of Los Angeles on any of its letterheads or communications with any debtor or for any other reason.
7. not, under any circumstances, use any threats or intimidation of debtors in the collection of City's accounts or violate any other applicable government guidelines.
8. agree that any information provided by the City on delinquent accounts will be used solely for the purpose of collections. This information will be held in the strictest of confidence and used for no other purpose.
9. bear all expenses and costs incurred to effect collection of any account referred.
10. report City accounts to Credit Bureaus only after 90 days have lapsed from the date the account was referred for collection. Any change in this time period must be requested and or approved by the City Attorney in writing.
11. not recommend use of "payday" loans to debtors to satisfy City accounts.
12. not recommend to debtors on City accounts use of debt consolidation loans or home refinance/line of credit programs through a lender wherein the contractor has any financial interest in the lender or where contractor would realize any additional financial gain through referral of business to the lender.
13. return to referring City department any uncollected account held by Contractor for a maximum of 365 days wherein no payment has been

received nor settlement made . Said account shall be accompanied by a report setting forth the status and reason for cancellation. Account may remain on credit bureau report for the duration of this contract, and any extension thereto. Upon termination of contract, Contractor will instruct credit bureaus to remove any negative data reported relative to the account.

B. Recall of Accounts

The City shall have the right , in its sole discretion, to recall from the Contractor, without charge or penalty, any accounts assigned to the Contractor. Upon recall by the City, pursuant to this section, no further collection efforts on recalled accounts will be undertaken by the Contractor. Contractor will also instruct credit bureaus to remove negative data reported relative to the account(s) recalled.

C. Quality Assurance

The Contractor's performance will be compared to the contract standards and acceptable quality levels. The City may use a variety of inspection methods to evaluate the collection agency's performance. The methods of inspection that may be used are:

1. Random sampling.
2. Monthly reports.
3. One hundred percent inspection of output items on a periodic basis (daily, weekly, monthly, quarterly, semiannually, or annually) as determined necessary to assure a sufficient evaluation of the collection agency's performance.

The City shall have the right, at any time during regular business hours, to inspect the records relating to the City's accounts, kept by the Contractor at the Contractor's place of business. Said records must be retained by the Contractor for three (3) years following final payment under the agreement.

The City shall have the right to monitor its accounts and the Contractor's collection activities related thereto. Contractor shall provide City through the referring City department the technical assistance and requirements in establishing a remote access method of communication between City and Contractor.

D. Account Redistribution

The City and its departments or offices shall have the right at its own discretion to redistribute its accounts among Contractors. Factors that may be considered by

City in any account redistribution are, but are not limited to, the following:

1. Net collections and rates;
 2. Complaints by debtors;
 3. Complaints by City departments.
-

E. Membership in ACA; CAC

The Contractor shall be, and shall remain during the term of this agreement, a member of the American Collectors Association, California Association of Collectors, or a similar organization which provides interstate and intrastate service, and utilize collection techniques which are consistent with the Code of Ethics and standards adopted by said associations.

F. The Contractor agrees to have and maintain a valid City of Los Angeles Business Tax Registration Certificate for the term of the Agreement.

G. Automation Support

Contractor shall provide required and reasonable information technology/systems support to City and referring City departments for account referral and reporting purposes.

H. Client Assistance

Contractor shall provide to City and referring City departments and offices as needed on-site customer assistance particularly during, but not limited to, the first thirty (30) days of contract implementation.

I. Training

Contractor shall provide to City staff, periodic on site training relative to collection processes and procedures at no additional cost to City.

J. Consulting

Contractor shall provide to City management and supervisory level personnel reasonable and mutually agreed upon consulting services relative to collection and revenue enhancement processes and procedures at no additional cost to City.

K. Access to Accounts

Contractor shall provide to City remote access to its referred accounts through an internet website based process.

L. Response Time

Contractor shall respond to City within two (2) business days to any complaint received by City against Contractor relative to the handling of a City account.

ARTICLE IV. COST

The City agrees to compensate Contractor for the specific services based solely on a per file contingency fee basis. Payment of the fee will be contingent upon actual collection of money owed to the City. Compensation shall be as follows:

- a. Recoveries up to and including \$X: **Contractor to be compensated at XX% of actual recoveries.**

NOTE: THIS SECTION WILL SPECIFY ANY DIFFERENTIATION IN FEE RELATIVE TO NATURE OF CLAIM (I.E. PRE VS. POST JUDGMENT ACCOUNTS, ETC.) OR MAY REFLECT ONE FEE FOR ONE TYPE OF ACCOUNT PER RESPONSE TO RFP/CONTRACT AGREEMENT.

- b. Recoveries of \$X to \$Y: **Contractor to be compensated at Y.% of actual recoveries.**

The City will not compensate the Contractor in any other fashion. Payments will be made to the Contractor within thirty (30) days of receipt of an invoice.

Upon delivery to City of accounts collected, Contractor shall prepare an invoice for services rendered in duplicate, during the previous month. Each invoice shall show the contract number, vendor code number, and such additional information as will enable City to distinguish recipients of commission rate as provided in this section.

Invoices shall be submitted to the appropriate City department or office referenced on Exhibit 1.

City of Los Angeles
Department or Office as listed on Exhibit 1

Los Angeles, Calif. 90012
Att.:

Any money paid directly to City by a debtor on any account referred to Contractor shall be deemed to have been collected by Contractor unless payment is received within ten (10) working days after the date on which the account was submitted to Contractor. City will promptly notify Contractor regarding payments made directly to City by the debtor on accounts referred to Contractor.

ARTICLE V. DELIVERABLES

Notwithstanding the Payment Report outlined above, the Contractor will also provide periodically, at the City's request, a report of outstanding unpaid accounts. Each such report will set forth the status of all current accounts which have been referred to Contractor by City and shall include:

- a. Name
- b. Account number
- c. Batch number
- d. Remaining balance due

The Contractor shall report to the City quarterly on the status of City accounts referred to the Contractor. Contractor shall provide other reports as designated by City departments commencing sixty days (60) of contract execution.

ARTICLE VI. TERM

The term of this Agreement shall commence on XX, 2003, and continue for two years through YY, 2005, unless terminated earlier as provided herein or amended as elsewhere provided herein.

The City reserves the right to extend the term of this agreement for two (2) additional years in one (1) year increments under the same prices, terms and conditions for such periods, if both parties agree to the extensions.

ARTICLE VII. MANAGEMENT, ORGANIZATION AND RESPONSIBILITIES

A. City's Representative

The City hereby appoints the City Attorney or his designate, as the City's representative with respect to amendments or other matters directly related to this Agreement, provided, however, that any matters, including amendments, which will increase the City's financial obligation hereunder shall be presented to the City Council for its consideration and approval or approved otherwise provided in the City's Charter.

The City Department or Office referenced on Exhibit A shall be primarily responsible with respect to accounts referred.

B. Contractor's Representative

The Contractor hereby appoints XYZ, Vice President, to represent Contractor with respect to amendments or other matters to this agreement.

ARTICLE VIII. NOTICES

Notices and all other communications to the City or Contractor required by or regarding this Agreement shall be sent in writing delivered personally or sent by first class mail, telegram, or facsimile, as follows:

A. City's Address:

Office of the City Attorney
201 N. Figueroa St. #1400
Los Angeles, Calif. 90012
Att.: Mark O'Brien
Telephone: (213) 977-6533
Fax No. : (213) 977-6703

B. Contractor's Address:

XYZ CO.
XXXXXXXXXX
Torrance, Calif. 90509
Att.:

Telephone: (310)
Fax No.: (310)

All other notifications or communications to the City or Contractor relating to:

1. Account referral processes;
2. Specific reporting/ remittance requirements;
3. Payment for services;
4. Verification/documentation/substantiation of accounts;
5. Account inquiries;
6. IT related matters

shall be sent in writing to the appropriate City Department or Office as set forth on Exhibit A.

Either party may change its address by giving written notice to the other party in

accordance with this Article.

ARTICLE IX. TERMINATION

The City may terminate the Agreement, or any part hereof, for its convenience, effective as of any date upon at least thirty (30) days written notification to the Contractor.

Upon termination of the Agreement, all accounts shall be deemed automatically reassigned by the Contractor to the City. In-process collections may be considered waived from reassignment upon written consent of the City. Contract terms and conditions will remain in effect only on in-process collection accounts, with no new account referrals to Contractor.

ARTICLE X. STANDARD PROVISIONS FOR CITY PERSONAL SERVICES CONTRACTS

Contractor agrees to comply with all terms and conditions set forth in City's "Standard Provisions for City Personnel Services Contracts" (revised 10/2001), a copy of which is attached hereto as "Appendix B", and incorporated herein by reference.

ARTICLE XI. INCORPORATION BY REFERENCE

The City's Request For Proposal for collection services and the Contractor's Response to Proposal are incorporated herein by reference.

In the event of any inconsistency between any of the provisions of this Agreement (including amendments thereto), and the documents incorporated by reference, the inconsistency shall be resolved by giving precedence in the following order:

1. Sections of this Agreement (including amendments);
2. City's Standard Provisions For Personal Services Contracts;
3. The City's Request For Proposal (RFP) dated YY,2002;
4. The Contractor's Proposal dated XX,2002.

IN WITNESS THEREOF, the parties hereto have caused this instrument to be executed by their respective duly authorized officers.

CITY OF LOS ANGELES

XYZ COMPANY, INC.

By _____
Rockard J. Delgadillo
City Attorney

By _____

Name: _____

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM
Rockard J. Delgadillo, City Attorney

By _____

By _____
Noreen Vincent, Assistant City Attorney

Name: _____

Title: _____

Date: _____

ATTEST: J. Michael Carey
City Clerk

By _____
Deputy City Clerk

Date: _____

Contract No. _____

EXHIBIT A

All City Departments/Offices/Bureaus applicable to be listed on this Exhibit.

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

00-2094

October 28, 2002

AUDITS & GOVERNMENTAL EFFICIENCY COMMITTEE

In accordance with Council Rules, communication from the Office of Finance relative to improving and enhancing Citywide Revenue Collections, was referred on October 28, 2002, to the AUDITS & GOVERNMENTAL EFFICIENCY COMMITTEE.

J. Michael Carey

City Clerk
amm





JAMES K. HAHN
MAYOR

CF 00-2094

October 21, 2002

Honorable Mayor James K. Hahn
Honorable Members of the City Council
Audits & Governmental Efficiency Committee

RECEIVED
CITY CLERK'S OFFICE
2002 OCT 22 PM 4:09
CITY CLERK
BY _____
DEPUTY

Re: **IMPROVING AND ENHANCING CITYWIDE REVENUE COLLECTIONS**

One of the primary responsibilities of local government operations is to collect the taxes and fees it is owed so that it may realize: 1) improved revenue flow, 2) more accurate cash forecasting and improved cash management, 3) greater interest earnings on investments, 4) consistent and equal treatment of taxpayers, and, 5) greater budgetary control. Several studies conducted over the last decade agree that the City of Los Angeles' decentralized revenue collection structure has resulted in overall poor revenue collection and have recommended that the City change its approach to realize greater efficiency and enhanced revenue.

After evaluation of the consultant's recommendations, the Office of Finance (Finance) recommended a three-step approach to improve and enhance revenue collection:

1. Develop a strong Citywide billing and collection program based on best practices in both the public and private sectors;
2. Review individual departmental operations and recommend possible functional organizational realignments and;
3. Establish a common methodology for reporting performance and recommend an integrated technological solution to improve performance and hold departments accountable for results.

In the current challenging economic environment, the need to increase revenue collection efficiency is more important than ever. Better collection rates increase real monies to the General Fund without raising taxes, imposing new taxes or charging higher service fees.

CITYWIDE GUIDELINES

Over the last year, Finance has developed a multi-year plan for implementing the steps listed above. A major milestone was reached in May 2002 with the release of the "Revenue Billing and Collection Guidelines", attached. The guidelines incorporate both public and private industry best practices for efficient and effective revenue management. In May 2002, Mayor Hahn instructed all departments to develop policies and procedures in accordance with the guidelines. Nearly all revenue-producing departments have submitted their policies and procedures to Finance, which are being reviewed as to conformity to the guidelines.

USE OF CITY ATTORNEY LETTERHEAD

Finance worked closely with the City Attorney's Office on the development of a standard letterhead for delinquent accounts. The City Attorney's letterhead will be used by departments

**AUDITS & GOVERNMENTAL
EFFICIENCY**

OCT 28 2002



as the final delinquency notice and is expected to improve delinquency responses by those persons failing to acknowledge first and second departmental billing notices.

REVENUE MANAGEMENT COMMITTEE

Finance has chaired monthly meetings of the Revenue Management Committee since its inception in October 2001. The committee consists of representatives from the revenue producing departments and a representative from the Mayor's Office, Controller, City Attorney, CAO and the CLA. The monthly meetings serve as a forum for all City departments to participate in discussions concerning ways to enhance revenue billing and collection procedures and operations. The new Citywide Guidelines received early feedback from the committee allowing maximum input from the departments who would eventually implement them.

REVENUE COLLECTION TASK FORCE

As an active member of the Revenue Collection Task Force, which is comprised of the CAO, CLA, City Attorney, Controller and Finance, our Office has participated in the development and issuance of a Request for Proposal (RFP) for Collection Services, released last month and expected to be awarded by December. Finance was also instrumental in leading the effort to amend the City's Administrative Code to allow for the referral of delinquent accounts receivables to outside collection agencies and raising the limit on single referrals from \$100 to \$1,000. In addition, amendments to the confidentiality provisions of the Administrative Code allow, for the first time, delinquent tax accounts to be referred to outside collection agencies.

DEPARTMENTAL REVIEWS

Finance is conducting reviews of revenue producing departments to establish a baseline for citywide revenue management performance and to recommend the short and long-term changes to improve revenue billing and collection efforts citywide. Reviews of the Convention Center, and Department of Water and Power/City Attorney collection efforts have been completed and communicated to the respective General Managers. Draft reports for the Fire Department and Office of the City Attorney Collections unit have been completed and are currently being reviewed by Finance management. We have also recently begun a review of Animal Services and are in the information-gathering phase.

It is anticipated that by the spring of FY 2002-03, Finance will have completed its review of all the General Fund revenue producing departments. Shortly thereafter, a long-term plan for revenue management, including possible centralization of collection functions, will be submitted to the Mayor and Council for consideration.

1. Receive and file this report.

Sincerely,



Antoinette Christovale, Director

Attachment

CITYWIDE GUIDELINES TO MAXIMIZE REVENUE COLLECTION

(As developed by the Office of Finance, May 2002)

BACKGROUND

The major goal of any local government's revenue collection operation is to collect what it is owed. The benefits of an efficiently run revenue program are significant, including improved revenue flow, more accurate cash forecasting and improved cash management, greater interest earnings on investments, consistent and equal treatment of taxpayers and greater budgetary control.

As far back as 1991, studies have been conducted to help improve the City's accounts receivable and collection process. Consulting firms and organizations such as Ernst & Young (1991 & 1994), Altmayer (1996), and City of Los Angeles Controller's Office (1998) have reviewed and evaluated the City's collection process. The L.A. County Citizen's Economy and Efficiency Commission completed a comprehensive analysis of County of Los Angeles operations in 1998.

Many of the same recommendations were made by each reviewing entity. Those recommendations included:

1. Developing standardized policies and procedures;
2. Contracting with outside collection agencies to help collect on delinquent accounts;
3. Enhancing departmental accounts receivable systems to provide adequate aging and tracking information;
4. Implementing a single citywide Accounts Receivable System, and
5. Establishing a citywide Revenue Collection Unit.

A national taskforce, established by the Government Finance Officers' Association (GFOA), compiled and analyzed more than 200 state and local government responses regarding their internal collection efforts. The study results clearly indicated the need for a practical, hands-on guide that addressed the entire revenue collection effort – from the pre-collection stage to the collection of court judgments. These guidelines begin the process of standardizing the City's approach to its billing and collection functions.

OVERVIEW OF THE REVENUE MANAGEMENT PROCESS

The assessment and billing of taxes and other revenue are two of the most important tasks faced by local governments in their daily operations. The inability of a local government to successfully accomplish these tasks can reduce the amount of revenue available to provide services to residents.

Administration of the revenue collection process begins even before the decision to render service. The Mayor and Council pass ordinances governing the framework,

parameters and processes involved with each City service. Many of the formative decisions made during the adoption of a fee or tax are intricately linked to how a department administers the billing and collection for that function. Often, additional legal requirements may be imposed by federal or state agencies. For some City departments, operating policies and procedures require Commission action before implementation. The complexity of the process illustrates the need for standardization.

Opportunities for efficiencies, the streamlining of current processes and inter-departmental partnerships must be fully explored to realize the City's true revenue capacity. The guidelines have a predominately " front-end emphasis"— allowing the City "customers" every opportunity to make payment in a timely fashion. Departmental efforts must be focused on preventing accounts from falling into delinquency by clearly delineating in the initial invoice the services billed, due dates, and the consequences of non-payment. Penalties and interest should generally be added to all delinquent invoices. Timeliness in notifying customers of delinquency and subsequent referral to an outside collection agencies and/or the City Attorney increase the likely success rate.

These guidelines are derived from public and private agency best practices that have been successful in developing efficient revenue management programs. They will act as a constructive blueprint for the reconfiguration of our billing and collection functions. The guidelines are broad and general to allow flexibility as departments develop specific policies and procedures that meet the guidelines and their unique operational requirements. In those rare instances where there is a conflict, departments should include the following information in their written response: 1) the issue, 2) recommendations on changes in operating procedures to meet the guidelines, and 3) alternative approaches. The Office of Finance will work with departments in resolving these matters while still maintaining uniformity. It is also anticipated that policies and procedures may vary by revenue collection activity within departments. The goal is to prioritize debt collections, establish efficient policies and implement successful collections procedures. Regardless of the method of collection, there is an undisputed need for standard collection practices.

GUIDELINES

Written collection policies and procedures must be accessible to all involved in the collections process, including employees and taxpayers. Processes must be documented from the pre-collection phase through collection, including the process by which referred delinquent accounts are monitored. Departments will submit their written policies and procedures to the Office of Finance, Attention Revenue Management, on or before July 5, 2002. Subsequent revisions to a department's procedures should be forwarded to the Office of Finance for review and comment. The departmental procedures will be reviewed to ensure uniformity and adherence to the general policy guidelines. As necessary, the Office of Finance will work with departments and the City Attorney's office to recommend revisions to the Administrative and Municipal Code sections to reflect the overall policy. The Revenue Management Committee, a working group of the primary revenue producing departments along with the City Attorney, City

Controller, the Chief Legislative Analyst (CLA) and the City Administrative Office (CAO), will meet regularly to further define the implementation issues.

Exhibit 1 (attached) illustrates the Revenue Process and provides the framework for the standardized guidelines. Generally, the process can be divided into six distinct phases:

- Pre-Service
- Billing/Invoice
- Cash Receipt and Proper Accounting
- Accounts Receivable Management
- Collection of Delinquent Accounts
- Tracking and Reporting Results

The following guidelines are provided for the billing and collection of City taxes, statutory fees, and permit revenues. A significant portion of the City's revenue comes from other governmental agencies, grants, pass-through revenues collected by the State and County on the City's behalf (property taxes, sales taxes, vehicle license fees) and, inter-fund transfers from the special funds to the General Fund. Due to the specialized nature of these transactions, separate guidelines will be issued regarding the timely collection of these items.

Pre-Service

1. Departments should require advance payments or substantial deposits as a condition of providing service, where appropriate.

While the City often does not have the option of withholding service, credit policies are one of the most effective tools to control the quality of receivables. Credit decisions are made during the pre-service period. The Institute of Management and Administration surveyed private companies in 1998 to see how they improved their operations. The results found that companies of all sizes in all industries were very successful at lowering the percentage of their customers who pay late by concentrating efforts early in the billing cycle.

Pre-payments and deposits are a way to minimize the number of transactions that require follow-up after the service is provided. Wherever possible, departments should institute advance deposits or pre-payments. For example, in the Public Works department, developers draw against initial deposits for services and replenish the depository account to continue work. This alleviates the necessity of invoicing entirely and requires only monitoring by the department. Not all activities lend themselves to this type of payment arrangement, but departments must look for similar opportunities within their own operations.

Departments may want to consider running credit checks before providing service as another way to minimize delinquent transactions. A credit report lists current employers and can help determine if debtors would be proper candidates for a payment plan. It also forewarns creditors of bankruptcy filings, pending judgments and past write-offs.

The Harbor Department successfully uses this method prior to executing some of its lease agreements. Another prepayment option for consideration is the use of irrevocable Letters of Credit.

2. As many payment options should be offered as can reasonably be administered.

Department should review the payment alternatives available to their customers. In addition to accepting cash and checks as payment, many departments have successfully implemented the use of credit/debit cards, automated clearing house (ACH) wire transfers, and bank by phone payments, all of which accelerate the timing of when cash is received by the City. Other departments are exploring payment options via the Internet. Through the use of credit cards, a taxpayer is able to pay off their liability over time. Finally, payment plans also should be included as an option available to the debtor.

Use of a check verification system will be mandatory to minimize the number of returned checks in departments where the preferred payment method is a personal check. In 1997, there were approximately 15,400 returned checks from 14 different City departments. Through the use of a check verification system and an outside vendor for returned check collection in several departments, the volume of returned checks has decreased. Departments may contact the Treasurer's office for additional information regarding the established check verification procedures.

In addition, Exhibit 2 suggests check acceptance guidelines for immediate use and implementation. Public Counter personnel should be familiar with these guidelines and in cases where checks do not meet check acceptance criteria, they should ask for another form of payment.

3. Cross-referencing of persons/organizations with outstanding debts in other City departments will reduce the extension of credit to the same entity and engage all departments as partners in the collection effort.

Another critical factor found to improve collections is the ability to consolidate accounts of one debtor from several departments. Departments should identify safeguards in their operating policies that mitigate the extension of credit within the same department to persons/organizations with outstanding debts in another section of the same department. Cross-referencing between departments will require a greater effort between departments and will be addressed as part of the long-term City system solution. In order to do this, the City must compile an initial listing of outstanding accounts citywide, share the information with all stakeholders, and then maintain an accurate reference listing. This project will fall under the auspices of the Office of Finance working with the Revenue Management Committee.

4. The payment standard for City services will be uniform and the definition of a delinquent account, universal.

The definition of accounts receivable varies among departments primarily due to the City's fragmented approach to revenue management. This creates reporting difficulties and system barriers when trying to evaluate efforts citywide. To correct this deficiency, all initial invoices for service will be considered current if paid within 30 days. If payment is not received within the 30-day timeframe, the account becomes delinquent and penalties and interest should be applied, where appropriate.

Billing/Invoice

5. Invoices should be uniform with clearly written instructions and include the service billed, due date and a contact phone number that is readily identifiable.

The timing of a bill directly affects whether revenue is received. Initial invoices must be sent within five (5) business days of service. Failure to bill in a timely manner creates a two-fold negative impact. First, the longer an account goes without contact, the likelihood of recovery diminishes. Secondly, failure to attempt to collect creates a perception among future customers that accounts do not have to be paid. The collection process begins with the mailing of the invoice.

A cohesive process created by a common look and feel for invoices and advice letters has been found to increase results. All invoices should include the following standard information in an easily readable format:

- ✓ Name of person or company billed
- ✓ Correct address
- ✓ Account number of the person or company billed
- ✓ Type and amount of service provided
- ✓ Cost of service and amount due
- ✓ Contact name and phone number for assistance
- ✓ Whom to make the check or payment to
- ✓ Due dates clearly indicated
- ✓ Description of penalties and interest that will be applied if payment is delinquent
- ✓ Clear, concise instructions for forms that need to be completed. It is not necessary to include instructions regarding every possible contingency or exemption. Too much text is confusing. Instructions should reflect the majority of transactions.
- ✓ A contact name and phone number to provide information regarding special circumstances.

Departments should include samples of the invoice and demand letters in their response to the Office of Finance.

6. A pre-printed return envelope that includes the "Address Correction Requested" notation and the lockbox address should be included with the invoice.

The use of a pre-printed return envelope with the "Address Correction Requested" feature instructs the post office to return the envelope with the forwarding address of a

customer who has moved or the reason why the mail cannot be delivered to the addressee. This is an essential part of the process known as "skip tracing", which is an integral part of the collection effort.

Cash Receipt and Proper Accounting

7. Lockboxes should be used for all payments by check sent through the mail.

The City adopted a cash management policy, C.F.00-0249, on July 28, 2000 that directs departments to utilize lockbox services for immediate deposit of fees to City accounts. It further instructed that the Treasurer would provide the assistance necessary to achieve these goals.

Lock box systems are designed to improve the processing of revenues and accelerate the availability of funds by reducing the internal processing time delays before checks are converted into usable funds. They generally work as follows:

- a) a local post office box is rented by a financial institution in the City's name;
- b) remittances are mailed to this specific post office box rather than to the department;
- c) the financial institution agrees to collect the remittances periodically throughout the day;
- d) a bank staff person opens the remittances and sorts the payments;
- e) checks are processed for deposit that same day and,
- f) copies of all normal or accepted remittances are forwarded daily to the department for its internal processing.

Departments must work with the Treasurer to institute the automated lockbox processing described above. A process is in place to evaluate requests for services to assure that the need for a lockbox is justified and to allow the City to negotiate the best fee for service.

The collection of cash receipts should be recorded on a daily basis in the City's Financial Management Information System (FMIS) or other departmental accounting system. Cash receipts information must be reconciled with the information in the department's internal records to ensure that the amounts have been properly recorded in the appropriate fund and account.

8. The Automated Clearing House Systems (ACH) should be used for recurring payments in excess of \$50,000.

The Automated Clearing House (ACH) is operated by the Federal Reserve System to transfer funds electronically between parties. The process allows the taxpayer to electronically transmit the payment (data file) directly to the City's bank account. These payments are often less labor intensive and therefore, less expensive than the processing of paper checks. It eliminates the internal processing delays and the check-clearing float, which usually amounts to several days. Departments should work with the Treasurer to offer this payment alternative for large, recurring transactions over \$50,000.

Accounts Receivable Management

9. Penalties and interest should be applied to all delinquent accounts and be set at a level that effectively deters taxpayers from becoming delinquent.

The L.A. County Citizens' Economy and Efficiency Commission surveyed state and local governments in 1998 regarding their debt collection practices. Eighty four percent (84%) of the public agencies imposed late fees or interest penalties on past due balances.

Interest charges should be uniformly applied within the City on all delinquent accounts. The purpose of interest is to reflect the cost of borrowing money. It is not intended as a punitive measure. The Office of Finance will annually calculate the appropriate interest rate. Beginning January 1, 2002, the interest rate to be added to delinquent bills is 0.6 percent monthly or 7.2 percent annualized. Punitive penalties should be set at a level that provides sufficient incentive for customers to pay on time. Notices regarding the penalty fees and interest charges should be clearly outlined on original bills and invoices to reduce challenges from the debtor if the bill does become delinquent. In situations where changes in the Administrative or Municipal Code are required, departments shall evaluate their existing policies on penalties and interest and include their recommendations in their response to the Office of Finance.

Checks that are returned due to insufficient funds in a bank account should also be subject to penalties. It is imperative that the penalty fees are uniformly and consistently enforced each time a delinquency occurs. Returned check notices should clearly detail the consequences of non-payment and include the penalties and interest incurred.

10. Payment plans should be available as an option.

Payment plans are often offered to delinquent debtors as a remedy to further collection activities. Although interest continues to accrue, no further action is necessary by the department as long as the payments are made on schedule. Strict adherence to the payment timeframe and consequences of non-payment should be detailed in advance. If a scheduled payment is missed, a final notice asking for payment should be sent within 3 days of the due date. If payment is not received within 5 days, the account should be referred with the penalties and interest to the appropriate agency.

Departments should include in their response to the Office of Finance specific information on whether or not payment plans are offered, the current terms offered and the maximum repayment period. Based on an overall evaluation, further direction will be provided regarding a consistent payment plan approach.

11. Departments will provide timely notice of delinquency.

If payment is not received within 30 days, the account is delinquent. Notices of delinquency should be sent within three days of delinquency with a 10-day period afforded for payment. Most public and private agencies generally send second letters that remind debtors that their accounts have become delinquent. Although follow-up

letters should be firm in tone, the initial letter and the second letter will often give the debtor the benefit of the doubt. Given the compressed timetable for the delinquency notices, a sentence should be included in the notice stating, "If payment has already been made, please disregard this notice." However, the demand requests should use strong language to encourage payment and clearly identify the penalties and interest that have accrued. Language regarding the consequences of non-payment should also be included in the delinquent notices.

In some cases, it may be appropriate to combine the follow-up letter with telephone calls. Personal contact can often achieve what the written notice cannot. Departments should evaluate their individual operations and existing staffing to determine whether this will be beneficial to improving their collection rate.

12. Departments will send the final delinquency notice on City Attorney letterhead and if payment is not received within five days, promptly refer the outstanding account to the proper collection authority.

If the debtor fails to comply with the notice of delinquency, stronger measures are generally necessary to collect the debt. Once an invoice and a delinquency notice has been sent, a final notice should be drafted on City Attorney letterhead that clearly states the account will be forwarded for criminal or civil prosecution if payment is not received within five days. To ensure that all payments are processed, departments should wait 20 days before issuing the final notice.

