



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Drew Corbett

SUBJECT: Proposed Accounts
Receivable Amnesty
Program Ordinance

DATE: November 18, 2024

Approved:

Date:

11/26/24

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Approve an ordinance authorizing the Director of Finance to administer an accounts receivable amnesty program that forgives unpaid penalties, interest, and collection expenses accruing to the City's General Fund and other funds for certain specified accounts.

SUMMARY AND OUTCOME

The Finance Department will implement an amnesty program that will encourage customers to pay past due delinquent debts, which will decrease the City's outstanding receivables and increase one-time revenue.

BACKGROUND

The 2024-2025 Adopted Budget, which was approved on June 11, 2024¹ and adopted on June 18, 2024 by the City Council, directed the Finance Department to conduct an Accounts Receivable Amnesty Program². Pertinent text regarding this direction is below.

In 2024-2025, the Other Revenue category includes an action to recognize funding of \$300,000 that will be received as the result of the Finance Department

¹ June 11, 2024: Item 3.5, *Approval of the 2024-2025 Operating and Capital Budgets for the City of San José and Schedule of Fees and Charges*

<https://sanjose.legistar.com/View.ashx?M=M&ID=1192737&GUID=7FBFF0B3-2D6C-4889-B037-3DF71467A41B>

² *City of San José 2024-2025 Proposed Operating Budget, General Fund Overview*

<https://www.sanjoseca.gov/home/showpublisheddocument/111497/638525773679170000>

conducting an Accounts Receivable Amnesty Program. As part of this program, customers with delinquent invoices will be notified that if the invoiced amount is paid, all penalties, interest, and late fees will be waived.

The Accounts Receivable Amnesty Program will be collecting on delinquent miscellaneous City invoices and Administrative Citations billed from September 1, 2021 through June 30, 2024.

In addition, utility invoices for water and garbage services will also be eligible for the Accounts Receivable Amnesty Program, regardless of the billing period. Unpaid water and garbage bills can lead to service disruptions, increasing public health and safety risk, and may disproportionately impact low-income households. Expanding the eligibility of the Accounts Receivable Amnesty Program will encourage businesses and residents with overdue utility bills to bring accounts current without facing penalties and legal consequences.

The Accounts Receivable Amnesty Program will be conducted during the period of April 1, 2025 through September 30, 2025.

ANALYSIS

The Accounts Receivable Amnesty Program, which is similar in structure to the successful Business Tax Amnesty Program and Accounts Receivable Amnesty Program conducted in Fiscal Year 2022-2023 for COVID-19 relief, is intended to increase statutory compliance while providing needed financial relief for City residents and businesses by authorizing the Director of Finance to waive the respective late interest and other collection levies on any base fees, fines, and charges collected.

Accounts eligible for this Accounts Receivable Amnesty Program must meet the following requirements:

1. The invoice was billed during the amnesty period, September 1, 2021 through June 30, 2024, (this limit is not applied to unpaid water and garbage bills);
2. The Department of Finance has neither filed a lien to collect on the debtor's account nor is the account eligible to be referred to the County of Santa Clara to be billed on the tax roll;
3. The Department of Finance has neither filed a small claims action to collect the account nor referred the account to the Office of the City Attorney for action; and,
4. The debtor's account does not include outstanding amounts owed for unpaid taxes, miscellaneous permits not issued by the Finance Department, such as Building Permits, Accessory Dwelling Units Permits, Junior Accessory Dwelling Units Permits, Planning Permits, Public Works Permits, Fire Permits, Code Enforcement Permits, Multiple Housing Permits, Residential Occupancy Permits, Parking Permits, Police Permits, etc., or invoices issued for the following: San

José Clean Energy, the City Manager’s Office of Economic Development and Cultural Affairs, and the Information Technology Department.

The **Table** below presents outstanding fees and charges eligible for the Accounts Receivable Amnesty Program, for a total of approximately 9,750 Accounts Receivable invoices.

TABLE

Outstanding Fees and Charges Billed September 2021 through June 2024						
	Base Fees/Fines	Interest	Penalties	Collection Expense	Collection Agency Fees	Total
Outstanding Fees and Charges	\$ 4,500,000	\$ 750,000	\$ 675,000	\$ 225,000	\$ 150,000	\$ 6,300,000

The original population of eligible accounts with outstanding fees and charges, for a total of an approximate 9,750 Accounts Receivable invoices, has an outstanding balance of the base fees/fines amount of \$4.5 million and an additional \$1.8 million in owed interest, penalties, and collection expenses for a total owed amount of \$6.3 million. Under the recommended Accounts Receivable Amnesty Program, participants that pay their base bill will have their interest, penalties, and collection expense waived. It is important to note waiving the interest, penalties, and collection expense for this population of accounts is not a significant revenue loss for the City, as historically, the City has received a relatively small amount of these additional monies, which are not budgeted.

EVALUATION AND FOLLOW-UP

The Finance Department Revenue Management Division focuses on Citywide invoicing and collections for the majority of fees and charges, including the collection of any consequent late fees and interest levied as allowed by the San José Municipal Code. The Finance Department will develop and manage the Accounts Receivable Amnesty Program, in coordination and collaboration with the City department(s) responsible for the respective service, fee, or charge.

Follow-up outreach efforts will be made, and payment options, including payment plans, will be offered as appropriate.

COORDINATION

This memorandum was coordinated with the City Attorney’s Office and City Manager’s Budget Office.

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PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the December 10, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

Drew Corbett
Acting Director of Finance

The principal author of this memorandum is Eric Warnars, Program Manager, Finance. For questions, please contact eric.warnars@sanjoseca.gov or (408) 535-3889.