



FINANCIAL CREDIT NETWORK[®]

AGREEMENT

This Agreement made and entered into by and between **FINANCIAL CREDIT NETWORK, INC.**, (Agency) and **CITY OF REEDLEY**(Client).

The above-named Client desires to place certain delinquent accounts receivable for services with Financial Credit Network, Inc., to be collected on its behalf.

The Agency and Client therefore agree that the collection of said accounts will be under the following terms and conditions:

1. **COLLECTION ACTIVITIES:** Agency will investigate all accounts referred to it for collection by the Client and will attempt collection by correspondence and telephone solicitation.
2. **INDEMNIFICATION:** The parties agree that each party will assume its own proper responsibility in connection with any claims made by third party against Client and/or Agency. If the acts of Agency including its officers, employees and agents are the proximate and actual causes of any action brought against Client, Agency will assume full responsibility for the defense of said action, attorneys' fees and the payment of any resulting judgment. However, if the acts of the Client, including its officers, employees and agents are the proximate cause of any action brought against Agency by a third party, then Client will assume full responsibility for the defense of said action, attorneys' fees and payment of any resulting judgment. In the event the responsibility is shared, each, Agency and Client, will be responsible for their own defense.
3. **COMPLIANCE:** Any activities by Agency will be in accordance with the terms of the Fair Debt Collection Practices Act and procedures of ACA International, and the California Association of Collectors, of which it is and will remain a member in good standing.
4. **INPUT OF ACCOUNTS:** Agency will maintain computer equipment to permit the assignment of accounts through electronic submission. Delinquent accounts may also be assigned on our regular

assignment sheets prepared by your office or our personnel. The Client will make available to Agency personnel such adequate information as is necessary to perform an efficient collection service.

5. REMITTANCE AND REMITTANCE REPORTS: Agency will furnish a monthly report and remittances of collection made on all collection activities to the Client on or before the 15th day of each month. Payments made via personal check, credit card and Auto-pay check by phone will be held for a period of 15 days from the date posted to the consumer's account before they appear on the remittance report. At the Client's option upon reasonable notice to Agency, reports and remittances may be made on a weekly or bi-weekly basis.

6. DEBTOR STATUS REPORTS: Agency will furnish a debtor client inventory report upon request or reports can be set up to be received automatically at Client's discretion.

7. FEES: Agency will be entitled to a commission of **SEE BELOW%** of all principal amounts collected from whatever source on accounts assigned by Client. In the event of legal action or forwarding the commission percentage will increase to **SEE BELOW%**. Agency will retain any amounts collected over and above the principal amount of debt assigned to offset losses in court costs and attorney fees. Client agrees to immediately notify Agency of any direct payments received by the Client on accounts assigned to Agency.

Other commission agreements are: _____	Contingency Fee
Primary Placements	25%
Court Action on Primary Placements (with City approval)	35%
Secondary Placements	35%
FTB Collections (if the City participates in this program)	8%.

8. CREDIT REPORTING AGENCIES: Agency will report any accounts listed by the Client that qualify to the following Credit Reporting Agencies, i.e. Trans Union, Experian, Equifax after 30 days.

9. BANKRUPTCY NOTIFICATION: Client shall notify Agency immediately when notified that their customer has filed bankruptcy.

10. LEGAL ACTION: In the event Agency is unable to collect an account directly; it may be referred to an attorney of our choice for legal action. Client will be required to sign an authorization prior to pursuit of such action. All legal fees are paid by Agency.

11. WITHDRAWAL AND CANCELLATION OF ACCOUNTS: The Client will have the right to withdraw or cancel accounts forwarded to Agency; however Agency reserves the right to continue treatment on accounts that are in an active repayment plan or have been reduced to a judgment. If legal action has

been authorized and Client requests for same account to be withdrawn, Agency will invoice Client for any out of pocket legal fees. Agency shall provide monthly written confirmation of all cancellations. Special circumstances will be evaluated upon receipt of request by Client. Agency will not reactivate any account previously returned to Client, without express written permission by Client.

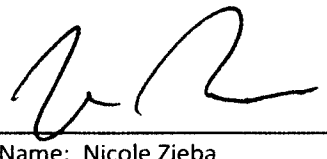
12. TERMINATION OF AGREEMENT: This agreement will be subject to termination at any time, by either party, upon providing a thirty (30) day written notice. Upon termination, Agency reserves the right to retain accounts that are in an active repayment plan or have been reduced to judgment.

