



MANAGER'S MEMO ITEM

ITEM: Collection Agency Services

WORKSHOP DATE: June 14 , 2005

PREPARED BY: Rita A. Trainor, Director of Financial Services
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Rita Rukowski, Accounting Supervisor
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BID AMOUNT: \$ 33,000.00 **ACCOUNT:** 001.261.0000.5315

BUDGET AMOUNT: \$1,500.00

PURPOSE: Approval of contract FY 2005/06 for Collection Agency Services For Outstanding Receivables.

BACKGROUND:

Last fiscal year was the first year the Village of Downers Grove used a collection service for assisting the Finance Department in the collection of delinquent false alarm fees, chartered services, accident claims and storm water fees and elevator inspection services, weed cutting and removal of outside village fire protection, rental income, unmetered water sales, and overweight truck permits. The contract was awarded to Harvard Collection Services Inc., with the commission rate of 23% for an estimated past due amount of \$174,356 for all accounts placed for collection. Harvard Collection Services collected 22% of the accounts that we have given them for collection. The estimated amount collected was \$11,000.00.

DISCUSSION OF ALTERNATIVES :

On April 14, 2005 an RFP was sent out and advertised on the E Procurement web-site for Collection Agency Services for an estimated \$103,684.00 estimated past due collectables. Only three responses were received, KCA Financial Services, Inc., Nationwide Credit & Collection, and Friedman & Wexler. Harvard Collection Services Inc. has worked very well, however they did not send in a response to our bid. Interviews with staff from KCA Financial Services, Inc. and Nationwide Credit & Collection were conducted on April 28, 2005. KCA Financial Services, Inc. had the lowest collection rate of 25% for regular accounts and 40% for legal accounts which are not actively sought. KCA Financial, Inc. has been in the collection industry for over forty years. They are located in Geneva and have been successful in collecting nationally and throughout the Chicago area.

They are able to provide the following collection services:

- Accounts are organized by work required and by size of accounts.
- Accounts are prioritized by high dollar amount, client, and by work category.
- Accounts are reviewed by the collector for the following information: Client Name, Account Balance, Date of Last Payment, Nature of Services Rendered (or product bought), Account Name, Spouse Name, Previous and Most current addresses, Employer.
- Standard collection process is one to three letters at least 20 to 24 contact attempts in the first 90 days requesting in this order; balance in full, payment in 1/2, payment in 1/3, 10% of balance per month or a minimum of \$50 per month in payment before the account

is considered for attorney.

- CR Software allows them to customize reports whatever our requirements are.

Reports for the collection agency include the verification of account information placed with the agency within five 5 days of placement, to include, but are not limited to the following information:

- Debtor Name
- Address
- City/State/Zip
- Customer Number
- Invoice#
- Invoice Date
- Amount
- Monthly status reports on all accounts still active due the 1st of the month.
- Monthly reports on accounts paid within the period due the 1st of the month.

REFERENCE CHECKS :

KCA Financial Services, Inc has several municipal references. City of Batavia has contracted with them since 1988. They are very happy with and have collected utility and accident fines. The City of Wheaton has been using them for over ten years to collect their parking ticket and old paramedic fines. They are highly recommended.

ATTACHMENTS:

Attachment A-Bid tabulation for Collection Agency Services

STAFF RECOMMENDATION:

Staff recommends the approval of the low-bid proposal from KCA, Financial Services, Inc awarding them the contract for FY 2005/06.

REQUESTED COURSE OF ACTION:

To approve the contract for 2005/06 Collection Services to KCA, Financial Services, Inc.

BID TABULATION COLLECTION SERVICES

RFP Collection Services	Percentage of Fees	
	Regular Accounts	Legal
KGA Financial Services, Inc	25%	40%
Friedman & Wexler, LLC	33%	
Nationwide Credit	35%	