The City Attorney has provided standard language to be used in the final notice. A sample letter was provided at the February Revenue Management Committee meeting for departments to use in crafting their final delinquency notice. The final notice must be submitted to the Office of Finance, Revenue Management for approval before it is used. No modifications or deviations from the language provided by the City Attorney's Office is allowed. Departments are also to provide written notice to the City Attorney's Office of a designated departmental contact, name and telephone number, to which telephone calls may be referred. The use of the City Attorney's letterhead has been found to greatly enhance collections in the City and is recognized as a best practice. However, the utmost caution regarding its use must be demonstrated to assure its validity. Instances where misuse is alleged will result in immediate suspension of the practice. Random sampling will be conducted to verify that departments are using the notice as intended. Departments are also responsible for providing the City Attorney's office with a listing of targeted debtors in the format to be defined by the City Attorney's office.

Collection of delinquent accounts

13. After the initial invoice and the two delinquent notices have been sent, which should be within 45 days, unpaid accounts should be promptly referred to either an outside collection agency or to the City Attorney to provide adequate time to pursue the collection effort.

The use of private collection agencies earlier in the process is a best practice within private industry and all levels of government. Timeliness in the referral to another

agency after the department has completed its collection efforts is critical. According to the Commercial Law League of America, 84.6% of delinquent commercial debt can be collected within two months of delinquency. The percentage drops to 41.9% nine months after the due date. Government agencies routinely use outside collection agencies to assist in the collection of debt, taxes, loans and other obligations. Throughout the City, several departments have contracts with outside collection agencies and are encouraged to continue to utilize them. The Office of Finance, working with the City Attorney's office and the Collections Taskforce, proposed the expansion of the use of private collection agencies. The City Council recently adopted a policy (C.F. 00-2094) that would provide for the direct referral of delinquent accounts less than \$1,000 to an outside collection agency. We are working with the City Attorney's Office and the Collections Taskforce to release an RFP for collection services and an award is anticipated by late summer. We have also recommended that the selection include one or more approved collection agencies to maximize the return to the City.

In 1997, the Government Finance Officers Association (GFOA) partnered with a municipal bond insurer and administrator, MBIA, to survey 3,500 member governments in the U.S. and Canada on the use of outside collection agencies. The survey results found that 39 out of 50 states use outside collection agencies for the collection of delinquent accounts and that generally, the use of outside collectors has been viewed as successful by the agencies and non-objectionable by the public.

Outside collectors do not have unlimited authority. Important operational details regarding the setting of limits and tolerance preferences, including the calling hours, tone of messages and training oversight are just some of the details that must be written into the contract with the outside agency. The Office of Finance will conduct a cost benefit analysis of a citywide master contract with several collection agencies that could be accessed by departments.

Collection agencies generally are paid from the proceeds of the delinquent account. In many cases, the standard collection agency practices of dedicated phone calls, letters regarding possible referral to credit bureaus and the professional expertise offered by the collection industry, have been found to greatly enhance the efforts of other governmental entities.

The development of criteria for whether a delinquent account is best referred to a collection agency or to the City Attorney's office for collection is challenging. Most cities surveyed found the legal approach time consuming, costly, and generally used as a last resort. The Administrative Code Section that requires referral of all delinquent accounts over \$100 to the City Attorney is under revision, raising the threshold from \$100 to \$1,000. This is a starting point that will be re-visited in the Office of Finance's annual report. While accounts under \$1,000 are generally recommended for referral to an outside collection agency, departments should evaluate their accounts receivable on a case by case basis and include their recommendations on the appropriate referral in their written response.

Department heads must re-evaluate their operations to leverage all available means to collect their accounts receivables. A third option that may work for some departments is to partner with other governmental agencies to collect City debts. For example, the Fire Department places the cost of contracted brush clearance for properties that fail to comply with notices of deficiency on the County property tax rolls for collection. The Office of Finance and the City Attorney's Office will assist departments in the decision making process.

Tracking and Reporting Results

14. Departments must submit data on their accounts receivable to the Office of Finance quarterly for monitoring and evaluative purposes.

In order to properly monitor citywide collections, departments must provide accurate information on the aging of accounts as well as information regarding the referral of accounts for collection to the City Attorney or outside collection agencies. Automation of the entire process presents challenges for most departments due to the system hardware/software and training costs.

The City Controller implemented the Accounts Receivable System (ARS) in 1995 for use by departments. Mixed use of the system has hampered efforts to quantify the scope of the City's accounts receivable. Several departments are migrating to ARS and it may accommodate the City's long-term needs. Recommendations regarding the technology challenges faced by the use of several different billing and collection systems will be addressed through the Revenue Management Committee.

Standard reporting information, however, is essential to management of the receivables. Both the research and practical evidence has shown that increased attention to the collection process and implementation of a cohesive strategy can dramatically increase the collection of receivables. At a minimum, the City must be able to answer critical questions about its accounts receivable such as, "What is the total outstanding balance?" or "How many accounts are over 60 days?"

Until a long-term technology solution can be recommended, the following data should be electronically forwarded to the Office of Finance quarterly beginning in June 2002:

- a) **Summary of billing activity by type**—departments should evaluate their operations as to the level of detail that is representative, informative and suitable to be presented for management analysis. Groupings of similar revenue source categories are preferable: i.e. electrical permits, mechanical permits, etc.
- b) **Aging of accounts by type**—within the same categorical divisions as presented above, an aging report should be presented that correlates with Exhibit 1. Specifically, the timeframes are Current (0-30), 1ST delinquent notice, Final Notice, Referred to Collection Agency (60-90,90-120, 120+), Referred to City Attorney (60-90,90-120, 120+) and Total.

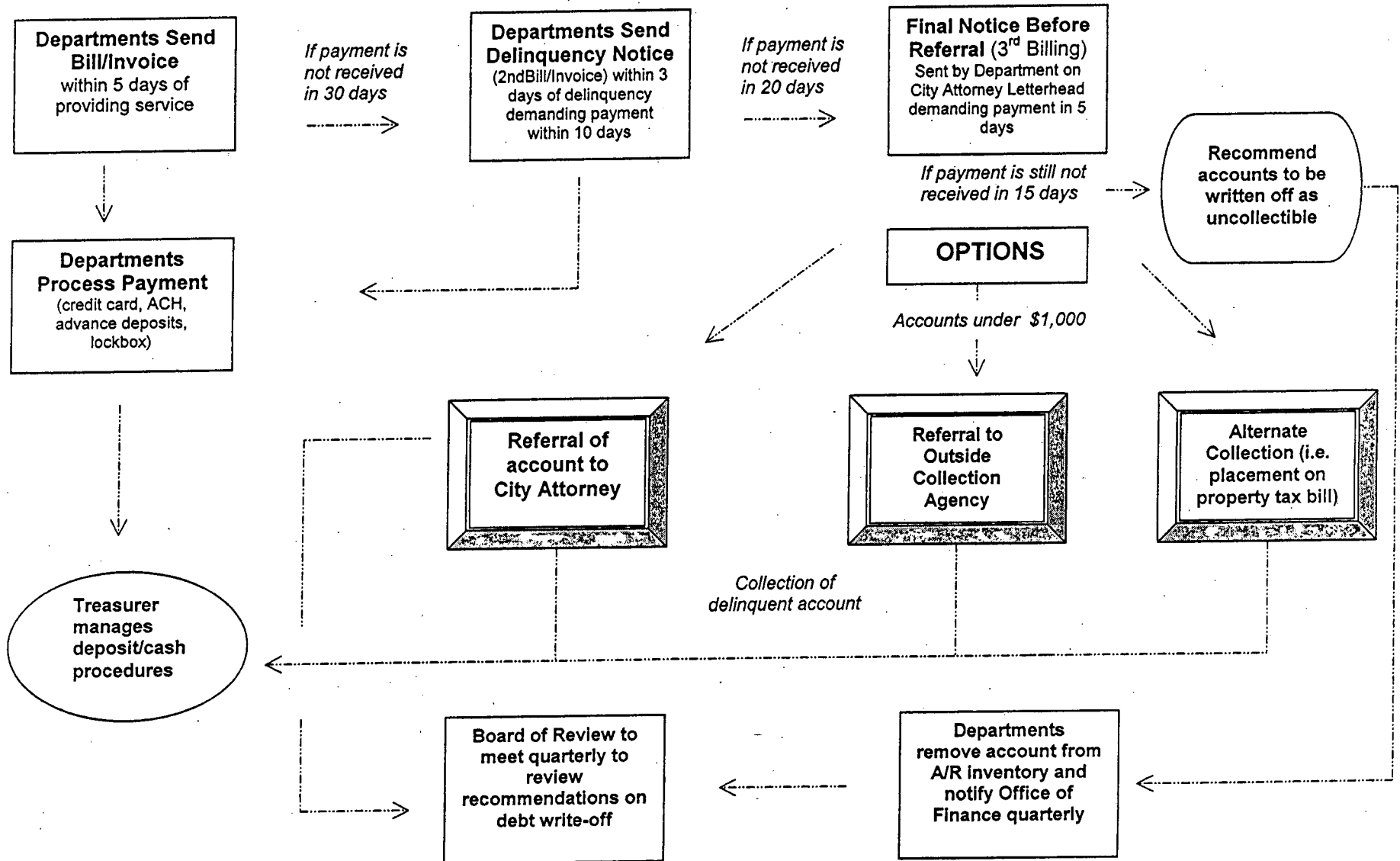
- c) **Number and value of accounts referred and collections for accounts forwarded to the City Attorney—Summary by type.**
- d) **Number and value of accounts referred and collections for accounts forwarded to an outside collection agent—Summary by type.**
- e) **Revenue collection for the quarter by account.**

Departments must be able to explain and defend the data submitted so that the citywide statistical consolidation is meaningful. The Office of Finance is available to help departments develop their measurement statistics. Reports must be submitted to the Office of Finance 10 working days after the end of each quarter, beginning in June 2002. Further, the Office of Finance will publish an annual report card that details the City's progress towards its revenue enhancement goals and the specific collection efforts of the City's revenue producing departments.

- 15. The City Attorney is requested to develop a list of debts that are not collectible and forward this information to the Board of Review or Council for write-off annually.**

Currently, the City Administrative Code stipulates procedures for write-offs of uncollectible accounts and it includes an examination of accounts recommended for write-off by a Board of Review consisting of the City Treasurer, City Controller and City Attorney for accounts under \$1,000. Accounts over \$1,000 require Council Approval. Firm direction to departments regarding debt write-off should be developed by the Board of Review for accounts over and under \$1,000. It is also recommended that the Board of Review meet at least quarterly to review the departmental and City Attorney's recommendations for debt write-off.

Departments must be diligent in their efforts to write off debts for which the statute of limitations has expired and or all reasonable methods of collection have been exhausted. In certain situations, it may be prudent to write off accounts before referral to the City Attorney or outside collection agency for obviously uncollectible accounts. Ambulance billings to the indigent would be an example of where this may be an appropriate step. The internal review of operations should include evaluating the appropriate timeframe for write-off for each different type of delinquent account.

Recommended Process Flow

City of Los AngelesSuggested Check Acceptance Guidelines

1 →	John Q. Customer 9999 Fir Street This Town, CA 90012	12 →	CDL R0684746	2 →	782
		3 →	Today's Date 20 ____	4 →	90-731 1222
5 →	Pay To The Order Of <u>City of Los Angeles</u>			\$ 100.00 ← 6	
7 →	ONE HUNDRED AND 00/100-----Dollars				
8 →	The First National Bank Of Los Angeles County 1000 Main Street This Town, 90012				
Memo		12 → <u>John Q. Customer</u>			
	122200419	8216517	0782		
	9	10	11		

These numbers make up the MICR line.

1. Check should be preprinted with the maker's name and complete street address. If temporary checks are presented, make sure the full and complete address and phone number are legibly written on the top of the check. If the address contains a Post Office Box address try to obtain a valid street address as well.
2. Check number should be preprinted on the check.
3. Checks tendered at cashiers should have today's date. Checks received by mail should have dates no older than six months. Do not accept checks dated in the future.
4. There should be a bank ID number assigned by the American Banker's Association.
5. The Payee is the party to whom the check is written. This should be the Department or the City of Los Angeles.
6. The amount of the check should be written numerically with dollars and cents. Make sure there is a clearly legible decimal point.
7. The amount of the check should be spelled out. Make sure this amount agrees with the numerical amount in #5. In case of a discrepancy the amount spelled out takes precedence.
8. This is the name and address of the bank in which the check is drawn. This information should be preprinted on the check.

9. This is the transit routing number, which identifies the bank in #8 where the check will be sent to be deducted from the check writer's account balance. This number should be preprinted on the check.
10. This is the checking account number of the person who writes the check. This should be preprinted on the check.
11. This is the check number of the check. It should match the check number in the upper right hand corner.
12. This is the signature of the person writing the check. The check should be signed in front of the cashier. The cashier should ask to see a photo ID like a state issued driver's license or ID card. The cashier should write the number and state of issuance on the front of the check. The signature on the ID should match the signature on the check.

Precautions:

- Be aware of any alterations on the front of the check.
- Be extra careful of checks with low check numbers (below 200 for example). Nearly 90% of bad checks are drawn on checking accounts less than one year old. Be extra careful matching addresses to ID on these checks.
- In cases where checks do not meet check acceptance criteria cashiers should ask for another form of payment.
- Do not accept foreign checks.

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

00-2094

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

PLACE IN FILES

JUN 17 2002

DEPUTY

June 13, 2002

All City Departments
All Councilmembers

RE: AMENDING SECTION 21.17 OF THE LOS ANGELES MUNICIPAL CODE (LAMC), AND
SECTIONS 5.47 AND 5.181 OF THE LOS ANGELES ADMINISTRATIVE CODE (LAAC),
TO ALLOW FOR THE REFERRAL OF DELINQUENT ACCOUNTS RECEIVABLE TO OUTSIDE
COLLECTION AGENCIES FOR COLLECTION

At the meeting of the Council held May 21, 2002, the following action was
taken:

Attached report adopted.....	_____
Attached motion (LaBonge - Greuel) adopted.....	_____ X
To the Mayor FORTHWITH.....	_____
Ordinances adopted.....	_____ X
Ordinance numbers.....	_____ 174617 & 174618
Effective date.....	_____ 7-12-02
Publication date.....	_____ 6-11-02
Mayor approved.....	_____ 6-03-02
Mayor vetoed.....	_____
Mayor failed to act - deemed approved.....	_____
Motion adopted to approve attached report recommendation(s)....	_____ X

J. Michael Carey
City Clerk
crm

steno\002094

JK
6-17-02



Mayor's Time Stamp

TIME LIMIT FILES
ORDINANCES

RECEIVED
CITY CLERK'S OFFICE

RECEIVED

'02 MAY 23 P2:15

DEPUTY MAYOR

2002 MAY 23 PM 2:10

CITY CLERK

BY _____
DEPUTY

COUNCIL FILE NUMBER 00-2094

COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE May 21, 2002

LAST DAY FOR MAYOR TO ACT JUN 03 2002

ORDINANCE TYPE: Ord of Intent Zoning Personnel General

Improvement xx LAMC xx LAAC CU or Var Appeals - CPC No.

TWO ORDINANCES

SUBJECT MATTER:

174617

1. ORDINANCE AMENDING SECTION 21.17 OF THE LOS ANGELES MUNICIPAL CODE BY ADDING PARAGRAPH (7) THERETO, TO AUTHORIZE THE USE OF CONFIDENTIAL TAXPAYER INFORMATION BY CONTRACTORS OR EMPLOYEES OF CONTRACTORS WITH WHOM THE CITY OF LOS ANGELES HAS A CONTRACT TO ASSIST THE CITY IN THE ADMINISTRATION OR ENFORCEMENT OF THIS ARTICLE OR ARTICLE 1.5

174618

2. ORDINANCE AMENDING SECTIONS 5.47 AND 5.181 OF THE LOS ANGELES ADMINISTRATIVE CODE TO AUTHORIZE CITY DEPARTMENTS AND OFFICES TO REFER DELINQUENT ACCOUNTS RECEIVABLE TO AN OUTSIDE COLLECTION AGENCY FOR COLLECTION, AND TO ALLOW CONTRACTS WITH SUCH COLLECTION AGENCIES TO PROVIDE THAT THE AGENCIES MAY RETAIN FEES OWED DIRECTLY FROM THE MONIES COLLECTED

APPROVED DISAPPROVED

DIRECTOR OF PLANNING

PLANNING COMMISSION

CITY ATTORNEY

CITY ADMINISTRATIVE OFFICER

BY _____
DEPUTY

CITY CLERK

2002 JUN -3 PM 5:07

RECEIVED
CITY CLERK'S OFFICE

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO: JUN 03 2002

*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC 250(b)(c) JUN 07 2002

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR JUN 03 2002 ORDINANCE NO. Sec Above

DATE PUBLISHED JUN 11 2002 DATE POSTED _____ EFFECTIVE DATE JUL 12 2002

ORD OF INTENT: HEARING DATE _____ ASSESSMENT CONFIRMATION _____

ORDINANCE FOR DISTRIBUTION: Yes. [] No []

VERBAL MOTION

I HEREBY MOVE that Council ADOPT the following recommendations of the City Attorney in connection with amending Section 21.17 of the Los Angeles Municipal Code (LAMC), and Sections 5.47 and 5.181 of the Los Angeles Administrative Code (LAAC), to allow for the referral of delinquent accounts receivable to outside collection agencies for collection, **SUBJECT TO THE APPROVAL OF THE MAYOR:**

1. **PRESENT and ADOPT the accompanying ORDINANCE amending Section 21.17 of the LAMC by adding paragraph (7) thereto, to authorize the use of confidential taxpayer information by contractors or employees of contractors with whom the City of Los Angeles has a contract to assist the City in the administration or enforcement of this Article or Article 1.5.**
2. **PRESENT and ADOPT the accompanying ORDINANCE amending Sections 5.47 and 5.181 of the LAAC to authorize City departments and offices to refer delinquent accounts receivable to an outside collection agency for collection, and to allow contracts with such collection agencies to provide that the agencies may retain fees owed directly from the monies collected.**

(Pursuant to Council action of May 15, 2002)

(Audits and Governmental Efficiency Committee waived consideration of the above matter)

PRESENTED BY _____
TOM LABONGE
Councilmember, 4th District

SECONDED BY _____
WENDY GREUEL
Councilmember, 2nd District

Motion
ADOPTED

May 21, 2002

CF 00-2094

MAY 21 2002

LOS ANGELES CITY COUNCIL

ORDINANCE NO. _____

An Ordinance amending Sections 5.47 and 5.181 of the Los Angeles Administrative Code to authorize City departments and offices to refer delinquent accounts receivable to an outside collection agency for collection, and to allow contracts with such collection agencies to provide that the agencies may retain fees owed directly from the monies collected.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Section 5.47 of the Los Angeles Administrative Code is hereby amended to read:

Sec. 5.47. Authorization to Make Payments. (Charter Sections 262 and 360.)

(a) No payment shall be made from the City treasury or out of the funds of the City unless the same be authorized by law or the Charter or unless the demand which is paid be duly audited as provided in the Charter. Provided, however, that the Controller may approve advance payments for any goods or services which are customarily required to be paid for in advance and which it is not possible to acquire without advance payment, including: software licenses, computer hardware and software maintenance, air travel and other transportation costs, hotel reservations, subscriptions for periodicals, magazines and other publications, telephone bills (other than usage charges), fees for alternate dispute resolution, catering or food services, services performed through grants and General City Purpose agreements awarded by the City, insurance premiums, and State Bar dues. The Controller shall report on a quarterly basis to the Mayor and Council on all such advance payments.

(b) Contracts approved by Council pursuant to Los Angeles Administrative Code Section 5.181 for the collection of delinquent accounts receivable by outside collection agencies may provide that the outside collection agencies may retain fees due under such contracts directly from the monies collected, but reserving to the City any and all rights to contest the contractor's right to any such payment or the amount thereof.

Sec. 2. Section 5.181 of the Los Angeles Administrative Code is hereby amended to read:

All City departments and offices, except the Departments of Airports, Harbor and Water and Power, shall refer all accounts receivable in excess of \$1,000, except emergency ambulance accounts, and all obligations and claims owing to the City in excess of \$1,000 to the City Attorney for collection purposes within 45 days of delinquency if such accounts or claims have not been paid in full. All City departments and offices, except the Departments of Airports, Harbor and Water and Power, shall refer such accounts and claims equal to or under \$1,000 either to the City Attorney or to a

collection agency for collection purposes within 45 days of delinquency if such accounts or claims have not been paid in full. Unless otherwise established by ordinance, rule, regulation or resolution, an account shall be deemed to be delinquent if not paid within 30 days of billing. In the case of City administered tax accounts, referral is to be at the time reasonable field collection efforts have failed or within 45 days following completion of administration proceedings for accounts subject to the provisions of Section 21.16 of the Los Angeles Administrative Code.

The provisions of this section shall not repeal, supersede or otherwise affect any other provision or procedure established by any section of this Code or by any ordinance, rule, regulation or resolution of the City or its departments, boards or commissions for the handling or collection of accounts receivable or claims by the boards, bureaus, commissions or departments of the City. However, if after the authorized department procedure has been exhausted an account is still delinquent, the account shall be referred to either a collection agency or to the City Attorney within 45 days following completion of the department procedure.

Sec.3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper printed and published in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

J. MICHAEL CAREY, City Clerk

By _____ Deputy

Approved _____

Mayor

Approved as to Form and Legality

May 14, 2002
ROCKARD J. DELGADILLO, City Attorney

Judith Reel
By Judith Reel
Deputy City Attorney

File No. 00-2094

ORDINANCE NO. _____

An Ordinance amending Section 21.17 of the Los Angeles Municipal Code by adding paragraph (7) thereto, to authorize the use of confidential taxpayer information by contractors or employees of contractors with whom the City of Los Angeles has a contract to assist the City in the administration or enforcement of this Article or Article 1.5.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Subsection (7) is hereby added to Section 21.17 of the Los Angeles Municipal Code to read:

(7) the disclosure of information to, or the examination of records by, contractors or employees of contractors with whom the City of Los Angeles has contracted to assist the City of Los Angeles for the sole purpose of administering or enforcing any provision of this Article or Article 1.5, if the contract requires the persons granted access to such information or records to abide by the confidentiality requirements of this Section, and if the City Council has approved the award and execution of such contract.

Sec.2: The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper printed and published in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of _____.

J. MICHAEL CAREY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

May 14, 2002
ROCKARD J. DELGADILLO, City Attorney

Judith Reel
By Judith Reel
Deputy City Attorney

File No. 00-2094

ORDINANCE NO. 174617

An Ordinance amending Section 21.17 of the Los Angeles Municipal Code by adding paragraph (7) thereto, to authorize the use of confidential taxpayer information by contractors or employees of contractors with whom the City of Los Angeles has a contract to assist the City in the administration or enforcement of this Article or Article 1.5.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Subsection (7) is hereby added to Section 21.17 of the Los Angeles Municipal Code to read:

(7) the disclosure of information to, or the examination of records by, contractors or employees of contractors with whom the City of Los Angeles has contracted to assist the City of Los Angeles for the sole purpose of administering or enforcing any provision of this Article or Article 1.5, if the contract requires the persons granted access to such information or records to abide by the confidentiality requirements of this Section, and if the City Council has approved the award and execution of such contract.

Sec.2: The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper printed and published in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of MAY 21 2002.

J. MICHAEL CAREY, City Clerk

By Maia Koshenice
Deputy

Approved JUN 03 2002

James Hahn
Mayor

Approved as to Form and Legality

May 14, 2002
ROCKARD J. DELGADILLO, City Attorney

Judith Reel
By Judith Reel
Deputy City Attorney

File No. 00-2094

ORDINANCE NO. 174618

An Ordinance amending Sections 5.47 and 5.181 of the Los Angeles Administrative Code to authorize City departments and offices to refer delinquent accounts receivable to an outside collection agency for collection, and to allow contracts with such collection agencies to provide that the agencies may retain fees owed directly from the monies collected.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Section 5.47 of the Los Angeles Administrative Code is hereby amended to read:

Sec. 5.47. Authorization to Make Payments. (Charter Sections 262 and 360.)

(a) No payment shall be made from the City treasury or out of the funds of the City unless the same be authorized by law or the Charter or unless the demand which is paid be duly audited as provided in the Charter. Provided, however, that the Controller may approve advance payments for any goods or services which are customarily required to be paid for in advance and which it is not possible to acquire without advance payment, including: software licenses, computer hardware and software maintenance, air travel and other transportation costs, hotel reservations, subscriptions for periodicals, magazines and other publications, telephone bills (other than usage charges), fees for alternate dispute resolution, catering or food services, services performed through grants and General City Purpose agreements awarded by the City, insurance premiums, and State Bar dues. The Controller shall report on a quarterly basis to the Mayor and Council on all such advance payments.

(b) Contracts approved by Council pursuant to Los Angeles Administrative Code Section 5.181 for the collection of delinquent accounts receivable by outside collection agencies may provide that the outside collection agencies may retain fees due under such contracts directly from the monies collected, but reserving to the City any and all rights to contest the contractor's right to any such payment or the amount thereof.

Sec. 2. Section 5.181 of the Los Angeles Administrative Code is hereby amended to read:

All City departments and offices, except the Departments of Airports, Harbor and Water and Power, shall refer all accounts receivable in excess of \$1,000, except emergency ambulance accounts, and all obligations and claims owing to the City in excess of \$1,000 to the City Attorney for collection purposes within 45 days of delinquency if such accounts or claims have not been paid in full. All City departments and offices, except the Departments of Airports, Harbor and Water and Power, shall refer such accounts and claims equal to or under \$1,000 either to the City Attorney or to a

collection agency for collection purposes within 45 days of delinquency if such accounts or claims have not been paid in full. Unless otherwise established by ordinance, rule, regulation or resolution, an account shall be deemed to be delinquent if not paid within 30 days of billing. In the case of City administered tax accounts, referral is to be at the time reasonable field collection efforts have failed or within 45 days following completion of administration proceedings for accounts subject to the provisions of Section 21.16 of the Los Angeles Administrative Code.

The provisions of this section shall not repeal, supersede or otherwise affect any other provision or procedure established by any section of this Code or by any ordinance, rule, regulation or resolution of the City or its departments, boards or commissions for the handling or collection of accounts receivable or claims by the boards, bureaus, commissions or departments of the City. However, if after the authorized department procedure has been exhausted an account is still delinquent, the account shall be referred to either a collection agency or to the City Attorney within 45 days following completion of the department procedure.

Sec.3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper printed and published in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located in the Main Street lobby to the City Hall; one copy on the bulletin board located at the ground level at the Los Angeles Street entrance to the Los Angeles Police Department; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of MAY 21 2002.

J. MICHAEL CAREY, City Clerk

By Maia K. Kervick
Deputy

Approved JUN 03 2002

James H. Hahn
Mayor

Approved as to Form and Legality

May 14, 2002
ROCKARD J. DELGADILLO, City Attorney

Judith Reel
By Judith Reel
Deputy City Attorney

File No. 00-2094

12



OFFICE OF THE CITY ATTORNEY
ROCKARD J. DELGADILLO
CITY ATTORNEY

REPORT NO. **R02.0188**

MAY 14 2002

REPORT RE:

**TWO DRAFT ORDINANCES AMENDING SECTION 21.17 OF THE LOS ANGELES
MUNICIPAL CODE, AND SECTIONS 5.47 AND 5.181 OF THE LOS ANGELES
ADMINISTRATIVE CODE,
TO ALLOW FOR THE REFERRAL OF DELINQUENT ACCOUNTS
RECEIVABLE TO OUTSIDE COLLECTION AGENCIES FOR COLLECTION**

The Honorable Los Angeles City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

RECEIVED
CITY CLERK'S OFFICE
2002 MAY 15 PM 2:47
BY _____
CITY CLERK
DEPUTY

(Council File No. 00-2094, not transmitted herewith)

Honorable Members:

This Office has prepared and transmits for your action the attached draft ordinances, approved as to form and legality. The draft ordinances revise the Los Angeles Municipal Code and Los Angeles Administrative Code to allow City departments and offices to refer delinquent accounts receivable in the amount of \$1,000 or less to outside collection agencies for collection, and to allow such agencies to be paid directly from monies collected.

By copies of this report, the draft ordinances were sent, pursuant to Council Rule 38, to the Office of Finance and the Controller, which were requested to make any comments directly to you when you consider this matter.

**AUDITS & GOVERNMENTAL
EFFICIENCY**
MAY 15 2002

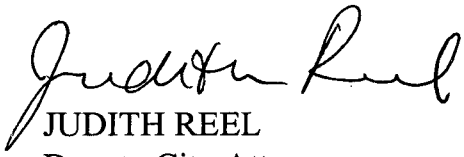


The Honorable City Council
City of Los Angeles
Page 2

A member of this Office will be available when you consider this matter to answer any questions you may have.

