



AGENDA MEMORANDUM

Action Item for the City Council Meeting of June 8, 2021

DATE: June 8, 2021
TO: Peter Zaroni, City Manager
FROM: Kevin Norton, Director of Water Utilities
KevinN@cctexas.com
(361) 826-1874

Josh Chronley, Interim Assistant Director of Contracts and Procurement
Joshc2@cctexas.com
(361) 826-3169

Collection Services for Utility Business Office

CAPTION

Motion authorizing a five-year service agreement with Sherloq Financial for debt collection services for the Utility Business Office for collection of customers' delinquent utility bills that are past due for 90 days or longer, for a total estimated amount of \$261,250.00, with \$17,417.00 required in FY 2021 from the Water Fund.

SUMMARY:

This motion establishes a debt collection agency service agreement that is used by the Utility Business office for accounts that are 90 days past due.

BACKGROUND AND FINDINGS:

The Utility Business Office uses a debt collection service to collect past due or delinquent accounts. Accounts are sent to the debt collection service when the account is 90 days past the final due date. Utilizing the debt collection service ensures the ability to collect a portion of unpaid balances. In addition, the unpaid balance is reflected on the individual's credit bureau report.

The current collection service vendor, Credit Systems International (CSI), has been providing debt recovery services for UBO since 2010. CSI did not submit a proposal for this solicitation.

CURRENT COLLECTION SERVICES	
Average Annual Revenue Collected (last 3 years)	\$223,532
Collection Services fee	<u>(85,866)</u>

Net Revenue to City \$137,466 or 62%

PROPOSED COLLECTION SERVICES

Annual Revenue Collected	\$550,000
Collection Services fee	<u>(52,250)</u>
Net Revenue to City	\$497,750 or 91%

Utilization of an outside collection agency allows the City to use companies that are experts in debt recovery to take active steps on collection of debt which otherwise may remain uncollected. Employees of the agency are formally trained and adhere to the Fair Debt Collection Practices Act (FDCPA) and all other applicable regulatory collection laws. The collection methodology includes mailing letters to customers, phone attempts and skip tracing (the practice of locating people who are missing or have defaulted on a debt). Direct reporting capabilities to the three major credit reporting agencies (Equifax, TransUnion, Experian) encourages the individual to resolve any outstanding debt so as not to negatively impact their credit report.

PROCUREMENT DETAIL:

The Contracts and Procurement Department conducted a competitive Request for Proposals process to obtain proposals from qualified firms that provide debt collection services. The City received nine proposals and evaluated them against the published criteria. The final scores for each firm were tabulated to determine the highest-ranking firm offering the best value to the City. Staff recommends awarding this service agreement to Sherloq Financial as the highest-ranking firm. The total amount of this service agreement is \$261,250.00 for the five-year term.

ALTERNATIVES:

The alternative is to not use a debt collection service which would result in lost revenues from unpaid balances.

FISCAL IMPACT:

The fiscal impact for FY 21 is a total amount of \$21,771.00. The remaining cost in the amount of \$239,479.00 will be budgeted in future years through the annual budget process.

FUNDING DETAIL:

Fund:	4010	Water Fund
Organization/Activity	30010	Utilities Business Office
Mission Element	183	Utility Billing & Collections
Project # (CIP only)	N/A	
Account:	530480	Utility bill collection service

RECOMMENDATION:

Staff recommends approval of this motion to establish a five-year service agreement with Sherloq Financial.

LIST OF SUPPORTING DOCUMENTS: Service Agreement