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PROVINCIAL OFFENCES ACT SECOND PLACEMENT COLLECTIONS SERVICE AWARD

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated February 19, 2010, from the Commissioner of Corporate Services.

1. RECOMMENDATIONS

It is recommended that:

1. Contracts be awarded to Financial Debt Recovery and Recover Corp. Inc for the provision of second placement collection services for a period of one year with an option to renew for two additional 12 (twelve) month periods contingent on satisfactory performance.

2. The Commissioner of Corporate Services be authorized to issue purchase orders to both Financial Debt Recovery and Recover Corp. Inc for the provision of second placement collection services.

3. The Commissioner of Corporate Services be authorized to sign any necessary contracts with Financial Debt Recovery and Recover Corp. subject to review by Legal Services.

4. The Commissioner of Corporate Services be authorized as the delegated authority to determine whether future options should be taken and awarded based on performance.

5. Collection agency rates related to defaulted Provincial Offences Act (POA) fines be approved at a range from 15.0% to a maximum of 40.0%.

2. PURPOSE

This report seeks Council authorization to retain the services of Financial Debt Recovery and Recover Corp. for the collection of defaulted (POA) fines that have been outstanding for longer than one year and that may have been listed with a first placement collection agency.

The Region’s Purchasing By-law requires Council authorization to award Request for Proposals (RFP) where a contract is valued at more than $500,000.

This report also seeks Council authorization to set a range of Collection Agency rates related to defaulted POA fines.

3. BACKGROUND

First place collection agencies are used to assist with the collection of outstanding fines under the *Provincial Offences Act*

In July 1999, the responsibility for the collection of fines under the *Provincial Offences Act* was devolved from the Province of Ontario to the Region. This transfer of responsibility brought with it a very high volume of unpaid fines. First placement collection agencies have been used on an ongoing basis to assist with the collection of delinquent accounts.

The Region manages the collection of Provincial Offences defaulted fines in accordance with an established Regional policy

Council previously approved the Collection Policy for Provincial Offences Act Defaulted Fines on November 20, 2008 through the adoption of Clause No. 7 of Report No. 9 of the Finance and Administration Committee. The Collection Policy outlines the procedures related to the listing of defaulted fines with a collection agency as a first assignment and the fact that the fine may be listed with another collection agency as a second assignment in the future. It also establishes the practice of adding a collection agency recovery fee to the defaulted POA fine.

A strategy was developed to maximize default collection efforts and potentially increase collection revenues

In order to maximize default collection efforts a strategy has been developed to place fines that have been outstanding for more than one year and that may have previously been listed with a first placement agency with a second placement agency. This process will assist in ensuring that the Ministry of Attorney General Provincial guidelines are recognized and adhered to and that all collection efforts are exhausted accordingly.

4. ANALYSIS AND OPTIONS

Eleven collection agencies submitted proposals in response to the Request for Proposal

Request for Proposal P-09-34 was prepared by the Corporate Services Department in conjunction with the Supplies and Services Branch and released in accordance with corporate policies and procedures.

The following Proponents submitted proposals:

- A1 Credit Recovery and Collection
- AllianceOne Ltd.
- Allied International Credit Corp.
- ARO Inc.
- CBV Collection Services Ltd.
- Financial Debt Recovery
- Nor-Don Collection Network Inc.
- Pomer & Boccia Professional Corp.
- Recover Corp. Inc.
- The ARC Group
- 852515 Ontario Ltd. o/a Action Collections and Receivables Management

Proposals were evaluated using a two envelope system

The Request for Proposal detailed the scope of work required and proposals were evaluated by representatives from the Corporate Services Department, Financial Services Branch, Community Services and Housing Department and Supplies and Services Branch in accordance with the following criteria:

- Qualifications
- Relevant experience and familiarity on similar projects
- References
- Responsiveness and completeness of the submission
- Demonstrated understanding of regional requirements
- Service provided within York Region
- Approach/Methodology/Timeline Guarantee of Services
- Innovation of solution offered (value added)
- Ability to provide services specified and meet timelines
- Costs

The evaluation summary revealed Financial Debt Recovery and Recover Corp. Inc. as the two successful proponents

When two or more bidders are within five points of the highest overall score, a dollar cost per technical point methodology is applied to determine the winning bidder(s). In this case the two proponents who achieved the lowest cost per technical score were Financial Debt Recovery and Recover Corp. Inc.

