



City of Muscatine



AGENDA ITEM SUMMARY

City Council

DATE: 1-15-21

STAFF

Nancy A. Lueck, Finance Director
Brett Talkington, Police Chief

SUBJECT

Request to approve Addendum to Collections Services Agreement with Municipal Collections of America, Inc. (MCOA)

EXECUTIVE SUMMARY

In April of 2011, the City entered into an agreement with Municipal Collections of America, Inc. (MCOA) for collection services for unpaid Automatic Traffic Enforcement (ATE) fines. The original agreement was amended in September of 2015, which allowed unpaid ambulance fees (as well as other unpaid invoices for other City departments) to be listed with MCOA for collections. The State of Iowa has since made a number of changes that affected the collection process for unpaid ATE fines.

Under the original MCOA agreement and the City's ATE ordinance at that time, the collection agent fee of 25% was allowed to be added to the citation fee and citations could be listed under the State's Income Offset Program if individuals did not pay the camera company (GATSO) directly or pay MCOA when accounts were forwarded to them. Collection agent fees are no longer allowed to be added to the cost of the citation and the City cannot use regular collection processes or the Income Offset program for collections until there is municipal infraction judgement through the court system. This addendum updates the collection agent fee schedule for the new legal requirements.

STAFF RECOMMENDATION

Staff recommends approval of the Addendum to Collections Services Agreement with Municipal Collections of America, Inc. (MCOA)

BACKGROUND/DISCUSSION

The fee in the addendum will set the collection agent fee at 20% of the proceeds that are collected through MCOA's locating and notification processes. The collection agent fee is 10% of any municipal infractions court judgements that are collected through the Income Offset program.

The services that MCOA will provide include:

1. The overall goal is to make sure that people are aware that they have a citation and have the opportunity to pay voluntarily.
2. Upon delinquency, GATSO will send MCOA a monthly file of all unpaid citations, just as they had done in the past.
3. Upon receipt, MCOA will skip-trace all citations to identify any updated addresses. Historically, over 40% of the ATE violators that make it to collections are found at a different address than the one GATSO provided to MCOA, which means these people most likely never received any of the initial citations. Most of these cases are caused when a person moves, but does not update their registered address until their plates/tags are renewed. In Iowa, MCOA has also run into issues where the state requires a physical address on a vehicle registration, but the person uses a PO Box and does not receive mail at the physical address.
4. MCOA will send out an initial collection notice for all delinquent citations, including the updated addresses they identify. The notice provides multiple ways to pay or contact MCOA. MCOA does not direct them to contact the city. The notice also serves as a notice that the city may take a person to court to issue a Municipal Infraction (MI) citation for failure to pay.
5. As people call in, MCOA will provide them with copies of the initial citation, if requested. The standard MCOA strives for in all cases is “awareness”; not “compliance”. MCOA just want to make sure the person is aware that they have a citation, understands the escalations the city may take, and understands their options for voluntary payment.
6. If MCOA is not contacted within 30 days of mailing the collection letter, they begin their outbound calling efforts. The calls are non-confrontational and are simply designed to confirm that the person is aware of the citation and has all the information they need to determine whether they wish to pay voluntarily. While the phone calls will not typically cause a non-payer to become a payer, they are beneficial in terms of confirming that MCOA has made the right party aware of the situation. When MCOA makes the calls, if a person refuses to pay, MCOA will mark their account “Cease Communication” and they will not receive any more calls on that citation. MCOA has then met the standard of “awareness”; and the rest is up to them.
7. Each month, the city will identify at least one person to take to court to issue a municipal infraction citation. When a citation is selected for a municipal infraction (MI), MCOA simply closes out the ATE citation in their system. When it goes through court, if the person fails to pay, it comes back to MCOA as a MI judgment. This judgment is then eligible for the Department of Administrative Services (DAS) Income Offset program and MCOA includes it with the Income Offset files for other delinquent City accounts.
8. With MCOA’s services in locating individuals and making the notifications, during the municipal infraction process, individuals cannot claim they were not aware of the unpaid citation.

CITY FINANCIAL IMPACT

With MCOA’s services locating the appropriate addresses for individuals with unpaid ATE fines, as well as the notification letters and telephone calls, additional ATE revenue is expected. The amount of collections increase cannot be determined.

ATTACHMENTS

Addendum to Collection Services Agreement with Municipal Collections of America, Inc. (MCOA)

COLLECTIONS SERVICES AGREEMENT ADDENDUM

Municipal Collections of America, Inc

The City of Muscatine, Iowa and Municipal Collections of America, Inc (MCOA) wish to hereby further amend Article III of the April 21, 2011 Collection Services Agreement, as amended September 17, 2015. All other components of Article III remain in full force as originally written, or as written on the September 17, 2015 addenda. The following shall be added to Article III:

No additional cost of collections shall be added to any delinquent Automated Traffic Enforcement citation. MCOA shall retain 20% of the proceeds from the collection of any delinquent Automated Traffic Enforcement Citation. If the city requests the closure of an Automated Traffic Enforcement Citation for the purpose of seeking court action, MCOA shall close the citation without any commission charged.

MCOA shall retain 20% of the proceeds from any court judgment or Municipal Infraction Citation submitted for collection upon recovery, unless payment was made thru the State of Iowa DAS offset program.. If the court judgment or Municipal Infraction Citation is paid thru the State of Iowa DAS offset program, MCOA shall retain 10% of the proceeds.

IN WITNESS WHEREOF, the parties have signed and sealed this Agreement on the date first above written.

Municipal Collections of America, Inc.

City of Muscatine, Iowa

BY: _____

(Print) President

(Print)

(Signature)

(Signature)