

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** June 13, 2005

**THROUGH:** FINANCE COMMITTEE

**FROM:** CITY MANAGER

**SUBJECT:** AUTHORIZATION TO ENTER INTO A CONTRACT WITH CREDIT SOLUTIONS CORPORATION FOR COLLECTING DELINQUENT PARKING CITATIONS.

## **RECOMMENDATION**

It is recommended that the City Council:

1. Authorize the City Manager to enter into a contract with Credit Solutions Corp. for the collection of delinquent parking citations for a term of two (2) years;
2. Grant the proposed contract an exemption from the competitive selection process of Competitive Bidding and Purchasing Ordinance pursuant to Pasadena Municipal Code Section 4.08.049 (B), contracts for which the City's best interests are served.

## **BACKGROUND**

Typically, when parking tickets are issued, a computerized file is produced daily from the handheld units used by the Parking Office as well as those manual tickets written by the Pasadena Police Department and Cal-Tech Security. The Parking Citation Section in Municipal Services uses the information in the electronic file to obtain from the Department of Motor Vehicles the names and addresses of vehicles that were issued parking citations. Delinquent notices are issued within 10 days from obtaining vehicle owner information from DMV to those who have not paid yet the citations or contested their citation within the prescribed time. Upon receipt of the notice of

delinquent parking citation, the violator has 14 days to submit payment in full or to contest the ticket. If the ticket is not paid in full or contested by the specified date on the notice, a penalty of \$25.00 is assessed to the account 5 days after the payment due date. If the ticket continues to remain unpaid 30 days after the due date, a \$3.00 DMV hold fee is charged and the information is sent to the Department of Motor Vehicle requesting a hold on the vehicle's registration. The DMV hold prevents the vehicle owner from registering the vehicle until the outstanding parking ticket has been paid or dismissed by the DMV or the City's Parking Citation Section. Currently, no other collection mechanisms are in place beyond the DMV registration hold process in California. The City already has a contract with Datatickets for the collection of delinquent citations of all outside California registered vehicles.

Staff is proposing to enter into a contract with Credit Solutions Corp. for the collection of the outstanding tickets that have been on DMV hold for over a period of one year and are still delinquent. Recent analysis indicates that there are approximately 59,000 unpaid tickets on DMV hold in the amount of \$3.4 million for the five year period from 2000 to 2004. Of the 59 thousand tickets approximately 30% are missing vehicle identification number (VIN) information and are considered extremely hard to collect. The balance of the citations represents the portfolio of potential collectible citations. Prior to assigning the delinquent tickets to the vendor for collection, a \$30 collection fee will be added on all tickets representing the standard Council approved collection fee assessed by the City on all delinquent accounts.

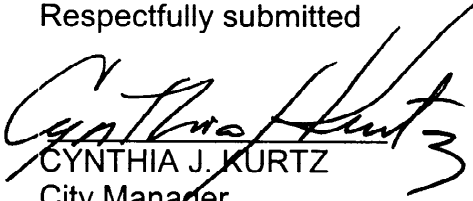
Staff has negotiated a favorable contract with Credit Solutions Corp. whereby the vendor will pay the City of Pasadena a non-refundable check in the amount of \$52,079.77 upon signing a contract for a term of two years. In addition, the vendor will remit to the City, upon successful collection, the original principal amount of all collected citations including penalties and charges. In return, upon successful collection of a parking citation, the vendor will keep a collection fee of \$30 per ticket. On average, the collection amount of a parking citation will be \$88.00 including the \$30 collection fee; therefore, the vendor's \$30 fee per collection item represents on average 34% of the total collection amount. Credit Solutions Corp is the only company that is willing to take the risk of paying an upfront payment to the City for the right to collect delinquent parking citations. The proposed vendor is the only company with this model of payment structure. All other collection agencies work on a contingency basis and charge a collection rate of 30%-45% on all delinquent accounts.

## **FISCAL IMPACT**

The General Fund will realize immediate revenues of \$52,079.77 plus the full citation amount including penalties on all successfully collected tickets. In order for Credit Solutions Corp to get reimbursed its initial payment to the City of \$52,079.77, the

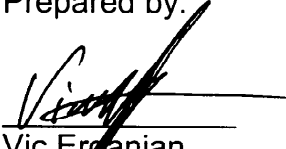
company has to collect a minimum of 1,735 citations at \$30 fee per ticket. Upon collecting 1,735 tickets, the City will realize an additional \$100,000. Based on this analysis, it is estimated that the City will realize a guaranteed minimum revenues of \$152,079.77 until the vendor breaks even with its initial cost. It is anticipated that the City will recover over the term of the contract a minimum of \$152,079.77 with a potential to realize \$500,000 at a gross collection rate of 20%.

Respectfully submitted




CYNTHIA J. KURTZ  
City Manager

Prepared by:



Vic Erganian  
City Treasurer

Approved by:



Jay M. Goldstone  
Director of Finance