

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2016-06S

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA RENAMING AND AMENDING CHAPTER 4.40 OF THE SITKA GENERAL CODE, "UNCOLLECTABLE ACCOUNTS AND BAD DEBT WRITE-OFFS", AND AMENDING SECTIONS 4.40.010 "DEFINITIONS", 4.40.020 "POLICIES", AND 4.40.030 "RECORDS AND REPORTING" AND ADDING SECTIONS 4.40.040 "WRITE-OFF OF UNCOLLECTABLE ACCOUNTS", 4.40.050 "UTILITY DEBTS REMAIN WITH REAL PROPERTY", AND 4.40.060 "AUTHORITY TO OFFSET"

BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code.
2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person or circumstances shall not be affected thereby.
3. **PURPOSE.** The purposes of this ordinance are to rename and expand Chapter 4.40 of the Sitka General Code into a Municipal Credit and Collections Policy, which will include and revise existing Municipal uncollectable accounts and bad debt write-off procedures; authorize the Municipality to offset past due debts owed to the Municipality against future payments to be made; and to establish a framework for additional credit and collection policy guidelines.
4. **ENACTMENT.** The Assembly of the City and Borough of Sitka hereby revises Chapter 4.40 of the Sitka General Code as set out below (new language underlined; deleted language stricken):

Chapter 4.40

UNCOLLECTABLE ACCOUNTS AND BAD DEBT WRITE-OFFS
MUNICIPAL CREDIT AND COLLECTIONS POLICY

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Sections:

- 4.40.010 Definitions
- 4.40.020 ~~Polieies~~ Municipal Credit Policy
- 4.40.030 ~~Records and Reporting~~ Municipal Collections Policy
- 4.40.040 Write-off of Uncollectable Accounts
- 4.40.050 Utility Debts Remain With Real Property
- 4.40.060 Authority to Offset

4.40.010 Definitions

A. ~~“Bad debt”~~ Uncollectable Accounts refers to any account or debt owed the Municipality which has become overdue by more than ~~one hundred twenty~~ ninety days.

B. “Collection” means any action taken by the Municipality to attempt to collect a debt or account which is overdue.

C. “Credit” means the extension of any services by the Municipality to any person or entity for which a charge or fee is levied, and, for which the charge or service is provided in advance of payment.

~~B D.~~ “Cash Only Basis” means that any goods or services provided to a citizen must be prepaid, either by credit card or by placing cash on accounts in advance of billing.

~~E.~~ “Debt” means any sum of money which a citizen of the city and borough, or customer of the ~~city and borough~~ Municipality in some capacity, is legally obligated to pay to the city and borough for any purpose.

~~C F.~~ “Overdue” refers to any debt owed to the city and borough of Sitka which has not been paid within thirty days of the date the payment was due. As an exception, debts owed for utility services consumed are considered overdue fifteen days after the date the payment was due. “Good Standing” shall mean that any citizen, business, or other entity doing business with the City and Borough does not have an account which is overdue.

G. “Overdue” refers to any debt owed to the city and borough of Sitka which has not been paid within thirty days of the date the payment was due. As an exception, debts owed for utility services consumed are considered overdue fifteen days after the date the payment was due.

H. “Write Off” refers to any debt for which collection action is no longer pursued.

4.40.020 ~~Polieies~~ Municipal Credit Policy

A. ~~Bad debts are to be accounted for by the city and borough of Sitka finance department until collected or permanently written off.~~ The City and Borough of Sitka shall, as a basic policy, provide goods and services to its citizens in advance of payment, and, bill citizens for amounts owed.

~~B. The finance department will take ongoing aggressive action to collect all debts owed to the municipality which are not otherwise written off under the provisions of this chapter. These actions may include, but are not limited to, turning over of delinquent accounts to a collection agency for collection; filing of negative credit reports with credit bureaus; and, filing cases with the state of Alaska Small Claims Court. If a citizen, business, or other entity has an unpaid bill which is more than 120 days old, and, is therefore has an overdue debt, the City and Borough of Sitka may require all future all business interactions between a citizen, business, or other entity will be henceforth conducted on a cash-only basis until credit is restored. Any determination to place a citizen, business or entity on a cash-only basis must be approved by the Administrator. For purposes of municipal utilities and moorage, accounts will be required to be prepaid.~~

~~C. Bad debts over one hundred twenty days old which are under a cumulative amount of one hundred dollars per customer may be written off immediately upon approval of the finance director, if they are deemed not to be cost efficient to attempt to collect on. Once revoked, credit may be restored by returning to good standing. Good standing would be achieved by both resolving all overdue accounts, and, by written application to the Municipality. The Municipality may, at its discretion, require a deposit as a condition of restoring credit.~~

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4.40.030 Records and reporting Municipal Collections Policy