Very truly yours,

ROCKARD J. DELGADILLO, City Attorney

By 
JUDITH REEL
Deputy City Attorney

Transmittal

JER:

cc: Laura Chick, City Controller
Antoinette Christovale, Director of Finance

Enclosures

ADOPTED
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION
MAY 21 2002

LOS ANGELES CITY COUNCIL
Ordinances Adopted

COUNCIL VOTE

May 21, 2002 10:26:12 AM, #6

ITEM(S) 5, 6, 12,
Voting on Item(s): 28, 29
Roll Call

BERNSON	Yes
GALANTER	Absent
GARCETTI	Yes
GREUEL	Yes
HAHN	Yes
HOLDEN	Yes
LABONGE	Yes
MISCIKOWSKI	Yes
PACHECO	Yes
PERRY	Yes
REYES	Yes
RIDLEY-THOMAS	Absent
WEISS	Absent
ZINE	Yes
*PADILLA	Yes

Present: 12, Yes: 12 No: 0

12
FOR TUESDAY CCL MEETING:

Thx,
mk

ITEM FOR WHICH PUBLIC HEARING HAS NOT BEEN HELD - ITEM
(10 Votes Required for Consideration)

ITEM NO. () - Motion Required

00-2094 - COMMUNICATION FROM THE CITY ATTORNEY and ORDINANCES FIRST CONSIDERATION relative to amending Section 21.17 of the Los Angeles Municipal Code (LAMC), and Sections 5.47 and 5.181 of the Los Angeles Administrative Code (LAAC), to allow for the referral of delinquent accounts receivable to outside collection agencies for collection.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. PRESENT and ADOPT the accompanying ORDINANCE amending Section 21.17 of the LAMC by adding paragraph (7) thereto, to authorize the use of confidential taxpayer information by contractors or employees of contractors with whom the City of Los Angeles has a contract to assist the City in the administration or enforcement of this Article or Article 1.5.
2. PRESENT and ADOPT the accompanying ORDINANCE amending Sections 5.47 and 5.181 of the LAAC to authorize City departments and offices to refer delinquent accounts receivable to an outside collection agency for collection, and to allow contracts with such collection agencies to provide that the agencies may retain fees owed directly from the monies collected.

(Pursuant to Council action of May 15, 2002)

(Audits and Government Efficiency Committee waived consideration of the above matter)

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

00-2094

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

May 15, 2002

Councilmember Greuel
Councilmember LaBonge
Chief Legislative Analyst
City Administrative Officer
Treasurer

City Attorney
Controller, Room 1200
Accounting Division, F & A
Disbursement Division
Office of Finance

RE: REQUEST FOR QUALIFICATIONS FROM OUTSIDE COLLECTION SERVICES AND
AUTHORIZATION TO RELEASE A REQUEST FOR PROPOSAL

At the meeting of the Council held May 15, 2002, the following action was
taken:

Attached report adopted.....	<u>X</u>
Attached motion (-) adopted.....	_____
Attached resolution (-) adopted.....	_____
Mayor concurred.....	_____
FORTHWITH.....	_____
Ordinance adopted.....	_____
Ordinance number.....	_____
Effective date.....	_____
Publication date.....	_____
Mayor approved.....	_____
Mayor vetoed.....	_____
Mayor failed to act - deemed approved.....	_____
Motion adopted to approve attached report recommendation(s)....	_____
Motion adopted to approve communication recommendation(s).....	_____
To the Mayor FORTHWITH.....	_____
Findings adopted.....	_____
Generally exempt.....	_____

J. Michael Carey

City Clerk
bs

steno\002094

9

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE
Report/Communication for Signature

Council File Number: 00. 2094

Committee Meeting Date: 5-8-02

Council Date: 5-15-02

COMMITTEE MEMBER	YES	NO	ABSENT
Councilmember LaBonge, Chair	✓		
Councilmember Greuel	✓		
Councilmember Holden			✓

Remarks Outside collection services-
delinquent amounts

Maria Kostrencich, Legislative Assistant ----- Telephone 978-1057

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE

reports as follows:

	<u>Yes</u>	<u>No</u>
Public Comments	<u>XX</u>	<u> </u>

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE REPORT relative to a Request for Qualifications (RFQ) from outside collection services and authorization to release a Request for Proposal (RFP).

Recommendations for Council action, substantially as recommended by the Revenue Collection Task Force:

1. REQUEST the City Attorney, with assistance from the Revenue Collection Task Force, to immediately release an RFP for outside collection services to pursue delinquent accounts including statutory fees, taxes, property claims, and DUI cost recovery charges, subject to a Charter 1022 determination and compliance with the Living Wage, Service Worker Retention, Equal Benefits and Contractor Responsibility Ordinances; the RFP will be limited to the seven finalists of the recent RFQ, or those determined by the City Attorney to be in the best interest of the City.
2. AUTHORIZE the City Attorney to negotiate a two-year contract with two, one-year renewal options with one or more contractors, up to a maximum of four, to provide collection services on a contingency fee basis; and, REQUEST the City Attorney to obtain Council approval prior to executing the contract(s).
3. REQUEST the City Attorney to prepare Ordinances to amend Section 5.181 of the Los Angeles Administrative Code to raise the threshold from \$100 to \$1,000 for departments to refer delinquent accounts to the City Attorney for collection; Section 21.17 of the Los Angeles Municipal Code requiring that tax information be kept confidential, and any other amendments, as appropriate.
4. REQUEST the City Attorney, the Controller, and the Treasurer to report back to the Audits and Governmental Efficiency Committee with recommendations for revising the City's delinquent account write-off procedures.

Fiscal Impact Statement: The Revenue Collection Task Force reports that the fiscal impact of the recommendations cannot be calculated at this time; however, it is anticipated that with execution of the proposed contract(s), the City will receive additional revenue from collection of delinquent accounts.

Summary:

At the May 8, 2002 special meeting of the Audits and Governmental Efficiency Committee, the members considered a report from the Revenue Collection Task Force (Task Force), which includes the City Administrative Officer, the City Attorney, the Controller, the Chief Legislative Analyst and the Office of Finance relative to an RFQ to obtain information on contract services for collection of delinquent accounts.

The Task Force received a number of positive responses to the RFQ, indicating the availability of firms to work on a contingency basis. These firms offered several resources including advanced technology and trained staffing, which suggest that they may be a cost-effective option for the City. Therefore, the Task Force proposes releasing an RFP for a new contract(s) which would replace two existing collection contracts and allow a significant portion of the City Attorney's inventory of delinquent accounts valued at less than \$1,000 to be referred for outside collection. This \$1,000 threshold was recommended by the City Attorney and allows that office to focus on the higher dollar-value accounts. The Task Force anticipated that the selected company would have additional collection resources that are not readily available to City staff to pursue these accounts.

The City Attorney reported that certain changes to the Administrative Code (LAAC) are needed to take full advantage of any outside collection contract that may be executed. Currently the LAAC instructs most departments to refer their delinquent accounts (over \$100) to the City Attorney after 45 days. In order to assist in reducing caseloads, the LAAC Section 5.181 should be amended to allow departments to refer delinquent accounts for outside collection under \$1,000.

In addition, the Los Angeles Municipal Code Section 21.17 requires that tax information be kept confidential. The City Attorney has opined that in order to meet the intent of the code section, any potential collection agency would be required to sign confidentiality agreements and become deputized before delinquent tax accounts are referred for outside collection.

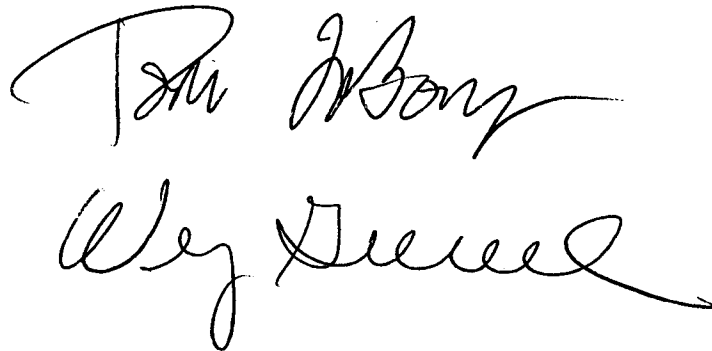
The Committee members questioned staff about the percentage increase in collections that was expected and what percentage collection agencies charged for the service (contingency). The Committee Chair recommended that the recommendation of the Task

Force relative to authorizing the City Attorney to negotiate and execute a two-year contract with two, one-year options be amended to request the City Attorney to report to Council for approval prior to executing the contract(s).

The matter is now forwarded to Council for its consideration.

Respectfully submitted,

AUDITS AND GOVERNMENTAL EFFICIENCY COMMITTEE



REPT.

ADOPTED

MAY 15 2002

LOS ANGELES CITY COUNCIL

mk
5-9-02
#002094.wpd

COUNCIL VOTE

May 15, 2002 10:33:50 AM, #1

Items for Which Public Hearings Have Been Held - Items 3-13

Voting on Item(s): 3-6,9,11-13

Roll Call

BERNSON	Yes
GALANTER	Absent
GARCETTI	Yes
GREUEL	Yes
HAHN	Yes
HOLDEN	Absent
LABONGE	Yes
MISCIKOWSKI	Yes
PACHECO	Yes
PERRY	Yes
REYES	Absent
RIDLEY-THOMAS	Yes
WEISS	Yes
ZINE	Yes
*PADILLA	Yes

Present: 12, Yes: 12 No: 0

AUDITS & GOVERNMENTAL EFFICIENCY COMMITTEE

SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 00-2094

☒ Council Member(s) LaBong Creuel

☒ Interested Department Of of Finance

☒ Mayor (~~with~~ without file) _____

☒ Chief Legislative Analyst _____

☒ City Administrative Officer _____

☒ City Attorney (~~with~~ without file) _____

☐ City Clerk _____

☒ Controller _____

☐ Community Redevelopment Agency (Admin. Office) _____

☐ Fire Department _____

☐ Housing Department _____

☐ Police Department _____

☐ Department of Transportation _____

☐ City Planning Department _____

☒ Treasurer

☐ _____

☐ _____

☐ _____

☐ _____

☐ _____

☐ _____

☐ _____

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES

CALIFORNIA



JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

00-2094

May 1, 2002

AUDITS & GOVERNMENTAL EFFICIENCY COMMITTEE

In accordance with Council Rules, communication from the Revenue Collection Task Force (CAO, City Attorney, Controller, CLA and Office of Finance) relative to Request for Qualification from outside collection services, was referred on May 1, 2002, to the AUDITS & GOVERNMENTAL EFFICIENCY COMMITTEE.

J. Michael Carey

City Clerk
amm



CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: April 30, 2002

To: Audits and Governmental Efficiency Committee

From: Revenue Collection Task Force

William T Fujioka, City Administrative Officer, Chair

Rockard J. Delgadillo, City Attorney

Laura N. Chick, Controller

Ronald F. Deaton, Chief Legislative Analyst

Antoinette Christovale, Office of Finance

RECEIVED
CITY CLERK'S OFFICE
2002 APR 30 PM 3:19
CITY CLERK
BY
DEPUTY

Subject: REQUEST FOR QUALIFICATION FROM OUTSIDE COLLECTION SERVICES

SUMMARY

The City Council instructed the Revenue Collection Task Force to develop and release a Request for Qualifications (RFQ) to obtain information on contract services for collection of delinquent accounts and report back to Council with the RFQ findings. In addition, the Task Force was instructed to report back with an analysis and recommendations relative to the "meet and confer" process concerning the City Attorney's collection staff and contracting proposal.

The Revenue Collection Task Force received a number of positive responses to the RFQ, indicating the availability of firms to work on a contingency basis. These firms offered several resources including advanced technology and trained staffing, which suggest that they may be a cost-effective option for the City. Accordingly, the Task Force proposes releasing a Request for Proposal (RFP) for a new contract(s) which would replace two existing collection contracts and allow a significant portion of the City Attorney's inventory of delinquent accounts valued at less than \$1,000 to be referred for outside collection. This \$1,000 threshold was recommended by the City Attorney and allows that office to focus on the higher dollar-value accounts. The Task Force anticipates that the selected company would have additional collection resources that are not readily available to City staff to pursue these accounts.

Certain changes to the Administrative Code would be needed in order to take full advantage of any outside collection contract that may be executed. Currently the Administrative Code

AUDITS & GOVERNMENTAL
EFFICIENCY

MAY 1 2002

instructs most departments to refer their delinquent accounts to the City Attorney after 45 days. In order to assist the City Attorney in reducing caseloads, Administrative Code Section 5.181 should be amended to allow departments to refer delinquent accounts for outside collection under \$1,000.

The Office of Finance would like to refer delinquent accounts under \$1,000 for outside collection in order to improve collection rates on business tax accounts. Confidentiality agreements would be required of a potential contractor before delinquent tax accounts are referred for outside collection.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Request the City Attorney, with assistance from the Collection Task Force, to immediately release a Request for Proposal for outside collection services to pursue delinquent accounts including statutory fees, taxes, property claims, and DUI cost recovery charges, subject to a Charter 1022 determination and compliance with the Living Wage, Service Worker Retention, Equal Benefits and Contractor Responsibility Ordinances. The Request for Proposal will be limited to the seven finalists of the recent Request for Qualification process;
2. Authorize the City Attorney to negotiate and execute a two-year contract with two, one-year renewal options with one or more contractors, up to a maximum of four, to provide collection services on a contingency fee basis. The City Attorney would be responsible for the proposed contract, though other City departments would have the opportunity to refer delinquent accounts with a value of \$1,000 or less for outside collection;
3. Request the City Attorney to prepare an amendment to Administrative Code Section 5.181 to raise the threshold from \$100 to \$1,000 for departments to refer delinquent accounts to the City Attorney for collection; and,
4. Request the City Attorney, City Controller, and the Treasurer report back to the Audits and Governmental Efficiency Committee with recommendations for revising the City's delinquent account write-off procedures.

FISCAL IMPACT STATEMENT

The fiscal impact of these recommendations cannot be calculated at this time; however, it is anticipated that with execution of the proposed contract(s), the City would receive additional revenue from collection of delinquent accounts.

DISCUSSION

1. Background

Several different types of delinquent accounts that are 45 or more days overdue are referred to the City Attorney's Office, Collection Section from City departments for collection. These delinquent accounts include statutory fees such as noncompliance fees, inspection fees, illegal sign posting fees, and excessive false alarm fees, as well as other accounts receivables such as business taxes and property damage claims. The volume of accounts referred to the Collection Section has been increasing over the last several years and assistance from an outside collection agency is being considered to address the situation. Over 24,000 accounts with an approximate value of \$52 million are part of the entire, current City Attorney inventory.

In addition, two collection agencies currently contract with the City Attorney to pursue collection of delinquent accounts under \$1,000 and small claims judgments. However, several years have passed since these contracts have been competitively bid and the volume of accounts currently referred is considerably less than what is proposed.

The Collection Task Force, consisting of representatives from the City Attorney, Controller, Office of Finance, Chief Legislative Analyst, and City Administrative Officer, has been reviewing options for soliciting outside collection assistance. In February 2001, several companies made presentations to the Governmental Efficiency Committee explaining their collection background and qualifications. The City Council subsequently adopted the Governmental Efficiency Committee's recommendation instructing the Task Force to develop and release a RFQ for collection services on delinquent accounts. Information obtained from this RFQ will be used to prepare a RFP to select one or more companies to replace the existing contractors and/or provide additional collection services.

2. Request For Qualification

In accordance with Council instructions, the Task Force prepared and released a RFQ to solicit information from companies currently competing in the marketplace. The RFQ was developed with input from all Task Force members and was released in September 2001. Interested companies were instructed to submit responses stating their collection qualifications, including:

- A statement describing the company's collection procedures and policies.
- A statement of corporate capability to undertake the pursuit of lengthy accounts receivables collection on a contingency fee basis and the ability to be bonded at a minimum of \$1 million.
- Explanation of the company's payment reporting methodology along with sample reports.
- The average gross collection rate for each client and the nature of debt collected.

- A representative list of governmental agencies or private enterprises for whom the contractor has performed similar work within the last five years, a description of those efforts and the name, title and phone number of an informed individual to contact.

Other information requested included audited financial statements, fee or pricing structure, minimum information required to pursue delinquent accounts, and membership status in collection organizations or associations.

The RFQ was mailed to 34 companies and posted on the City's website with responses from bidders due to the City Attorney no later than November 21, 2001. Twenty-two companies located across the United States submitted responses to the RFQ. These companies varied in size from small firms to companies with many offices nationwide and up to several hundred employees.

The Task Force developed criteria based on the RFQ requirements to review the responses. The evaluation criteria included:

- Experience in collecting similar types of governmental accounts (federal, state, county, or city);
- Appropriateness of the Company's approach to collection activities;
- Qualifications of company such as size, location, versatility, number of years in business;
- Project staffing and local support;
- Collection rates of delinquent accounts per client including accounts over two years old;
- Company's information technology and the ability to accept various forms of data;
- Financial strength (assets and revenue) of company to perform services on a contingency basis; and,
- Ability to submit quality and easily discernable reports in a timely manner.

Collection services being offered by outside companies include mailing collection letters, skip tracing/locator services, telephoning debtors, negotiating payment plans, filing delinquent notifications with credit bureaus, and other collection services. After reviewing the responses, the Task Force rated several companies as highly qualified and capable in performing collection services for the City.

Most collection agencies have spent a number of years developing resources and procedures in pursuing delinquent accounts. This includes:

- Investment in technology consisting of large informational databases and search engines that allow them to match delinquent account records;

- Utilization of automated call centers to minimize staff resources in pursuing accounts;
- Development of procedures where collection agents initiate collection activities within 48 hours of receiving a delinquent account;
- Development of employee training programs;
- Interaction with credit and reporting services for data exchange and/or matching; and,
- Legal services such as Superior Court filings, pursuit of legal judgments, and other legal filings.

One area in which the Task Force would have liked more specific information concerned agency collection rates and fees, not just overall, but with respect to the anticipated volume, age, and monetary value of delinquent accounts. The Task Force proposes requesting specifics in this area in the proposed RFP.

3. Collection Process Changes

In order to take full advantage of the availability of additional collection services, certain changes in the rules governing the collection process should be considered.

Per the Administrative Code, City departments should refer delinquent accounts over \$100 to the City Attorney's Office for collection after 45 days. The Task Force believes this provision should be changed to \$1,000 because of the volume of accounts being referred to the City Attorney. These referrals have created a large inventory of over 24,000 open accounts and resulted in City Attorney staff being assigned large caseloads. Given the resources and expertise of a well-qualified collection company, the City could leverage its work and take advantage of using outside companies to pursue smaller dollar accounts. Departments would have the flexibility to send their delinquent accounts under \$1,000 to an outside collection agency or to the City Attorney's Office if the delinquent amount is disputed or legal action is necessary.

The City Attorney should amend the Administrative Code Section 5.181 to raise the threshold from \$100 to \$1,000 before departments must refer delinquent accounts to the City Attorney for collection. (See draft revision of Administrative Code Section 5.181 attached).

In addition, Municipal Code Section 21.17 requires that tax information be kept confidential. The City Attorney has opined that in order to meet the intent of the code section, any potential collection agency would be required to sign confidentiality agreements and become deputized before delinquent tax accounts are referred for outside collection.

Current examples that are similar in nature include two contracts with outside collection companies for tax discovery purposes in the Office of Finance. These companies attempt to identify businesses that have underreported sales and business taxes using a variety of data matching methods. MBIA Muniservices Company specializes in auditing the State

Board of Equalization sales tax allocations to the City. Turrow/McPharlane Associates, Inc. identifies individuals or companies that are conducting business in the City; but are not paying or are underpaying the City's Business Tax. Both contracts have confidentiality sections that state all information received by the contractor shall be regarded as confidential under State Government Code 6254(f) (1) and Section 21.17 of the Los Angeles Municipal Code and may not be disclosed to anyone without written approval from the Office of Finance.

4. City Attorney Collection Staff

The "meet and confer" issue has been raised concerning a new collection contract that would expand the current delinquent account referral level. As explained below, the proposed contract(s) would alleviate some of the pressure and demands of the City Attorney staff. Any contracting proposal would need a Charter 1022 determination as to whether City employees can perform the work and a "Notification of Intent to Contract" form filed with the City Administrative Officer.

The City Attorney's collection staff consists of 15 investigators that have been assigned large caseloads that vary from 1,500 to 3,000 delinquent accounts and range from one year and older in age. Based on research performed by the Office of Finance, this caseload is higher than other collection agencies where the average is only 1,000 accounts per collection specialist. Referring the aged, lower dollar-value accounts (up to \$1000) for outside collection would allow the City Attorney to reduce the large caseloads and would allow staff to focus and pursue the larger dollar-value accounts in a more effective manner.

The resources and tools in use by many of the responders to the RFQ suggest that it would be more cost effective for the City to refer small delinquent accounts for outside collection. Significant funding for both staffing and system development would be necessary to provide the City Attorney with the necessary resources to match those that could be provided by outside contractor. Most collection agencies have developed large informational databases and search engines that allow them to match delinquent account records. In addition, automated call centers are utilized minimizing staff time in pursuing accounts.

5. Task Force Proposal

The Task Force proposes that the City Attorney, with the assistance of the Collection Task Force, release a RFP to the seven companies highly rated from the RFQ evaluation process in order to obtain collection services from one or more companies. The statement of work contained in the RFP would include many of the same provisions as contained in the RFQ; however, the RFP would invite bidders to submit specific pricing proposals based on the anticipated volume, age, and monetary value of delinquent accounts.

A. Distribution of Outstanding Collections

Bidders will have the opportunity to submit proposal for any or all of the following workload categories:

- **Backlog of Delinquent Accounts (Between one and three years)** Bidders will be invited to submit proposals to collect delinquent City accounts that are one year or older. The City Attorney reports that the City has approximately 8,800 delinquent accounts that are at least one year old, with a reported value of over \$4.2 million. The table shown below depicts the type, distribution, and value of delinquent accounts that would be available for immediate referral to outside collection agencies as of February 2002.

<u>Nature of Delinquent Account</u>	<u>No. of Accounts</u>	<u>Unit Value</u>	<u>Total Amount</u>
Excessive false alarm charges	1,500	\$400	\$600,000
Building and Safety inspection fees			
Auto Repair/Junkyard	2,000	300	600,000
Misc. Inspections	1,000	350	350,000
Noncompliance	500	800	400,000
LAFD inspection fees	250	900	225,000
DUI cost recovery charges	1,250	750	925,000
Business Improvement District fees	300	600	180,000
Business Tax	1,500	500	750,000
Property damage claims	<u>500</u>	500	<u>250,000</u>
	8,800		\$4,280,000

- **Recent Delinquent Accounts (Between 60 and 365 Days)** Bidders will also have an opportunity to submit proposals for collecting accounts that are not currently part of the City's backlog of delinquencies. Once an account is 60 days past payment, the account may be referred to a collection agency by either the City Attorney or City departments. Through the first nine months of the fiscal year, approximately 4,700 accounts have been referred to the City Attorney with an approximate value of \$2.0 million.

We anticipate that the pricing of the proposals will vary relative to the age and value of the outstanding accounts.

B. RFP Review and Selection

Once the RFP is released and responses are returned, the Collection Task Force could assist the City Attorney in the evaluation process by developing criteria similar to those used in evaluating the RFQ responses. When the RFP review is completed, the City Attorney and Collection Task Force will negotiate and the City Attorney will execute a contract with one or more contractors to provide collection services on a contingency fee basis. This process may result in a contract award as submitted through the RFP or additional negotiation with a vendor(s) to establish the best vendor price within a competitive range. It is expected that no more than four contracts will be negotiated and executed.

The City Attorney could write into any proposed contract limitations for collection, such as limitations on the hours of operation for placing telephone calls or using any threats of action against a debtor. Any collection company awarded a contract with the City will be required to adhere to the highest legal, ethical and professional standards of both the City and the profession.

C. Contract Administration and Monitoring

The City Attorney will be the primary contract administrator for any awarded contract, but City departments that wish to refer delinquent accounts directly may initiate a contract amendment or other mechanism as proposed by the City Attorney. The Office of Finance will monitor the referral process of departments through quarterly reports from departments. Guidelines will be released through a Mayor's Executive Directive that lay out the reporting framework in which the departments are to follow.

6. City Write-off Policy

Currently, the City's write-off policy does not specify a timeframe for departments to cancel or write-off delinquent accounts as uncollectable. Part of pursuing delinquent accounts includes this write-off procedure. Departments must be diligent in their efforts to write off debts for which the statute of limitations has expired and/or all reasonable methods of collection have been exhausted. Currently, the Administrative Code stipulates procedures for write-offs of uncollectable accounts and it includes an examination of accounts recommended for write-off by a Board of Review consisting of the City Attorney, Controller, and Treasurer for accounts under \$1,000. Accounts over \$1,000 require Council approval. The Board of Review should develop direction to departments regarding debt write-off for accounts over and under \$1,000. It is also recommended that the Board of Review meet at least quarterly to review the departmental and City Attorney's recommendations for debt write-off.

WTF:RPC:emt:39347c

ATTACHMENT

PROPOSED CHANGE TO ADMINISTRATIVE CODE

Sec. 5.181 . Referral of Receivables to City Attorney

All City departments, except the Departments of Airports, ~~Building and Safety~~, Harbor and Water and Power ~~and the Municipal Auditorium Department~~, shall refer all accounts receivable in excess of \$1,000 ~~\$100.00~~, except emergency ambulance accounts, and all obligations or claims owing to the City in excess of \$1,000 ~~\$100.00~~ to the City Attorney for collection purposes within 45 days of delinquency if such accounts or claims have not been paid in full. ~~The Department of Building and Safety shall refer such accounts and claims in excess of \$1,000 to the City Attorney for collection purposes within 45 days of delinquency if such accounts or claims have not been paid in full.~~ All City departments, except the Departments of Airports, Harbor and Water and Power ~~The Municipal Auditorium Department~~ shall refer such accounts and claims under \$1,000 either to the City Attorney or to a collection agency for collection purposes within 45 days of delinquency if such accounts or claims have not been paid in full. Unless otherwise established by ordinance, rule, regulation or resolution, an account shall be deemed to be delinquent if not paid within 30 days of billing. In the case of City administered tax accounts, referral is to be at the time reasonable field collection efforts have failed or within 45 days following completion of administrative proceedings for accounts subject to the provisions of Section 21.16 of the Los Angeles Municipal Code.

The provisions of this section shall not repeal, supersede or otherwise affect any other provision or procedure established by any section of this Code or by any ordinance, rule, regulation, or resolution of the City or its departments, boards or commissions for the handling or collection of accounts receivable or claims by the board, bureau, commission or department of the City. However, if after the authorized department procedure has been exhausted an account is still delinquent, the account should be referred to either a collection agency or to the City Attorney within 45 days following the completion of the department procedure.

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES

CALIFORNIA



RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012

Council File Information - (213) 485-5703
General Information - (213) 485-5705
Fax: (213) 847-0636
Fax: (213) 485-8944

HELEN GINSBURG
Chief, Council and Public Services Division

00-2094

July 2, 2001

PLACE IN FILES

JUL 06 2001

DEPUTY

Honorable Mayor
Chief Legislative Analyst
Office of Administrative and
Research Services
City Attorney
Controller, Room 1200
Accounting Division, F&A
Disbursement Division
Office of Finance

RE: IMPROVING THE CITY'S REVENUE COLLECTION SYSTEM AND ACCESSING UNTAPPED
GOVERNMENT ENTITLEMENTS

At the meeting of the Council held June 29, 2001, the following
action was taken:

Attached report adopted.....	_____
Attached motion () adopted.....	_____
Attached resolution () adopted.....	_____
FORTHWITH.....	_____ X
Ordinance adopted.....	_____
Motion adopted to approve attached report.....	_____
Motion adopted to approve attached communication.....	_____ X
Negative Declaration adopted.....	_____

J. Michael Carey
City Clerk
jr

steno\002094

7/6/01 83



COMMUNICATION (DRAFT)

TO: LOS ANGELES CITY COUNCIL

File No. 00-2094

FROM: COUNCILMEMBER LAURA CHICK, Chair
GOVERNMENTAL EFFICIENCY COMMITTEE

Public Comments Yes No
 XX

COMMUNICATION FROM CHAIR, GOVERNMENTAL EFFICIENCY COMMITTEE relative to improving the City's revenue collection system and accessing untapped government entitlements.

Recommendations for Council action, as initiated by Motion (Chick - Feuer, as amended by Motion (Chick - Wachs):

1. INSTRUCT the Revenue Collection Task Force, composed of the Office of Administrative and Research Services (OARS), the Office of Finance, the Chief Legislative Analyst, the Controller, and the City Attorney, to develop and release a Request for Qualifications (RFQ) for collection services on delinquent accounts and submit a report to the Governmental Efficiency Committee in 90 days with an analysis of the RFQ results.
2. INSTRUCT the Revenue Collection Task Force to submit a report to the Governmental Efficiency Committee in 90 days with an analysis and relevant recommendations relative to the meet and confer issues concerning the City Attorney's collection activities.
3. INSTRUCT the City Attorney to do an analysis of debt collection as it is done currently and submit recommendations for changes in the operation to the Governmental Efficiency Committee.
4. REQUEST the Mayor to communicate with all General Managers regarding the expedient referral to the City Attorney's Office of unpaid bills.
5. INSTRUCT the Revenue Manager and OARS, working together with all City departments, to develop standardized guidelines for revenue collection and report back to the Governmental Efficiency Committee in 60 days with the guidelines.
6. INSTRUCT the Revenue Manager and the Collection Task Force to continue review of department billing and collection operations in order to make efficiency improvements and recommendations.
7. INSTRUCT all departments:
 - A. To develop and attach a quarterly repayment schedule for all requested Reserve Fund loans detailing the date(s) of repayment and the source of funds from which the loan will be paid;

- B. Submit information on current Reserve Fund loans when requesting new loans including the Council File Number and date, amount of the loan, purpose of the loan, current balance and the estimated date(s) of repayment. If the department is behind in its repayment schedule, it should detail why the current loan(s) have not been repaid. If a repayment schedule was not developed for a prior loan, one should be required before approval of a new loan.
8. REQUEST the Controller to report to Council quarterly on the status of all Reserve Fund loans for each department including the current balance and status of repayment.
9. RECEIVE and FILE OARS reports dated 12/7/00, 1/5/01, 1/31/01, 5/14/01 and 5/31/01 relative to improving the City's Revenue Collection System and accessing untapped government entitlements inasmuch as the reports were submitted for informational purposes only and no further Council action is required.

