**CITY OF LONG BEACH**

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

December 13, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Request the City Attorney to prepare an amendment to the Municipal Code to increase the maximum refund approval authorized by a department head from \$500 to \$1,000 and the City Attorney from \$5,000 to \$10,000 for all refunds, and to establish a standard one-year statute of limitations for individuals or entities seeking refunds. (Citywide)

DISCUSSION

In 1989, the City Council adopted an ordinance that amended Section 3.48.040 Refund-Conditions of Payment of the Long Beach Municipal Code (LBMC), which establishes the approval limits for payments of refunds as follows:

- A. Refunds of \$500 or less require approval of the department head in accordance with conditions imposed by the City Manager.
- B. Refunds greater than \$500 and less than \$5,000 require approval by the department head and the City Attorney's Office.
- C. Refunds in excess of \$5,000 require City Council approval.

Due to an increase in on-line bill payments, the City has been receiving an escalating number of overpayments especially for utility billings. Despite the user-friendly nature of the website, many customers remit payments that are 100 percent more than the billing. Once discovered, customers are eager to have their overpayments refunded. Banks cannot reverse the payments, so the City has been processing an increased number of refunds of substantial size. In addition, staff is requesting an increase to the thresholds for refunds due to the increased size of utility payments. The original thresholds were established over 16 years ago, from which time CPI growth in the cost of utilities has continually increased the size of payments received.

With the intention of expediting the processing of refunds to meet customers' needs, while maintaining the appropriate controls, new approval limits were discussed with the City Auditor's and the City Attorney's Offices. Based on their concurrence, the following changes to the limits are being proposed:

- A. Refunds of \$1,000 or less require approval of the department head in accordance with conditions imposed by the City Manager.
- B. Refunds greater than \$1,000 and less than \$10,000 require approval by the department head and the City Attorney's Office.
- C. Refunds in excess of \$10,000 require City Council approval.

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In addition to LBMC Chapter 3.48, there are other citations in the Municipal Code that relate to the process of applying for refunds. In order to provide a greater consistency in the City's regulations, it is recommended that all references to refunds be changed to refer only to the appropriate sections of Chapter 3.48.

It is not the intention of this action to affect LBMC 3.48.010, which requires City Council approval for the settlement or compromise of claims or litigation against the City that exceed \$5,000. By recommendation of the City Attorney, the limits set forth in LBMC 3.48.010 should remain the same.

Another effort to achieve a consistent approach to the City's refund process is to establish a one-year limit from payment in which to obtain a refund from the City and to incorporate this limit into the language of all sections of the LBMC that reference refunds. Establishing a consistent time limit from payment will make communication with residents more effective, as the rules will be the same for all refund processes.

This matter was reviewed by Assistant City Attorney Michael J. Mais on November 28, 2005 and Budget Management Officer David Wodynski on November 29, 2005.

TIMING CONSIDERATIONS

This request is not time sensitive.

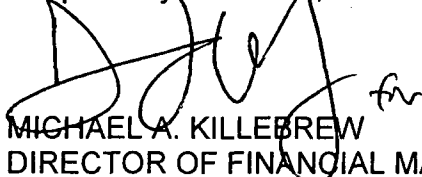
FISCAL IMPACT

Refunds are generally issued for payments made for which a service has not been rendered. Therefore, there is no net fiscal impact associated with refunds.

SUGGESTED ACTION:

Adopt recommendation.

Respectfully submitted,


MICHAEL A. KILLEBREW
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:


GERALD R. MILLER
CITY MANAGER