

CITY OF FLAGSTAFF STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

Through: Barbara Goodrich, Management Services Director

From: Andy Wagemaker, Revenue Director

Date: August 19, 2011

Meeting Date: September 6, 2011

TITLE: Consideration and approval of transaction privilege (sales) tax write-offs for the fiscal year ending June 30, 2011.

RECOMMENDED ACTION: Authorize the write-off of transaction privilege (sales) tax uncollectable accounts totaling \$109,137.77.

ACTION SUMMARY:

- Policy Decision or Reason for Action:
 - o Generally accepted business practices allow for the write-off of uncollectable accounts. City staff has exhausted collection efforts on the eligible accounts and will no longer actively collect on them. Where possible, the amount owed has been applied against the credit of the debtor and may be collected in the future.
 - o Decision Points:
 - No subsidiary decision points
- Financial Impact:
 - None. Each year, the City anticipates that there will be uncollectable transaction privilege (sales) tax accounts and reserves an amount at year end for these accounts.
- Connection to Council Goal: Effective governance
- Options:
 - o Authorize the write-off of uncollectable transaction privilege (sales) tax accounts.
 - Do not authorize the write-off of uncollectable transaction privilege (sales) tax accounts and continue collection efforts.
- Has there been a previous Council decision on this topic?: No.

Division Director (Acknowledgment that all reviews have been completed and required approvals initialed below.)

ADDITIONAL INFORMATION:

Background/History: Before any account is eligible for write-off, staff must initiate collection efforts on each account after it becomes delinquent. When collection efforts are exhausted, the account is eligible for write-off. If possible, any amounts due are applied to the customer's credit. Application against the credit of the debtor may lead to the recovery of some of the delinquent amounts in the future.

In FY11, the city received approximately \$31.1 million in transaction privilege (sales) taxes, transportation taxes, BBB taxes, and franchise fees. The write-offs are 0.35% of the total amount. Each of the write-off accounts no longer operates in Flagstaff.

Transaction Privilege (Sales) Tax Account Write-Offs (5 Year History)

Write-Off Year	Amt of Write-Off	Annual TPT Receipts	% of Receipts
FY 11	\$ 109,121.32	\$31.1 million	0.350%
FY 10	\$ 4,866.76	\$ 26.8 million	0.018%
FY 09	\$ 10,345.93	\$ 29.3 million	0.035%
FY 08	\$ 114,078.88	\$ 32.8 million	0.348%
FY 07	\$ 18,563.12	\$ 28.9 million	0.064%

Key Considerations: Staff, using billing statements, letters, and telephone calls, has worked the write-off accounts. When customers fail to make payments, they are denied access to future City services and, when possible, the amount owed is applied to their credit.

Community Benefits and Considerations: It is sound financial management practice to reduce assets to reflect their true valuation. Failure to write-off accounts deemed uncollectable overstates the asset value of the city.

Community Involvement: N/A

Financial Implications: Each year, the City anticipates that there will be uncollectable transaction privilege (sales) tax accounts and reserves an amount at year end for these accounts.

Options and Alternatives: Council could elect to not write-off these accounts and direct staff to continue collection activities.

Attachments:

None.

INITIALS	RESPONSIBILITY	DATE	INITIALS	RESPONSIBILITY	DATE
)	BIDS/PURCHASES GRANTS	<u></u> 7		FINANCE/BUDGET CONTRACTS	
	LEGAL			IGAS	