

**City Manager's Report****April 23, 2019 Council Meeting****Prepared by: Dave Warren, Assistant City Manager/Director of Finance****Item #: 8.6****Subject:** Adopt a resolution:

1. Approving a collection agreement with Universal Recovery Corporation to perform accounts receivable collection services for delinquent customer accounts; and
 2. Approving a check recovery agreement with Universal Recovery Corporation to perform the collection of non-sufficient fund checks issued by customers; and
 3. Authorizing the City Manager execute the same.
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Purpose:

To ensure the continual collection of delinquent accounts receivable amounts outstanding in an efficient and effective manner.

Background:

For approximately two decades, El Dorado Collections has performed outside collection services of delinquent utility bills and general accounts receivable accounts owed to the City. El Dorado Collections is no longer accepting new accounts due to the owner's retirement. The Finance Department needs to secure a new collection agency to ensure existing delinquent accounts are collected upon in a timely manner. Tonight, staff recommends the City Council approve two agreements with Universal Recovery Corporation to perform accounts receivable collection services for delinquent customer accounts and the recovery of non-sufficient fund checks.

Discussion:

After receiving notice that El Dorado Collections was no longer accepting new accounts, staff researched four reputable collection agencies that service the Sacramento Region including Accounts Receivable, Collection Bureau of America, TSI Rocket Receivables, and Universal Recovery Corporation.

Below are some important statistics about each of the four firms:

	Accounts Receivable	Collection Bureau of America	TSI Rocket Receivables	Universal Recovery Corporation
Years in Business	60 Years	60 Years	N/A	60 Years
Collection Fee	30% First Year 40% Thereafter	25% to 30%	\$12.95 per Account + 50%	25%
NSF Check Recovery Fee	N/A	25%	50%	\$6.00 Minimum or 10% Which Ever is Greater
Credit Reporting?	No	Yes	No	Yes
Minimum Contract Term	N/A	3 Years	2 Years	30 days
Payment Period	Semi-Monthly	Monthly	Monthly	Monthly

Before studying the four collection agencies, staff identified the following three major criteria in selecting a new collection agency:

1. Cost
2. Level of anticipated customer service to the City
3. Approach to collections

In evaluating the four collection agencies while considering the above mentioned criteria, staff determined that Universal Recovery Corporation will provide the best service at the most economical price.

Options:

1. Approve the two agreements with Universal Recovery Corporation as recommended.
2. Approve agreements with another collection agency.
3. Direct staff to take other action.

Cost:

The proposed agreement with Universal Recovery Corporation includes a 25.00% collection fee. This fee would only apply to the delinquent accounts that the City requested collection services for and is contingent upon the collection of a portion or the entire outstanding amount. The City is not charged a fee when funds are not collected. Universal Recovery Corporation charges a 40.00% fee for collections involving legal actions. The fees for the recovery of non-sufficient fund checks collected within the first thirty days is \$6.00 or 10% of the check amount, whichever is greater. There is no charge for checks collected after thirty-one days. The actual cost of the two agreements depends on the number of accounts sent to collections and the number of accounts that are successfully collected upon.



Budget Impact:

The adopted Fiscal Year 2018/2019 Operating Budget assumes estimated collection activities based on collection trends during the previous fiscal year. Staff anticipates little or no budget impact associated with the proposed agreement with Universal Recovery Corporation.

Recommendation:

Adopt a resolution:

1. Approving a collection agreement with Universal Recovery Corporation to perform accounts receivable collection services for delinquent customer accounts; and
2. Approving a check recovery agreement with Universal Recovery Corporation to perform the collection of non-sufficient fund checks issued by customers; and
3. Authorizing the City Manager execute the same.

	
<hr/> M. Cleve Morris, City Manager	<hr/> Dave Warren, Assistant City Manager/ Director of Finance