



Legislation Details (With Text)

**File #:** ID 20-001503 **Version:** 1 **Name:**

**Type:** Action Item **Status:** Agenda Ready

**File created:** 10/28/2020 **In control:** City Council

**On agenda:** 12/3/2020 **Final action:**

**Title:** Approve and award three (3) Collection Agency Contracts, each consisting of an initial three-year term, with three (3) one-year extension options available for each and authorize the Controller, or his/her designee, to execute all necessary contract documents.

**Sponsors:** Finance Department

**Indexes:**

**Code sections:**

**Attachments:** 1. 9556 Eval Matrix for Collections RFP.pdf, 2. Committee Report.pdf

Date	Ver.	Action By	Action	Result
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**REPORT TO THE CITY COUNCIL**

**December 3, 2020**

**FROM:** Michael Lima, Controller/Finance Director  
Finance Department

**BY:** Yvonne Dedmore, Administrative Manager  
Finance Department

**SUBJECT**

Approve and award three (3) Collection Agency Contracts, each consisting of an initial three-year term, with three (3) one-year extension options available for each and authorize the Controller, or his/her designee, to execute all necessary contract documents.

**RECOMMENDATION**

Staff recommends that the City Council approve and award three (3) Collection Agency Contracts, each consisting of an initial three-year term, with three (3) one-year extension options available for each, to RSI Enterprises, Inc., Financial Credit Network, and States Recovery Systems, and authorize the Controller, or his/her designee, to execute all necessary contract documents.

**EXECUTIVE SUMMARY**

Staff is recommending the award of three contracts to the collection agencies that were the most responsive and responsible to the Request for Proposals (RFP) for collection services, and authorize the Controller, or his/her designee, to execute all necessary contract documents. These agencies demonstrated comprehensive compliance with the requirements set forth in the RFP. The selection of these three agencies will enable various City departments to take advantage of each collection agency's individual strengths and experience in dealing with both the diverse types of receivables due to the City and the City's broad customer base.

## **BACKGROUND**

The City has long utilized collection agencies to recover funds owed to the City. These agencies pursue unpaid balances that are beyond the City's capabilities to discover or for which the City does not have the resources to pursue. Under the most recent contract for collection services, the City utilized two agencies to collect outstanding balances on behalf of the City. Referral to a collection agency is at the City's discretion by means of a formal assignment of the account. Depending on the individual department/division, collection agency assignment will commence usually after 30 days to six (6) months after the original invoice date.

With the expiration of the previous contract, the City issued a Request for Proposal (RFP) to commence the contract award process. The goal of the RFP was to solicit proposals from qualified collection agencies to provide collection services on a contractual as-needed basis. Each agency would accept the assignment of unpaid and delinquent accounts from various City departments. Reputation, efficiency, thorough knowledge of all facets of collection requirements including current laws and regulations, (such as the Fair Debt Collection Practices Act), experience in working with municipal governments, and a demonstrated high rate of successful collections were desired attributes. In addition, the "ideal" collection agency would have the capability to report unpaid accounts to the major credit bureaus, as well as provide the City with online access and the ability to review account status at all times. Proposers were advised that the City reserved the right to award one all-encompassing contract for the entire City or numerous non-exclusive contracts for each department to choose based on collection expertise and fit. Four (4) proposals were received and were subsequently opened on the proposal submission deadline of August 25, 2020. An RFP review committee made up of City staff and City of Clovis staff reviewed the proposals upon receipt.

After reviewing all the material, the review committee recommends awarding contracts to the following three (3) collection agencies on a contingency reimbursement basis:

### Financial Credit Network, Inc. (FCN)

This proposer is one of the City's current incumbent collection agencies. This proposer offered the highest rate for standard collections; but, offered tiered rates for Utility accounts based on the date of assignment. They have two offices in California, with a local office in Visalia, California. They have over 60 years' experience in the collection industry, with sufficient qualified staff and online capabilities to assist the City as well as report to credit bureaus. The City has had positive experience with this proposer over the last contract period. Their proposal offers the City good collection rates and a Central Valley presence.

### RSI Enterprises, Inc. (RSI)

This proposer is the other current incumbent collection agency for the City. This proposer offered the lowest rates for standard collections. They offered special low rates for Utility accounts, based on

the date of assignment. RSI has municipal government experience, specializes in skip tracing, and has both online information/transmittal capabilities and a large staff of collectors. RSI reports to credit bureaus after a 30-day dispute period, which enhances their collection efforts. This agency's low rates, large staff, extensive municipal experience, state of the art collection system, and Extended Business Office (EBO) services meets the needs of the City of Fresno. This company has provided acceptable service in the past with the City of Fresno.

#### States Recovery Systems, Inc

This proposer offered the second lowest rate for standard collections and offered the lowest rate for Utility accounts. States Recovery Systems has assisted various government entities for over 25 years, and currently contracts with over 15 municipalities. States Recovery Systems has experience in the tax intercept program which would benefit the Utility Billing and Collection Division and the Business Tax Unit. Their proposal meets all the RFP requirements and offers the lowest rates.

### **ENVIRONMENTAL FINDINGS**

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

### **FISCAL IMPACT**

At this time, the financial impact for future years cannot be enumerated other than to note that the expertise and experience of an agency is proven to exceed what is available in-house. However, past history can serve as a useful guideline for the estimating potential revenue from these contracts. In the last two fiscal years, the Fire Department has utilized the Extended Business Office collection services and realized approximately \$95,000 per year in revenue for the General Fund. The Business Tax Unit of the Finance Department was able to recognize uncollected revenue of \$69,000 in 2019 and \$36,000 in 2020 with the assistance of collection services. The Utilities, Billing, and Collection Division of the Finance Department was able to recognize \$212,000 in uncollected revenue in FY 2020. The agencies follow standard processes in an effort to collect the City's funds, and are paid a fee/percentage contingent on the amount collected.

Attachments: Committee Selection Matrix  
Committee Report