



City of **GREENSBORO** *North Carolina*

Accounts Receivable & Collection Remedies

City Council Work Session
January 27, 2015



Billing & Collections

- The majority of City revenue is derived from Tax Levies and Service Charges (property tax, sales tax and water & sewer fees)
- Licenses, Permits, Fines and Penalties provide additional revenue
- Higher collection rates are associated with those billings that have the strongest legal collection/enforcement remedies (99%+ collected):
 - Taxes, Utility Fees & Assessments – use of property lien, foreclosure, attachment/garnishment, discontinue service, civil suit, other
 - Contracts, Licenses/Permits – discontinue service, revoke/withhold license or permit, civil suit
- Lower collection rates are associated with those billings that have the weakest legal collection remedies:
 - Governmental (Regulatory) Billings – civil suit, NCDOR Debt Setoff
 - Parking Fines – civil suit, towing & booting, NCDOR Debt Setoff



Property Tax

- Property Tax collection averaged 99.4% over the past 10 yrs.
 - Property tax levied by the City and collected by Guilford County (excluding vehicles)
- Tag & Tax Together Program effective 7-1-2013
 - Vehicle Property Tax collected by NCDMV
 - Vehicle Registration blocked by NCDMV if Property Tax is not paid
 - Vehicle Tax collection rate increased from 83% in 2013 to 95% in 2014; higher rate expected in 2015 with improved compliance



Contractual Billing

- The City bills a variety of contracts and services through its Miscellaneous Billing System
- Contractual Billings average 98%+ collected
 - The majority of contractual billings are to other governmental agencies that will ultimately be paid
 - Non-governmental billings are made for a variety of city services, including facility rentals, landfill tip fees and monthly parking in decks/lots



Governmental (Regulatory) Billings

- The City also levies a variety of Regulatory fines and penalties through its Miscellaneous Billing System
- Regulatory civil fines and penalties are primarily intended to achieve compliance with City Code rather than generate revenue
 - Fire Code Violations
 - Zoning Violations
 - Housing Code and other Code Enforcement Violations
 - Nuisance Abatement



Governmental (Regulatory) Billings

- Fire Code Violations- 39% on average collected
 - The Manager, City Legal and the Fire Department created a uniform settlement policy in April of 2010 following an increase in fire overcrowding fees
 - All settlements are approved by all three departments
- Collection Remedies on Delinquent Accounts
 - Consent Judgments or traditional Judgments involve a civil suit (\$126 filing cost)
 - Focus on entry of Consent Judgments to eliminate dangerous activity and to incentivize future compliance while reducing amount of initial fine
 - No instance of a repeat offender who signed a Consent Judgment
 - NCDOR Debt Setoff (individuals only)
- Write-off Policy
 - Accounts older than 3 years classified as inactive



Governmental (Regulatory) Billings

- Zoning, Housing Code and Code Enforcement Violations- on average 28.4% collected
 - Zoning fines are discretionary in most instances and may be adjusted or waived at the discretion of the Planning Department
 - Housing Code Penalties of \$200 plus \$75/day per violation, (effective 3-1-2014) are mandatory and may not be adjusted or waived
- Collection Remedies on Delinquent Accounts
 - Collection is Limited to Debt Setoff (min. \$50) and Civil Suit (\$126 filing cost)
- Write-off Policy
 - Accounts older than 3 years classified as inactive
- Proposed Policy
 - Modify Housing Code policy and procedure to mirror zoning procedures in Chapter 30



Governmental (Regulatory) Billings

- Nuisance Abatement- on average 73.1% collected prior to foreclosure/sale
 - Abatement costs such as lot clearance, house boarding and house demolition are assessed against the property and have the same priority as a tax lien
- Collection Remedies on Delinquent Accounts
 - The City may foreclose on the property and cut off all other mortgages and liens, except tax liens
 - The City then resells the property after advertising, subject to a 10 day upset bid rule
 - Wages may also be garnished and bank accounts attached
- Write-off Policy
 - Only assessments made in error or which are somehow improperly assessed are written off



Parking Fines

- Fine/Late Payment Penalty collection averaged 74.3% of amount billed past 10 yrs
 - Fines range from \$15 (meter) to \$250 (handicap); penalties from \$25 to \$35
 - City staff and Contracted Collection Agency (after 45 days) pursue collection of past due amounts (50% collected in year ticket is issued; 84% of amount billed paid after 10 years)
- Collection Remedies on Delinquent Accounts
 - Limited to Towing and Booting (on 4th violation with 3 outstanding fines), NCDOR Debt Setoff (min. \$50) and Civil Suit (\$126 filing cost)
 - Court judgments may not be paid
 - 7-1-2014 late payment penalty increased min. fine w/penalty to \$50
 - Min. fine \$15; after 45 days \$25 penalty; after 90 days additional \$10 penalty
 - Parking Amnesty Program is being considered in 2015



Parking Fines

- Proposed Legislation
 - Block NCDMV vehicle registration for parking fines 12 months past due
 - City would experience improved collection similar to Tag & Tax Together Program
 - Allowing the booting of legally parked vehicle with outstanding tickets
- Write-off Policy
 - Parking Fines/Penalties 10 years or older are considered uncollectible
 - City reduces accounts receivable for bad debt after 10 years
- Proposed Reporting Policy
 - Report 2 year active file, balance inactive; the City will continue to collect fine/penalty through judgments paid or through Debt Setoff
 - Winston-Salem– 2 year active file, balance inactive
 - Charlotte– 3 year active file, balance written off
 - Raleigh – currently 5 year active file
 - Durham – currently 7 year active file



NC Revenue Debt Setoff (DSO)

- Program allows debt setoff of individual State income tax refund
- City began filing claims in 2004
- DSO applies only to debt owed by individuals and sole proprietors, *not* businesses (may be available in future)
- Claim must be a minimum of \$50 and 60 days past due
 - Can aggregate 2 or more debts to meet \$50
 - Parking Fines submitted to DSO after 105 days (60 days past due after 45 day penalty date)
 - All delinquent parking tickets July 2014 and later eligible for Debt Setoff



NC Revenue Debt Setoff (DSO)

- Majority of funds received from DSO is for parking tickets
- Since 2004 submitted \$2,702,961 for parking and received \$1,143,782
 - Of \$292,627 total received from DSO in calendar year 2014, \$232,981 for parking
 - Debtor must file a NC income tax return
 - Debtor must receive a NC income tax refund
 - Debts are paid in priority order, with State claims and property tax claims paid first
 - DSO claim remains in effect for 10 years and may be extended