



Agenda Report

August 09, 2021

TO: Honorable Mayor and City Council

FROM: Finance Department

THROUGH: Finance Committee

SUBJECT: AUTHORIZATION TO ENTER INTO CONTRACTS WITH FINANCIAL CREDIT NETWORK, INC. (FCN) AND COLLECTION BUREAU OF AMERICA (CBA) TO COLLECT AS A THIRD PARTY AGENCY ON BAD DEBT OWED TO THE CITY OF PASADENA.

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Authorize the City Manager to enter into a contract, without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services, with Financial Credit Network, Inc. (FCN) for three (3) years in an amount not to exceed \$150,000, which includes the base contract amount of \$125,000 and a contingency of \$25,000 to provide for any necessary change orders; and
3. Authorize the City Manager to enter into a contract, without competitive bidding pursuant to City Charter Section 1002(F), contracts for professional or unique services, with Collection Bureau of America (CBA) for three (3) years in an amount not to exceed \$150,000 which includes the base contract amount of \$125,000 and a contingency of \$25,000 to provide for any necessary change orders; and
4. It is further recommended that the City Council grant the proposed contracts an exemption from the Competitive Selection process pursuant to Pasadena Municipal Code Section 4.08.049(B) contracts for which the City's best interests are served.

BACKGROUND:

The Department of Finance, Municipal Services Division has an in-house collections unit that collects on bad debts owed to the City of Pasadena (City). Accounts are referred to the in-house collection unit from various City departments for services, fees or damage to City property that have not been paid and are ninety (90) days plus past due. The collection staff will exhaust all efforts to recover the bad debt. When the City's collection unit is unable to recover the bad debt, the accounts are transferred to the selected collection agency, or agencies, in an electronic format.

DISCUSSION:

Over the past three (3) years, the City has utilized two professional collection agencies to provide professional collection services and found this strategy allowed for an increase in the recovery of delinquent revenue. By granting an exemption from the competitive selection process, the City can award two contracts and take continuous advantage of the competitive forces of the debt collection agencies industry, which result in better quality of service and improved contractor performance in satisfying customer requirements. Each collection agency uses its own unique approach and distinct competitive strategies to perform services. As leading experts in the industry each agency offers tailored recovery strategies and programs to the City. The purpose of having each vendor compete for accounts is to encourage continuous performance improvement, higher levels of service and dedication and continuous development of innovative methods. Utilizing the monthly collection activities report, a quarterly trend analysis will be conducted to assess each agency's ongoing performance. The agency with the higher collection rate will be assigned a higher volume of accounts.

Staff conducted research and outreach to 2,054 prospective agencies, 146 were local vendors, advising the City was going to be soliciting for professional collection agency services. There were no responses received from local vendors as there are no third-party collection agencies in Pasadena. Ten (10) responses were reviewed by the Finance staff.

The selected professional collection agencies demonstrated their capabilities of assuming the responsibility for collecting revenue from the following delinquent type of accounts on behalf of the City:

- Damage to City property (autos, landscape, traffic signs and signals, utility facilities, etc.);
- Paramedic ambulance services;
- Returned checks;
- Closed utility accounts;
- Business licenses;
- Civic citations;
- Before/After school programs;
- Various accounts receivable (fees, charges, permits, etc.).

The agencies are leaders in the debt collection agencies industry with over 60 years of experience in collections and servicing over 100 municipalities between them. FCN began its partnership with the City in 1997. Over the past two-years, the City has paid FCN more than \$115,000 for collecting on outstanding debt. CBA will be forging a new partnership with the City. Both agencies have demonstrated their abilities to meet the City's minimum requirements below:

- Provide collection services for delinquent self-pay debts for the collectibles listed above
- Comply with all applicable Federal, State, and local laws with particular attention to the Consumer Credit Protection Act, Federal Fair Debt Collection Practices Act, and all other applicable laws.
- Deal with accounts ethically and diplomatically.
- Follow confidentiality practices, HIPAA laws, and maintain discretion.
- Must be able to provide foreign language and hearing impaired capabilities.
- Provide general availability between the hours of 8 am to 8 pm.
- Provide acknowledgment of accounts placed with them within 10 business days.
- Have the ability to receive accounts electronically or paper format.
- Provide a monthly collection activities report to the City of Pasadena.
- Skip tracing as necessary.

The agencies (FCN and CBA) can provide the required services with equal expertise at a feasible overall cost.

COUNCIL POLICY CONSIDERATION:

The recommendation is consistent with the City's Council's strategic planning goals of maintaining fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The action proposed herein is not subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Section 21065 of CEQA and Sections 15060 (c)(2), 15060 (c) (3), and 15378. The authorization to enter into a contact with FCN and CBA, for professional collection services for the Municipal Services Division is a continuing administrative activity. This action would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The maximum cost of this action will be approximately \$225,000 over a three (3) year period with and a contingency of \$50,000 to provide for any necessary change orders. Sufficient funding for this action is available in the Fiscal Year 2022 Adopted Budget. Future funding will be budgeted in the appropriate fiscal year.

Respectfully submitted,



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