

## **STAFF REPORT**

To: Members of the Saint Paul City Council

From: Todd Hurley

Diane Sweet

Date: March 23, 2011

Re: Proposed New Ordinance to replace Administrative Code Chapter 96

The proposed replacement of Administrative Code Chapter 96 will enhance the administration and collection processes of accounts receivable invoices issued by the City of Saint Paul. These enhancements represent best business practices which will benefit the overall accounts receivable methods used by the City.

Under the new ordinance, the office of Financial Services will be responsible for managing the accounts receivable process. As part of this effort, OFS is currently reviewing performance of the collection agency and the RFP will likely be issued to look at the services of additional agencies. Also, the City has contacted the State of Minnesota and expressed our interest in using their collection services when they become available to municipalities.

Resolution 11-531, Accounts Receivable Write-off, is a companion proposal to update the accounts receivable listing by removing uncollectable items.

Summary of changes:

### **Sec. 96.01 Definitions**

- Registered bill is an outdated term and has been replaced by the term Accounts Receivable (AR) Invoice.
- Three new definitions were added for clarity. The terms “cancellation” and “write-off” were sometimes used interchangeably in the past, which resulted in confusion. “Cancellation” is clarified to mean only AR invoices that were issued in error or corrected.
- Overdue has been redefined. AR invoices must be paid in full in 30 days; are considered overdue at that point; and will be sent to collections or to the city attorney after 90 days.

#### **Sec. 96.02 AR invoices and collection efforts required**

- Clarifies when invoices should be issued and when collection should begin.
- A finance charge to overdue invoices. This charge will also offset the cost of city resources used to pursue payment of invoices.
- OFS recommends defining a shared responsibility for debt collection between OFS and the departments to create a centralized database and consistency in collection practices.

#### **Sec. 96.03 Referral to City Attorney or collection agency**

- Codifies a long-standing city practice of referring overdue invoices \$10,000 or less to the city's designated collection agency, and invoices over \$10,000 to the city attorney.
- Clarifies that OFS will monitor the collection agency's performance and report to the council and departments about the collection status of overdue invoices.

#### **Sec. 96.04 Administrative cancellation or write off of AR invoices**

- Clarifies the procedures to be followed for cancellation and for write off at the administration level.

#### **Sec. 96.05 City Council write off authorized**

- Clarifies authority to write off bills, and states that invoices which fail to meet certain criteria may only be written off by council resolution.

#### **Sec. 96.06 Additional goods and services barred**

- Clarifies the services barred list.
- Enforcement of this section will create incentive for bill payment, and will not bar anyone from services available to the general public (e.g., police and fire; street maintenance).

#### **Sec. 96.07 Payment terms authorized**

- Clarifies that payment plans are authorized only with permission of OFS and the city attorney, unless otherwise specified by ordinance.