Fiscal Impact Statement: OARS reports that no impact can be determined at this time.

(Intergovernmental Governmental Relations Committee waived consideration of the above matter)

Summary:

At meetings of the Governmental Efficiency Committee on December 11, 2000, January 8, 2001, February 5, 2001, May 14, 2001 and June 4, 2001, the Chair considered OARS reports dated 12/7/00, 1/5/01, 1/31/01, 5/14/01 and 5/31/01 relative to improving the City's Revenue Collection System and accessing untapped government entitlements.

Pursuant to Motion (Chick - Feuer) as amended by Motion (Chick - Wachs) the Revenue Collection Task Force, chaired by OARS, with the Office of Finance, the Chief Legislative Analyst, the Controller, and the City Attorney, was convened to report on the best practices used by government entities and the private sector that could be implemented immediately, in the next six months, and in the longer term future by the City in its efforts to revitalize the collection system and access untapped government entitlements and to make recommendations on potential Request for Proposals that could be issued to solicit private sector assistance in improving City revenue and entitlement collection.

In an OARS report dated May 31, 2001, OARS reported that in previous reports relative to revenue collection enhancement, recommendations submitted on improving the revenue collection system included: better documentation and standardization of procedures; Reserve Fund loan requirements, and automation initiatives for better data exchange between City systems. OARS additionally reported that a Request for Proposal (RFP) is being proposed to solicit assistance from potential collection agencies.

OARS reported that the Office of Finance has proposed that the Revenue Collection Task Force be expanded to include all departments with revenue collection responsibilities. While OARS concurs with the development of a working group of all concerned departments, OARS has proposed that the Collection Task Force continue to perform the oversight role for the time being as currently constituted. OARS reported that oversight is different from program management and implementation and that experience has shown that such oversight is needed to review program progress and any proposed directives or policies before they are to be implemented. OARS recommended that the proposed Collection Task Force would perform the following oversight duties: (1) review recommendations from the Office of Finance and/or its working group; (2) report to the Mayor and Council on revenue collection proposals; and (3) report on the overall progress of revenue collection activities.

During Committee discussions, OARS was requested to provide additional information on outside collection agencies, cost benefit analysis of revenue collection operations, city-wide standardization, collection documentation, and collection automation. Additionally, representatives of outside collection agencies made presentations to the Committee relative to revenue collection practices and procedures.

In a report dated May 14, 2001, OARS reported that approximately 16,000 accounts were referred to the City Attorney in 1999-2000 and approximately 10,000 of those were closed. Total collections amounted to approximately \$8.6 million in 1999-2000. In the current year approximately 15,000 additional accounts have been referred. The City Attorney reports there are approximately 25,000 open accounts. OARS reported that these open account statistics have resulted in average caseloads of 2,000 accounts per investigator and forced the City Attorney to focus on delinquent accounts with large monetary value. Because of the growing backlog of accounts, the City Attorney will need to refer a greater number of delinquent accounts for outside collection.

OARS reported that standardization of collection efforts of all City departments could improve collection efficiency and increase the amount collected. Additionally OARS reported, several departments have written documentation detailing their procedures for billing and collection activities and others do not. OARS reported that written documentation is important because: (1) it indicates an acknowledgment by a department as to the importance of revenue collection and the advantages of increase City revenue; (2) it is important for employees to be given an instruction guide or procedure manual to complete their assigned duties; and, (3) written procedures provide an audit trail guide to follow when problems arise and must be resolved. OARS reported that documentation should cover all aspects of the collection process including the purpose, department policy, procedures, collection devices, customer service, delinquent accounts, dispute resolution, and refund policy.

OARS reported that currently the City uses several systems to track billing and collections. These systems are not designed to integrate

with one another, therefore, data is not easily transferable from one system to another. OARS reported that three major systems are currently in use: (1) the Accounts Receivable System (ARS) to assist departments in tracking their outstanding accounts; (2) the Columbia Ultimate Business System (CUBS) to track delinquent accounts that have been referred from other departments; (3) the Tax and Permit System to coordinate information exchange with ARS and CUBS. OARS has recommended that the City Attorney as the lead, working with the Controller, Office of Finance and the Information Technology Agency to work together to provide an interface between the ARS, CUBS, and the new Tax and Permit System. During Committee discussion, the Chair requested that the Collection Task Force submit a report to Committee in 45 days with an analysis of this recommendation, to include costs, implementation steps, and any other relevant details. OARS additionally recommended that the Revenue Manager and the Collection Task Force continue to oversee all departments and ensure procedures are being developed, revised and followed and that departmental collection operations need to be reviewed continuously in order to improve revenue collection.

During Committee discussions, additional issues raised by the Chair and reported on by OARS included Reserve Fund Loan Requirements and the Grants Streamlining Task Force. In a report dated January 31, 2001, OARS reported that many Reserve Fund loans are for grant reimbursed projects and are not being reimbursed on a timely basis. OARS recommended that: (1) a quarterly repayment schedule be developed and attached to the loan request detailing the planned date(s) of repayment and the source(s) of funds from which the loan will be paid and that this repayment schedule be adopted at the same time the loan is approved by the Mayor and Council OARS addition; (2) information on current Reserve Fund loans should be required when requesting new loans; (3) request the Controller to report quarterly on the status of all Reserve Fund loans for each department including the current balance and status of repayment. The Chair additionally instructed the Grants Streamlining Task Force to report back to the Governmental Efficiency Committee with recommendations relative to streamlining the grants application process.

At meetings of the Governmental Efficiency Committee on December 11, 2000, January 8, 2001, February 5, 2001, May 14, 2001 and June 4, 2001, the Chair considered various OARS reports and made recommendations relative to improving the City's Revenue Collection System and accessing untapped government entitlements. This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

Laura Chick

Councilmember Laura Chick, Chair
Governmental Efficiency Committee

LB
6/11/01
#002094

mo.
ADOPTED
b. App. Comm. Rec. com.
JUN 29 2001

LOS ANGELES CITY COUNCIL

FORTH WITH

20

GOVERNMENTAL EFFICIENCY COMMITTEE
Report Communication for Signature

Council File Number 00 - 2094
Committee Meeting Date 6/4/01
Council Date 6/29/01

COMMITTEE MEMBER	YES	NO	ABSENT
COUNCILMEMBER CHICK, CHAIR	✓		
COUNCILMEMBER FEUER			✓
COUNCILMEMBER RIDLEY-THOMAS			✓

Remarks

Improving Revenue Collection System

Lauraine Braithwaite, Legislative Assistant ★★★★★ Telephone 847-1616

COUNCIL VOTE

29-Jun-01 11:12:03 AM, #3

Items for Which Public Hearings Have Been Held - Items 14-31
Voting on Item(s): 14-22,24-28,31
Roll Call

BERNSON	Yes
CHICK	Yes
FEUER	Yes
GARCETTI	Yes
HERNANDEZ	Yes
HOLDEN	Yes
MISCIKOWSKI	Yes
PACHECO	Yes
PADILLA	Yes
RIDLEY-THOMAS	Yes
SVORINICH	Yes
WACHS	Absent
WALTERS	Absent
*GALANTER	Yes
	Absent

Present: 12, Yes: 12 No: 0

GOVERNMENTAL EFFICIENCY COMMITTEE

SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 00-2094

- ☐ Council Member(s) _____
- ☐ Interested Department _____
- ☒ Mayor (with/without file) _____
- ☒ Chief Legislative Analyst _____
- ☒ City Administrative Officer _____
- ☒ City Attorney (with / without file) _____
- ☐ City Clerk _____
- ☒ Controller _____
- ☐ Community Redevelopment Agency (Admin. Office) _____
- ☐ Fire Department _____
- ☐ Housing Department _____
- ☐ Police Department _____
- ☐ Department of Transportation _____
- ☐ City Planning Department _____
- ☒ Office of Finance _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

TO: Armen Ross

6/12/01

FROM: Michael Karsch

SUBJECT: Request to waive consideration of C.F. 00-2094

I just got this Council File and was puzzled why it was referred to IGR. It started as Motion (Chick - Feuer) directing OARS, CLA, Finance, Clerk, Attorney, and Business Tax Advisory Council to look at ways the city departments could better collect unpaid bills. The Motion asked this group to report to Government Efficiency Cmte. OARS did that Dec. 7, 2000; when the City Clerk got the report to forward it to GE Cmte, someone stamped GE and IGR on the report. There is nothing having to do with state or federal legislation, nor with county matters.

The issue has had numerous hearings by GE Cmte. Our analyst for this, Rafael Prieto, says he told the City Clerk that IGR was not an appropriate referral, but they had already done it.

Please look at it, maybe there is something that Mr. Holden would like to discuss in committee, but I don't see anything relevant to IGR. I recommend waiving consideration of this file.

A handwritten signature in black ink, appearing to read "O. K." followed by a stylized flourish or initials.

J. MICHAEL CAREY
City Clerk

CITY OF LOS ANGELES
CALIFORNIA



When making inquiries
relative to this matter
refer to File No. 00-2094

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

June 11, 2001

RICHARD J. RIORDAN
MAYOR

Councilmember Nate Holden, Chair
Intergovernmental Relations Committee

Dear Councilmember Holden:

At meetings of the Governmental Efficiency Committee held between December 11, 2000 and June 4, 2001, the Committee considered various reports from the Office of Administrative and Research Services, as Chair of the Revenue Collection Task Force, relative to improving the City's revenue collection system and accessing untapped government entitlements, pursuant to Motion (Chick - Feuer) as amended by Motion (Chick - Wachs). The Chair of the Governmental Efficiency Committee has made the following recommendations relative to this issue:

1. INSTRUCT the Revenue Collection Task Force, composed of the Office of Administrative and Research Services (OARS), the Office of Finance, the Chief Legislative Analyst, the Controller, and the City Attorney, to develop and release a Request for Qualifications (RFQ) for collection services on delinquent accounts and submit a report to the Governmental Efficiency Committee in 90 days with an analysis of the RFQ results.
2. INSTRUCT the Revenue Collection Task Force to submit a report to the Governmental Efficiency Committee in 90 days with an analysis and relevant recommendations relative to the meet and confer issues.
3. INSTRUCT the City Attorney to do an analysis of debt collection as it is done currently and submit recommendations for changes in the operation to the Governmental Efficiency Committee.
4. REQUEST the Mayor to communicate with all General Managers regarding the expedient referral to the City Attorney's Office of unpaid bills.
5. INSTRUCT the Revenue Manager and OARS, working together with all City departments, to develop standardized guidelines for revenue collection and report back to the Governmental Efficiency Committee in 60 days with the guidelines.
6. INSTRUCT the Revenue Manager and the Collection Task Force to continue review of department billing and collection operations in order to make efficiency improvements and recommendations.
7. INSTRUCT all departments:
 - A. To develop and attach a quarterly repayment schedule for all requested Reserve Fund loans detailing the date(s) of repayment and the source of funds from which the loan will be paid;



- B. Submit information on current Reserve Fund loans when requesting new loans including the Council File Number and date, amount of the loan, purpose of the loan, current balance and the estimated date(s) of repayment. If the department is behind in its repayment schedule, it should detail why the current loan(s) have not been repaid. If a repayment schedule was not developed for a prior loan, one should be required before approval of a new loan.
8. REQUEST the Controller to report to Council quarterly on the status of all Reserve Fund loans for each department including the current balance and status of repayment.
9. RECEIVE and FILE OARS reports dated 12/7/00, 1/5/01, 1/31/01, 5/14/01 and 5/31/01 relative to improving the City's Revenue Collection System and accessing untapped government entitlements inasmuch as the reports were submitted for informational purposes only and no further Council action is required.

If you require additional information, please contact me at (213) 847-1616.


Sincerely,



Lauraine Braithwaite
Legislative Assistant
Governmental Efficiency Committee

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCEDate: **May 31, 2001**

To: The Governmental Efficiency Committee

From: William T Fujioka, Director 
Office of Administrative and Research ServicesSubject: **COLLECTION TASK FORCE**RECEIVED
CITY CLERK'S OFFICE
2001 MAY 31 PM 12:00
CITY CLERK
BY _____
DEPUTY

Council Motion (Chick-Feuer - C.F. 00-2094) instructed OARS to convene and chair a task force with members from the Office of Finance, Chief Legislative Analyst (CLA), City Attorney, and selected departments. The task force reports to Governmental Efficiency Committee, and makes short-term and long-term recommendations to revitalize the City's collection efforts. This includes reviewing industry best practices used by other government and private agencies. In addition, the task force was to make recommendations on potential Request For Proposals (RFP) to solicit private sector assistance.

The Task Force has released several reports offering suggestions on improved revenue collection. Specific examples include better documentation and standardization of procedures, Reserve Fund loan requirements, and automation initiatives for better data exchange between City systems. In addition, an RFP is being proposed to solicit assistance from potential collection agencies.

The Office of Finance (Finance) has proposed that it assume the leadership role over the Task Force, and that the Task Force be expanded to include all departments with revenue collection responsibilities. OARS concurs with Finance that a working group of all concerned departments is warranted because Finance has Charter responsibility for developing and implementing a Citywide revenue policy. This includes developing the guidelines for collection of receivables and recommending efficiency changes to the revenue collection functions of the City's organization.

However, given the importance of improving City revenue collection activities, OARS proposes that the Collection Task Force continue to perform the oversight role for the time being as currently constituted. Oversight is different from program management and implementation. Finance could still assemble a working group of all concerned departments with revenue collection responsibility. Members of the Task Force currently consist of the Controller, CLA, City Attorney, Finance and OARS. This oversight role follows the model of such similar projects as PAYSR and TAPS. Experience has shown that such oversight is needed to review program progress and any

GOVT EFFICIENCY

MAY 31 2001

proposed directives or policies before they are to be implemented. We do not envision this Task Force continuing in this capacity indefinitely. This should only be while the new office and programs are being established. Specific directives may be imposed on departments without the necessary Mayor and Council review. The proposed Collection Task Force would perform the following oversight duties:

1. Review recommendations from the Office of Finance and/or its working group;
2. Report to the Mayor and Council on revenue collection proposals; and,
3. Report on the overall progress of revenue collection activities.

The proposed Collection Task Force, chaired by OARS, could report to Council on a quarterly basis on the status of revenue collection activities throughout the City.

Recommendations

That the Council instruct the Collection Task Force with the assistance of the Office of Finance to report back in 90 days with a status report on improvements to the City's revenue collection activities.

Fiscal Impact Statement

No impact can be determined at this time.

WTF:RPC:jhl

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: May 14, 2001

To: The Governmental Efficiency Committee

From: William T Fujioka, Director
Office of Administrative and Research ServicesBY _____
DEPUTY

CITY CLERK

2001 MAY 15 AM 7:40

RECEIVED
CITY CLERK'S OFFICESubject: **CHICK-FEUER MOTION ON REVENUE COLLECTION ENHANCEMENT**

Our Office previously reported to the Governmental Efficiency Committee on the status of revenue collection activities within the City. The Committee Chair requested OARS to report back on various revenue collection items. This includes an analysis of certain alternatives and recommendations to improve the City's collection effort. In response to the Committee's request, we provide additional information on the following areas:

- Outside collection agencies;
- Private collection agency presentations;
- Cost benefit analysis of revenue collection operations;
- City-wide standardization;
- Collection documentation; and,
- Collection automation.

Outside Collection Agencies

Several departments reported in our billing and collection survey that they contract for the services of outside collection agencies. Contractor information is presented in Attachment 1. Of particular importance are the City Attorney's two collection contracts. OARS reported earlier that the City Attorney receives collection referrals from Council-controlled

GOVT EFFICIENCY

MAY 15 2001

departments. The average referral time is approximately 90 days after departments have unsuccessfully attempted to collect payment. These referrals include delinquent taxes, statutory fees, salary compensation overpayments, unhonored checks, and breach of contract. In addition, claims are processed for property damage, workers compensation subrogation, bond default, restitution, litigation or court costs, and others. After receiving these referrals, the City Attorney will then commence collection activity using the Columbia Ultimate Business System (CUBS) to pursue delinquent collections. If this collection or settlement attempt fails, the accounts are reviewed for subsequent action including in-house legal action, outside agency referral, or initial write-off action.

The City Attorney currently refers delinquent accounts to two outside collection agencies for collection assistance. American Agencies processes pre-judgement delinquent accounts under \$1,000 and National Revenue Corporation processes Small Claims Court judgments. Both companies use a variety of methods to collect payment including telephoning debtors, mailing dunning notices, filing delinquent notices with creditors, negotiating payments, performing asset searches, and others. The companies receive a percentage of the amount collected ranging from 27.5 percent to 17.5 percent depending on the amount collected. The City Attorney is currently negotiating extensions on a month-to-month basis for both contracts.

Private Collection Agency Presentations

Approximately 16,000 accounts were referred to the City Attorney in 1999-2000 and approximately 10,000 of those were closed. Total collections amounted to approximately \$8.6 million in 1999-2000. In the current year approximately 15,000 additional accounts have been referred. The City Attorney reports there are approximately 25,000 open accounts. These open account statistics have resulted in an average caseload of 2,000 accounts per investigator. This workload has forced the City Attorney to focus on delinquent accounts with large monetary value. Because of the growing backlog of accounts, the City Attorney will need to refer a greater number of delinquent accounts for outside collection. This may change the City Attorney's role in the collection process from a full-time investigative role to a management role.

Several private collection companies made presentations to the Governmental Efficiency Committee and the Collections Task Force including: Maximus; Linebarger Heard Goggan Blair Graham Pena & Sampson, LLP; and MBIA MuniServices Company. In addition, Progressive Management Systems and Robinson & Associates forwarded information regarding their services. Most of the companies that made presentations were national companies with several offices across the country. Several of these companies have extensive experience working with local, state and Federal agencies. They possess certain resources and tools to follow-up on delinquent accounts that are not readily available to the City. A few examples of

these resources include skip tracing, data base matching, dedicated call centers, asset locating services, and predictive dialing.

As previously mentioned, both of the City Attorney's outside collection agency contracts have expired. They are being continued a month-to-month basis. The City currently has the opportunity to release a Request For Proposal (RFP) to obtain new outside collection services. The Collection Task Force recommends that the Council authorize the City Attorney to release one (RFP) for collection services on all delinquent accounts deemed appropriate for referral by the City Attorney including small claim judgements.

Cost Benefit Analysis of Revenue Collection Operations

Attachment 2 is a preliminary survey that shows the collection activities of each department. The data encompasses departmental billing and collection amounts in 1999-2000; collection rates; accounts receivable; City Attorney referrals; and collection costs. Collection costs include labor, expense, equipment, lease costs, and related costs. This preliminary survey is the first step in analyzing department's billing and collection operations. Each departmental fee or permit needs to be reviewed in order to determine if improvements can be implemented. The Revenue Manager and the Collection Task Force will continue this review of departmental billing and collection data.

City-wide Standardization

Standardization of collection efforts of all City departments could improve collection efficiency and increase the amount collected. One aspect of standardization is the establishment of a timeline for City Attorney referrals. Currently, not all departments refer their delinquent accounts to the City Attorney for collection while others send delinquent accounts to the City Attorney after 45 days, 60 days, 90 days or some other time period. This time period should become standardized across departments. In one scenario, departments could send out an invoice and follow-up after 30 days if payment has not been received. The follow-up would include a second invoice, accompanied by a delinquent notice that is immediately sent to the account owner. If the department does not receive payment after 15 days, then a second delinquent notice should be mailed out. If no response is obtained within 10 days, then the account could be referred to the City Attorney for collections. If a particular fee or permit for a department were subject to a public commission review, then the timeline would be different to accommodate the commission review. The table below illustrates this scenario.

Actions without Commission Review	Incremental Timeline	Total Timeline
Original Invoice	--	--
First Delinquent Notice	30 days	30 days
Second Delinquent Notice	15 days	50 days
Referred to City Attorney	10 days	60 days

Actions with Commission Review	Incremental Timeline	Total Timeline
Original Invoice	--	--
Commission Review	30 days	30 days
First Delinquent Notice	30 days	60 days
Second Delinquent Notice	15 days	75 days
Referred to City Attorney	10 days	85 days

In order to establish this timeline, the Revenue Manager may need to work with the Controller and synchronize this timeline with the Accounts Receivable System. In addition, adoption of this timeline would probably result in more accounts being referred to the City Attorney for collection.

Collection Documentation

Several departments have written documentation detailing their procedures for billing and collection activities and other do not. This written documentation is important for several reasons. First, they indicate an acknowledgment by the department as to the importance of revenue collection and the advantages of increased City revenue. Second, it is important for employees to be given an instruction guide or procedure manual to complete their assigned duties. Third, written procedures provide an audit trail guide to follow when problems arise and must be resolved.

Documentation should cover all aspects of the collection process including the purpose, department policy, procedures, collection devices, customer service, delinquent accounts, dispute resolution, and refund policy. The Revenue Manager with the assistance of the Collection Task Force could be instructed to draft standard procedures for all departments. From time-to-time, the Revenue Manager could publish procedural updates. In addition, the Controller may wish to measure revenue collection activities against departmental procedures as part of their performance audits.

Collection Automation

Currently, the City uses several systems to track billing and collections. These systems were not designed to integrate with one another. Hence data is not easily transferable from one system to another. Three major systems are currently in use. First, the Controller implemented the Accounts (Advanced) Receivable System (ARS) in 1995 to assist departments in tracking their outstanding accounts. Second, the City Attorney began using the Columbia Ultimate Business System (CUBS) in 1996 to track delinquent accounts that have been referred from other departments. Third, the Tax and Permit System (TAPS) was implemented in the 1970s and will be replaced by a new system (TAPS2000) in a few years. The design of TAPS2000 should incorporate data exchange features to coordinate information exchange with ARS and CUBS.

Several large departments are using ARS; however, the data must be manually re-entered into CUBS. The City Attorney regularly re-directs staff from research analysis to re-entering data into CUBS. This process is inefficient and unnecessary in today's electronic world. An earlier attempt was made to develop an interface from ARS to CUBS, but it was not completed. This Committee could request the City Attorney, Controller, Office of Finance and the Information Technology Agency to work together to provide an interface between the Accounts Receivable System, CUBS, and TAPS2000 in order to eliminate manual data entry into CUBS.

Follow-Up

The City approved the Revenue Manager position in 1998 and the position has been vacant until recently filled by the Office of Finance. The goal of the position is to develop a business plan that will manage the City's revenue collection system. Part of this plan is to implement standard procedures and systems and to incorporate best practices. The Revenue Manager and the Collection Task Force should continue to oversee all departments and ensure procedures are being developed, revised and followed. In addition, departmental collection operations need to be reviewed continuously in order to improve revenue collection.

Recommendations

That the Council,

1. Authorize the City Attorney to release a Request For Proposal to obtain outside collection services to pursue delinquent accounts;
2. Instruct all departments to develop a procedural manual under the guidance of the Revenue Manager and the Collection Task Force;

3. Request the City Attorney, Controller, Office of Finance and the Information Technology Agency to work together to provide an interface between the Accounts Receivable System, Columbia Ultimate Business System, and the new Tax and Permit System; and,
4. Instruct the Revenue Manager and the Collection Task Force to continue the review of department billing and collection operations in order to make efficiency improvements and recommendations.

Fiscal Impact Statement

No impact can be determined at this time; however, the potential impact to the General Fund can be millions of dollars.

WTF:RPC:tah

Attachments

ATTACHMENT 1 CONTRACTOR SURVEY

Department	Fee or Permit	Contractor Name	Payments to Outside Contractors	Contractor Fee or Percentage of Receipts
Animal Services	Renewal Licenses	Civic Collections	403,513	58%
Building and Safety	Bad checks	Procheck		\$35 per check collected
City Attorney	Delinquent Account Referrals	American Agencies	11,439	27.5% (\$1-500)
				24.5% (\$501-1,000)
		National Revenue Corporation	3,530	23% (\$1-500)
				20% (\$501-1,000)
		Metropolitan Adjustment Bureau	2,912	17.5% (\$1,001-5,000)
				40%
Finance	Business, Sales, & Utility Users' Taxes	TMA		20%
		MBIA Muniservices		15%
LA Convention Center	All fees and charges	D.C. Credit Services, Inc.		50% (\$1-99)
				25% (over \$100)
		Nationwide Collection Specialists		50% (\$1-99)
				25% (over \$100)
Public Works Dept.	All fees, permits, and charges	ProCheck		\$35 per check collected
Transportation	Parking Citations	Lockheed Martin, Inc.	5,458,289	18%
Airports		American Agency		18% (1-1,000)
				24% (1,001-3,000)

ATTACHMENT 2 BILLING AND COLLECTION SURVEY

Department	Fee or Permit	Amount Billed in 1999-2000	Amount Collected from 1999-2000 billings	% of Collection	Amount of Receivables as of June 30, 2000 (in days)				No. of days before accounts are sent to City Attorney	Total Amount of Accounts Sent to City Attorney	Estimated Department Collection Costs
					1 to 30	31 to 60	61 to 90	Over 90			
Aging	None reported										
Animal Services	Renewal Licenses	N/A	1,974,694	N/A							12,474
	Dishonored Checks	23,222	7,071	30%	4,186	1,811	704	370	30-365 days	2,366	
	Department Totals	23,222	1,981,765		4,186	1,811	704	370		2,366	12,474
Building and Safety	Auto Repair & Dismantling Yards	653,606	427,784	65.45%	300	900	900	223,722		268,987	
	Bad checks	940,218	746,873	79.44%	15,060	10,518	6,815	160,952		160,952	
	Non Compliance	450,708	66,114	14.67%	8,188	14,277	78,072	284,057		389,798	
	Emergency Electrical	63,748	52,823	82.86%	2,867	387	-	7,671		-	
	Electrical Off Hour Inspection	167,693	136,506	81.40%	8,806	6,642	1,998	13,741		-	
	Htg & Ref Off Hour Inspection	324	324	100.00%	-	-	-	-		-	
	Investigation Fee	72,415	33,080	45.68%	3,456	6,480	1,460	27,939		-	
	Major Inspection Off Hour Inspection	116,302	76,246	65.56%	3,996	29,932	3,348	2,780		-	
	Other City Departments and other Agencies	1,590,966	829,688	52.15%	291,466	76,243	44,035	349,534		-	
	Repair & Demolition	1,147,736	173,275	15.10%	66,827	63,380	92,205	752,249		-	
	Elevator/Pressure Vessel	2,959,422	2,818,759	95.25%	301,730	82,351	58,204	799,278		857,482	
	Department Totals	8,163,138	5,361,472	65.68%	702,496	291,110	287,037	2,621,923	45-60 days	1,677,219	10,658
City Attorney	Delinquent Account Referrals		8,600,000	30%							1,132,350
City Clerk	CRA Election reimbursement	2,223	2,223	100.00%							
	CRA Election reimbursement	3,328		0.00%				3,328			
	CRA Election reimbursement	1,990		0.00%				1,990			
	State Election reimbursment	118,079	118,079	100.00%							
	1999 Municipal Elections	1,045,530		0.00%				104,530			
	LAUSD Election	1,075,180		0.00%				1,075,180			
	Bad Check Collection	291		0.00%				291			
	Department Totals	2,246,622	120,302	5.35%	-	-	-	1,185,320	--	-	
Comm. Children, Youth	None reported										
Comm. Status of Women	None reported										
Community Development	None reported										
Controller	Heirfinder research	2,473	2,385	96.44%				88			
	Subpoena research	161	161	100.00%				-			
	Department Totals	2,634	2,546	96.66%	-	-	-	88	--	-	10

**ATTACHMENT 2
BILLING AND COLLECTION SURVEY**

Department	Fee or Permit	Amount Billed in 1999-2000	Amount Collected from 1999-2000 billings	% of Collection	Amount of Receivables as of June 30, 2000 (in days)				No. of days before accounts are sent to City Attorney	Total Amount of Accounts Sent to City Attorney	Estimated Department Collection Costs
					1 to 30	31 to 60	61 to 90	Over 90			
Cultural Affairs	Bad Check Collection	100	20	20.00%			80			-	
	Application Design Fees	7,807	7,807	100.00%							
	Admission Fees	16,857	16,857	100.00%							
	Instruction Fees	89,460	89,460	100.00%							
	Facility Use/Theater Rental	310,799	310,799	100.00%							
Department Totals		425,023	424,943	99.98%	-	-	80	-	60 days	-	1,000
Disability	None reported										
Emergency Preparedness	None reported										
Environmental Affairs	Local Enforcement Agency Fee	544,297	539,458	99.11%		12,486				-	1,613
City Ethics	Lobbying Registration Fees	-	-		-	-	-	-		-	
Finance	Sales Tax		331,709,668								
	Business Taxes		317,338,225								
	Parking Occupancy Tax		50,500,860								
	Transient Occupancy Tax		98,305,572								
	Utility Users' Tax		487,438,643								
	Dwelling Unit Construction		940,686								
	Property Transfer Tax		87,535,699								
	Residential Development		1,673,120								
	Police Permits - Excessive Alarm		4,416,014								
	Other Police Permits		4,341,972								
	Fire Permit Fees		1,652,726								
	Sewer Service Charge		359,009,975								
	Sanitation Equipment Charge		46,621,897								
	OPG Franchise Fee		2,329,439								
	Vehicle Release Fee		3,487,896								
	Vistors Convention Bureau		7,084,851								
	Miscellaneous Fees		843,408								
Department Totals		1,875,639,737	1,805,230,651	96.25%	5,524,623	60,294,456		4,590,007		884,000	14,426,659
Fire	3274-Filming Permits	1,533,125	1,144,730	74.67%	144,980	81,745	-	4,170			
	3882-Non-continuing Permits	327	-	0.00%	327						
	3883-Fire Safety Off Cost Recovery-	993,949	669,347	67.34%	69,231	21,093	12,829	103,095	90 days		
	3884-Fire Services - San Fernando	1,768,659	1,621,271	91.67%	-	-	-	-	90 days		
	3886-Inspection Restitution	305,931	229,718	75.09%	8,284	7,630	4,360	16,642	90 days		
	3887-Misc.-Fire Service(Includes Bell Canyon)	73,850	73,850	100.00%					90 days		
	3900-High-Rise Inspection Fee	1,401,018	1,383,202	98.73%	-	-	-	17,598	90 days		

