



## Staff Report

**TO:** Board of Harbor Commissioners

**FROM:** Boomer Henthorne, Accounting Manager

**DATE:** January 15, 2025

**SUBJECT:** Bad Debt Write-Off Request

**Recommendation/Motion:**

Motion: Authorize the General Manager to write off as bad debt a total of \$130,025.19 in accounts receivable: \$93,707.41 from Oyster Point Marina and \$36,317.78 from Pillar Point Harbor.

**Policy Implications:**

The District's current procedures require Accounting to submit potential write-offs to the Board of Harbor Commissioners for approval at least semi-annually. The procedure also requires that the names of the debtor and the amount owed be listed. This information is listed in the attachment to this staff report.

**Fiscal Implications/Budget Status:**

The proposed bad debt write-off of \$130,025.19 would reduce our Allowance for Doubtful Accounts (balance sheet account) for FY24-25. Allowances at both harbors already exceed the amounts we are requesting to write off. This means that we have already recognized Bad Debt Expense for the amounts requesting to be written off in prior periods. After performing the proposed write-offs OPM will have about \$56,000 allowance remaining, and PPH will have about \$44,000 allowance remaining. The proposed bad debt write-off amount represents 3.60% of our total budgeted Berth Rent revenues for FY24-25 (\$3,609,000).

**Background/Discussion:**

The District faces many unique challenges when collecting receivable balances at both harbors. Although most of our berthers pay timely and many take advantage of our discounted monthly auto-pay service, several berthers do not pay us timely or at all. The District saw unpaid balances and delinquencies increase during the COVID-19 pandemic. Eventually, bad debts need to be written off. District staff requests the approval of the Board to write off these balances. Periodically writing off accounts receivable balances for overdue accounts is a prudent accounting practice.

Most of these accounts have either vacated the harbor without paying, or their vessel has been destroyed through our delinquency/lien process, or they participated in the Vessel Turn-In Program to destroy the vessel. Most of these balances have or will be sent to our Collections vendor.

By agreeing to write off the proposed accounts, the Board is not forgiving the debt but acknowledges that we do not expect to receive payment. At the time of this report, OPM has an Allowance for Doubtful Accounts of \$150,357 and PPH has an Allowance for Doubtful Accounts of \$80,524. Therefore, this action will not have any further impact on the financial position of the District.

Details for balances over \$20,000-

**“KESTREL” - Kenneth Sexton**

The District spent a considerable amount of time and (Legal) resources to have this vessel removed from OPM. The vessel was in poor condition for several years and had been overrun with wildlife waste matter. Despite staff’s best efforts to work with the owner, maintaining contact and communicating was difficult due to problems determining the whereabouts of the owner. Staff enlisted aid from legal advisors at RWG and they successfully negotiated an agreement with the owner to relinquish rights to the vessel so that the District would be able to use grant funding (Vessel Turn-In Program) to destroy the vessel. In return the District agreed to not send the balance to collections.

**Summary/Recommendation:**

In summary, staff is recommending the following:

- Authorize the General Manager to write-off as bad debt a total of \$130,025.19 in accounts receivable: \$93,707.41 from Oyster Point Marina and \$36,317.78 from Pillar Point Harbor.

**Attachment:**

- 1) [Proposed Write-Offs - January 15, 2025](#)