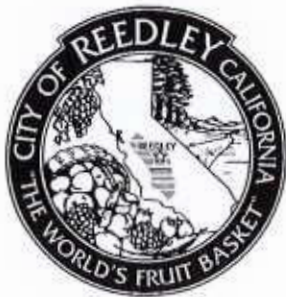
DATED: 11/14/18

FINANCIAL CREDIT NETWORK, INC.

CITY OF REEDLEY

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REEDLEY CITY COUNCIL

- ☒ Consent
- ☐ Regular Item
- ☐ Workshop
- ☐ Closed Session
- ☐ Public Hearing

ITEM NO: 5

DATE: November 13, 2018

TITLE: APPROVE AND AUTHORIZE CITY MANAGER TO SIGN AN AGREEMENT WITH FINANCIAL CREDIT NETWORK FOR COLLECTION SERVICES ON DELINQUENT CUSTOMER ACCOUNTS

SUBMITTED: Tiffany Couto, Accountant

REVIEWED: Paul A. Melikian, Assistant City Manager

APPROVED: Nicole R. Zieba, City Manager

RECOMMENDATION

That the City Council approve and authorize the City Manager to sign an agreement with Financial Credit Network for collection services on delinquent customer accounts.

EXECUTIVE SUMMARY

In 1999, City staff entered into an agreement with Collectibles Management Resources (CMR) to provide collection services on delinquent accounts such as utilities, business license, administrative citations, and other miscellaneous accounts. Since then, the City has not updated or implemented a new agreement with CMR, nor has staff researched into changing collection agencies. Due to the amount of time since this service was last evaluated, staff decided to pursue other collection agencies to ensure the City was receiving the best cost for services. Staff solicited proposals from two other agencies, Kings Credit Services and Financial Credit Network, and determined that Financial Credit Network would provide the necessary scope of services the City was looking for in a collection agency, and was the most cost effective.

BACKGROUND

Financial Credit Network (FCN) proposed the most cost effective agreement for the City, with a 25% contingency fee on primary placements, 35% on secondary placements and 35% for court action with the City's approval. Below is the summarized information that was received from Financial Credit Network, Kings Credit Services, and the current agreement that is in place for Collectibles Management Resources (CMR).

	Collectibles Management Resources	Financial Credit Network	Kings Credit Services
Primary Placements Contingency Fee	40%	25%	33%
Secondary Placements Contingency Fee	50%	35%	N/A
Court Action on Primary Placements Contingency Fee	N/A	35%	43%

Collections Process

At this time, staff is only proposing a change in the agency that is being used for collection services, and all other policies and procedures regarding past due accounts will remain the same. City staff attempts to make contact with the delinquent customers by calling the contact number on file in addition to mailing multiple letters and statements for those accounts that remain unpaid. Staff resorts to sending past due accounts to the collections agency as a last effort when the City is unable to receive payment or set up a payment arrangement with the customer.

Terminated utility accounts, business license and all other miscellaneous accounts are typically sent to CMR after they are past due for 90 days. On average, staff sends approximately nine delinquent accounts each month to collections, and has sent a total of 110 delinquent accounts since October of 2017. Of these accounts, 51 are utility accounts, 15 are Business License accounts, and the remaining 36 are administrative citations and other miscellaneous accounts. Over this time period, a total of \$32,281.81 in past due accounts has been referred to CMR, and only \$4,614.73, or 14% has been collected.

Proposal Highlights

Financial Credit Network proposed a 15% decrease in both the primary and secondary placement fees. In addition to the decrease in fees, the agency is also going to provide additional services that are not offered by the current vendor. These include debtor status reports, an online portal, court action on primary placements and Franchise Tax Board (FTB) collections. Primary placements are the initial accounts that are sent, and secondary placements would be part of the initial transition if the City decided to pull any unpaid accounts from CMR. Court action on an account would only be pursued when Financial Credit Network is unsuccessful in obtaining a satisfactory repayment plan. Per the attached agreement, FCN will send an authorization to the City prior to the pursuit of any legal action. All legal fees would be paid by FCN. Lastly, FTB collections are when the debtor is required to pay court ordered debt and their wages are garnished.

Financial Credit Network has an overall collection success rate of 22% and will provide services that are currently not provided through CMR. FCN also has demonstrated experience servicing other public agencies in the area, including the cities of Fresno, Lemoore and Dinuba. All activities and collection practices of FCN will be in accordance with the Fair Debt Collection Practices Act and industry best practices.

FISCAL IMPACT

There is no additional cost to transition to a new vendor. Lower servicing fees and a higher collection rate could result in more revenue to the City.

ATTACHMENTS

1. Financial Credit Network Agreement