



Requesting Department

Finance

TO: HONORABLE MAYOR AND TOWN COUNCIL
THROUGH: JOHN KROSS, ICMA-CM, TOWN MANAGER
FROM: SCOTT MCCARTY, FINANCE DIRECTOR
RE: CONSIDERATION AND POSSIBLE APPROVAL OF 60-DAY NOTICE OF INTENTION TO APPLY COLLECTIONS FEE FOR DELINQUENT ACCOUNTS.
DATE: August 4, 2021

Staff Recommendation:

Staff recommends the approval of the Notice of Intention setting the time (6:30 p.m.) and date (October 6, 2021) for the public hearing to apply a collections fee for delinquent accounts.

Relevant Council Goal(s):



Effective Government: Increase effectiveness and efficiency of government services.

Proposed Motion:

Move to approve the Notice of Intention as presented.

Discussion:

Background

The Town of Queen Creek currently does not contract with a collection agency to provide collection services for accounts greater than 60 days delinquent. However, limited collection efforts are performed by Town staff. To achieve better results and keep costs down for all customers, Town staff is recommending hiring a collection agency to achieve optimal results. Town staff has been in contact with Valley Collection Service. They provide collection services for many of the towns and cities in the Phoenix metro area including Gilbert, Mesa, Scottsdale, Chandler, Tempe, Buckeye, and Goodyear. A cooperative purchase agreement with Valley Collection Services can be initiated through the City of Scottsdale contract.

Prior to suspending water disconnections in 2020 due to the COVID pandemic, the Town's delinquent balance for utility bills increased by \$40,000 annually from 2017-2019. In 2020, the Town's delinquent balance grew by \$55,000, primarily due to suspension of water disconnections. If the Town is unable to collect past due balances after a year, these amounts are subsequently written off. Contracting with a collections agency could help the Town's debt recovery efforts and reduce write offs.

Valley Collection Service charges a 15% collections fee on the delinquent amount they collect.

Agencies have the option to reduce the 15% collections fee from the delinquent amount collected. Or, the 15% collection fee can be added to the amount owed by the debtor. In an effort to try and recoup the full balance owed to the Town, staff recommends applying the 15% collections fee to the debtor's account as discussed with Town Council on July 21st.

In order to apply the 15% collections fee to the debtor's account, the Town must follow a two-step process outlined in state law. One, provide a public notice for 60 days regarding the intent to recover the 15%. Two, after the 60-day notice period, hold a public hearing and amend the Town Code to apply a collections fee. Town staff also recommends incorporating an outstanding accounts receivable policy to the Town Code. The intent is to formalize the Town's collection policy and add the ability to apply a collection fee and recover all costs of litigation and collection on delinquent accounts. A draft ordinance is attached to this staff report adding Article 3-6 Revenue and Finance to the Town Code Chapter 3 Administration.

The Notice of Intention (step 1 of 2) sets the public hearing date as required by ARS § 9-511.01. If approved, a copy of the notice will be published in the newspaper not less than twenty days before the public hearing date as required. In this case, the date for the public hearing is scheduled for October 6, 2021 (step 2 of 2). The delinquent fee can then be applied 30 days after adoption of the ordinance, which would be November 6, 2021.

ARS § 9-511.01 requires projections for water and wastewater utilities indicating anticipated revenues and applicable expenses for the new fee. The third party collection service fee will be a pass-through and is anticipated to be minimal based on estimated collections. For Water and Wastewater, the annual fee is estimated to be \$1,500 based on anticipated collections. A copy of the projections for Water and Wastewater combined is attached to this staff report. Staff anticipates sending approximately four years of unpaid balances to the collection agency totaling approximately \$155,000 following council adoption of the ordinance in October 2021. For FY22, the collection fee is anticipated to be approximately \$5,000 based on estimated collections of \$35,000 which includes unpaid balances for prior years.

Fiscal Impact:

There are no anticipated funding impacts with initiating a third party collection service because this will be a pass-through fee (assuming the staff recommendation is implemented). For Water and Wastewater, the fee estimated to be collected in FY22 and paid to the collection agency is \$5,000 based on anticipated collections. In future years, the fee is estimated to be \$1,500 annually.

Attachment(s):

1. Notice of Intention
2. Cash Flow Projection for Water / Wastewater with Collection Fee
3. Draft Ordinance Related to Initiating Third Party Collection Services

TOWN OF QUEEN CREEK**Notice of Intention**

A public hearing has been set for October 6, 2021 in the Community Chambers, 20727 E. Civic Parkway, Queen Creek, Arizona at 6:30 p.m. for the purpose of receiving public comment on a change in the Town Code to apply a collections fee on delinquent accounts. Information relating to the fee change is available in the Town Clerk's office at 22358 S. Ellsworth Road, Queen Creek, Arizona.

