Legislation Details (With Text)

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Type:	Consent - Staff Report	**Status:**	Agenda Ready
		In control:	City Council Regular Meeting
On agenda:	3/19/2019	**Final action:**	
Title:	Consideration of a Modification to Existing Write-Off Approval Increments (Finance Director Charelian) APPROVE		
Sponsors:			
Indexes:			
Code sections:			
Attachments:			

Date	Ver.	Action By	Action	Result
3/19/2019	1	City Council Regular Meeting		

TO:
Honorable Mayor and Members of the City Council

THROUGH:
Bruce Moe, City Manager

FROM:
Steve S. Charelian, Finance Director
Henry Mitzner, Controller
Cynthia Mickschl, Revenue Services Specialist

SUBJECT:
Consideration of a Modification to Existing Write-Off Approval Increments (Finance Director Charelian)
APPROVE

RECOMMENDATION:
The Finance Subcommittee and City staff recommend that the City Council approve modification to the existing write-off approval increments.

FISCAL IMPLICATIONS:
Increasing the approval increments will allow staff to submit delinquent accounts to our collection agency more quickly, which has been shown to positively correlate with an increase in collection rates.

BACKGROUND:
The write-off authorization limits currently in place were approved by the Finance Subcommittee and City Council in 2011. At that time, the write-off authorization limits were appropriate given the invoice amounts being issued by the City. These limits are up to $2,500 for the Finance Director, and up to $7,500 for the Finance Subcommittee. Items over $7,501 are approved by City Council.

On February 27, 2019, the Finance Subcommittee approved a modification to increase theses limits to up to $5,000 for the Finance Director, and up to $10,000 for the Finance Subcommittee. All items over $10,001 would be approved by City Council. These updated amounts reflect the increase over the past eight years in the City's average invoice amount, primarily for ambulance billing accounts.

DISCUSSION:
While the recommended write-off amounts apply to all City-issued invoices for services, the primary purpose is to address delinquent ambulance billings. Currently, the City invoices a base rate for a single event ambulance billing transport at $2,282 for an advance life support (ALS) transport. In addition to this base rate, there are often ancillary fees for special equipment or supplies used during the event which drive the final invoiced amount to more than $2,500. The City, by policy has tied our ambulance billing rates to the County of Los Angeles rates set by the LA County Department of Health Services, which are adjusted annually in July. In addition to ambulance billings, there is an increasing number of invoices for City Cost Recovery items for special responses that fall beyond the limit of the Finance Director.

In order to improve collection efforts and maximize revenue from delinquent accounts, the City contracts with Financial Credit Network (FCN), which provides collection services. Delinquent ambulance billing accounts have one of the lowest collection recovery rates industry wide at around 10% once they have gone to the agency. These accounts are not assigned for write-off by the City's ambulance billing company until they have exhausted every effort to collect from insurance companies or the individuals. The average delinquency is between six to nine months, before going through the write-off process. In order to assist FCN with their collection efforts for these types of accounts, it is crucial that the City submit them to FCN, as soon as possible. Increasing these authorization amounts will expedite the collection process and improve collection rates.

PUBLIC OUTREACH/INTEREST:
After analysis, staff determined that public outreach was not required for this issue

ENVIRONMENTAL REVIEW:
The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:
The City Attorney has reviewed this report and determined that no additional legal analysis is necessary