

Memorandum

City of Lawrence

Finance Department

TO: Thomas Markus, City Manager
CC: Executive Team, City Attorney's Office, Department Accounts Receivable Agreement Managers
FROM: Jeremy Willmoth, Finance Director
DATE: February, 14, 2019
RE: Miscellaneous Accounts Receivable Annual Report

Background

Staff was directed to audit all accounts receivable via City Manager directive issued July 26th, 2018.

There are a number of accounts receivable charges that have a separate billing/tracking system. Some examples of this include: utility billing (water, sewer, storm water, and solid waste), recreation charges, court transactions, hydrant meters, ambulance billings and grants. For the purposes of this report, these have been excluded as staff believes sufficient controls are in place to ensure accurate accounting. This report will focus on Miscellaneous Accounts Receivable (MAR), Douglas County accounts receivable, and Douglas County accounts payable.

MAR is revenue that is collected from an outside source that is not transacted through a separate receipting/tracking system. Some examples of MAR revenues include: lease payments, franchise fees, purchase of cemetery lots, dumpster rentals, landfill charges, inspection fees, building permits, loan payments through the Housing and Neighborhood Development Department, weed/mowing charges, health and dental charges for retirees and other miscellaneous charges as determined by departments for reimbursement.

Finance staff is responsible for billing MAR and monitoring the receipt of payments. Staff is also responsible for maintaining a complete inventory of all contracts, agreements and other instruments requiring payment to the City otherwise known as the Master List (ML). The ML is inclusive of agreements with a recurring MAR component, Douglas County accounts receivable, and Douglas County accounts payable per the City Manager directive.

Departments are responsible for: having agreements approved and executed; placing agreements on file with the City Clerk; notifying finance staff when billings are needed; notifying finance staff of changes to existing billings; monitoring bills and payments; and updating finance of changes needed to the ML per the City Manager directive.

Master List

ML Complete Inventory

The inventory of the ML is maintained by the Finance department with the assistance of staff assigned to oversee the agreement. There are a total of 157 agreements comprised

of 103 MAR, 36 Douglas County accounts receivable, and 18 Douglas County accounts payable. The maintenance of the list is ongoing. We have completed the annual review. The updated list incorporating any changes from the annual review is accessible on Office 365.

ML Changes to the Agreements

Through the annual review of the ML, departments were asked to note all changes.

Highlights:

Rate changes

- There will be an increase to utilities and flowage charges associated with Hetrick Air Services airport account in 2019.
- Crown Castle dba CC TM PA LLC quarterly payment changed from \$4,363.96 to \$4,010.32 due to a revised CPI calculation.
- AT&T’s water tower rent amounts of \$459.28 and \$2,496.51 increased to \$473.06 and \$2,571.40 with the payment received in December 2018.
- CPI calculation adjustment to Great Planes airport lease
- CPI calculation adjustment to Alligator airport lease

Other fiscal N/A

Ownership

- 3741 Greenway Cir – Venture Park property deeded over to Prosoco 12/27/18

Other significant N/A

ML Aging

As of December 31, 2018, the following items on the ML had an account balance which included charges aged over 60 days:

Great Planes airport rental account balance	\$917.70
Lawrence Air Transport airport rental account balance	<u>2,075.00</u>
Total	<u><u>\$2,992.70</u></u>

Status of 2018 Payments

In 2018, 7,247 MAR accounts were charged \$26,048,065.14. Payments that were made totaled \$25,617,273.36 leaving a balance of \$430,791.78 or 1.65% unpaid in 2018.

The chart below shows the age of the unpaid balance in 2018.

2018 Unpaid Balances	
Current (Less than 30 days old)	\$315,737.45
30 Days	39,681.10
60 Days	<u>19,605.44</u>
Delinquent, but within policy:	<u>59,286.54</u>
90 Days	15,025.52
120 Days	<u>40,742.27</u>
Delinquent, not in policy:	<u>55,767.79</u>
Grand Total	<u><u>\$ 430,791.78</u></u>

Collection Effort on 2018 MAR Accounts

When the balance on an account ages 90 days with no new charges per the current policy, they are sent to collections. At December 31, 2018, there was \$55,767.79 that was 90 days aged or older. Of that amount, there are 136 accounts totaling \$46,001.37 that met our policy and were sent to collections. They recovered \$9,971.15 for a collection rate of 21.68% before fees. The balance of \$36,030.22 is still in the process of being collected. We are reviewing our collections policy to determine if there is a way to get accounts to collections as soon as legally possible.

MAR Aging Report (All fiscal years)

There are 522 accounts that aged to 120 days. The age of these accounts date as far back as 1991 all the way up to 2018. The aged balance for all years is \$142,118.16 with an average per account of \$272.26. These accounts range from \$0.01 to \$11,425.00.

The listing of aged accounts by fund is below:

Fund	Sum of Aged 120 Days
001 - General	\$22,708.33
201 - Airport	1,343.31
210 - Transit	68.00
211 - Recreation	1,027.00
212 - Sales Tax Reserve	6.12
301 - Bond & Interest	66.20
501 - Water & Sewer	3,768.81
502 - Solid Waste	109,248.54
506 - Golf Course	463.65
522 - Health Insurance	3,418.17
631 - Community Development	0.03
Grand Total	\$ 142,118.16

The listing of aged accounts by applicable fiscal year is below:

Aged Accounts by Fiscal Year	
Prior Years through 2016	\$67,313.93
2017	34,061.96
2018	40,742.27
Total	\$ 142,118.16

Of that amount there were 165 accounts that aged to 120 days that equated to \$40,742.27 with an average per account of \$246.92 in 2018. This includes one charge of \$11,425.00 which is a fee for removal of an unsafe structure. This is included in the table above in Fund 001 – General. Excluding the \$11,425.00 unsafe structure removal account, these accounts range from \$0.03 to \$910.00.

Uncollectible Funds

A portion of the 120 day aged accounts in the report are from prior years. Finance is working on establishing a write-off policy that aligns with industry best practices to account for uncollectible balances. There are a total of 243 accounts from 2016 and prior years that are included in the 120 day aging of the report that equated to \$67,313.93 with an average per account of \$277.01 that will be written off our books. These accounts range from \$0.01 to \$1,814.99. The City will need to write off the balance from FY 2017 which currently is \$34,061.96 at the end of 2019 if it is not collected.