ATTACHMENT 2 BILLING AND COLLECTION SURVEY

Department	Fee or Permit	Amount Billed in 1999-2000	Amount Collected from 1999-2000 billings	% of Collection	Amount of Receivables as of June 30, 2000 (in days)				No. of days before accounts are sent to City Attorney	Total Amount of Accounts Sent to City Attorney	Estimated Department Collection Costs
					1 to 30	31 to 60	61 to 90	Over 90			
Fire cont.	3903-Risk MGMT & Prevention Prog Fee	-	-						90 days		
	3904-Fire Safety Clear Insp-Care Facil	-	-								
	4001-Spot Check Prog Cost Recovery	-	-								
	4094-Kaiser patient Transport	398,100	59,600	14.97%	172,200	-	-	95,700			
	4555-Reimb Empl Rel-UFLAC	219,542	201,713	91.88%	-	-	-	-	90 days		
	Department Subtotal	6,694,501	5,383,431	80.42%	395,022	110,468	17,189	237,205		-	154,416
	4091-Emergency Ambulance Services	67,713,050	32,798,043	48.44%	4,209,263	4,334,594	3,966,065	14,046,463			1,447,170
	3898-Unified Program Annual Fees	7,447,828	7,317,256	98.25%				130,572			291,000
	4031-Brush Clearance Restitution	1,472,358	433,824	29.46%	-	-	71,446	937,528			55,344
	Department Totals	83,327,736	45,932,554	55.12%	4,604,285	4,445,061	4,054,700	15,351,768	-	-	1,948,741
General Services	Laboratory Testing Fee	54,128	29,057	53.68%	11,129	-	2,071	11,871	90 days		
	LA Mall Rent	534,358	462,187	86.49%	4,484	2,720	1,849	63,118	90 days	10,851	
	Lease & Rental of City Property	851,561	718,148	84.33%	18,273	11,518	3,468	100,154	90 days	18,736	
	Department Totals	1,440,047	1,209,392	83.98%	33,886	14,238	7,388	175,143		29,587	5,328
Human Relations	None reported										
ITA	Franchise Fees										
LA Convention Center	Hall Rental	2,555,238	2,127,440	83%	609,848.22	-	1,200.00	44,614.02			
	Occupancy Tax	2,975	2,502	84%	1.48	-	4.44	765.19			
	Room Rental	42,641	35,144	82%	8,531.00	-	1,250.00	1,050.00			
	Electrical	1,712,379	1,372,109	80%	271,925.14	3,213.00	10,651.57	136,428.52			
	Telecommunications	532,565	438,924	82%	119,286.20	2,724.22	5,991.09	7,271.82			
	Business Center	5,347	4,497	84%	1,385.80	-	-	-			
	Security/Set up Labor	84,803	51,349	61%	11,361	-	105	4,360			
	Plumbing	13,079	11,000	84%	3,285	-	-	105			
	Excess Trash	71,029	59,735	84%	10,010	-	8,400	-			
	Building Permits	6,647	5,143	77%	1,585	-	-	-			
	Business Permits	103	65	63%	20	-	-	-			
	Cleaning	36,230	24,984	69%	2,200	-	1,000	4,500			
	Banner	205,604	172,911	84%	53,050	-	-	240			
	Sound Equipment Rental	233,806	180,898	77%	42,739	1,888	3,703	7,422			
	Fiber Optics	181,513	149,598	82%	45,295	-	-	810			
	Parking	62,399	52,477	84%	6,147	-	6,726	3,299			
	Parking Tax	6,446	5,367	83%	615	-	673	367			
	Miscellaneous	120,708	16,242	13%	330	-	225	4,451			

ATTACHMENT 2 BILLING AND COLLECTION SURVEY

Department	Fee or Permit	Amount Billed in 1999-2000	Amount Collected from 1999-2000 billings	% of Collection	Amount of Receivables as of June 30, 2000 (in days)				No. of days before accounts are sent to City Attorney	Total Amount of Accounts Sent to City Attorney	Estimated Department Collection Costs
					1 to 30	31 to 60	61 to 90	Over 90			
LA Convention Center cont.	Propane/Natural Gas	43,356	35,733	82%	8,753	1,853	-	407			
	Damages	139,801	112,868	81%	-	1,644	12,488	20,653			
	Check Fees	3,445	1,622	47%	315	-	35	150			
	Department Totals	6,060,115	4,860,608	80%	1,196,682	11,321	52,451	236,894	4-5 years	5,135	6,473
LA Housing Dept.	Rent Registration	7,941,448	7,023,318	88%	N/A				+45 days	324,810	539,726
	SCEP	7,373,506	5,560,631	75%	N/A						261,392
	Post Prosecution Fee	3,960	3,733	94%	N/A						
	Inspection Fee	54,872	20,408	37%	N/A						
	Investigation Fee	26,300	26,300	100%	N/A						
	Department Totals	15,400,086	12,634,390	82%		-	-	-		324,810	801,118
Personnel	None reported										
Planning	Fees	73,841	52,491	71.1%	0	19,188	2,162	55,349	+30 days	55,349	4,400
Police	Alarm Permits *	3,268,170	3,322,179	N/A	N/A				6 months		
	Excessive False Alarm *	4,846,097	4,412,899	91%	N/A				6 months	11,900	515,817
	Misc. Permit Fees *	N/A	1,089,155	N/A	N/A						1,184,040
	Department Totals	8,114,267	8,824,233								1,699,857
All Police Permit Fees are collected through Tax and Permit											
Public Works Dept.	Billings to Recreation and Parks							262,431			
	Work Order Section - Special Request Billings							682,658			
	"B" Permit Deficit Billings	2,376,261	614,812	25.9%	624,859	4,939	27,322	3,004,310			
	Federal Highway Grant Billings (Caltrans)	45,906,255	45,250,882	98.6%	917,850	646,792	452,231	2,641,259			
	Filming Permits							122,848			
	SFC Payment Plans							1,403,614			
	Street Lighting Maintenance Agreements	1,086,093	1,084,411	99.8%		698		755,842			
	Engineering - Vacation	289,025	289,025	100.0%				310,224			
	City Inter-Dept Orders (IDO)	2,575,654	1,503,276	58.4%	476,442	82,960	831,444	1,042,070			
	SC&M Billings - Clean Water Grants	2,467,136	2,306,332	93.5%				162,252			
	Misc. Billings - Primarily Hsehold Haz. Wst.	3,519,601	2,113,379	60.0%	200,000			1,945,044			
	"B" Permit Interim Billings							239,036			
	Playa Vista	604,143	316,175	52.3%	8,400	26,311	1,836	401,262			
	EDA Billings	171,861	171,861	100.0%			13,803	216,243			
	Aminta Project Private Developer Fund	1,469	1,469	100.0%							
	Inter-Dept & Inter-Govt Work Order Billings	12,532,771	8,089,215	64.5%	1,085,257	1,465,596	273,484	14,141,475			
	Engineering - Miscellaneous Billings	2,154,287	2,150,664	99.8%			3,622	474,020			
	Reproduction Services Billings	757	757	100.0%				4,644			
	Right-of-way Rental Billings	442,554	435,715	98.5%	14,694	1,090	30	20,002			

ATTACHMENT 2 BILLING AND COLLECTION SURVEY

Department	Fee or Permit	Amount Billed in 1999-2000	Amount Collected from 1999-2000 billings	% of Collection	Amount of Receivables as of June 30, 2000 (in days)				No. of days before accounts are sent to City Attorney	Total Amount of Accounts Sent to City Attorney	Estimated Department Collection Costs
					1 to 30	31 to 60	61 to 90	Over 90			
Public Works Dept. cont.	U-Permit Annual							13,122			
	U-Permit Over 100 Sq Ft	718,659	679,701	94.6%	84,593		15,578	265,571			
	U-permit Under 100 Sq Ft	1,236,568	1,079,390	87.3%	189,572	36,981	53,870	162,742			
	Engineering - Excavation Billings	156	156	100.0%				-14,368			
	Illegal Dumping - Non-earthquake Related							50,141			
	County Storm Drain Bond							95,044			
	Illegal Dumping - Earthquake Related							32,471			
	U-Permit with Work Order or B-Permit	5,445,910	4,153,385	76.3%	921,172	40,622	62,209	1,405,129			
	Sanitation - Miscellaneous	150,217	5,714	3.8%			138,174	636,286			
	Street Lighting Damage Claims	591,253	232,630	39.3%	67,025	53,035	41,996	3,818,705			
	Street Lighting Work Orders	4,334	2,191	50.5%		1,403	1,317	145,456			
	House Moving Permits	6,071	6,071	100.0%		1,039		10,830			
	Overload Permits	304,728	304,718	100.0%	29,663			2,971			
	Street Maintenance Misc. Charges	43,908	26,896	61.3%	1,028	17,006	268	731,716			
	Street Maintenance Damage Claims	19,297	5,030	26.1%	211	3,097		685,723			
	Tree Planting							8,417			
	Treet Trimming							3,977			
	Trench Replacement							74,722			
	Water Blow Outs	894,196	451,728	50.5%			669,495	989,639			
	Weed Abatement Charges	105,449	60,739	57.6%	822	25,444		97,180			
	Department Subtotal	83,648,617	71,336,323	50.5	4,621,589	2,407,014	2,586,678	37,044,708	+45 days	10,769,698	89,722
	Sewage Disposal Billings - Capital	33,151,113	23,171,454	69.9%	16,568,041			4,026,929			
	Sewage Disposal Billings - O & M	4,993,269	1,094,811	21.9%	828			5,373,347			
	Department Subtotal	38,144,382	24,266,265	50.5	16,568,869	-	-	9,400,276	+45 days		-
	Industrial Waste Billings	22,328,472	22,518,754	100.9%	3,630,619	712	356	11,134,839	--	355,099	76,000
	Street Lightning Assess.	2,071,754	751,568	36.3%				5,685,175	--		25,175
	Assessment Revolving Trust							619,707	--		
	Department Totals	146,193,225	118,872,911	81.3%	24,821,076	2,407,726	2,587,034	63,884,705		11,124,797	190,947
Transportation	Parking Citations	160,061,030	113,803,091	71%		- 46,257,939 -			N/A	N/A	
	Preferential Parking Permits	878,398	878,398	100%					N/A	N/A	
	Boot Fees	217,943	217,943	100%					N/A	N/A	
	Department Totals	161,157,371	114,899,432	71%							
Zoo	Admissions Purchase Orders	17,861	17,767	99%							
	Animal Sales/Freight Charges	9,811	9,223	94%							
	Department Totals	27,672	26,990	98%	7,307	1,193	-	413			13,379

**ATTACHMENT 2
BILLING AND COLLECTION SURVEY**

Department	Fee or Permit	Amount Billed in 1999-2000	Amount Collected from 1999-2000 billings	% of Collection	Amount of Receivables as of June 30, 2000 (in days)				No. of days before accounts are sent to City Attorney	Total Amount of Accounts Sent to City Attorney	Estimated Department Collection Costs
					1 to 30	31 to 60	61 to 90	Over 90			
El Pueblo	Rents and Leases	932,155	882,803	95%	-	-	4,935	44,417			559
Library	Overdue Fines										
Recreation and Parks	None reported										
Airports	Concessions, Sales and Services	370,591,809	368,045,540	99%	23,697,640		1,517,289	15,277,350		2,193,139	149,138
Harbor	Tariff charges, rents, & other revenue	252,090,742	232,220,660	92%	N/A				90 days	103,220	130,000
TOTAL ALL DEPARTMENTS		2,932,430,516	2,728,741,375		60,587,997	67,496,780	8,513,076	103,423,376		16,397,256	20,522,860

CITY OF LOS ANGELES SPEAKER CARD

Date

1/5/01

Council File No., Agenda Item, or Case No.

00-2094

I wish to speak before the

Efficiency

Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? () For proposal

() Against proposal

(X) General comments

Name:

Bob Condegas

Business or Organization Affiliation:

Condegas & Associates

Address:

1725 N. Juliet Ct.

City

Brea

CA

State

Zip

92021

Business phone:

714

256 9595

Representing:

MMC/MRC

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:

☐

Client Name:

Phone #:

Client Address:

Street

City

State

Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

NOTICE OF LOBBYING REGISTRATION

If you are receiving compensation to make this appearance, the City's municipal lobbying ordinance (L.A.M.C. Section 48.01 et seq., as amended) may require you to register and report your lobbying activity. For more information about the City's lobbying law, contact the City Ethics Commission at (213) 237-0310, by fax at (213) 485-1093 or at 201 N. Los Angeles St., L.A. Mall, Suite 2, Los Angeles, CA 90012.

Information about lobbying the City of Los Angeles may also be found on the Internet by accessing the Ethics Commission site on the City of Los Angeles "home page" located at <http://www.ci.la.ca.us>

CITY OF LOS ANGELES SPEAKER CARD

Date

5 FEB 2001

Council File No., Agenda Item, or Case No.

00-2094

I wish to speak before the

GOVERNMENTAL EFFICIENCY COMMITTEE
Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? () For proposal

() Against proposal

(X) General comments

Name:

GRANT R. BRIMHALL

Business or Organization Affiliation:

MBIA MUNISERVICES COMPANY (MMC-MRC)

Address:

32107 WEST LINDERO CYN WESTLAKE VILLAGE CA 91361
Street STE 233 City State Zip

Business phone:

818 991-5220

Representing:

MBIA-MMC-MRC

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:

☐

Client Name:

Phone #:

Client Address:

Street

City

State

Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

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CITY OF LOS ANGELES SPEAKER CARD

Date

22-5-01

Council File No., Agenda Item, or Case No.

#12,000

I wish to speak before the

Los Angeles County Board of Supervisors
Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? () For proposal

() Against proposal

() General comments

Name:

Thomas S. Stettin

Business or Organization Affiliation:

MAXIMUS INC

Address:

13500 Beverly Blvd
Street

City

State

Zip

Business phone:

703 423 3561

Representing:

MAXIMUS INC

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:

☐

Client Name:

Phone #:

Client Address:

Street

City

State

Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

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CITY OF LOS ANGELES SPEAKER CARD

Date

2/5/2001.

Council File No., Agenda Item, or Case No.

00-2094

I wish to speak before the

GOVERNMENTAL EFFICIENCY

Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? () For proposal

Name: DAVE BRISSELLE

() Against proposal
☒ General comments

Business or Organization Affiliation:

MMC/MRC

Address:

32107 WEST HINDEN AVE.

CA

91361

Street

City

State

Zip

Business phone:

818-991-520

Representing:

MMC

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:

☐

Client Name:

Phone #:

Client Address:

Street

City

State

Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

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CITY OF LOS ANGELES SPEAKER CARD

Date

5-5-01

Council File No., Agenda Item, or Case No.

1

I wish to speak before the

Department of Planning and Development
Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? () For proposal

() Against proposal

Name:

R. Bennett

(☒) General comments

Business or Organization Affiliation:

Partner in the Los Angeles World Airports Authority

Address:

1234 Main St.

Street

LA
City

TX
State

Zip

Business phone:

212-111-1111

Representing:

Los Angeles World Airports Authority

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:

☐

Client Name:

Phone #:

Client Address:

Street

City

State

Zip

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CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: January 31, 2001

To: The Governmental Efficiency Committee

From: William T Fujioka, Director 
Office of Administrative and Research ServicesSubject: **CHICK-FEUER MOTION ON REVENUE COLLECTION ENHANCEMENT**

 A Council Motion (Chick-Feuer - C.F. 00-2094) requested this Office to convene and chair a committee consisting of various members from selected City departments and representatives from the private sector. The committee would report on initiatives that can be implemented in both the short-term and long-term to improve the City's collection efforts. The committee would also make recommendations on potential requests for proposals in order to solicit private sector assistance in improving City revenue and governmental entitlement collection.

Our Office previously reported to the Governmental Efficiency Committee on the status of several collection systems within the City. We also presented several initiatives to the Committee regarding their revenue generation potential. The Committee requested additional information on several areas of the City's collection process.

In response to the Committee's request, this report provides additional information on the below areas:

- Front-end Reserve Fund loan requirements;
- Creation of a centralized grants coordinator;
- City Attorney collection contractors;
- Cost benefit analysis of revenue collection operations;
- Fire Department's ambulance collection rate;
- MediCal collection; and,
- Cost benefit analysis of vendor discounts.

BY
CITY CLERK

01 JAN 31 PM 4:42

RECEIVED
CITY CLERK'S OFFICE

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FEB 1 2001

Front-end Reserve Fund Loan Requirements

Many Reserve Fund loans are for grant reimbursed projects and are not being reimbursed on a timely basis. OARS proposes that the loan process be revised to require departments to submit additional information before Reserve Fund loans are approved.

- A quarterly repayment schedule should be developed and attached to the loan request detailing the planned date(s) of repayment and the source(s) of fund from which the loan will be paid. This repayment schedule should be adopted at the same time the loan is approved by Mayor and Council.
- Information on current Reserve Fund loans should be required when requesting new loans. This information should include the Council File Number and date, amount of the loan, purpose of the loan, current balance and the estimated date(s) of repayment. If the department is behind in its repayment schedule, it should detail why the current loan(s) have not been repaid. If a repayment schedule was not developed for a prior loan, one should be required before approval of a new loan.
- The Controller has been reporting annually on the status of Reserve Fund loans. In order to correspond to the repayment schedule, the Controller should be requested to report to Council quarterly the status of all Reserve Fund loans for each department including the current balance and status of repayment. The Council can instruct departments with repayment difficulties to explain why the repayment schedule is not being followed. This will help insure that departments are tracking their costs and following their Reserve Fund loan payback schedule more aggressively.

OARS is pleased to report that the balance of Reserve Fund loans has dropped from \$31 million in October to approximately \$23 million at the beginning of January due to an ongoing review by this office and the departments. We will continue to work with departments to further reduce these loans.

Centralized Grants Coordinator

Currently, grant administration and coordination is handled by several departments including the Mayor's Office. During the 1970s and early 1980s, the City formed a separate office called the "Board of Grants Administration" made up of members of the Council, Mayor's Office and the City Administrative Officer. The Board reported to one Council Committee, but was dismantled in the early 1980s due to Council Committee restructuring. At the present, there are several Council committees (Arts, Health and Humanities, Community and Economic Development, Housing and Community Development, Public Safety, and others) that conduct

hearings on grants. Departments perform their own grant research and then report back to their respective Council committees with their requests. Grant coordination was discussed a few years ago by Council and, as a result, the Chief Legislative Analyst was authorized one position to act as a grant coordinator for the City.

There may be some possible benefit to establishing a centralized grant coordinator position. The position would monitor all grant activity and would become a central source of information and management. However, one position alone may not be able to identify all of the potential grants that are available. It would be difficult for one person to acquire all of the necessary knowledge or expertise in order to apply for the different types of grants that are available. A grant coordinator would need to supervise a team of experts who had considerable knowledge in each of the various grant categories. These experts would need to work with City departments in grant application and implementation.

Some concerns to centralizing grant administration must be presented. Because the number of grants that are available to the City are too diverse, it would be difficult for one person or group to monitor. There is also the potential that the group could become a bottleneck in the application process. Many times the grant application timeline is very compressed and there is very little lead-time to apply for a grant. Adding another layer of management may subject the City to potential loss of grant funds because of the additional time needed to apply for the grant.

City departments were created to focus on specific service areas. Departments have developed knowledge and expertise in those areas and are equipped to make decisions that fulfill their department's mission. As such, each department should initiate the grant application process because it will know whether or not a particular grant would be cost effective in enhancing their departmental operations.

The Chief Legislative Analyst is heading a Grants Streamlining Task Force with the goal of streamlining the grant approval process. Decisions regarding grant coordination should be held for later discussion, pending recommendations from this Task Force.

City Attorney Collection Agencies

The City Attorney receives collection referrals from Council-controlled departments to pursue delinquent collections. These referrals include delinquent taxes, statutory fees, salary compensation overpayments, unhonored checks, and breach of contract. In addition, claims are processed for property damage, workers compensation subrogation, bond default, restitution, litigation or court costs, and others. The City Attorney usually receives the referrals 90 days after departments have unsuccessfully attempted to collect payment. The City Attorney will then commence collection activity through their Columbia Ultimate Business System (CUBS). If this

collection or settlement attempt fails, the accounts are reviewed for subsequent action including in-house legal action, private agency referral, or initial write-off action (file is returned to the department as uncollectible). The appropriate course of action may be based upon the following:

- If the claim is over \$5,000, the City Attorney will consider whether to file the case in Superior Court;
- If the claim is between \$1,000 and \$5,000, investigative staff may pursue the claim in Small Claims Court; and,
- On accounts less than \$1,000, consideration will be given to referral to an outside collection agency due to cost effectiveness issues associated with filing Small Claims actions on such accounts. These referrals are considered "pre-judgement" accounts.

The City Attorney currently refers delinquent accounts to two outside collection agencies for collection assistance. American Agencies processes pre-judgement delinquent accounts under \$1,000. The services provided include telephoning debtors, mailing dunning notices, filing delinquent notices with creditors, and negotiating payments. American Agencies receives a percentage of the collection payment depending on the amount collected. Because the original contract term has expired, the City Attorney is currently negotiating an extension on a month-to-month basis, until they receive the authority from Council to release a Request For Proposal (RFP) for collection services on delinquent accounts up to \$2,000.

After the Small Claims Court has granted a judgement, the City Attorney may refer collection of the judgement to National Revenue Corporation for collection. National Revenue Corporation provides such services as telephoning debtor, mailing dunning notices, filing delinquent notices with creditors, negotiating payments, performing asset searches, obtaining Writs of Execution for execution on assets, and other post judgement activities. Payment to National Revenue Corporation is based on a percentage of the revenue collected. The current contract will expire at the end of April and the City Attorney will request from Council the authority to release a RFP for collection services on small claim judgements.

Cost Benefit Analysis of Revenue Collection Operations

Summaries are given for five departments that contain large collection sections and account for several million dollars in revenue. The summaries include each departmental unit's full collection costs and their collection rates. Collection costs include labor, expense, benefits, lease costs, etc. The costs were calculated using the Cost Allocation Plan Rates (CAP). If more specific information is needed, the departments should be requested to appear before Committee detailing the requested information.

City Attorney – Claims and Collection Section

The Claims and Collection Section of the City Attorney is staffed by 16 investigators, one supervisor, and five clerk positions that perform the tasks that were mentioned in the previous section. The annual cost for 22 employees is approximately \$1.64 million annually for salary, expense and related costs. In 1999-2000, the Section collected approximately \$8.6 million with a collection rate of approximately 30 percent.

Fire Department – Ambulance Billing

The Fire Department's EMS Billing Section prepares and distributes invoices to individuals, insurance companies, MediCal, and Medicare for ambulance billing collection. The Section includes 32 employees, of which, five resolution positions were added in 2000-01 to increase collections. Within the EMS Billing Section, a Follow Up unit was created to pursue delinquent accounts. In 1998-99 and 1999-2000, eight employees were assigned to this unit. In addition, the Department contracted with an outside vendor to assist in pursuing delinquent accounts; however, in 2000-01, the contract with the outside collection vendor was terminated. The 2000-01 annual cost for the EMS Billing Section is approximately \$2.6 million for salary, expense and related costs. In 1999-2000, the Section collected approximately \$28 million with a collection rate of 60 percent.

Office of Finance – Tax and Permit

The Tax and Permit Division has the largest collection unit in the City. This group is responsible for administering the business tax, sales tax, commercial tenant's occupancy tax, transient occupancy tax, real property transfer tax, utility users tax, fire permits, police permits, and others. The Division has approximately 200 employees performing collection activities.

The annual cost of the Division is approximately \$16 million for salary, expense and related costs. In 1999-2000, the Division collected various taxes, fees, and permits including business taxes, sales tax, utility users tax, transient occupancy tax, fire permits, and police permits. The table below illustrates some of the major categories.

<u>Tax / Fee / Permit</u>	<u>Revenue Collected (millions)</u>	<u>Percentage Collected</u>
Business Tax	\$ 317.3	70 to 85%(1)
Sales Tax	331.7	100%(2)
Utility Users Tax	487.4	100%(2)
Transient Occupancy Tax	98.3	99%(2)
Real Property Transfer Tax	87.5	100%(2)
Parking Occupancy Tax	50.5	100%(2)
Police Permits	4.3	100%(2)

- (1) As estimated in a report from the Milken Institute, dated September 15, 1997
(2) As estimated by the Office of Finance

The Tax and Permit Division currently contracts with Turrow/McPharlane Associates as part of the business tax discovery program. This contract is expected to generate approximately \$3 million in 2000-01. In addition, the Division contracts with MBIA Muniservices Company for the sales/use tax discovery program that identifies inaccurate local sales tax allocations from the State Board of Equalization. The estimated revenue generated from this contract over the last two years is approximately \$1.8 million. Tax and Permit has recently contracted with MBIA for the utility users tax discovery program. Payments to these contractors are based on a percentage of the revenue collected.

Police Commission

The Police Commission's Commission Investigation Division prepares billings for excessive false alarms. Alarm data is downloaded into the False Alarm System from the 911 system and from private agency alarm systems in order for staff to determine if the number of incidents exceeds two in a 12-month period. If so, staff will invoice the resident or business a \$86 fee. The unit consists of 12 employees whose duties include preparing and mailing the fee invoice, sending 60-day delinquent notices, mailing letters of affidavits, coordinating Police Commission hearings, and mailing notices of City Attorney referral. The annual cost of the unit including one Senior Management Analyst I, three Management Analyst IIs, seven Management Analyst Is, and one Clerk Typist is approximately \$920,000 including salary, expense and related costs. In 1999-2000, the unit collected approximately \$4.37 million with a collection rate of 44 percent.

Building and Safety

The Department issues several types of fees or permits, including construction permits, plan checking fees, building and safety exam fees, engineering inspection fees, non-compliance fees and others. Many of these fees or permit are paid in advance; however, several are billed to businesses and individuals annually or as necessary. Staff in the Department's Accounting Division prepares these invoices and mails them to respective parties. All payments are received through the use of lockboxes. If payment is not received after 30 days, then a follow up letter is produced from an automated accounts receivable system. If payment is not received after 60 days, the account is referred to the City Attorney's Office for collection. The Accounting Division has one Senior Clerk Typist and four Clerk Typists who are involved with system generation and mailing of past due letters and notices. The annual cost of the Accounting Division is approximately \$270,000 including salary, expense, and related costs. In 1999-2000, the Department collected approximately \$68 million total with approximately \$64 million collected in advance and \$4 million collected through mailings and invoicing.

Ambulance Collection Rate

The Fire Department invoices approximately \$50 million per year for ambulance fees. Several observations of ambulance billing are noted below:

- An invoice is normally produced in one to two months after an incident; however, it can take over one year because of additional research that may be necessary to produce an invoice;
- The Department's overall collection rate for the last three years was approximately 60 percent;
- Fifty percent of adjusted invoice payments will be received within six months;
- The remaining 10 percent of payments will take over one year to be received;
- Based on a 12-month moving average, the number of invoices may be decreasing; and,
- Current data regarding the overall collection rate during this fiscal year is not complete because the average collection time is approximately six months.

As part of the 40 percent of uncollectable accounts, approximately \$1.5 to \$2.0 million is from insurance company disputes or nonpayment. The Fire Department should request assistance from the City Attorney in order to assist in collection of these delinquent accounts.

The Governmental Efficiency Committee previously instructed the Fire Department to report back on the updating of ambulance billing procedures.

Collection for MediCal

Although the Fire Department does not currently assist patients in the MediCal application process, several hospitals to which patients are transported have either social workers or staff members assigned to the application process. After a patient submits an application for MediCal, it will take a couple of months for the patient to receive a response. If the patient is eligible, then the hospital will invoice MediCal for their services and will normally receive payment after 30 days.

The Department's Follow-up Unit researches insurance records every month at the hospitals to collect ambulance billings. After cross checking hospital records with records from the Department, the MediCal information is obtained and an invoice is submitted to MediCal. Payment is usually received within 30 days. Because not all patients will initially qualify for MediCal, the Follow-Up unit will continue to monitor the uncollectable accounts every month at hospitals. Even though the Fire Department is not directly involved in the MediCal application process, it takes the necessary steps to collect potential payments from MediCal.

Vendor Discount Cost Benefit

The Controller's Office reported to the Governmental Efficiency Committee in September and October on expediting payments to City vendors. Based on those reports, the City saved \$3.579 million by taking advantage of vendor discounts. The average discount rate for all existing City vendor contracts is approximately two percent. Approximately 50 percent of vendor payments are made within 30 days and another 28 percent are made within 60 days. Applying an annual interest rate of six percent, the effective rate of six percent over 60 days is less than 0.1 percent. (The Treasurer is currently earning approximately six percent on the City's portfolio). If payments were withheld to vendors for as long as 122 days, then it may be worthwhile. However, interest and penalties may be applied per vendor contract. It should be noted, as long as the vendor discount rate is higher than the rate of interest earned, then it is more advantageous to expedite vendor payments and acquire the discount.

