

Memorandum

To: Lowell Crow, City Manager
From: Randy Bukas, Finance Director
Re: Debt Collections
Date: December 6, 2017

We have a large outstanding balance in our water and sewer funds. Combined there is approximately \$2 million of outstanding payments at the end of October. Of the arrears, \$500,000 is for the month of October and I believe most of that amount will be paid down. Our biggest amount is for utility bills generated on or before July of 2017 (\$1.2 million outstanding.)

I have talked to three agencies that perform debt collection services. We are currently utilizing Northwest Collections for our ambulance bills. Former Fire Chief Scott Miller is pleased with their performance and they seem to work well with our ambulance billing service. I am, however, recommending that we utilize Municipal Collection Services, Inc. (MCSI) for our outstanding utility bills, parking fines, building and nuisance awards and other uncollected fines and fees.

MCSI would use their normal collection procedures to identify the individuals and make contact by telephone and mail. MCSI will continue to contact the debtors by telephone to discuss the outstanding debt and what options are available to the debtor to resolve the issue. The agreement calls for MCSI to receive 32% of the debt that is collected unless the payment is through the Illinois Office of the Comptroller (IOC.) If we add a 35% collection fee to the debt, MCSI would receive 25.93% of the amount collected. They are also recommending a three (3) year contract.

MCSI is municipal centered. Among their clients the size of Freeport are: Blue Island, Burbank, Matteson and South Holland. Communities with similar median household income include Markham, Riverdale and Stone Park. They also can assist us in the Local Debt Recovery Program (LDROP) offered by IOC. They currently provide 40 clients with the data file management services. The LDROP is a state program administered by IOC whereby municipalities can place "liens" on income tax refunds for outstanding debts. With the data files provided by MCSI, it will eliminate the time consuming process of trying to create and manage the files internally. The fees MCSI would receive from any LDROP payment would be 12 percent.

Tom Knoll from MCSI will be at the December 11, 2017 COW meeting to give a brief presentation on his company and their work with the LDROP program. A copy of the contract is attached to this memorandum.

**Collections Contract
For
Collection Services**

WITHIN THE

City of Freeport, IL

PRESENTED ON: 11/7/2017

(If not accepted, Offer expires in 60 days)

PRESENTED BY:

**Municipal Collection Services, Inc.
7330 College Drive, Suite 108
Palos Heights, IL 60463
(708) 448-6669 FAX 448-4749**

MUNICIPAL COLLECTION SERVICES, INC.

AGREEMENT, made this ____ day of _____, 2017 by and between Municipal Collection Services Incorporated, an Illinois corporation (hereinafter referred to as MCSI), and the City of Freeport, Illinois (hereinafter referred to as THE MUNICIPALITY).

WITNESSETH

WHEREAS, MCSI is a duly licensed collection agency in the State of Illinois, and;

WHEREAS, THE MUNICIPALITY wishes to list certain debts owed to THE MUNICIPALITY with MCSI for collection, and;

WHEREAS, MCSI possesses the personnel, experience, expertise and equipment to effectively aid the MUNICIPALITY in collecting its debts through an effective collection process and court actions, if necessary.

NOW, THEREFORE, in consideration of the mutual and several promises and covenants herein contained, the parties do hereby agree as follows:

1.00 DEBTS LISTED FOR COLLECTION

1.01 THE MUNICIPALITY agrees that all of its unpaid fines for municipal violations which have been issued and processed pursuant to its administrative adjudication system where "determination orders" or "findings, decisions, and orders" have been entered by THE MUNICIPALITY, will be listed for collection with MCSI. THE MUNICIPALITY may list other debts or fines for collection with MCSI, during the term of this Agreement, and any fines or other debts listed for collection shall be hereinafter collectively referred to as "DEBTS".

1.02 THE MUNICIPALITY agrees that the DEBTS will be collected and administered pursuant to all of the terms and conditions contained in this Agreement.

1.03 All DEBTS will be forwarded to MCSI, using the forms and procedures that are designated by MCSI, from time-to-time.

1.04 Upon request of MCSI, THE MUNICIPALITY will provide certified copies of documents necessary for use of MCSI in collection of the DEBTS.

