



AGENDA MEMORANDUM

Future Agenda for the City Council Meeting of December 10, 2013
Action Item for the City Council Meeting of December 17, 2013

DATE: December 10, 2013

TO: Ronald L. Olson, City Manager

FROM: Constance P. Sanchez, Director of Financial Services
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Approval of Collection Contract for Delinquent Special Assessments,
Demolitions, Liens, and Risk Management Claims

CAPTION:

Motion to authorize the City Manager or his designee to execute a contract for the collection of delinquent special assessments levied in connection with paving liens and liens filed under Chapter 342 of the Health and Safety Code (including demolition, clean-up, and mowing) and for the collection of Risk Management claims with Linebarger Goggan Blair & Sampson, LLP for a fee of 20% of principal and interest collected on delinquent accounts turned over to the law firm.

PURPOSE:

The purpose of this item is to contract with a third-party for collection of delinquent accounts receivable accounts relating to special assessments and Risk Management claims.

BACKGROUND AND FINDINGS:

Financial Services is actively pursuing collection on all accounts owed to the City of Corpus Christi. One area that has historically been difficult to collect is in relation to special assessments levied in connection with paving liens, demolition liens, clean-up liens, and mowing liens. The City's Accounts Receivable division currently bills for these accounts. If payment is not received within 2 weeks, a second notice is sent to the customer. If the account remains unpaid after 30 days, a lien is filed on the property, and the account is turned over to a third-party for collection.

In July 2009, the City entered into a contract with Linebarger Goggan Blair & Sampson, LLP (i.e., "Law Firm") for collection of these delinquent accounts at an initial fee of 25% of all claims turned over to the Law Firm that were actually collected and paid to the City. This was subsequently amended to 20% in 2011. Over a four-year period, more than \$550,000 of delinquent principal and interest has been collected due to the efforts of the Law Firm.

It should be noted that the Law Firm currently is used by Nueces County on behalf of all the taxing jurisdictions for the collection of delinquent property taxes. Since the collection of unpaid demolition accounts, clean-up accounts, and mowing accounts can be tied to a tax law suit filed for unpaid property taxes, it is to the City's advantage to use the Law Firm for collection of delinquent accounts since these accounts can be (and have been in the past) added to a tax suit; thus increasing our collection efforts. If a collection company does not have the ability to file a tax suit, then these types of accounts will stay on the City's books until the owner decides to either pay them or sell the property, at which time the title company would search the property records for any liens on the property. They would then collect the amount owed at the time of closing and would remit the funds to the City.

Currently, there is over \$3.9 million worth of delinquent accounts (approximately 7,300 accounts) that the Law Firm is currently working. With the aggressive efforts of Neighborhood Services and Code Enforcement, more citations are being issued for code violations. As a result, the volume of accounts to bill has increased for Accounts Receivable. Unfortunately, more accounts are also becoming delinquent. Renewing this contract would allow the Law Firm to continue its efforts towards collection of the City's delinquent balances with the proposed attorney's fee remaining unchanged at 20%.

Section 1.10 of the proposed renewal is a new section added for the benefit of the Risk Management Division of the City's Legal Department. This section authorizes the Law Firm to assist with the collection for property damage claims by parties who are uninsured. It is estimated that there will be approximately 60 claims annually for the Law Firm to pursue for approximately \$20,000 to \$25,000 of revenue for the City.

ALTERNATIVES:

An alternative would be for all delinquent collections to be handled in-house by City staff. It has been our experience, however, that customers have a tendency to pay their delinquent invoices when they receive a statement from an attorney's office rather than from the City.

OTHER CONSIDERATIONS:

n/a

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

EMERGENCY / NON-EMERGENCY:

n/a

DEPARTMENTAL CLEARANCES:

- Legal Department

FINANCIAL IMPACT:

X Not Applicable Operating Expense Revenue CIP

FISCAL YEAR:	Project to Date Exp. (CIP Only)	Current Year	Future Years	TOTALS
Budget	-	\$ -	\$ -	\$ -
Encumbered/Expended amount of (date)	-	-	-	-
This item	-	\$ -	\$ -	\$ -
BALANCE	-	\$ -	\$ -	\$ -
FUND(S):				

COMMENTS:

The 20% attorney’s fee that is assessed for collection of each delinquent account is paid by the customer and not the City.

RECOMMENDATION:

Staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Contract