Recommendations

That the Council,

OK

Instruct all departments:

- a. To develop and attach a quarterly repayment schedule for all requested Reserve Fund loans detailing the date(s) of repayment and the source of funds from which the loan will be paid;
- b. Submit information on current Reserve Fund loans when requesting new loans including the Council File Number and date, amount of the loan, purpose of the loan, current balance and the estimated date(s) of repayment. If the department is behind in its repayment schedule, it should detail why the current loan(s) have not been repaid. If a repayment schedule was not developed for a prior loan, one should be required before approval of a new loan.

OK

2. Request the Controller to report to Council quarterly on the status of all Reserve Fund loans for each department including the current balance and status of repayment.;

include that he instructed this & it happened

3. Instruct the Grants Streamlining Task Force to report to the Governmental Efficiency Committee with recommendations regarding the grant process;
4. Authorize the City Attorney to release a Request For Proposal for collection services on delinquent accounts up to \$2,000;

5. Authorize the City Attorney to release a Request For Proposal for collection services on Small Claims Court judgements; and,
6. Instruct the Fire Department to request assistance from the City Attorney in order to assist in collection of delinquent insurance company accounts.

Fiscal Impact Statement

No impact can be determined at this time.

WTF:RPC:jhl

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCERECEIVED
CITY CLERK'S OFFICE
01 JAN -8 AM 11:06
BY _____ CITY CLERK
INFO

Date: January 5, 2001

To: The Governmental Efficiency Committee

From: William T Fujioka, Director 
Office of Administrative and Research Services

Subject: CHICK-FEUER MOTION ON REVENUE COLLECTION ENHANCEMENT

A Council Motion (Chick-Feuer - C.F. 00-2094) requested this Office to convene and chair a committee consisting of various members from selected City departments and representatives from the private sector. The committee would report on best practices used in governmental entities and the private sector that the City can implement in both the short-term and long-term to revitalize the City's collection efforts. The committee would also make recommendations on potential requests for proposals in order to solicit private sector assistance in improving City revenue and governmental entitlement collection.

The Collection Task Force met in December to discuss the motion and update all members with the current status of the City's collection efforts. Invitations were also made to various individuals from the private sector to join the Task Force in order to gather new ideas or approaches to the collection process; however, these individuals were unable to attend for various reasons. The Collection Task Force will be convening in January and invitations have again been made to private sector representatives. These individuals will be requested to present various ideas or alternatives on how to improve the City's revenue and entitlement collections. The Task Force will report back to the Government Efficiency Committee in 30 days with recommendations on those ideas or alternatives that were presented.

Our Office reported to the Governmental Efficiency Committee in December the status of several collection systems within the City. (See attached report). In addition, several initiatives were presented to the Committee to be explored in regard to their revenue potential. In turn, the Committee requested additional information and suggestions on how to improve the City's collection efforts, pending approval of the Revenue Manager in the Office of Finance.

In response to the Committee's request, this Office proposes additional initiatives that can be explored:

GOVT EFFICIENCY

JAN 8 2001

- Formation of specialized audit groups within the Controller's Office and the Office of Finance to perform revenue collection audits of selected City departments;
- Continue/expand the use of lockbox services for departments;
- Implement/increase the use of debit/credit cards for selected departments;
- In cooperation with the Controller, instruct all departments that were advanced Reserve Fund loans to implement standardized work order tracking and billing procedures in order to invoice the grant administrator in a timely manner;
- Instruct the Office of Finance to fill all vacant Tax Auditor and Management Analyst positions in the Revenue Collection Division (Tax and Permit);
- Instruct the Fire Department to report on the decline in collection percentage of ambulance billing during the first few months of the current year; and,
- Explore the feasibility of instituting a voluntary fee on the utility bill to reimburse the ambulance billing program.

The focus of most of these initiatives is to improve internal operations or offer additional services to the public while maximizing the City's revenue potential. Each of the initiatives is explained in greater detail below.

Controller Audit Team

The Controller's Office was granted additional responsibilities through the new Charter to conduct performance audits of all City departments. These performance audits can include suggestions or plans for improvement in the management of departmental revenue. Seven positions were authorized by the Mayor and Council in 2000-01 to implement the performance audit program. Three of these positions could be grouped together to form a "revenue audit team" to investigate selected departments regarding their collection efforts and provide recommendations to improve those collections. The responsibility of this team is clearly authorized by the Charter as part of the performance auditing function. The downside to formation of this team is that positions will have to be removed from conducting regular performance audits.

Office of Finance Audit Team

The Office of Finance includes the Tax and Permit Division that is responsible for collection of various business taxes, fees and permits. Within this collection group, a similar audit

team of three positions could be created to recommend improvements concerning revenue collection activities of selected departments. Formation of this audit team would be consistent with language in the new Charter. The downside to formation of this team is that potential revenue producing positions will have to be pulled from normal tax and permit functions. The Controller and the Office of Finance may wish to combine and/or coordinate their efforts to provide a focused approach that includes auditing and revenue collection.

Lockbox Services

Several departments, such as the Office of Finance and the Department of Transportation, use lockbox services to expedite collection efforts. Lockbox service facilitates faster deposit of funds from permits, fees, or other payments so that the City may increase its interest earnings. Payments are mailed to a Post Office Box where a bank or company will collect the payments every hour and deposit the funds into a bank account on a daily basis. The Office of Finance should be instructed to survey all departments on the feasibility of using lockbox services for their collection activities.

Debit and Credit Card Payments

The Office of Finance has begun implementation of debit and credit card payments at the field offices to increase collections on various fees and permits. Previous policy dictated the acceptance of only cash or check. The Office of Finance should survey departments on the feasibility of installing debit and credit card services for other payments and report back to this Committee with recommendations.

Reimbursement of Reserve Fund Loans

Approximately \$30 million in outstanding loans is owed to the Reserve Fund, of which approximately \$8 million is for grant reimbursed projects. Some departments participating in these projects are not adequately tracking and invoicing the grant administrator (Community Development Department or Housing Department) in a prompt manner. The Controller should be requested to work with concerned departments and coordinate the development of a standardized work order billing and tracking system in order to facilitate the reimbursement of General Fund loans by those concerned departments. This Office is currently conducting a comprehensive review of all outstanding Reserve Fund loans as part of the midyear budget review.

Office of Finance Vacancies

As of the end of November, the Office of Finance has thirteen Tax Auditor vacancies. During the last couple of years employees have transferred or promoted to other

classifications where compensation is higher. Recently, a new paygrade and pay scale was created in the Tax Auditor series, which will allow employees to advance thus improving the Department's retention rate. These positions, which are important to the Department's tax and permit function, are revenue producing and can potentially increase collections by an average of \$350,000 per employee.

Ambulance Collection

The Fire Department will invoice approximately \$50 million per year, after Medicare and low income adjustments are made for ambulance billings. However, the percentage of collectibles has been declining from 52 percent in July to 21 percent for October. In the last two years, the Department has decreased its backlog of billings and has sustained a collection rate of approximately 60 percent. The Fire Department should report back on reasons why the percentage is declining and, if necessary, the Controller should be requested to audit the ambulance collection activities. If the decline in collection percentage is sustained, overall revenue collected for the year will be below the budget estimate. The Office of Finance could also assist the Fire Department in formulating a plan to improve collections and possibly issue a Request For Proposal to conduct a study on how best to increase collections. However, prior research has indicated that most of the uncollectible accounts are from impoverished individuals and families who do not have medical insurance or the ability to pay for medical services.

Voluntary Ambulance Fee

Several local cities have implemented a program whereby a volunteer fee is instituted on the utility bill to fund emergency medical services. The fee is essentially an insurance program for individuals who do not have medical insurance or need to supplement their current medical insurance. The City could likewise explore the feasibility of implementing a similar program for low income residents or residents who cannot afford medical insurance. A new line item would be created on the Department of Water and Power's utility bill representing the voluntary fee. This fee could provide a method of payment for financially challenged families and could potentially reduce the uncollectible ambulance billings.

Recommendations

That the Council:

1. Instruct the Collection Task Force to report back in 30 days on various ideas or alternatives presented to the Task Force including those presented from the private sector regarding improvement to the City's revenue and entitlement collections;

*happened
(included
report)*

2. Request the Controller to explore the feasibility of creating a specialized audit team to conduct revenue collection audits on selected departments;
3. Instruct the Office of Finance to explore the feasibility of creating a specialized audit team to perform revenue collection audits on selected departments;
4. Instruct the Office of Finance to survey all departments on the feasibility of using lockbox services for their collection activities;
5. Instruct the Office of Finance to survey all departments on the feasibility of establishing debit and credit card services for constituent payments;
6. Request the Controller, working with concerned City departments, to coordinate the development of a standardized work order billing and tracking system in order to facilitate the reimbursement of General Fund loans;
7. Instruct the Office of Finance to expedite filling of all Tax and Permit vacancies in order to enhance revenue collection;
8. Instruct the Fire Department to report back within 60 days on the decline in collection percentage for ambulance billings in 2000-01;
9. Request the Controller to audit the ambulance collection activities of the Fire Department to determine if improvements are possible; and,
10. Instruct the Office of Finance to explore the feasibility of establishing a voluntary fee or insurance program on the utility bill for individuals or families who do not have medical insurance and to report back within 90 days.

Fiscal Impact Statement

No impact can be determined at this time; however, the potential increase to the General Fund can be several million dollars.

WTF:RPC:jhl

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

RFE

Date: December 7, 2000

To: The Governmental Efficiency Committee

From: William T Fujioka, Director 
Office of Administrative and Research ServicesSubject: **CHICK – FEUER MOTION ON REVENUE COLLECTION ENHANCEMENT**

A Council Motion (Chick-Feuer - C.F. 00-2094) requested this Office to convene and chair a committee consisting of members from the Office of Finance, Chief Legislative Analyst (CLA), City Clerk, City Attorney, Business Tax Advisory Council (BTAC), selected departments and representatives from the private sector. The committee would report on best practices used in governmental entities and the private sector that the City can implement immediately, in the next six months and over the long term to revitalize the City's collection efforts and access untapped government entitlements. The committee would also make recommendations on potential requests for proposals in order to solicit private sector assistance in improving City revenue and entitlement collections.

The Collections Task Force will be convening in early December and will include additional members from the BTAC and the private sector. The Collections Task Force will reevaluate the collection process of the City and may survey all departments to compile information regarding their collection activities. Early next year, the Task Force will report back to the Government Efficiency Committee with recommendations.

During the last ten years, several consultants and the Controller have completed several studies and made recommendations on how the City can improve its revenue collection. In 1998, the City formed a Collections Task Force with members from this Office, CLA, City Clerk, City Attorney, Controller and the City Treasurer to review these studies and report to the Governmental Efficiency Committee. Attached is the City Administrative Officer (CAO) report, dated January 15, 1999, detailing the Collections Task Force findings and recommendations. In analyzing the recommendations from these studies, several reoccurring themes have emerged. The City's collection process should be more centralized, standardized and automated, and an experienced revenue manager should be hired to oversee the collection process and make improvements as necessary.

The Task Force surveyed all City departments for information on their billings, collections and receivables for each fee collected. The Task Force was unable to draft general conclusions because collection rates vary across departments for many reasons. This variation was primarily due to two factors. The first factor was whether the fee was collected prior to service or after the service; and the second factor concerned the type of fee payer such as a private citizen, a business, a governmental agency, or a third party. The Task Force recommended that all departmental fees should be evaluated by an experienced revenue collection manager to determine the most cost-effective method of collection.

As previously reported, several departments have begun implementing automated systems for improving collections. Below is an update on the status of those major systems that were covered in the earlier CAO report.

- Tax and Permit System (TAPS2000) – TAPS2000 will replace the outdated tax and permit computer system in the Office of Finance. Funding was set aside in the Unappropriated Balance for project implementation in 2000-01.
- Accounts Receivable System (ARS) – The ARS, a subsystem of the City's Financial Management Information System (FMIS), was implemented in 1995 to perform standardized city-wide billing and accounts receivable. The Controller reports that ARS is used by the Department of Public Works, Fire Department, Department of Transportation and the Zoo Department. The Department of General Services is in the process of implementation as well.
- ProCheck check verification and collection service – The City Treasury contracted with ProCheck in May 1998 to implement a check verification and collection system in the Department of Building and Safety. The Office of Finance reports that six departments are currently using this service.
- City Attorney's collection system (CUBS) – This system is used to track and administer overdue billings referred to the City Attorney's Claims and Collection Section by City departments.

This Office believes that the first step to improve the City's collection process is for the Office of Finance to hire an experienced revenue manager. Before this can occur, the Council should expedite approval of the new salary setting for the Revenue Manager. An OARS report was heard in the Personnel Committee and is now waiting for approval from the full Council. Immediately after Council approves the new salary, the Department should move forward expeditiously to fill the Revenue Manager position.

Within 90 days of hiring, the Revenue Manager should develop a business plan to evaluate the current procedures and effectiveness of the City's collection activities and make recommendations on methods to improve collections as necessary. The business plan will set goals in order to evaluate the progress of these methods and their associated target dates. Additionally, the plan may include centralizing some or all of the collection activities, reassigning existing collections personnel to the centralized collections unit, implementing standardized procedures and automated systems, and using successful collection practices that are used by other governmental and private agencies. As part of the business plan, the Revenue Manager will assess the resources needed to carry out the plan for the Department and the City.

Centralization of collection activities has been a reoccurring theme of the previous studies. As part of the business plan, the Office of Finance should report back to Council on the feasibility of establishing a central collection agency.

Pending hiring the Revenue Manager, this Office proposes that additional initiatives can be explored. Four proposals are offered below:

- **Franchise Tax Board.** Request the Mayor's Office to continue to support legislation that will help the City obtain state income tax records for businesses and individuals. This information would be used to crosscheck the current number of businesses that pay their business taxes against those that do not. This legislation, which has failed previously, will be reintroduced in January in the State Assembly.
- **Sales Tax on catalog sales.** Request the Mayor's Office to support national legislation authorizing collection of sales tax revenue from catalog sales. Currently, the City does not receive sales tax revenue from all catalog sales because of Congress' existing moratorium on Internet sales in effect until 2002. Catalog sales are similar in nature to Internet sales in that a nexus does not always exist between the tax and physical location.
- **Maximize grant applications.** Currently grant administration is handled by several departments including the Mayor's Office. At one time, the City had a separate office called the "Board of Grants Administration" made up of members of the Council, Mayor's Office and the City Administrative Officer. The Board was dismantled in the early 1980s due to Council Committee restructuring. Currently, most departments perform their own research and grant application and then the matter is heard in their respective Council Committee. The City could consider consolidating and centralizing grant administration once again.
- **The Office of Finance could work with the League of California Cities to explore the feasibility of a more uniform application of the telephone users tax in order to improve revenue collection.** The Office of Finance has contracted with a consultant

to audit the collection of the telephone users tax and should report back to this Committee on the efforts of that audit.

Recommendations

That the Council:

1. Approve the new salary setting for the Revenue Manager in the Office of Finance, as submitted by the Personnel Committee;
2. Instruct the Office of Finance to expeditiously hire the Revenue Manager once Council has approved the new salary setting;
3. Request the Mayor's Office to support legislation that will help the City to collect state income tax records;
4. Request the Mayor's Office to support legislation authorizing the collection of sales tax revenue from catalog sales;
5. Instruct the Office of Finance to report back on the feasibility of establishing a more uniform application of the telephone users tax with the League of California Cities;
6. Instruct the Office of Finance to report back on the efforts of the telephone user tax audit; and,
7. Instruct the Office of Finance to report back on the feasibility of establishing a centralized collection agency within the City.

Fiscal Impact Statement

No impact can be determined at this time.

WTF:RPC:jhl

REPORT FROM

CITY ADMINISTRATIVE OFFICER

TO	The Governmental Efficiency Committee The Budget and Finance Committee	DATE	CAO FILE NO.
REFERENCE	Requests for report from the City Council on August 18, 1998 and from the Budget and Finance Committee on December 8, 1998	1/15/99	0160-01461-0000
SUBJECT	Improvement of City Billings and Collections Performance	COUNCIL FILE NO.	98-1520 98-0600-S46
		COUNCIL DISTRICT	

SUMMARY

On August 18, 1998, the Council adopted a motion (C.F. 98-1520) directing the formation of a task force consisting of the CAO as chair, CLA, Controller, City Clerk, City Attorney, Information Technology Agency and Treasurer to report to the Governmental Efficiency Committee and the Budget and Finance Committee on the City's experience in collecting accounts receivable and to make recommendations for improvement in the collections process. In a subsequent action at its meeting on December 8, 1998, the Budget and Finance Committee requested a similar report on the City's billing and collections process (C.F. 98-0600 S46).

The task force reviewed the findings and recommendations of the County of Los Angeles' report on uncollectibles, three consultants employed by the City over the past seven years to study this issue and of a prior interdepartmental committee which submitted a report to the Governmental Efficiency Committee in February 1998. Attachment 1 summarizes the recommendations of these reports. Generally, they all agreed that the City's collections process should be more centralized, standardized and automated. It was also recommended that the City employ an experienced revenue manager to oversee improvements to the City's billing, accounts receivable and collections efforts.

Some departments have begun implementing the types of automated systems recommended by the consultants. The following is the status of three of the current billing and collections improvement projects.

- Tax and Permit System (TAPS 2000)--TAPS 2000 will replace the outdated tax and permit computer system in the Tax and Permit Division of the City Clerk's Office. The City Clerk reports that a Request For Proposal will be released sometime in January 1999.

(Summary continued)

K. Comas

CITY ADMINISTRATIVE OFFICER



- Accounts Receivable System (ARS)—The ARS, a subsystem of the City's Financial Management Information System (FMIS), was implemented in 1995 to perform standardized city wide billing and accounts receivable. The Controller reports that this system is currently being upgraded to meet Year 2000 requirements. In addition, the Controller is pursuing expanding ARS to include the Building and Safety and General Services departments.
- ProCheck check verification and collection service—The City Treasurer contracted with ProCheck in May 1998 to implement a check verification and collection system in the department of Building and Safety. The Treasurer reports that returned checks have decreased by more than 33% and that the vendor's performance continues to exceed City benchmarks. A City-wide departmental meeting is scheduled for January 21, 1999 to discuss the expansion of ProCheck services to include other City departments. The Treasurer also reports that the use of alternative payment methods which make the payment process easier, such as credit cards, will increase collections.
- City Attorney's collection system (C.U.B.S.)—This system is used to track and administer overdue billings referred to the City Attorney's Claims and Collection Section by City departments. This system is not fully compatible with the current ARS, which does not capture all of the information required for collections purposes. The City Attorney has requested that ARS be modified to provide the necessary data.

While these and other improvements have been made in recent years, most of the problems identified by the previous studies still exist and their recommendations are still appropriate.

The task force surveyed all City departments for information on their 1997-98 billings, collections and receivables for each type of fee collected. The results of our survey are summarized on Attachment 2. It is difficult to draw general conclusions regarding fee collections, because the collection rates vary significantly for different types of fees. Much of this variation between collection rates is due to differences in the nature of each fee. For example, some fees are collected in person prior to delivery of a service, while others are billed after the fact. Another difference is the type of payer, which could be a private citizen, a business, another governmental agency or a third party such as an insurance company. These and many other factors can affect the potential collection rates and the methods which would be most effective in improving collections. Each fee must be evaluated separately to determine the most cost effective method of collection. We believe that this type of evaluation will require the expertise of an experienced revenue manager.

A thorough evaluation of collections would also require more complete and accurate information. For example, some departments could not provide information on the amounts billed during the year or on the aging of their accounts receivable. In addition the collection rates shown on Attachment 2 are not accurate because the collections are not directly related to the billings listed. This is because there is usually a lag of several weeks to several months between billing and payment. As a result

(Summary continued)

of this lag, the 1997-98 collections include payments due on some prior-year billings and only a portion of the 1997-98 billings. That is why the collection rates shown for some fees exceed 100 percent.

In most cases the basic data to evaluate collections exists, but there is no easy way to access it and compile it for management information purposes. It will, therefore, be impossible to identify specific problems with our collections performance and the options to improve it until improved systems and procedures are implemented.

We, therefore, concur with the recommendations of the prior studies and reports that the first step in improving the collections process is to create a position of Revenue Manager, which would be responsible for evaluating the current procedures and performance and recommending a program to improve collections. Among the changes which should be considered are the centralization of some or all collections activities, the reassignment of existing collections personnel to the centralized collections unit, the implementation of standardized procedures and systems and the employment of collections techniques used by other governmental and private sector organizations. It is essential that the individual employed in this position have extensive experience in billing, collections and collections management. A proposed description of the duties and qualifications for this position are detailed on Attachment 3.

After an initial evaluation of the City's billing and collections practices, this position should develop a pilot project to improve collections in one or more specific areas and set measurable goals to evaluate its success. It is recommended that the Mayor and Council continue this task force and direct it to oversee the implementation of this pilot program and to report back on its progress with recommendations for further changes in the collections process.

The Task Force believes that the revenue manager position should be placed in the City Clerk's Office, because it has the largest billing and collections operation among Council-controlled departments and would be in the best position to support the new revenue manager and the development of the pilot program. We also considered the City Attorney's Office and the Treasurer's Office as potential locations for this position. However, we did not recommend them because the Treasurer currently has no collections responsibilities and the City Attorney's collections activities are not the primary focus of that office and are limited to overdue payments.

The City Clerk may need additional resources to support this position and the pilot program. If the City Clerk's Office determines that additional resources will be needed, it should submit a request to the Mayor to be considered as part of the 1999-2000 Proposed Budget. The revenue manager will also need assistance from other City departments involved in billing and collections activities. It is, therefore, recommended that the Mayor and Council direct those departments to appoint a high level employee to act as liaison to this Task Force and the revenue manager.

(Recommendations attached)

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. Authorize a new position of Revenue Manager in the Office of the City Clerk and direct the Personnel Department to expedite the creation of a new position classification substantially as described in the attached position description and submit recommendations to the Mayor and Council regarding the exemption of this position from civil service;
2. Instruct the City Clerk, to develop a pilot project based on the recommendations of the Revenue Manager to evaluate methods for improvement of City collections, which will include the establishment of measurable goals and the evaluation of actual progress in relation to those goals; and report to the Mayor and Council on its progress within one year;
3. Continue the City Collections Task Force consisting of the CAO as chair, CLA, Controller, City Clerk, City Attorney, Information Technology Agency and Treasurer to oversee the development and implementation of the pilot project and provide assistance as needed by the Revenue Manager;
4. Direct the City Clerk to evaluate the need for additional resources to support the activities of the Revenue Manager and the pilot program and submit budget requests for any required resources to be included in the 1999-2000 Proposed Budget; and
5. Direct City departments with billing and collection responsibilities to cooperate with the Revenue Manager and appoint a management level employee to serve as the primary contact to that position.

FISCAL IMPACT STATEMENT

There will be additional salary and support costs associated with the creation of the Revenue Manager position and the development of a pilot project, but these costs are not fully known at this time. It is hoped that these costs associated will be more than offset by the increase in City collections.

JTS:klc

Attachments

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- Direct the County Counsel to investigate and report back to the Board on the legality of obtaining Social Security Numbers from motorists at the time citations are written, and propose any necessary legislation.
- Direct the Sheriff Department to collect from the municipalities in arrears for department services and maintain a current account status and to include and enforce late payment clauses in contracts as an incentive to pay promptly.
- Direct the Library to reduce the threshold for collection agency referral from \$90 to \$50 and to conduct a library amnesty program.
- Direct all departments where appropriate to require advance payments or substantial deposits as a condition of providing service.
- Direct the Auditor-Controller to establish guidelines for the tracking of early write-off accounts for the indigent and other obviously uncollectible accounts.
- Direct the Auditor-Controller to conduct a biannual study to consider benefits and risks of the sale and securitization of unsecured County debts.
- Direct the Auditor-Controller, in conjunction with all affected departments, to develop and present to the Board of Supervisors an annual report on debt collections.
- Direct the Chief Administrative Officer, in conjunction with the DHS, to incorporate debt collection goals and the progress made by department directors on recommendations adopted from these reports.
- Direct the Department of Public Works (DPW) to create and circulate a list of contacts of private and public agencies doing business with DPW for internal use.
- Direct the Sheriff, with guidance from County Counsel, to charge municipalities for the medical care and security of city prisoners, to adopt a procedure for the billing for all services within 14 days of billable service and to adopt a procedure for contract issuance which includes a 50% retainer requirement and payment in full upon completion of private contracts with the motion picture and television industries.
- Direct the Auditor-Controller with the cooperation of the Chief Information Officer (CIO) and the Internal Services Department (ISD) to issue a progress report to the board on the plan to increase the use of electronic banking, Internet commerce and electronic data exchange to streamline the County's debt and revenue collection functions.
- Direct the County Counsel to explore methods of increasing County access to federal government systems to assist in skip-tracing and to investigate and recommend changes to Federal and State laws to provide County Departments with legal authority to implement wage garnishments, tax intercepts, establish liens and levies, and the establishment of higher priority in bankruptcy for debts owed to the County.
- Direct the TTC, in conjunction with the CIO and ISD, to prepare a cost effectiveness study on the establishment of an on-line database (using middleware technology) to interface with existing County systems. This would enable access to information about debts owed the County by individuals at the time service is provided to further enhance inter-County department offsets and deny non-medical, non-emergency services to delinquent debtors.

- Direct the County departments, in conjunction with CIO, ISD and TTC, to expand the automatic point of transaction system for County departments. This system should improve the capture of collections information, streamline data and reduce paperwork. Long range improvement could include self-service applications such as Web enablement.
- Direct the Economy and Efficiency Commission to do follow-up study on the ongoing policy implications of the County's receivables tracking and collections systems.

Summary of Historical Recommendations For Improving the City's Collections Process

Ernst & Young 1991

- Develop policies and procedures to improve management of billings and receivables
- Change the City Administrative Code to better support collection efforts.
- Contract with an outside collection agency for accounts overdue 45 days and less than \$1,000.
- Create a City-wide Collection Unit, located in the Treasurer's office, which will be responsible for monitoring the delinquency rates and collection efforts of all departmental receivables.
- Send monthly aging reports or data from departmental billing/accounts receivable systems and other collection groups to the City-wide Collection Unit.
- Enhance departmental billing/accounts receivable systems to provide account aging and tracking information.
- Automate the cash receipts processing function.
- Implement a City-wide billing, accounts receivable and collection system.
- Establish an internal audit program of accounts receivable functions by the Controller's Auditing Division.
- Establish timely collection of departmental accounts receivable as a management objective of City department heads.

Ernst & Young 1994

- Implement a pilot program focusing on the outstanding receivables with the greatest potential for collection.
- Define Software Requirements and Select Package for Accounts Receivables System.
- Implement AMS Accounts Receivable and Collection System.

Altmayer 1996

- Define parameters in which collectors can negotiate payment plans and/or waive or reduce the amount owed.
- A central collections unit should be established in the City Treasurer's Office with overall responsibility for Citywide billing and collections.
- Continue the implementation of the Accounts Receivable System (ARS) and link ARS to a Citywide collections system.
- Require annual reporting to the City Council and Office of the Mayor on the status of all delinquent accounts and collection efforts.

- Hire an experienced accounts receivable/collections manager to head the central collections unit
- Centralizing City collections efforts would increase collections by at least \$3.5 million annually.

Controller Report to Governmental Efficiency Committee, February 1998

- Exempt one position of Revenue/Collection Manager from the Civil Service provisions of the Charter and transfer this position and funding from the Treasurer to the City Attorney.
- Instruct the City Attorney, with the assistance of the Controller, to establish a plan for a pilot project for the collection of funds owed the City, reevaluate the progress and success of the pilot project and to report back within one year.
- Instruct all departments with collection efforts to report annually to the City Attorney their collection results regardless of the method used.

Los Angeles County Citizens' Economy and Efficiency Commission, August 1998

- The development of best practices (extracted from successful collection programs from government agencies and private corporations experienced in the collections field throughout the U.S...) will enable the County to systematically increase collections in all County departments.
- Direct each County department in conjunction with the Auditor-Controller and Treasurer-Tax Collector (TTC) to develop an expanded written collection policy.
- Direct the TTC and the Auditor-Controller to establish guidelines for the preparation of Requests for Proposal (RFP) for collection agency services, based on a department's request to maximize the use of collection agencies.
- Direct the TTC and the Auditor-Controller to review the current use of the electronic credit card and check acceptance guarantee program for payment of County services.
- Direct the TTC to develop a plan for an amnesty, prepared in conjunction with affected departments, for the most delinquent receivables.
- Direct all departments to develop a list of debts that are not collectible.
- Direct the Department of Health Services (DHS) in conjunction with TTC to modify the handling of delinquent self-pay inpatient accounts to include the initial use of private collection agencies, to capture account collection information at time of service and to issue an RFP for collection agency assistance with their ability to pay accounts.
- Direct the Probation Department to maintain continuing information on its databases beyond twelve months to accommodate the tracking of receivables to modify its databases to enable screening and capture of correct Social Security Numbers and addresses and to issue an RFP for collection agency assistance for the debt collection functions.
- Direct the County Counsel to study and propose any necessary legislation on the legality of license intercepts both within LA County and in cooperation with regional counties and to study and report back on the legality of holding or denying non-emergency, non-medical County services and benefits to delinquent debtors as a method of collection.