**Water and Wastewater Combined Utility
Cash Flow Projection with Collection Fee**

Operating	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Beginning Balance	\$ 1,387,092	\$ 9,922,045	\$ 16,049,743	\$ 21,985,102	\$ 27,196,754	\$ 33,011,187	\$ 39,010,840
Operating Revenues	\$ 37,342,000	\$ 38,660,791	\$ 40,042,950	\$ 41,461,302	\$ 43,011,678	\$ 44,263,500	\$ 45,587,092
Capacity Revenues	\$ 7,756,039	\$ 6,588,515	\$ 6,340,218	\$ 6,599,081	\$ 6,953,786	\$ 7,206,897	\$ 7,268,498
Other Non-Operating Revenues	\$ 854,000	\$ 876,960	\$ 889,337	\$ 916,017	\$ 943,498	\$ 971,803	\$ 1,000,957
Collection Fee	\$ 5,282	\$ 1,171	\$ 1,206	\$ 1,242	\$ 1,279	\$ 1,317	\$ 1,357
Total Sources	\$ 45,957,322	\$ 46,127,436	\$ 47,273,710	\$ 48,977,642	\$ 50,910,241	\$ 52,443,518	\$ 53,857,903
Operating Expenses	\$ 24,298,547	\$ 26,402,837	\$ 27,572,786	\$ 29,862,677	\$ 31,053,587	\$ 32,287,929	\$ 33,582,322
Collection Service	\$ 5,282	\$ 1,171	\$ 1,206	\$ 1,242	\$ 1,279	\$ 1,317	\$ 1,357
Total Uses	\$ 24,303,830	\$ 26,404,007	\$ 27,573,992	\$ 29,863,919	\$ 31,054,866	\$ 32,289,246	\$ 33,583,679
Net Revenue Available for Debt Service	\$ 21,653,492	\$ 19,723,429	\$ 19,699,718	\$ 19,113,723	\$ 19,855,375	\$ 20,154,272	\$ 20,274,224
Existing Debt Service							
Existing	\$ 4,664,106	\$ 4,658,720	\$ 4,657,500	\$ 4,658,589	\$ 4,655,680	\$ 4,656,669	\$ 4,651,792
Diversified Acquisition	\$ 239,979	\$ 592,021	\$ 592,021	\$ 592,021	\$ 592,021	\$ 592,021	\$ 592,021
New GWECs/Water Resources Debt	\$ 4,525,323	\$ 4,525,323	\$ 4,525,323	\$ 4,525,323	\$ 4,525,323	\$ 4,525,323	\$ 4,525,323
Total Debt Service	\$ 9,429,408	\$ 9,776,064	\$ 9,774,844	\$ 9,775,933	\$ 9,773,024	\$ 9,774,013	\$ 9,769,136
Other Activity Affecting Fund Balance							
ROI Expenses (reduces fund balance)	\$ (3,689,132)	\$ (3,819,667)	\$ (3,989,515)	\$ (4,126,138)	\$ (4,267,918)	\$ (4,380,606)	\$ (4,486,459)
Ending Fund Balance	\$ 9,922,045	\$ 16,049,743	\$ 21,985,102	\$ 27,196,754	\$ 33,011,187	\$ 39,010,840	\$ 45,029,469

Attachment: Cash Flow Projection for Water / Wastewater with Collection Fee (Notice of Intent for Collection Fees)

ORDINANCE NO.

AN ORDINANCE OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, ADDING ARTICLE 3-6 REVENUE AND FINANCE TO THE TOWN CODE CHAPTER 3 ADMINISTRATION.

WHEREAS, the Town of Queen Creek, Arizona (the “Town”), serves a growing community; and

WHEREAS, the Town makes reasonable efforts to collect all money owing in compliance with policy and procedure; and

WHEREAS, needed adjustments have been identified in the Town Code.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, as follows:

Section 1: The Queen Creek Town Code, Arizona Article 3-6 Revenue and Finance is hereby added to read as follows:

Article 3-6 Revenue and Finance

Section 3-6-1 Outstanding Accounts Receivable

3-6-1.1 Collection.

The Town shall make reasonable attempts to collect all money owing in compliance with Town policy and procedure. The Town reserves the right to assess a late fee for the receivable if payment is not received by the specified date. If such attempts fail and at least 60 days have passed since the original due date, the receivable may be sent to a collection agency or attorney for collection. The Town may apply a collection fee not to exceed 15% of the balance and recover all costs of litigation and collection.

Section 2: If any section, subsection, sentence, clause, phrase or portion of this Ordinance or any part of this additional or modification adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

Section 3: The Town Clerk is hereby directed to publish this adopting ordinance in full.

PASSED AND ADOPTED by the Mayor and Common Council of the Town of Queen Creek, Arizona, this ... day of 2021.

FOR THE TOWN OF QUEEN CREEK:

ATTESTED TO:

Gail Barney, Mayor

Maria Gonzalez, Town Clerk

REVIEWED BY:

APPROVED AS TO FORM:

John Kross, Town Manager

Dickinson Wright, PLLC
Attorneys for the Town

Attachment: Draft Ordinance Related to Initiating Third Party Collection Services (Notice of Intent for Collection Fees)