



Meeting Date: March 6, 2017

Report No. CC-17-32

Agenda Item No. 8d

Status: General Orders

Purpose: Discontinuation of Contractor Billing Services

Background Summary: For as long as current staff can recall, the City has offered contractor billing services for development, building and trade contractors. The City's accounting and development tracking software does not support the contractor billing service and each month staff in Development Services and in Finance are manually processing the paperwork.

Additionally, the City is implementing a new software product, TRAKiT, for business licensing, code enforcement, building permits with plan review and inspections and land development applications. This software does not include a billing component as the practice is not an industry standard. In order to provide a contractor billing service with the new software, a custom software development cost estimated at \$7,500 plus an annual maintenance fee will be required.

On a monthly basis, staff process billings for 89 contractors with approximately 30 different accounting codes for each contractor. There are no convenience fees or administrative fees charged to offset the cost associated with providing this service. There is also no penalty for being 30, 60 or 90-days past due. For accounts over 90-days past due, staff notifies the contractor in writing that they will no longer be allowed to "charge" until their current past due bill is settled; however, there is nothing that enables staff to discontinue issuing permits to contractors with past due accounts.

Not only is the current service very labor-intensive, it also has resulted in delayed or unrecovered revenues. At the end of 2016, 40 builders had outstanding balances to the City in the amount of \$18,197.41. These payments should have been collected and reported in the month the permit was issued but due to contractor billing they will be collected within the following month or later.

Budget Impact: Discontinuing the practice of contractor billing ensures that all revenues due to the City for building and development are collected when the services are rendered. It also ensures that all payments are made. If payment is not made, applications are not processed. Discontinuing contractor billing eliminates the hours of staff time that are spent coding and processing of contractor billings. The gained staff hours will be allocated to other primary functions for the work group. The current City budget will not support the expenditure of the \$7,500 software development fee and annual maintenance fee needed to add a billing component to the TRAKiT software package.

Prior Council Action or Part of an Approved Project: No

Related Items: None.

Alternatives:

1. Continue the contractor billing service as it exists.
2. Continue the contractor billing service as it exists with the addition of administrative fees that cover the full cost of the service and penalties for accounts that are not paid within 30 days.
3. Revise the development services department budget by transferring the cost of custom software development fee (estimated at \$7,500) from another department and direct staff to proceed with the development of the billing component of the software.
4. Discontinue the contractor billing service.

Recommendation: The City Council land development ad hoc committee and staff recommend the discontinuance of the contractor billing service. It is further recommended that the service be completely discontinued and all amounts under the current service become due in full no later than July 1, 2017.

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Reviewed by: Melissa Reames, CFO

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