

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2016-06

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 Policies 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

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**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. “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~~ E. “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 which does not have an account that is overdue.

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.

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

**4.40.020 Policies 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, extend credit to all residents, businesses, and entities who are in good standing with the Municipality.

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~~

87 ~~chapter. These actions may include, but are not limited to, turning over of delinquent~~  
88 ~~accounts to a collection agency for collection; filing of negative credit reports with credit~~  
89 ~~bureaus; and, filing cases with the state of Alaska Small Claims Court. If a resident,~~  
90 ~~business, or other entity has an account which becomes overdue by more than 90 days,~~  
91 ~~the City and Borough of Sitka may revoke credit to such a resident, business, or other~~  
92 ~~entity. If credit is revoked, all business interactions between a resident, business, or other~~  
93 ~~entity will be henceforth conducted on a cash-only basis until credit is restored. For~~  
94 ~~purposes of municipal utilities and moorage, accounts will be required to be prepaid.~~

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

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106 **4.40.030 Records and reporting Municipal Collections Policy**

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

111  
112 B. ~~The administrator will submit a report to the assembly, on an annual basis within the~~  
113 ~~first month of the new fiscal year, of all bad debts written off under the provisions of this~~  
114 ~~chapter for the prior fiscal year The City and Borough of Sitka shall employ progressive~~  
115 ~~steps to attempt to collect debts owed to the Municipality. These progressive steps shall~~  
116 ~~may include the following:~~

117  
118 1. Mailing of a collection dunning letter to the last known valid address of the  
119 debtor;

120  
121 2. Mailing and physical posting of a utility disconnection notice for failure to  
122 resolve any debt owed the Municipality;

123  
124 3. Physical disconnection of utilities for failure to resolve any debt owed the  
125 Municipality;

126  
127 4. Forwarding of overdue accounts to a collection agency for further collection  
128 attempts;

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

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

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

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

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

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

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153 D. The Administrator shall have the authority to approve payment plans for overdue  
154 balances owed the Municipality. This authority may be delegated to the Deputy  
155 Administrator of Finance and Administration. This authority shall include the ability to  
156 establish repayment terms. The following criteria shall be applicable to all payment  
157 plans:

158  
159 1. A citizen, business, or entity may have only one active repayment plan at any  
160 time. Consolidation of multiple debts into repayment plans may occur at the  
161 discretion of the Administrator.

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

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

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

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

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179 **4.40.040 Write-Off of Uncollectable Accounts.**

180 A. Overdue debts over 90 days old, and which are under a cumulative amount of two  
181 hundred dollars per customer, may be written off immediately upon approval of the  
182 Finance Director, if they are deemed not to be cost efficient to attempt to collect on.

183  
184 B. Overdue debts over 90 days old, and which are under a cumulative amount of one  
185 thousand dollars per customer, may be written off immediately upon approval of the  
186 Administrator, if they are deemed not to be cost efficient to attempt to collect on.

187  
188 C. Overdue debts over 90 days old, and which are over cumulative amount of one  
189 thousand dollars per customer, may be written off immediately upon approval of the  
190 Assembly.

191  
192 D. Any overdue debt which is not collected within 90 days shall, as a matter of  
193 accounting policy be recorded against the allowance for uncollectable accounts.  
194 Collection actions shall not cease, however, until the debt is collected, a statute of  
195 limitations is reached, or the debt is written off. Any debt recorded against the allowance  
196 for uncollectable accounts, which is subsequently recovered, shall as a matter of  
197 accounting policy, be recorded as a recovery of bad debt.

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199 **4.40.050 Utility Debts Remain With Real Property (Reserved)**

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201 **4.40.060 Authority To Offset**

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

207  
208 B. No offset of an overdue balance shall occur unless the resident, business, vendor, or  
209 other entity is notified in writing of the overdue balance and afforded a minimum period  
210 of 10 business days to remit the overdue balance. During this 10 business day period, the  
211 Municipality will withhold payments otherwise due.

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

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217 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka,  
218 Alaska this 8<sup>th</sup> day of March, 2016.

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Mim McConnell, Mayor

225 **ATTEST:**  
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Sara Peterson, CMC  
231 Municipal Clerk  
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