SUMMARY OF BILLING AND COLLECTIONS SURVEYS
As Identified by City Departments

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Aging	None	\$ -	\$ -	0%	\$ -	\$ -	\$ -
				0%			
Animal Regulation		\$ 3,600,000	\$ 2,532,186	70%	\$ 320,000	\$ -	\$ -
	Licenses	3,600,000	2,532,186	70%	320,000	-	-
Building and Safety		\$ 9,522,728	\$ 7,498,811	79%	\$ -	\$ -	\$ 13,455,183
	Auto Repair	1,593,251	1,106,881	69%	-	-	2,394,856
	Auto Dismantling	104,395	53,189	51%	-	-	159,823
	Bad Checks	781,780	564,124	72%	-	-	1,201,244
	Non Compliance	3,841,671	1,326,884	35%	-	-	4,855,531
	Emergency Electrical	43,709	79,701	182%	-	-	57,321
	Elevators	451,298	1,507,142	334%	-	-	695,099
	Off-Hour Electrical Inspections	42,453	40,453	95%	-	-	65,387
	Earthquake Non Compliance	7,453	-	0%	-	-	11,479
	Electrical Test Lab	1,903	8,699	457%	-	-	2,931
	Fabricators	6,226	7,329	118%	-	-	6,043
	Fire Safety Non Compliance	53,081	46,728	88%	-	-	81,593
	Off-Hour Heating & Ref. Inspections	9,153	8,153	89%	-	-	14,097
	Investigations	106,367	88,300	83%	-	-	162,628
	Off-Hour Commercial Inspections	14,209	12,000	84%	-	-	21,855
	Other Departmental & Misc.	328,043	335,043	102%	-	-	427,960
	Off-Hour Plumbing Inspections	-	-	0%	-	-	-
	Pressure Vessel Inspections	285,324	686,902	241%	-	-	4,439,124
	Repair & Demolition Fund	1,852,412	1,627,283	88%	-	-	2,563,124
City Administrative Officer		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
City Attorney		\$ 8,886,795	\$ 6,807,855	77%	\$ -	\$ -	\$ 2,078,939
	Fees Charged to Proprietaries	8,886,795	6,807,855	77%	-	-	2,078,939
City Clerk		\$ 1,704,540,000	\$ 1,696,140,000	99.5%	\$ -	\$ -	\$ 8,400,000
	Business Tax	235,702,570	234,160,330	99%	-	-	1,542,240
	Parking Occupancy Tax	46,125,700	45,824,140	99%	-	-	301,560
	Transient Occupancy Tax	92,656,340	92,049,860	99%	-	-	606,480
	Utility Users Tax	481,878,585	478,725,225	99%	-	-	3,153,360
	Sewer Service Charge	358,620,130	356,273,170	99%	-	-	2,346,960
	Dwelling Unit Construction	547,832	544,220	99%	-	-	3,612
	Commercial Tenants Occupancy	-	-	0%	-	-	-
	Alarm Fees	4,401,342	4,372,530	99%	-	-	28,612
	Police Permit Fees	4,396,345	4,367,617	99%	-	-	28,726

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected *	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
City Clerk Cont...	Vehicle Release Fees	3,303,375	3,303,375	100%	-	-	-
	OPG Franchise Fees	2,407,020	2,407,020	100%	-	-	-
	Miscellaneous	100,273	100,273	100%	-	-	-
	Fire Permit Fees	2,815,705	2,797,225	99%	-	-	18,480
	Payroll Expense Tax	55,583,600	55,219,880	99%	-	-	363,720
	Residential Development Tax	920,693	914,645	99%	-	-	6,048
	Bicycle Licenses	8,760	8,760	100%	-	-	-
	Home Occupation Trust Fund	243,750	243,750	100%	-	-	-
	Sales and Use Tax - State	296,874,030	296,874,030	100%	-	-	-
	Property Tax Transfer - County	70,309,505	70,309,505	100%	-	-	-
	Sanitation Equipment	47,362,145	47,362,145	100%	-	-	-
	Miscellaneous	282,300	282,300	100%	-	-	-
Comm. Children, Youth		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Comm. Status of Women		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Community Development		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Controller		\$ 3,871	\$ 10,826	280%	\$ -	\$ -	\$ -
	Miscellaneous Fees	3,871	10,826	280%	-	-	-
Cultural Affairs		\$ -	\$ 42,003	N/A	\$ -	\$ -	\$ 320
	Miscellaneous Fees	N/A	42,003	N/A	-	-	320
Disability		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Employee Relations		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Environmental Affairs		\$ 495,819	\$ 493,775	99.6%	\$ -	\$ -	\$ -
	Ordinance Enforcement Fees	495,819	493,775	99.6%	-	-	-
Ethics Commission		\$ -	\$ 82,727	N/A	\$ -	\$ -	\$ -
	Lobbyist Registration Fee	N/A	82,727	N/A	-	-	-
Fire		\$ 66,533,305	\$ 53,190,606	79.9%	\$ 13,624	\$ 183,420	\$ 508,856
	Brush Removal and Restitution	997,865	485,963	48.7%	N/A	N/A	N/A

Revised billing survey
1/14/99 11:43 AM

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Fire Cont...	Filming Permits	1,488,122	1,235,328	83.0%	N/A	N/A	N/A
	Special Fire Dept. Services	9,217,408	8,192,263	88.9%	N/A	N/A	N/A
	Spot Check Prog. Cost Recovery	375,070	375,070	100.0%	N/A	N/A	N/A
	Emergency Ambulance Services	31,573,860	16,790,582	53.2%	N/A	N/A	N/A
	Emergency Medical Services	N/A	27,077	N/A	N/A	N/A	N/A
	Services Provided to Proprietaries	22,679,924	25,934,572	114.4%	N/A	N/A	N/A
	Miscellaneous Revenues	201,056	149,751	74.5%	N/A	N/A	N/A
General Services		\$ 3,683,732	\$ 3,649,139	99.1%	\$ 332,987	\$ 231,371	\$ 356,237
	Leases	1,850,335	1,702,257	92.0%	-	-	-
	Lab Testing Fees	1,500,831	1,393,666	92.9%	-	-	-
	Helicopter Maintenance	332,566	553,216	166.3%	-	-	-
Housing		\$ 7,500,000	\$ 6,264,637	83.5%	\$ -	\$ -	\$ 1,500,000
	Rent Registration Fee	7,500,000	6,264,637	83.5%	-	-	1,500,000
Human Relations		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Information Technology		\$ 14,100,000	\$ 14,100,000	100.0%	\$ -	\$ -	\$ -
	Franchise Fees	14,100,000	14,100,000	100.0%	-	-	-
LA Convention Center		\$ 4,721,707	\$ 4,025,918	85.3%	\$ 267,163	\$ 574,191	\$ 464,493
	Electrical Shop Services	3,278,003	2,794,957	85.3%	N/A	N/A	N/A
	Plumbing Services	110,768	94,445	85.3%	N/A	N/A	N/A
	Telecom (net of tolls)	990,237	844,316	85.3%	N/A	N/A	N/A
	Business Center	52,376	44,658	85.3%	N/A	N/A	N/A
	Audio/Visual Equip. Rental	172,474	147,059	85.3%	N/A	N/A	N/A
	Security, Cleaning & Damages	117,849	100,483	85.3%	N/A	N/A	N/A
Personnel		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Planning		\$ 259,615	\$ 200,209	77.1%	\$ 30,625	\$ 4,093	\$ 38,825
	Plan & Land Use Fees	163,990	135,209	82.4%	-	4,093	38,825
	Supplemental Fee Agreements	95,625	65,000	68.0%	30,625	-	-
Police		\$ 91,435	\$ 8,851,435	N/A	\$ -	\$ -	\$ -
	Tuition Fees for Non-City Personnel	91,435	91,435	100.0%	-	-	-
	Miscellaneous Permit Fees	N/A	4,390,000	N/A	-	-	-
	False Burglar Alarm Fees	N/A	4,370,000	N/A	-	-	-
Public Works Department		\$ 152,868,427	\$ 138,018,173	90.3%	\$ 13,165,213	\$ 4,737,931	\$ 120,613,272
	Recreation and Parks Billing	N/A	N/A	N/A	-	-	262,431
	Work Orders - Spec. Requests	2,053,900	1,061,239	51.7%	443,330	613,798	39,934
	B Permit Deficits	684,118	777,660	113.7%	42,143	112,019	1,895,752

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Public Works Cont....	FAUP Billings	33,853,726	34,887,194	103.1%	978,178	240,167	1,907,335
	Motion Picture Billings	N/A	N/A	N/A	-	-	131,746
	Sewage Disposal - Capitol	19,647,445	15,688,697	79.9%	-	-	66,136,295 **
	Sewage Disposal - Operations	13,604,176	9,774,143	71.8%	1,561,624	58,459	24,455,991 **
	SFC Payments	N/A	291,555	N/A	-	-	1,648,152
	Street Lighting Mtc. Agreements	1,321,985	2,624,146	198.5%	2,853	266,670	774,955
	Engineering - Vacation/Excavation	290,693	343,752	118.3%	12,004	41,766	366,960
	Industrial Waste Billings	24,527,743	23,749,813	96.8%	3,675,026	356	8,005,706
	Sub Purchase Order	122,600	31,178	25.4%	39,063	54,870	8,342
	Sewer Construction and Mtc.	42,138,440	36,461,689	86.5%	5,240,721	-	1,417,086
	Miscellaneous Billings	2,185,647	1,305,827	59.7%	200,000	400,000	603,280
	B Permit Interim Billings	669,073	323,160	48.3%	411	10,929	334,573
	EDA Billings	2,423,512	860,524	35.5%	520,428	514,298	528,262
	Arminia Project Priv. Developer	137,080	137,080	100.0%	-	-	-
	Contract Admin. Work Orders	4,480,431	5,035,602	112.4%	280,261	1,080,537	4,470,625
	Engineering Miscellaneous	900,612	1,529,321	169.8%	12,341	14,531	449,356
	Reproduction	-	-	0.0%	-	-	16,618
	Right of Way Rental	105,615	107,013	101.3%	706	1,030	12,042
	U - Permits	1,067,860	1,004,057	94.0%	89,199	132,666	53,185
	Illegal Dumping	(12,614)	2,009	N/A	-	-	82,477
	County Storm Drain	-	-	N/A	-	-	95,044
	Sanitation Miscellaneous	103,961	81,078	78.0%	19,283	-	614,233
	St. Lighting Work Orders/Dmg. Clms	275,579	288,691	104.8%	18,488	59,240	4,556,410
	House Moving Permits	25,000	25,000	100.0%	-	-	15,104
	Overload Permits	221,525	172,450	77.8%	25,216	15,574	28,826
	Street Maintenance	123,115	63,567	51.6%	3,938	26,809	1,492,673
	Tree Planting and Trimming	-	-	N/A	-	-	12,394
	Trench Replacement	-	1,210	N/A	-	-	75,767
	Water Blow Out	1,866,549	998,564	53.5%	-	1,081,882	53,966
	Weed Abatement Charges	50,656	391,954	773.8%	-	12,330	67,759
Transportation		\$ 140,719,502	\$ 127,794,759	90.8%	\$ 1,589,783	\$ 659,762	\$ 4,077,908
	Filing Fees	364,367	307,703	84.4%	7,142	75,829	43,777
	Maintenance Agreements	330,616	371,303	112.3%	36,645	10,805	-
	B Permits	91,757	194,746	212.2%	-	23,041	64,053
	Temporary Signs	99,383	81,586	82.1%	5,532	372	26,266
	Damage Claims	171,908	131,857	76.7%	-	8,363	1,554,286
	Special Projects	211,515	242,209	114.5%	2,485	8,547	-
	County Grants	3,733,779	2,057,753	55.1%	1,480,743	186,788	8,496
	Federal and County Grants	9,530,773	5,499,449	57.7%	-	-	1,396,467
	ATSAC	1,050,275	1,050,275	100.0%	-	-	-
	Federal, State & County Grants	3,864,625	2,873,240	74.3%	57,236	107,281	826,867
	County and State Grants	1,751,504	1,190,638	68.0%	-	238,736	157,711
	Parking Citations	119,519,000	113,794,000	95.2%	-	-	-

Revised billing survey
1/14/99 11:43 AM

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Treasurer		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Zoo		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
El Pueblo		\$ 884,983	\$ 792,443	89.5%	\$ 1,277	\$ 1,378	\$ 39,495
	Lease/Rent	811,366	749,116	92.3%	1,277	1,378	9,206
	Promotion of Events	73,617	43,327	58.9%	-	-	30,289
Library		\$ -	\$ 1,786,942	N/A	\$ -	\$ -	\$ -
	Library Overdue Fines	N/A	1,786,942	N/A	-	-	-
Recreation and Parks		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
TOTAL		<u>\$ 2,118,411,919</u>	<u>\$ 2,072,282,444</u>		<u>\$ 15,720,672</u>	<u>\$ 6,392,146</u>	<u>\$ 151,533,528</u>

* Animal Regulation reports that the Animal Management Information System (AMIS) is unable to track the status of the account relative to the status of billing notices

** Pending resolution to on-going litigation.

SUMMARY OF BILLING AND COLLECTIONS SURVEYS
• Proprietary Departments

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Airports		\$ 501,793,000	\$ 419,173,000	83.5%	\$ 51,674,000	\$ 10,385,000	\$ 6,021,000
	Aviation, Concession, Sales & Misc.	501,793,000	419,173,000	83.5%	51,674,000	10,385,000	6,021,000
Harbor		\$ 195,964,027	\$ 206,766,500	105.5%	\$ 6,441,321	\$ 14,216	\$ 1,757,603
	Wharfage, Storage & Other Permits	195,964,027	206,766,500	105.5%	6,441,321	14,216	1,757,603
Water and Power		\$ 2,555,197,973	\$ 2,538,384,657	99.3%	\$ 33,338,384	\$ 12,562,861	\$ 27,234,375
	Electric Use	2,120,783,380	2,107,557,652	99.4%	-	-	-
	Water Use	434,414,593	430,827,005	99.2%	-	-	-
	Utility User's Tax	N/A	N/A	0%	-	-	-
	Sewer Service Charge	N/A	N/A	0%	-	-	-
	Electrical Reconnection	N/A	N/A	0%	-	-	-
	Water Reconnection	N/A	N/A	0%	-	-	-
	Field Collection Charges	N/A	N/A	0%	-	-	-
	Electric Late Interest Charges	N/A	N/A	0%	-	-	-
	Water Late Interest Charges	N/A	N/A	0%	-	-	-
	Sanitation Equipment Charge	N/A	N/A	0%	-	-	-
	TOTAL	\$ 3,252,955,000	\$ 3,164,324,157		\$ 91,453,705	\$ 22,962,077	\$ 35,012,978

DRAFT POSITION DESCRIPTION

REVENUE MANAGER

Summary of Duties:

The Revenue Manager is responsible for planning, developing and administering a City-wide program to collect revenue; directing and supervising the work of a collections staff; and performing related work.

Examples of Duties:

The Revenue Manager:

- Reviews and develops standardized collection policies and procedures;
- Evaluates existing billing and collections systems for system compatibility and effectiveness and provides recommendations for improvement;
- Establishes and implements investigative methods and procedures to gather pertinent data for the collection of delinquent accounts;
- Reviews the City's process for writing-off bad debt and provides recommendations for making this process more efficient;
- Prepares regular, narrative and statistical reports of collection activities for the Mayor and Council;
- Directs and coordinates the work of a collection section and evaluates the work performance of subordinates;
- Reviews and analyzes legislation as it relates to the Collection Program;
- Represents the Revenue Collections Unit in contact with City departments, the general public and elected officials; and
- Reviews the best practices of both public and private sector billing and collections processes and recommends modifications to improve billing and collections efforts Citywide. Such reviews will include the application of both conventional and electronic commerce methodologies.

Qualifications:

The Revenue Manager must have a bachelor's degree with specialization in accounting, finance, business, public administration or a related field and a minimum of five years of professional experience collecting delinquent payments owed to a public or private agency. Qualifying collection experience must include:

- A minimum of two years of direct collection experience, including one year of field collection experience;
- Preparation and presentation of cases in Small Claims Court, skip tracing, and extra-judicial proceedings such as filing liens and attachments;
- A minimum of three years as a supervisor or an assistant supervisor of a collections unit; and
- A strong knowledge of the uses and capabilities of computer-based billing and collections systems.

Additional qualifying experience may be substituted for the required education on a year-for-year basis.

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: December 7, 2000

To: The Governmental Efficiency Committee

From: William T Fujioka, Director
Office of Administrative and Research ServicesBY
CITY CLERK
DEPUTYRECEIVED
CITY CLERK'S OFFICE
00 DEC -7 AM 10:41

Subject: CHICK - FEUER MOTION ON REVENUE COLLECTION ENHANCEMENT

A Council Motion (Chick-Feuer - C.F. 00-2094) requested this Office to convene and chair a committee consisting of members from the Office of Finance, Chief Legislative Analyst (CLA), City Clerk, City Attorney, Business Tax Advisory Council (BTAC), selected departments and representatives from the private sector. The committee would report on best practices used in governmental entities and the private sector that the City can implement immediately, in the next six months and over the long term to revitalize the City's collection efforts and access untapped government entitlements. The committee would also make recommendations on potential requests for proposals in order to solicit private sector assistance in improving City revenue and entitlement collections.

The Collections Task Force will be convening in early December and will include additional members from the BTAC and the private sector. The Collections Task Force will reevaluate the collection process of the City and may survey all departments to compile information regarding their collection activities. Early next year, the Task Force will report back to the Government Efficiency Committee with recommendations.

During the last ten years, several consultants and the Controller have completed several studies and made recommendations on how the City can improve its revenue collection. In 1998, the City formed a Collections Task Force with members from this Office, CLA, City Clerk, City Attorney, Controller and the City Treasurer to review these studies and report to the Governmental Efficiency Committee. Attached is the City Administrative Officer (CAO) report, dated January 15, 1999, detailing the Collections Task Force findings and recommendations. In analyzing the recommendations from these studies, several reoccurring themes have emerged. The City's collection process should be more centralized, standardized and automated, and an experienced revenue manager should be hired to oversee the collection process and make improvements as necessary.

GOVT EFFICIENCY
INTERGOVT REL

DEC 8 2000

The Task Force surveyed all City departments for information on their billings, collections and receivables for each fee collected. The Task Force was unable to draft general conclusions because collection rates vary across departments for many reasons. This variation was primarily due to two factors. The first factor was whether the fee was collected prior to service or after the service; and the second factor concerned the type of fee payer such as a private citizen, a business, a governmental agency, or a third party. The Task Force recommended that all departmental fees should be evaluated by an experienced revenue collection manager to determine the most cost-effective method of collection.

As previously reported, several departments have begun implementing automated systems for improving collections. Below is an update on the status of those major systems that were covered in the earlier CAO report.

- Tax and Permit System (TAPS2000) – TAPS2000 will replace the outdated tax and permit computer system in the Office of Finance. Funding was set aside in the Unappropriated Balance for project implementation in 2000-01.
- Accounts Receivable System (ARS) – The ARS, a subsystem of the City's Financial Management Information System (FMIS), was implemented in 1995 to perform standardized city-wide billing and accounts receivable. The Controller reports that ARS is used by the Department of Public Works, Fire Department, Department of Transportation and the Zoo Department. The Department of General Services is in the process of implementation as well.
- ProCheck check verification and collection service – The City Treasury contracted with ProCheck in May 1998 to implement a check verification and collection system in the Department of Building and Safety. The Office of Finance reports that six departments are currently using this service.
- City Attorney's collection system (CUBS) – This system is used to track and administer overdue billings referred to the City Attorney's Claims and Collection Section by City departments.

This Office believes that the first step to improve the City's collection process is for the Office of Finance to hire an experienced revenue manager. Before this can occur, the Council should expedite approval of the new salary setting for the Revenue Manager. An OARS report was heard in the Personnel Committee and is now waiting for approval from the full Council. Immediately after Council approves the new salary, the Department should move forward expeditiously to fill the Revenue Manager position.

Within 90 days of hiring, the Revenue Manager should develop a business plan to evaluate the current procedures and effectiveness of the City's collection activities and make recommendations on methods to improve collections as necessary. The business plan will set goals in order to evaluate the progress of these methods and their associated target dates. Additionally, the plan may include centralizing some or all of the collection activities, reassigning existing collections personnel to the centralized collections unit, implementing standardized procedures and automated systems, and using successful collection practices that are used by other governmental and private agencies. As part of the business plan, the Revenue Manager will assess the resources needed to carry out the plan for the Department and the City.

Centralization of collection activities has been a reoccurring theme of the previous studies. As part of the business plan, the Office of Finance should report back to Council on the feasibility of establishing a central collection agency.

Pending hiring the Revenue Manager, this Office proposes that additional initiatives can be explored. Four proposals are offered below:

- Franchise Tax Board. Request the Mayor's Office to continue to support legislation that will help the City obtain state income tax records for businesses and individuals. This information would be used to crosscheck the current number of businesses that pay their business taxes against those that do not. This legislation, which has failed previously, will be reintroduced in January in the State Assembly.
- Sales Tax on catalog sales. Request the Mayor's Office to support national legislation authorizing collection of sales tax revenue from catalog sales. Currently, the City does not receive sales tax revenue from all catalog sales because of Congress' existing moratorium on Internet sales in effect until 2002. Catalog sales are similar in nature to Internet sales in that a nexus does not always exist between the tax and physical location.
- Maximize grant applications. Currently grant administration is handled by several departments including the Mayor's Office. At one time, the City had a separate office called the "Board of Grants Administration" made up of members of the Council, Mayor's Office and the City Administrative Officer. The Board was dismantled in the early 1980s due to Council Committee restructuring. Currently, most departments perform their own research and grant application and then the matter is heard in their respective Council Committee. The City could consider consolidating and centralizing grant administration once again.
- The Office of Finance could work with the League of California Cities to explore the feasibility of a more uniform application of the telephone users tax in order to improve revenue collection. The Office of Finance has contracted with a consultant

to audit the collection of the telephone users tax and should report back to this Committee on the efforts of that audit.

Recommendations

That the Council:

1. Approve the new salary setting for the Revenue Manager in the Office of Finance, as submitted by the Personnel Committee;
2. Instruct the Office of Finance to expeditiously hire the Revenue Manager once Council has approved the new salary setting;
3. Request the Mayor's Office to support legislation that will help the City to collect state income tax records;
4. Request the Mayor's Office to support legislation authorizing the collection of sales tax revenue from catalog sales;
5. Instruct the Office of Finance to report back on the feasibility of establishing a more uniform application of the telephone users tax with the League of California Cities;
6. Instruct the Office of Finance to report back on the efforts of the telephone user tax audit; and,
7. Instruct the Office of Finance to report back on the feasibility of establishing a centralized collection agency within the City.

Fiscal Impact Statement

No impact can be determined at this time.

WTF:RPC:jhl

REPORT FROM

CITY ADMINISTRATIVE OFFICER

TO	The Governmental Efficiency Committee The Budget and Finance Committee	DATE	1/15/99	CAO FILE No.	0160-01461-0000
REFERENCE	Requests for report from the City Council on August 18, 1998 and from the Budget and Finance Committee on December 8, 1998			COUNCIL FILE No.	98-1520 98-0600-S46
SUBJECT	Improvement of City Billings and Collections Performance			COUNCIL DISTRICT	

SUMMARY

On August 18, 1998, the Council adopted a motion (C.F. 98-1520) directing the formation of a task force consisting of the CAO as chair, CLA, Controller, City Clerk, City Attorney, Information Technology Agency and Treasurer to report to the Governmental Efficiency Committee and the Budget and Finance Committee on the City's experience in collecting accounts receivable and to make recommendations for improvement in the collections process. In a subsequent action at its meeting on December 8, 1998, the Budget and Finance Committee requested a similar report on the City's billing and collections process (C.F. 98-0600 S46).

The task force reviewed the findings and recommendations of the County of Los Angeles' report on uncollectibles, three consultants employed by the City over the past seven years to study this issue and of a prior interdepartmental committee which submitted a report to the Governmental Efficiency Committee in February 1998. Attachment 1 summarizes the recommendations of these reports. Generally, they all agreed that the City's collections process should be more centralized, standardized and automated. It was also recommended that the City employ an experienced revenue manager to oversee improvements to the City's billing, accounts receivable and collections efforts.

Some departments have begun implementing the types of automated systems recommended by the consultants. The following is the status of three of the current billing and collections improvement projects.

- Tax and Permit System (TAPS 2000)--TAPS 2000 will replace the outdated tax and permit computer system in the Tax and Permit Division of the City Clerk's Office. The City Clerk reports that a Request For Proposal will be released sometime in January 1999.

(Summary continued)

K. Comas

CITY ADMINISTRATIVE OFFICER



- Accounts Receivable System (ARS)--The ARS, a subsystem of the City's Financial Management Information System (FMIS), was implemented in 1995 to perform standardized city wide billing and accounts receivable. The Controller reports that this system is currently being upgraded to meet Year 2000 requirements. In addition, the Controller is pursuing expanding ARS to include the Building and Safety and General Services departments.
- ProCheck check verification and collection service--The City Treasurer contracted with ProCheck in May 1998 to implement a check verification and collection system in the department of Building and Safety. The Treasurer reports that returned checks have decreased by more than 33% and that the vendor's performance continues to exceed City benchmarks. A City-wide departmental meeting is scheduled for January 21, 1999 to discuss the expansion of ProCheck services to include other City departments. The Treasurer also reports that the use of alternative payment methods which make the payment process easier, such as credit cards, will increase collections.
- City Attorney's collection system (C.U.B.S.)--This system is used to track and administer overdue billings referred to the City Attorney's Claims and Collection Section by City departments. This system is not fully compatible with the current ARS, which does not capture all of the information required for collections purposes. The City Attorney has requested that ARS be modified to provide the necessary data.

While these and other improvements have been made in recent years, most of the problems identified by the previous studies still exist and their recommendations are still appropriate.

The task force surveyed all City departments for information on their 1997-98 billings, collections and receivables for each type of fee collected. The results of our survey are summarized on Attachment 2. It is difficult to draw general conclusions regarding fee collections, because the collection rates vary significantly for different types of fees. Much of this variation between collection rates is due to differences in the nature of each fee. For example, some fees are collected in person prior to delivery of a service, while others are billed after the fact. Another difference is the type of payer, which could be a private citizen, a business, another governmental agency or a third party such as an insurance company. These and many other factors can affect the potential collection rates and the methods which would be most effective in improving collections. Each fee must be evaluated separately to determine the most cost effective method of collection. We believe that this type of evaluation will require the expertise of an experienced revenue manager.

A thorough evaluation of collections would also require more complete and accurate information. For example, some departments could not provide information on the amounts billed during the year or on the aging of their accounts receivable. In addition the collection rates shown on Attachment 2 are not accurate because the collections are not directly related to the billings listed. This is because there is usually a lag of several weeks to several months between billing and payment. As a result

(Summary continued)



of this lag, the 1997-98 collections include payments due on some prior-year billings and only a portion of the 1997-98 billings. That is why the collection rates shown for some fees exceed 100 percent.

In most cases the basic data to evaluate collections exists, but there is no easy way to access it and compile it for management information purposes. It will, therefore, be impossible to identify specific problems with our collections performance and the options to improve it until improved systems and procedures are implemented

We, therefore, concur with the recommendations of the prior studies and reports that the first step in improving the collections process is to create a position of Revenue Manager, which would be responsible for evaluating the current procedures and performance and recommending a program to improve collections. Among the changes which should be considered are the centralization of some or all collections activities, the reassignment of existing collections personnel to the centralized collections unit, the implementation of standardized procedures and systems and the employment of collections techniques used by other governmental and private sector organizations. It is essential that the individual employed in this position have extensive experience in billing, collections and collections management. A proposed description of the duties and qualifications for this position are detailed on Attachment 3.

After an initial evaluation of the City's billing and collections practices, this position should develop a pilot project to improve collections in one or more specific areas and set measurable goals to evaluate its success. It is recommended that the Mayor and Council continue this task force and direct it to oversee the implementation of this pilot program and to report back on its progress with recommendations for further changes in the collections process.

The Task Force believes that the revenue manager position should be placed in the City Clerk's Office, because it has the largest billing and collections operation among Council-controlled departments and would be in the best position to support the new revenue manager and the development of the pilot program. We also considered the City Attorney's Office and the Treasurer's Office as potential locations for this position. However, we did not recommend them because the Treasurer currently has no collections responsibilities and the City Attorney's collections activities are not the primary focus of that office and are limited to overdue payments.

The City Clerk may need additional resources to support this position and the pilot program. If the City Clerk's Office determines that additional resources will be needed, it should submit a request to the Mayor to be considered as part of the 1999-2000 Proposed Budget. The revenue manager will also need assistance from other City departments involved in billing and collections activities. It is, therefore, recommended that the Mayor and Council direct those departments to appoint a high level employee to act as liaison to this Task Force and the revenue manager.

(Recommendations attached)



RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. Authorize a new position of Revenue Manager in the Office of the City Clerk and direct the Personnel Department to expedite the creation of a new position classification substantially as described in the attached position description and submit recommendations to the Mayor and Council regarding the exemption of this position from civil service;
2. Instruct the City Clerk, to develop a pilot project based on the recommendations of the Revenue Manager to evaluate methods for improvement of City collections, which will include the establishment of measurable goals and the evaluation of actual progress in relation to those goals; and report to the Mayor and Council on its progress within one year;
3. Continue the City Collections Task Force consisting of the CAO as chair, CLA, Controller, City Clerk, City Attorney, Information Technology Agency and Treasurer to oversee the development and implementation of the pilot project and provide assistance as needed by the Revenue Manager;
4. Direct the City Clerk to evaluate the need for additional resources to support the activities of the Revenue Manager and the pilot program and submit budget requests for any required resources to be included in the 1999-2000 Proposed Budget; and
5. Direct City departments with billing and collection responsibilities to cooperate with the Revenue Manager and appoint a management level employee to serve as the primary contact to that position.

