



CITY OF

NEWPORT BEACH

City Council Staff Report

May 14, 2019
Agenda Item No. 12

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Professional Services Agreement for the Collection of Delinquent Accounts

ABSTRACT:

In order to enhance the City's revenue collections, the City requires professional collection agency services to pursue unpaid and delinquent account receivables. Following a Request for Proposals (RFP) selection process, staff recommends that the City Council execute the Professional Services Agreement with Ray Klein, Inc., dba Professional Credit Service, a Washington company (Contractor), for professional services.

RECOMMENDATION:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Authorize the Mayor to execute the attached Agreement in an amount not to exceed \$500,000 over a five-year term with Ray Klein, Inc., dba Professional Credit Service, a Washington company, for professional services.

FUNDING REQUIREMENTS:

No budget amendment is required with this agreement. After sending delinquent accounts to collection, the contractor receives a portion (18%) of the delinquent balances recovered as an offset to the revenues collected.

DISCUSSION:

The City bills for a wide variety of services, including but not limited to: utility bills, transient occupancy tax, false alarm fines, miscellaneous permit fees, business license fees, property damage, property rents, jail booking fees, fees associated with emergency response, miscellaneous police fees, returned checks, special event fees and emergency transportation fees. The City generally requires payment on the date due, which is typically 30 days from the date of notice. Depending on the nature of the billing, there are various levels of customer outreach before an account is sent to collections. For example, utility customers are contacted no less than five times before water is shut-off. Further, utility customers are not sent to collections unless the customer has closed the account and has not paid the balance due for at least 90 days. Most other types of general billings receive monthly reminders but are then sent to collections after 90 days.

The Finance Department conducted a Request for Proposal (RFP) for collections services. The RFP was published using the City's on-line bidding site, Planet Bids. Nine proposals were received, reviewed and scored by an evaluation panel comprised of staff from the Finance and Fire Departments. Selection criteria included the firm's qualifications, experience, fees, references, services and ability to meet the City's needs with regard to collections and customer service.

Of the nine proposals, the evaluation panel identified and scored five as possessing the requisite technical expertise, relevant experience and qualifications to be considered for award. The evaluation panel invited these five proposers to an interview where each group was given an opportunity to describe their qualifications and experience. Following this first interview, the panel removed two from further award consideration. The three remaining finalists were invited to a second panel interview where each proposer was asked to provide detail about their collections methodology and provide a demonstration of their collections system and software. Both interviews were scored by the evaluation panel and the scores were incorporated into the overall evaluation process.

Concurrently, the City's Purchasing staff compared the pricing received from each finalist and compared the pricing based on the proposed service fee. The proposed service charge percentage for each finalist, as well as the results of the proposal review and interviews are shown in the following table:

| | Penn Credit Corp. | Professional Credit Service | States Recovery Systems |
|-----------------------|-------------------|-----------------------------|-------------------------|
| Proposal Score | 76.67 | 83.11 | 65.56 |
| First Interview Score | 78.00 | 82.67 | 76.33 |

| | | | |
|--|-------------|--------------|-------------|
| Second Interview Score | 66.67 | 71.33 | 62.33 |
| Cost Score (Proposed Service Charge %) | 72.00 (25%) | 100.00 (18%) | 90.00 (20%) |
| Total Score | 293.34 | 337.11 | 294.22 |

Based on a comprehensive review by the evaluation panel, Professional Credit Service was unanimously recommended for collections services. The selection was based on the professional quality of the organization, commitment to customer service, willingness to customize services required by the City and competitive pricing for the collection services. The contractor also provides collection services for the City of Anaheim and City of Garden Grove.

Staff is requesting a five (5) year agreement, which would terminate the agreement on May 31, 2024. The City bills for approximately \$105 million for various services annually, and staff estimates that each year, approximately \$1,250,000 may become uncollectible prior to collection agency efforts. Some services (e.g., emergency medical and jail booking) are harder to collect on than others, such as utility billing. City staff and the contractor estimate a collection rate on uncollectable balances that range from 10% to 42% depending on the type of incident/service, which could result in annual Contractor fees of approximately \$94,500 ($\$1,250,000 \times 42\%$ optimistic collection rate $\times 18\%$ contractor fee) annually on the high end.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENT:

Attachment A – Professional Services Agreement