1.05 MCSI will acknowledge receipt of any DEBTS listed for collection within five days after receipt by MCSI.

2.00 COLLECTION OF DEBTS

2.01 MCSI agrees to use its best efforts and any lawful means, which in its sole judgment and discretion, that it believes will result in the collection of DEBTS.

2.02 MCSI will pursue court action to obtain/perfect civil judgments, when in its sole judgment and discretion, it believes, that such actions are advisable and will aid in collection of the DEBTS. THE MUNICIPALITY will provide any additional documents which may be necessary for such court action, and will cooperate with MCSI, as necessary, to pursue court action.

2.03 In compliance with Illinois law, no DEBT will be referred to an attorney for court action without five days prior written notice to THE MUNICIPALITY of MCSI's intention to do so.

2.04 If requested by THE MUNICIPALITY, and in its efforts to collect DEBTS, MCSI will assist THE MUNICIPALITY in managing the Local Debt Recovery Program implemented by The Illinois Office of the Comptroller (IOC). MCSI, or its designated technology partner, will prepare and, if allowed to do so by the IOC, will perform the weekly upload of the "add", "change" and "delete" files.

3.00 COMPENSATION

3.01 No fees will be payable to MCSI by THE MUNICIPALITY until such time as any money is collected on a DEBT(s). THE MUNICIPALITY may add a collection fee of thirty-five percent (35%) to each DEBT listed for collection, and said collection fee shall be included as a part of the DEBT.

3.02 At such time as any money is collected, MCSI shall be paid as follows:

For debts where a collection fee has not been added:

- 3.02.1** MCSI will be entitled to any costs awarded by a court in the collection of DEBTS. If no additional expense amount is awarded for such costs, this Section 3.02.1 will not apply.
- 3.02.2** Thirty-two percent (32%) of the balance of the amount collected on each DEBT, unless the payment is received from the IOC.
- 3.02.3** MCSI's fee for any services relating to the Local Debt Recovery Program and for DEBTS collected through the IOC shall be twelve percent (12%) of the amount received by THE MUNICIPALITY.

For debts where a collection fee has been added:

- 3.02.4** Twenty-five and 93/100 percent (25.93%) of the balance of the amount collected on each DEBT.
- 3.02.5** MCSI's fee for any services relating to the Local Debt Recovery Program and for DEBTS collected through the IOC shall be twenty-five and 93/100 percent (25.93%) of the amount received by THE MUNICIPALITY.

4.00 COLLECTION AND PAYMENT

4.01 MCSI shall have the exclusive right to collect the DEBTS until such time as it chooses, in its sole direction, to return any DEBT to THE MUNICIPALITY. Any inquiries received by THE MUNICIPALITY concerning any DEBT; including attempts to make payments thereon, shall be referred at the earliest possible time to MCSI.

4.02 MCSI will deposit any money collected in a separate bank trust account established for that purpose.

4.03 After deduction of its fees, and costs allowable by this Agreement, MCSI will forward to THE MUNICIPALITY, its share of any amounts collected. Remittance to THE MUNICIPALITY will be made by the 17th of the month for any amounts collected by the last day of the preceding month.

4.04 In the event that any funds are paid to, or collected by THE MUNICIPALITY on any DEBTS, THE MUNICIPALITY will report such collections to MCSI daily for accounting under this Section, and MCSI may deduct its fees and allowable costs, on those DEBTS, from the amount that would otherwise be due to THE MUNICIPALITY under Section 4.03.

5.00 SETTLEMENT OF DEBTS

5.01 THE MUNICIPALITY hereby authorizes MCSI to compromise, or reach negotiated settlements on any DEBT. However, unless otherwise authorized by THE MUNICIPALITY in writing, any such settlement shall be in conformance with the minimum amounts set forth herein. The parties agree that no DEBT will be settled, negotiated or compromised for less than fifty percent (50%) of the amount due, unless mutually agreed upon, in writing, between MCSI and THE MUNICIPALITY.