~~A. The City and Borough of Sitka finance department shall keep records of all bad debts which have been permanently written off for a period of three years after the year of the write-off shall take lawful actions to collect all debts owed to the Municipality which have become overdue.~~

~~B. The administrator will submit a report to the assembly, on an annual basis within the first month of the new fiscal year, of all bad debts written off under the provisions of this chapter for the prior fiscal year. The City and Borough of Sitka shall employ progressive steps to attempt to collect debts owed to the Municipality. These progressive steps shall may include the following:~~

- ~~1. Mailing of a collection dunning letter to the last known valid address of the debtor;~~
- ~~2. Mailing and physical posting of a utility disconnection notice for failure to resolve any debt owed the Municipality;~~

3. Physical disconnection of utilities for failure to resolve any debt owed the Municipality;

4. Forwarding of overdue accounts to a collection agency for further collection attempts;

5. Publication on the Municipal website and/or in a local newspaper of the names of residents, businesses and other entities who meet all of the following criteria: (1) have a debt or debts owed to the Municipality which are overdue; (2) to whom a collection/dunning letter has been written; and (3) who has not entered into a payment plan with the Municipality

6. Revocation of all credit by revoking the good standing an individual, business or other entity and placing such an entity on a cash-only basis.

7. Filing of a civil suit in the appropriate legal jurisdiction for both a judgment of indebtedness and a writ of execution.

8. Employment of process servers to execute writs of judgment, taking all appropriate actions afforded by law to include till taps, bank account sweeps, and seizure of other collateral.

9. Filing of foreclosure lawsuits against all real property against which a deed of trust is held.

C. The City and Borough of Sitka may, at its discretion, add collection costs to any overdue balance. As a matter of policy, collection costs will be added to all accounts turned over to a collection agency for further collection attempts.

D. The Administrator shall have the authority to approve payment plans for overdue balances owed the Municipality. This authority may be delegated. This authority shall include the ability to establish repayment terms. The following criteria shall be applicable to all payment plans:

1. A citizen, business, or entity may have only one active repayment plan at any time. Consolidation of multiple debts into repayment plans may occur at the discretion of the Administrator.

2. Any payment plan shall be for past due balances only and shall contain a provision that all new balances must be paid in full in addition to required payment per the plan.

3. Unless unusual circumstances are present, no payment plan shall have a repayment term exceeding 12 months.

4. For any payment plan exceeding \$5,000, the Municipality shall, as a matter of course, require the debtor to agree to a lien on real property owned by the debtor as a condition; agree to a Confession of Judgment; and, agree to having reasonable legal fees added to any judgment obtained by the Municipality.

5. Any uncured default on a payment plan shall constitute a reason for revocation of good standing and allow the Municipality, at its discretion, to place the debtor on a cash-only basis.

4.40.040 Write-Off of Uncollectable Accounts.

A. Unpaid debts for which more than 120 days has elapsed since the date of the bill or invoice, and which are under a cumulative amount of two hundred dollars per customer, may be written off immediately upon approval of the Finance Director, if they are deemed not to be cost efficient to attempt to collect on.

B. Unpaid debts for which more than 120 days has elapsed since the date of the bill or invoice, and which are under a cumulative amount of one thousand dollars per customer, may be written off immediately upon approval of the Administrator, if they are deemed not to be cost efficient to attempt to collect on.

C. Unpaid debts for which more than 120 days has elapsed since the date of the bill or invoice, and which are over cumulative amount of one thousand dollars per customer, may be written off immediately upon approval of the Assembly.

D. Any overdue debt which is not collected within 90 days shall, as a matter of accounting policy be recorded against the allowance for uncollectable accounts when applicable under governmental accounting guidelines. Collection actions shall not cease, however, until the debt is collected, a statute of limitations is reached, or the debt is written off. Any debt recorded against the allowance for uncollectable accounts, which is

subsequently recovered, shall as a matter of accounting policy, be recorded as a recovery of bad debt.

4.40.050 Utility Debts Remain With Real Property (Reserved)

4.40.060 Authority To Offset

A. If a resident, business, vendor, or other entity has an overdue balance owed to any department of the Municipality (excluding Sitka Community Hospital), the Municipality shall have the authority to offset such overdue balances against any payment to be made to such resident, business, vendor, or other entity unless otherwise prohibited by law.

B. No offset of an overdue balance shall occur unless the resident, business, vendor, or other entity is notified in writing of the overdue balance and afforded a minimum period of 10 business days to remit the overdue balance. During this 10 business day period, the Municipality will withhold payments otherwise due.

EFFECTIVE DATE. This ordinance shall become effective thirty days after the date of passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 12th day of July, 2016.



Mim McConnell, Mayor

ATTEST:



Sara Peterson, CMC
Municipal Clerk

1st reading (no action taken) 2/23/16

1st reading (substitute ordinance introduced) 6/22/16

2nd reading 7/12/16