FISCAL IMPACT STATEMENT

There will be additional salary and support costs associated with the creation of the Revenue Manager position and the development of a pilot project, but these costs are not fully known at this time. It is hoped that these costs associated will be more than offset by the increase in City collections.

JTS:klc

Attachments

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Summary of Historical Recommendations For Improving the City's Collections Process

Ernst & Young 1991

- Develop policies and procedures to improve management of billings and receivables.
- Change the City Administrative Code to better support collection efforts.
- Contract with an outside collection agency for accounts overdue 45 days and less than \$1,000.
- Create a City-wide Collection Unit, located in the Treasurer's office, which will be responsible for monitoring the delinquency rates and collection efforts of all departmental receivables.
- Send monthly aging reports or data from departmental billing/accounts receivable systems and other collection groups to the City-wide Collection Unit.
- Enhance departmental billing/accounts receivable systems to provide account aging and tracking information.
- Automate the cash receipts processing function.
- Implement a City-wide billing, accounts receivable and collection system.
- Establish an internal audit program of accounts receivable functions by the Controller's Auditing Division.
- Establish timely collection of departmental accounts receivable as a management objective of City department heads.

Ernst & Young 1994

- Implement a pilot program focusing on the outstanding receivables with the greatest potential for collection.
- Define Software Requirements and Select Package for Accounts Receivables System.
- Implement AMS Accounts Receivable and Collection System.

Altmayer 1996

- Define parameters in which collectors can negotiate payment plans and/or waive or reduce the amount owed.
- A central collections unit should be established in the City Treasurer's Office with overall responsibility for Citywide billing and collections.
- Continue the implementation of the Accounts Receivable System (ARS) and link ARS to a Citywide collections system.
- Require annual reporting to the City Council and Office of the Mayor on the status of all delinquent accounts and collection efforts.

- Hire an experienced accounts receivable/collections manager to head the central collections unit.
- Centralizing City collections efforts would increase collections by at least \$3.5 million annually

Controller Report to Governmental Efficiency Committee, February 1998

- Exempt one position of Revenue/Collection Manager from the Civil Service provisions of the Charter and transfer this position and funding from the Treasurer to the City Attorney.
- Instruct the City Attorney, with the assistance of the Controller, to establish a plan for a pilot project for the collection of funds owed the City, reevaluate the progress and success of the pilot project and to report back within one year.
- Instruct all departments with collection efforts to report annually to the City Attorney their collection results regardless of the method used.

Los Angeles County Citizens' Economy and Efficiency Commission, August 1998

- The development of best practices (extracted from successful collection programs from government agencies and private corporations experienced in the collections field throughout the U.S...) will enable the County to systematically increase collections in all County departments.
- Direct each County department in conjunction with the Auditor-Controller and Treasurer-Tax Collector (TTC) to develop an expanded written collection policy.
- Direct the TTC and the Auditor-Controller to establish guidelines for the preparation of Requests for Proposal (RFP) for collection agency services, based on a department's request to maximize the use of collection agencies.
- Direct the TTC and the Auditor-Controller to review the current use of the electronic credit card and check acceptance guarantee program for payment of County services.
- Direct the TTC to develop a plan for an amnesty, prepared in conjunction with affected departments, for the most delinquent receivables.
- Direct all departments to develop a list of debts that are not collectible.
- Direct the Department of Health Services (DHS) in conjunction with TTC to modify the handling of delinquent self-pay inpatient accounts to include the initial use of private collection agencies, to capture account collection information at time of service and to issue an RFP for collection agency assistance with their ability to pay accounts.
- Direct the Probation Department to maintain continuing information on its databases beyond twelve months to accommodate the tracking of receivables to modify its databases to enable screening and capture of correct Social Security Numbers and addresses and to issue an RFP for collection agency assistance for the debt collection functions
- Direct the County Counsel to study and propose any necessary legislation on the legality of license intercepts both within LA County and in cooperation with regional counties and to study and report back on the legality of holding or denying non-emergency, non-medical County services and benefits to delinquent debtors as a method of collection.

- Direct the County Counsel to investigate and report back to the Board on the legality of obtaining Social Security Numbers from motorists at the time citations are written, and propose any necessary legislation.
- Direct the Sheriff Department to collect from the municipalities in arrears for department services and maintain a current account status and to include and enforce late payment clauses in contracts as an incentive to pay promptly.
- Direct the Library to reduce the threshold for collection agency referral from \$90 to \$50 and to conduct a library amnesty program.
- Direct all departments where appropriate to require advance payments or substantial deposits as a condition of providing service.
- Direct the Auditor-Controller to establish guidelines for the tracking of early write-off accounts for the indigent and other obviously uncollectible accounts.
- Direct the Auditor-Controller to conduct a biannual study to consider benefits and risks of the sale and securitization of unsecured County debts.
- Direct the Auditor-Controller, in conjunction with all affected departments, to develop and present to the Board of Supervisors an annual report on debt collections.
- Direct the Chief Administrative Officer, in conjunction with the DHS, to incorporate debt collection goals and the progress made by department directors on recommendations adopted from these reports.
- Direct the Department of Public Works (DPW) to create and circulate a list of contacts of private and public agencies doing business with DPW for internal use.
- Direct the Sheriff, with guidance from County Counsel, to charge municipalities for the medical care and security of city prisoners, to adopt a procedure for the billing for all services within 14 days of billable service and to adopt a procedure for contract issuance which includes a 50% retainer requirement and payment in full upon completion of private contracts with the motion picture and television industries.
- Direct the Auditor-Controller with the cooperation of the Chief Information Officer (CIO) and the internal Services Department (ISD) to issue a progress report to the board on the plan to increase the use of electronic banking, Internet commerce and electronic data exchange to streamline the County's debt and revenue collection functions.
- Direct the County Counsel to explore methods of increasing County access to federal government systems to assist in skip-tracing and to investigate and recommend changes to Federal and State laws to provide County Departments with legal authority to implement wage garnishments, tax intercepts, establish liens and levies, and the establishment of higher priority in bankruptcy for debts owed to the County.
- Direct the TTC, in conjunction with the CIO and ISD, to prepare a cost effectiveness study on the establishment of an on-line database (using middleware technology) to interface with existing County systems. This would enable access to information about debts owed the County by individuals at the time service is provided to further enhance inter-County department offsets and deny non-medical, non-emergency services to delinquent debtors.

- Direct the County departments, in conjunction with CIO, ISD and TTC, to expand the automatic point of transaction system for County departments. This system should improve the capture of collections information, streamline data and reduce paperwork. Long range improvement could include self-service applications such as Web enablement.
- Direct the Economy and Efficiency Commission to do follow-up study on the ongoing policy implications of the County's receivables tracking and collections systems.

SUMMARY OF BILLING AND COLLECTIONS SURVEYS
As Identified by City Departments

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Aging	None	\$ -	\$ -	0%	\$ -	\$ -	\$ -
				0%	-	-	-
Animal Regulation		\$ 3,600,000	\$ 2,532,186	70%	\$ 320,000	\$ -	\$ -
	Licenses *	3,600,000	2,532,186	70%	320,000	-	-
Building and Safety		\$ 9,522,728	\$ 7,498,811	79%	\$ -	\$ -	\$ 13,455,183
	Auto Repair	1,593,251	1,106,881	69%	-	-	2,394,858
	Auto Dismantling	104,395	53,189	51%	-	-	159,823
	Bad Checks	781,780	564,124	72%	-	-	1,201,244
	Non Compliance	3,841,671	1,326,884	35%	-	-	4,855,531
	Emergency Electrical	43,709	79,701	182%	-	-	57,321
	Elevators	451,298	1,507,142	334%	-	-	695,099
	Off-Hour Electrical Inspections	42,453	40,453	95%	-	-	65,387
	Earthquake Non Compliance	7,453	-	0%	-	-	11,479
	Electrical Test Lab	1,903	8,699	457%	-	-	2,931
	Fabricators	6,226	7,329	118%	-	-	6,043
	Fire Safety Non Compliance	53,081	46,728	88%	-	-	81,593
	Off-Hour Heating & Ref. Inspections	9,153	8,153	89%	-	-	14,097
	Investigations	106,367	88,300	83%	-	-	162,628
	Off-Hour Commercial Inspections	14,209	12,000	84%	-	-	21,885
	Other Departmental & Misc.	328,043	335,043	102%	-	-	422,960
	Off-Hour Plumbing Inspections	-	-	0%	-	-	-
	Pressure Vessel Inspections	285,324	686,902	241%	-	-	439,180
	Repair & Demolition Fund	1,852,412	1,627,283	88%	-	-	2,663,124
City Administrative Officer		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
City Attorney		\$ 8,886,795	\$ 6,807,855	77%	\$ -	\$ -	\$ 2,078,939
	Fees Charged to Proprietaries	8,886,795	6,807,855	77%	-	-	2,078,939
City Clerk		\$ 1,704,540,000	\$ 1,696,140,000	99.5%	\$ -	\$ -	\$ 8,400,000
	Business Tax	235,702,570	234,160,330	99%	-	-	1,542,240
	Parking Occupancy Tax	46,125,700	45,824,140	99%	-	-	301,560
	Transient Occupancy Tax	92,656,340	92,049,860	99%	-	-	606,480
	Utility Users Tax	481,878,585	478,725,225	99%	-	-	3,153,360
	Sewer Service Charge	358,620,130	356,273,170	99%	-	-	2,346,960
	Dwelling Unit Construction	547,832	544,220	99%	-	-	3,612
	Commercial Tenants Occupancy	-	-	0%	-	-	-
	Alarm Fees	4,401,342	4,372,530	99%	-	-	28,812
	Police Permit Fees	4,396,345	4,367,617	99%	-	-	28,728

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
City Clerk Cont...	Vehicle Release Fees	3,303,375	3,303,375	100%	-	-	-
	OPG Franchise Fees	2,407,020	2,407,020	100%	-	-	-
	Miscellaneous	100,273	100,273	100%	-	-	-
	Fire Permit Fees	2,815,705	2,797,225	99%	-	-	18,480
	Payroll Expense Tax	55,583,600	55,219,880	99%	-	-	363,720
	Residential Development Tax	920,693	914,645	99%	-	-	6,048
	Bicycle Licenses	8,760	8,760	100%	-	-	-
	Home Occupation Trust Fund	243,750	243,750	100%	-	-	-
	Sales and Use Tax - State	296,874,030	296,874,030	100%	-	-	-
	Property Tax Transfer - County	70,309,505	70,309,505	100%	-	-	-
	Sanitation Equipment	47,362,145	47,362,145	100%	-	-	-
	Miscellaneous	282,300	282,300	100%	-	-	-
Comm. Children, Youth		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Comm. Status of Women		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Community Development		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Controller		\$ 3,871	\$ 10,826	280%	\$ -	\$ -	\$ -
	Miscellaneous Fees	3,871	10,826	280%	-	-	-
Cultural Affairs		\$ -	\$ 42,003	N/A	\$ -	\$ -	\$ 320
	Miscellaneous Fees	N/A	42,003	N/A	-	-	320
Disability		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Employee Relations		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Environmental Affairs		\$ 495,819	\$ 493,775	99.6%	\$ -	\$ -	\$ -
	Ordinance Enforcement Fees	495,819	493,775	99.6%	-	-	-
Ethics Commission		\$ -	\$ 82,727	N/A	\$ -	\$ -	\$ -
	Lobbyist Registration Fee	N/A	82,727	N/A	-	-	-
Fire		\$ 66,533,305	\$ 53,190,606	79.9%	\$ 13,624	\$ 183,420	\$ 508,856
	Brush Removal and Restitution	997,865	485,963	48.7%	N/A	N/A	N/A

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Fire Cont...	Filming Permits	1,488,122	1,235,328	83.0%	N/A	N/A	N/A
	Special Fire Dept. Services	9,217,408	8,192,263	88.9%	N/A	N/A	N/A
	Spot Check Prog. Cost Recovery	375,070	375,070	100.0%	N/A	N/A	N/A
	Emergency Ambulance Services	31,573,860	16,790,582	53.2%	N/A	N/A	N/A
	Emergency Medical Services	N/A	27,077	N/A	N/A	N/A	N/A
	Services Provided to Proprietaries	22,679,924	25,934,572	114.4%	N/A	N/A	N/A
	Miscellaneous Revenues	201,056	149,751	74.5%	N/A	N/A	N/A
General Services		\$ 3,683,732	\$ 3,649,139	99.1%	\$ 332,987	\$ 231,371	\$ 356,237
	Leases	1,850,335	1,702,257	92.0%	-	-	-
	Lab Testing Fees	1,500,831	1,393,666	92.9%	-	-	-
	Helicopter Maintenance	332,566	553,216	166.3%	-	-	-
Housing		\$ 7,500,000	\$ 6,264,637	83.5%	\$ -	\$ -	\$ 1,500,000
	Rent Registration Fee	7,500,000	6,264,637	83.5%	-	-	1,500,000
Human Relations		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Information Technology		\$ 14,100,000	\$ 14,100,000	100.0%	\$ -	\$ -	\$ -
	Franchise Fees	14,100,000	14,100,000	100.0%	-	-	-
LA Convention Center		\$ 4,721,707	\$ 4,025,918	85.3%	\$ 267,163	\$ 574,191	\$ 464,493
	Electrical Shop Services	3,278,003	2,794,957	85.3%	N/A	N/A	N/A
	Plumbing Services	110,768	94,445	85.3%	N/A	N/A	N/A
	Telecom (net of tolls)	990,237	844,316	85.3%	N/A	N/A	N/A
	Business Center	52,376	44,658	85.3%	N/A	N/A	N/A
	Audio/Visual Equip. Rental	172,474	147,059	85.3%	N/A	N/A	N/A
	Security, Cleaning & Damages	117,849	100,483	85.3%	N/A	N/A	N/A
Personnel		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Planning		\$ 259,615	\$ 200,209	77.1%	\$ 30,625	\$ 4,093	\$ 38,825
	Plan & Land Use Fees	163,990	135,209	82.4%	-	4,093	38,825
	Supplemental Fee Agreements	95,625	65,000	68.0%	30,625	-	-
Police		\$ 91,435	\$ 8,851,435	N/A	\$ -	\$ -	\$ -
	Tuition Fees for Non-City Personnel	91,435	91,435	100.0%	-	-	-
	Miscellaneous Permit Fees	N/A	4,390,000	N/A	-	-	-
	False Burglar Alarm Fees	N/A	4,370,000	N/A	-	-	-
Public Works Department		\$ 152,868,427	\$ 138,018,173	90.3%	\$ 13,165,213	\$ 4,737,931	\$ 120,613,272
	Recreation and Parks Billing	N/A	N/A	N/A	-	-	262,431
	Work Orders - Spec. Requests	2,053,900	1,061,239	51.7%	443,330	613,798	39,934
	B Permit Deficits	684,118	777,660	113.7%	42,143	112,019	1,895,752

Revised billing survey

1/14/99 11:43 AM

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Public Works Cont....	FAUP Billings	33,853,726	34,887,194	103.1%	978,178	240,167	1,907,335
	Motion Picture Billings	N/A	N/A	N/A	-	-	131,746
	Sewage Disposal - Capitol	19,647,445	15,688,697	79.9%	-	-	66,136,295 **
	Sewage Disposal - Operations	13,604,176	9,774,143	71.8%	1,561,624	58,459	24,455,991 **
	SFC Payments	N/A	291,555	N/A	-	-	1,648,152
	Street Lighting Mtc. Agreements	1,321,985	2,624,146	198.5%	2,853	266,670	774,958
	Engineering - Vacation/Excavation	290,693	343,752	118.3%	12,004	41,766	366,960
	Industrial Waste Billings	24,527,743	23,749,813	96.8%	3,675,026	356	8,005,706
	Sub Purchase Order	122,600	31,178	25.4%	39,063	54,870	8,342
	Sewer Construction and Mtc.	42,138,440	36,461,689	86.5%	5,240,721	-	1,417,086
	Miscellaneous Billings	2,185,647	1,305,827	59.7%	200,000	400,000	603,280
	B Permit Interim Billings	669,073	323,160	48.3%	411	10,929	334,573
	EDA Billings	2,423,512	860,524	35.5%	520,428	514,298	528,262
	Arminia Project Priv. Developer	137,080	137,080	100.0%	-	-	-
	Contract Admin. Work Orders	4,480,431	5,035,602	112.4%	280,261	1,080,537	4,470,625
	Engineering Miscellaneous	900,612	1,529,321	169.8%	12,341	14,531	449,356
	Reproduction	-	-	0.0%	-	-	16,618
	Right of Way Rental	105,615	107,013	101.3%	706	1,030	12,042
	U - Permits	1,067,860	1,004,057	94.0%	89,199	132,666	53,185
	Illegal Dumping	(12,614)	2,009	N/A	-	-	82,477
	County Storm Drain	-	-	N/A	-	-	95,044
	Sanitation Miscellaneous	103,961	81,078	78.0%	19,283	-	614,233
	St. Lighting Work Orders/Dmg. Clms	275,579	288,691	104.8%	18,488	59,240	4,556,410
	House Moving Permits	25,000	25,000	100.0%	-	-	15,104
	Overload Permits	221,525	172,450	77.8%	25,216	15,574	28,826
	Street Maintenance	123,115	63,567	51.6%	3,938	26,809	1,492,673
	Tree Planting and Trimming	-	-	N/A	-	-	12,394
	Trench Replacement	-	1,210	N/A	-	-	75,757
	Water Blow Out	1,866,549	998,564	53.5%	-	1,081,882	53,966
	Weed Abatement Charges	50,656	391,954	773.8%	-	12,330	67,759
Transportation		\$ 140,719,502	\$ 127,794,759	90.8%	\$ 1,589,783	\$ 659,762	\$ 4,077,908
	Filming Fees	364,367	307,703	84.4%	7,142	75,829	43,773
	Maintenance Agreements	330,616	371,303	112.3%	36,645	10,805	-
	B Permits	91,757	194,746	212.2%	-	23,041	64,053
	Temporary Signs	99,383	81,586	82.1%	5,532	372	26,266
	Damage Claims	171,908	131,857	76.7%	-	8,363	1,554,256
	Special Projects	211,515	242,209	114.5%	2,485	8,547	-
	County Grants	3,733,779	2,057,753	55.1%	1,480,743	186,788	8,495
	Federal and County Grants	9,530,773	5,499,449	57.7%	-	-	1,396,487
	ATSAC	1,050,275	1,050,275	100.0%	-	-	-
	Federal, State & County Grants	3,864,625	2,873,240	74.3%	57,236	107,281	826,867
	County and State Grants	1,751,504	1,190,638	68.0%	-	238,736	157,711
	Parking Citations	119,519,000	113,794,000	95.2%	-	-	-

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Treasurer		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
Zoo		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
El Pueblo		\$ 884,983	\$ 792,443	89.5%	\$ 1,277	\$ 1,378	\$ 39,495
	Lease/Rent	811,366	749,116	92.3%	1,277	1,378	9,206
	Promotion of Events	73,617	43,327	58.9%	-	-	30,289
Library		\$ -	\$ 1,786,942	N/A	\$ -	\$ -	\$ -
	Library Overdue Fines	N/A	1,786,942	N/A	-	-	-
Recreation and Parks		\$ -	\$ -	0%	\$ -	\$ -	\$ -
	None	-	-	0%	-	-	-
TOTAL		<u>\$ 2,118,411,919</u>	<u>\$ 2,072,282,444</u>		<u>\$ 15,720,672</u>	<u>\$ 6,392,146</u>	<u>\$ 151,533,528</u>

* Animal Regulation reports that the Animal Management Information System (AMIS) is unable to track the status of the account relative to the status of billing notices.

** Pending resolution to on-going litigation.

SUMMARY OF BILLING AND COLLECTIONS SURVEYS
Proprietary Departments

	Types of Fees Collected	Billed in 1997-98	Collected in 1997-98	Percent Collected	Receivables as of June 30, 1998		
					1 - 30 Days	30 - 90 Days	90 + Days
Airports		\$ 501,793,000	\$ 419,173,000	83.5%	\$ 51,674,000	\$ 10,385,000	\$ 6,021,000
	Aviation, Concession, Sales & Misc.	501,793,000	419,173,000	83.5%	51,674,000	10,385,000	6,021,000
Harbor		\$ 195,964,027	\$ 206,766,500	105.5%	\$ 6,441,321	\$ 14,216	\$ 1,757,603
	Wharfage, Storage & Other Permits	195,964,027	206,766,500	105.5%	6,441,321	14,216	1,757,603
Water and Power		\$ 2,555,197,973	\$ 2,538,384,657	99.3%	\$ 33,338,384	\$ 12,562,861	\$ 27,234,375
	Electric Use	2,120,783,380	2,107,557,652	99.4%	-	-	-
	Water Use	434,414,593	430,827,005	99.2%	-	-	-
	Utility User's Tax	N/A	N/A	0%	-	-	-
	Sewer Service Charge	N/A	N/A	0%	-	-	-
	Electrical Reconnection	N/A	N/A	0%	-	-	-
	Water Reconnection	N/A	N/A	0%	-	-	-
	Field Collection Charges	N/A	N/A	0%	-	-	-
	Electric Late Interest Charges	N/A	N/A	0%	-	-	-
	Water Late Interest Charges	N/A	N/A	0%	-	-	-
	Sanitation Equipment Charge	N/A	N/A	0%	-	-	-
	TOTAL	\$ 3,252,955,000	\$ 3,164,324,157		\$ 91,453,705	\$ 22,962,077	\$ 35,012,978

DRAFT POSITION DESCRIPTION

REVENUE MANAGER

Summary of Duties:

The Revenue Manager is responsible for planning, developing and administering a City-wide program to collect revenue; directing and supervising the work of a collections staff; and performing related work.

Examples of Duties:

The Revenue Manager:

- Reviews and develops standardized collection policies and procedures;
- Evaluates existing billing and collections systems for system compatibility and effectiveness and provides recommendations for improvement;
- Establishes and implements investigative methods and procedures to gather pertinent data for the collection of delinquent accounts;
- Reviews the City's process for writing-off bad debt and provides recommendations for making this process more efficient;
- Prepares regular, narrative and statistical reports of collection activities for the Mayor and Council;
- Directs and coordinates the work of a collection section and evaluates the work performance of subordinates;
- Reviews and analyzes legislation as it relates to the Collection Program;
- Represents the Revenue Collections Unit in contact with City departments, the general public and elected officials; and
- Reviews the best practices of both public and private sector billing and collections processes and recommends modifications to improve billing and collections efforts Citywide. Such reviews will include the application of both conventional and electronic commerce methodologies.

Qualifications:

The Revenue Manager must have a bachelor's degree with specialization in accounting, finance, business, public administration or a related field and a minimum of five years of professional experience collecting delinquent payments owed to a public or private agency. Qualifying collection experience must include:

- A minimum of two years of direct collection experience, including one year of field collection experience;
- Preparation and presentation of cases in Small Claims Court, skip tracing, and extra-judicial proceedings such as filing liens and attachments;
- A minimum of three years as a supervisor or an assistant supervisor of a collections unit; and
- A strong knowledge of the uses and capabilities of computer-based billing and collections systems.

Additional qualifying experience may be substituted for the required education on a year-for-year basis.

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES
CALIFORNIA



RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705
Fax: (213) 847-0636
Fax: (213) 485-8944

HELEN GINSBURG
Chief, Council and Public Services Division

00-2094

PLACE IN FILES

OCT 30 2000

DEPUTY

October 27, 2000

Honorable Richard Riordan, Mayor
Council Member Chick
Council Member Feuer
Office of Administrative and
Research Services
Chief Legislative Analyst
City Attorney

Office of Finance
Governmental Efficiency Committee Clerk
Controller, Room 1200
Accounting Division, F & A
Disbursement Division
City Clerk, Mike Carey
Council Member Wachs

RE: IMPROVING THE CITY'S REVENUE COLLECTION SYSTEM AND ACCESSING UNTAPPED
GOVERNMENT ENTITLEMENTS

At the meeting of the Council held October 25, 2000, the following
action was taken:

Attached report adopted	_____
Attached motion (Chick - Feuer) adopted, as amended.....	_____ X
Amending motion (Chick - Wachs) adopted	_____ X
Mayor concurred.....	_____
FORTHWITH.....	_____
Ordinance adopted.....	_____
Findings adopted.....	_____
Negative Declaration adopted.....	_____
Categorically exempt.....	_____
Generally exempt.....	_____
EIR certified.....	_____
Tract map approved for filing with the County Recorder.....	_____
Parcel map approved for filing with the County Recorder.....	_____
Bond approved is NO. ____ Of Contract.....	_____
Agreement mentioned therein is/are No. ____ of contracts.....	_____

J. Michael Carey

City Clerk
bs

steno\002094



25

*ADOPTED AS AMENDED by Council action of 10-25-00. *Westerling*

TO CITY CLERK FOR PLACEMENT ON NEXT
REGULAR COUNCIL AGENDA TO BE POSTED

#68

OCT 18 2000

MOTION

Throughout the City's history, revenue collection and enhancement have been decentralized. No single entity collects licenses, permits, fees, and fines. Rather, departments are responsible for collecting revenues for the services they provide, such as the Fire Department collecting ambulance fees or the Police Department collecting false burglar alarms fees. In addition, departments have typically been left to their own devices in regards to taking advantage of entitlement programs or similar additional revenue sources for which the City qualifies from the federal and state governments.

A recently released City Controller report found that, adjusted for inflation, the City has not reached the level of revenue collection that it reached 10 years ago, in spite of a healthy economy and an increased number of City fees at higher rates. Business tax registration certificate and accounts receivable collections are principle among those areas where the City could greatly improve upon its collection rate every year. According to the report, millions of dollars are at stake.

Maximizing City revenue collection and ensuring that the City takes advantage of all available funding has not been a priority for the City family in the past. By improving the City's revenue collection and enhancement functions, City government can more efficiently collect millions of dollars that it is legitimately owed to improve service delivery to City residents.

A Revenue Manager position was created in 1999 to comprehensively review the City's collections efforts and recommend changes that will improve the system. The position was funded in this year's Office of Finance budget. In order to tackle improving the City's collection system, the Director of the Office of Finance and the soon-to-be hired Revenue Manager must have state-of-the-art information on how to improve the collection system from private entities and other innovative municipalities.

I THEREFORE MOVE that the Office of Administrative and Research Services, immediately convene and chair a working group with representatives from the Office of Finance, the Chief Legislative Analyst, the City Clerk, the City Attorney, the Business Tax Advisory Council (BTAC) and other departments as appropriate, to report to the Governmental Efficiency Committee by December 4, 2000 with: 1) best practices used by government entities and the private sector which can be implemented immediately, in the next six months, and in the longer term future by the City in its efforts to revitalize our collection system and access untapped government entitlements; and 2) recommendations on potential Request for Proposals that could be issued to solicit private sector assistance in improving City revenue and entitlement collection.

PRESENTED BY

Laura Chick
LAURA CHICK
Councilmember, Third District

Motion
ADOPTED
** As Amended*
OCT 25 2000

SECONDED BY

Michael T. ...

October 18, 2000

LOS ANGELES CITY COUNCIL

See Attached Motion

VERBAL MOTION

I HEREBY MOVE that Council AMEND the Motion (Chick - Feuer) on today's Council agenda (Item No. 25, CF 00-2094) relative to improving the City's revenue collection system and accessing untapped government entitlements as follows:

1. INCLUDE in the working group representatives from the private sector who specialize in revenue and entitlement collections. (Hernandez - Chick)
2. REQUEST that a status report on past actions and a response to prior efforts relating to the issue of improving the City's revenue collection system be included as part of the working group's report to the Governmental Efficiency Committee.

PRESENTED BY _____

LAURA CHICK
Councilmember, 3rd District

SECONDED BY _____

JOEL WACHS
Councilmember, 2nd District

October 25, 2000

CF 00-2094

Motion

ADOPTED

OCT 25 2000

LOS ANGELES CITY COUNCIL

COUNCIL VOTE .

25-Oct-00 12:56:23 PM, #14

ITEM NO. (25)
Adopt as Amended

BERNSON	Absent
CHICK	Yes
FEUER	Yes
GALANTER	Absent
GOLDBERG	Yes
HERNANDEZ	Yes
HOLDEN	Yes
MISCIKOWSKI	Yes
PACHECO	Yes
PADILLA	Yes
*RIDLEY-THOMAS	Yes
SVORINICH	Absent
WACHS	Yes
WALTERS	Absent
FERRARO	Absent
Present: 10, Yes: 10 No: 0	

CITY COUNCIL
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. _____

☐ Petitioner/Communicant _____

☒ Councilperson(s) _____

☒ City Administrative Officer

☒ Chief Legislative Analyst

☒ City Attorney (with/without
file)

☐ Building and Safety

☐ Fire Commission

☐ General Services

☐ Police Commission

☐ Public Works (Board)

☐ Planning Department

☐ Water and Power Department

☒ OFFICE OF _____

☐ FINANCE _____

☒ GE COMTE CLK _____

☐ _____

☐ _____

☐ _____

☐ _____

☐ Treasurer

☒ Controller

☐ Information Services Dept.

☐ City Clerk Tax and Permit

☐ Fire Department

☐ Personnel Department

☐ Police Department

☐ Public Works - Engineering

☐ Transportation

☐ Mayor (with/without file)

☒ CITY CLERK, _____

☐ MIKE CAREY _____

☐ _____

☐ _____

☐ _____

☐ _____

☐ _____