5.02 Should THE MUNICIPALITY make any settlement or otherwise take any action in derogation of MCSI's exclusive right to collect DEBTS, then MCSI shall be entitled to payment of its fee in full, as delineated in this Agreement, based on the full amount of the DEBT, as listed.

6.00 INDEMNIFICATION

6.01 MCSI agrees to indemnify and hold THE MUNICIPALITY harmless against any and all liability, costs and expenses including reasonable attorney fees, occasioned by claims or suits for loss or damages arising out of the acts, or omissions of the officers, agents, servants or employees of MCSI during the term of this Agreement. Conversely, THE MUNICIPALITY agrees to indemnify and hold MCSI harmless against any and all liability, costs and expenses including reasonable attorney fees, occasioned by claims or suits for loss or damages arising out of the acts, or omissions, of THE MUNICIPALITY, its officers, agents, servants or employees.

6.02 Further, THE MUNICIPALITY warrants and represents to MCSI that any Debt listed for collection will be a legal and valid debt owed to THE MUNICIPALITY, that has not been discharged in bankruptcy. THE MUNICIPALITY also warrants and represents that it will immediately notify MCSI of any notice of bankruptcy received relative to any DEBT and that it will also immediately inform MCSI of any payments of DEBTS received by THE MUNICIPALITY. In addition to the indemnities listed above, THE MUNICIPALITY agrees to indemnify and hold MCSI harmless against any and all liability, costs and expenses including reasonable attorneys' fees occasioned by claims or suits under the Federal "Fair Debt Collection Practices Act", the Illinois "Collection Agency Act", the Federal

Bankruptcy Code, or any other similar consumer protection law, due to the breach of these warranties and representations.

7.00 TERM

7.01 The term of this Agreement is for a period of 36 months from the date first written above ("Initial Period"). However, this Agreement shall continue, under the same terms and conditions, for additional periods of 12 months ("Extension Period(s)") unless either party gives written notice to the other, at least 90 days prior to the end of the Initial Period or any Extension Period, that the party is terminating this Agreement at the end of the Initial Period or the then current Extension Period.

7.02 Notwithstanding a notice of termination given by either party, THE MUNICIPALITY's obligation to list DEBTS with MCSI for collection shall continue until the termination of this Agreement.

7.03 In the event of termination of this Agreement by either party, MCSI shall retain its exclusive right to collect any DEBTS listed prior to the end of this Agreement, until such time as it elects to return any such DEBTS to THE MUNICIPALITY, as provided under the terms of this Agreement; and the terms of this Agreement shall remain in full force and effect with respect to collection by MCSI of these retained DEBTS.

7.04 At least once per year, MCSI will return to THE MUNICIPALITY such DEBTS which it determines, in its sole judgment and discretion, to be uncollectible.

8.00 NOTICES

8.01 Any notices to be given pursuant to this Agreement shall be deemed as served when placed in the United States Mail, with postage prepaid, sent by certified mail, return receipt requested; to the address designated, in writing, by either party. Until such time as a different address is designated, notices shall be sent as follows:

If to MCSI: Municipal Collection Services, Inc.
7330 College Drive, Suite 108
Palos Heights, Illinois 60463

If to THE MUNICIPALITY: City of Freeport
314 W. Stephenson Street
Freeport, Illinois 61032

9.00 ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties hereto and supersedes any prior agreements or understandings between the parties. This Agreement may only be altered or modified by written instrument signed by both parties.

IN WITNESS WHEREOF, the parties have signed this Agreement effective as of the date first above written.

CITY OF FREEPORT, IL
MUNICIPALITY

By:

City Manager (PRINT)

City Manager (SIGNATURE)

Attested:

Clark (PRINT)

Clark (SIGNATURE)

Date: _____, 20__

MUNICIPAL COLLECTION SERVICES, INC.
An Illinois Corporation

By:

Matthew C. Regan
Chief Executive Officer (PRINT)

Chief Executive Officer (SIGNATURE)

Attested:

Frank Regan
Secretary (PRINT)

Secretary (SIGNATURE)

Date: _____, 20__