



**DATE:** August 23, 2016

**TO:** Richard Lusk, Financial & Administrative Services Director

**FROM:** Teresa Childress, Collections Manager

**DEPARTMENT:** Financial & Administrative Services

**SUBJECT:** Outsourcing of Collection Services for Delinquent Parking Tickets and Tenant Utility Balances

On June 2, 2016, the City's Collections Division solicited proposals for the continuance of outsourcing the City's outstanding delinquent parking ticket and tenant utility balances, currently estimated at \$2.6 million and \$300,000, respectively. Collection efforts have resulted in an overall 76% average collection rate per year for parking tickets, ranging from 50-60% collected in the first year of billing to 85% after 10 years of collection attempts. Collections are received sooner by utilizing an external collection agency than experienced when City Staff performed the collection function, as represented in the Historical Progression of Parking Ticket Collections graph. Outstanding miscellaneous receivable balances (false burglar alarms, zoning violations, P & R rentals, etc, averaging 98%+ collected), along with assessments receivable balances, will remain in-house for City staff to continue collections and are not outsourced.

For several years, outstanding parking ticket/penalties have approximated \$2 million, despite several new collection techniques which have been initiated (displayed in the Parking Fines graph). The Collections Division provided a parking amnesty program in December 2008 whereby all penalties would be waived if the ticket was paid, which resulted in payment of 8,120 parking tickets (\$71,175) and forgiveness of \$203,000 in penalties. In addition, GDOT took over parking enforcement in September, 2009 and began towing/booting in November, 2009, generating \$277,853 in additional collected revenues to date. In order for towing or booting to be enforced the vehicle must have 3 or more outstanding tickets and be "illegally" parked at the time of discovery. Discovered vehicles with the same outstanding parking ticket balances which are "legally" parked may not be towed, according to state law. In late 2001, the NC Association of County Commissioners and the NC League of Municipalities finalized the framework to allow local government to submit to the "Debt Set Off" program (DSO), whereby the City may submit debts of \$50 or more for attachment to a debtor's state income tax refund, if any. In March 2004, the City began submitting overdue parking balances that met the minimum amount after 105 days and in July 2013, the City began assessing an additional \$10 penalty on unpaid parking tickets after 90 days to meet the DSO minimum for submission. As of June 30, 2016, DSO has yielded \$1,423,785 in overdue parking fine/penalty or

43% of amounts submitted to date (shown in attached graph) and \$195,202 in delinquent utility accounts revenue since inception of the program. However, in order to submit claim data to the state, the debtor's social security number is required, which often can be difficult and time consuming to locate.

Finance has offered all citizens multiple and convenient ways to make payments and to settle past due debts owed, including:

- Internet payments (\$1.00 convenience fee)
- Interactive Voice Response (IVR) (\$1.00 convenience fee)
- Home banking bill pay via PC (No charge)
- Bank drafts – utility service (No charge)
- Mail in check (No charge)
- Walk up & drop box (No charge)

In addition, Legal has attempted, on several occasions, to acquire more parking enforcement remedies through the Legislative Agenda items, requesting that the State DMV withhold vehicle registration for unpaid civil fines, similar to the current "Tax and Tag" program.

For the period 2001 through 2009, overdue parking fines/penalties were placed with an external collection agency after 90 days past due. Of the more than \$3.2 million balances transferred during that timeframe, more than \$1.2 million was collected, for an average return rate of 36.3%. The collection agency fee was 25% and approximated \$25,000 per year or less, deducted from the amount collected. Amounts were collected again solely internally during 2010 and 2011.

In 2011, the City conducted a Request for Proposal (RFP) and entered into agreements with two external collection agencies, FirstPoint Collection Resources, Inc and Gila, LLC d/b/a Municipal Services Bureau ("MSB") to collect delinquent "tenant" utility bills and parking tickets for the period November 2011 through August 2013. To add competitiveness and benchmarking to the results, the RFP Selection Committee recommended that the accounts be divided in half between the two agencies. An arrangement of this type is not uncommon in this industry. Performance of both agencies was similar at approximately 22.6% collected; however, in an effort to streamline the process, we continued our affiliation with FirstPoint Collection Resources only, from August 2013 forward. As of July 2016, outsourcing again resulted in a total of \$1,916,444 for an approximate collection rate of 41% on delinquent parking fines/penalties and a total of \$177,776 for an approximate collection rate of 24% on delinquent "tenant" utility bills, before fees have been remitted. Since February 2012, fees paid to Gila and FirstPoint were \$295,714 (approximately \$66,954 per year). This is less than if we kept the two additional delinquent collectors included in the June 2011 Reduction in Force on staff (estimated personnel costs of \$145,000).

The current RFP Selection Committee for the June 2016 proposal consisted of two members of Financial & Administrative Services and one member from the M/WBE office. The committee reviewed the four responses; however, two of the four were considered non-responsive since they were not certified as a Professional Practices Management Systems (PPMS) agency, which was a

minimum requirement stated in the RFP. PPMS is a management system for collection agencies based upon developing, implementing and adhering to a set of industry-specific professional practices and policies. Of the two responsive proposals, the projected “net” increases in City revenues over a three year period ranged from \$625,950 to \$832,000 for parking fines/penalties and \$72,000 to \$96,300 for utility accounts. “Net” increase in revenues means gross collected additional revenues less the collection agency’s fee, which is typically a % of the amount collected.

Selection criteria was based on several categories outlined in the “Qualifications and Requirements” section of the RFP, with the most weight given to similar collection experience, references and a description of the agency’s collection methodology. Other factors considered were the proposed agency collection fee % and % of balances expected to be collected, which in combination results in the estimated net \$ of revenue to be returned to the City. The Committee also considered technology capability, reporting, account management, compliance with laws and regulations, credit bureau reporting, the agency’s submitted financial information, as well as insurance and bonding notations. We also considered qualitative factors such as hours of operation, availability of bi-lingual staff, database accessibility and agency accreditations, among other things, in order to further distinguish between respondent proposals.

The RFP Selection Committee recommends FirstPoint Collection Resources, who currently services several government agencies and is based in Greensboro, NC. In addition, FirstPoint has attained the Professional Practices Management System (“PPMS”) certification which is awarded by the Association of Credit and Collections Professionals (ACA International) organization to only 58 of more than 7,000 established collection agencies. Since FirstPoint is our current collection agency, there will be no need to transition these services and responsibilities to another vendor which will save time, money, and resources. FirstPoint’s net estimated \$ to be recovered by the City during the three year contract period is \$832,000 (\$1,040,000 gross revenues collected less \$208,000 collection agency fees) for parking fines/penalties and \$72,000 (\$90,000 gross revenues collected less \$18,000 collection agency fees). FirstPoint’s estimated collection is 40% and 30% for the parking and utility debts respectively, and the collection agency fee is 20% of the collected balances (previously 20.5%).

TC

Attachments: Parking Fines  
Historical Progression of Parking Ticket Collections  
NC Debt Set-Off: Parking \$ Collected

cc: Marlene Druga, Deputy Finance Director – Financial Services