Supplies and Services Branch has reviewed the evaluation summary and has issued their internal report confirming Financial Debt Recovery and Recover Corp. Inc. as the successful overall proponents for the Second Placement Collection Services outlined under Request for Proposal P-09-34. Table 1 below provides the complete evaluation results.

Table 1
Evaluation Results

Name of Company	Technical Score	Financial Score	Weighted Score	Total Price (excl. taxes)	Cost per Technical Point
Financial Debt Recovery	54.9	20.0	74.9	$90,000	$ 1,639.34
Recover Corp. Inc.	60.8	12.2	73.0	$ 147,000	$ 2,417.76
ARO Inc.	63.9	9.2	73.1	$ 195,000	$ 3,051.64
The ARC Group	59.2	10.0	69.2	$ 180,000	N/A
Allied International Credit Corp.	59.8	9.1	68.8	$198,000	N/A
AllianceOne Ltd.	56.8	11.8	68.6	$ 152,400	N/A
Nor-Don Collection Network Inc.	58.7	9.1	67.8	$198,000	N/A
CBV Collection Services Ltd.	52.5	7.9	60.4	$228,000	N/A
A1 Credit Recovery and Collection*	46.3	N/A	N/A	N/A	N/A
852515 Ontario Ltd. o/a Action Collections and Receivables Management*	45.3	N/A	N/A	N/A	N/A
Pomer & Boccia Professional Corp.*	34.4	N/A	N/A	N/A	N/A

* Did not achieve a minimum technical score of 48 points out of a possible 80 points in order to qualify their financial proposal.

The collection agency rates for Financial Debt Recovery and Recover Corp. Inc. are 15.0% and 24.5% respectively.

Corporate Services' staff recommends that the contract for second placement collection services be offered for a period of one year with an option to renew for two additional 12 month performance based periods with the mutual consent of the Region and Financial Debt Recovery and Recover Corp. Inc.

Establishing a range of collection agency rates will provide the Region with more flexibility to adjust to changing circumstances

The Ministry of the Attorney General recommends in POA InfoBulletin POA-IB134, that Municipal Partners consider seeking Council approval for a range of collection agency rates. Under the *Municipal Act, 2001*, chapter 25, section 304, a collection agency may recover its reasonable costs of collecting a debt provided the costs do not exceed an amount approved by the municipality.

Establishing a range of collection agency rates would allow for a more progressive course of action when pursuing significant defaulted POA fines.   This would also ensure that the Region has the flexibility to adjust to changing circumstances throughout the collection process.

Corporate Services staff recommends that a range between 15% and 40% be established and approved for collection agency rates related to the collection of defaulted POA fines.

5. FINANCIAL IMPLICATIONS

Awarding the second placement collection services contract to two proponents should encourage a more competitive environment for collections and maximize total dollars recovered. It will also assist the Region in meeting the Ministry of the Attorney General's operating guidelines and directives.

The initial assignment to the second placement collection agencies is estimated at 24,000 files which equates to approximately $12 million dollars in outstanding fines the majority of which have been with a first placement agency in excess of one year. The fees for second placement collection services will be added to outstanding fine balances in accordance with the Region's Collection Policy for Provincial Offences Act Defaulted Fines.

6. LOCAL MUNICIPAL IMPACT

The award of second placement collection services ensures that the Region exhausts all efforts to recover outstanding fines and that the Ministry of the Attorney General Provincial guidelines are recognized and adhered to.

7. CONCLUSION

The report recommends both Financial Debt Recovery and Recover Corp. Inc as the Region's providers of second placement collection services for a period of one year with an option to renew for two additional 12 month performance based periods with the mutual consent of the Region and Financial Debt Recovery and Recover Corp. Inc. The second placement collection services strategy will maximize recovery efforts of defaulted fines. It is also recommended that a range of collection agencies rates be established to provide the Region with the flexibility to adapt to future changes that may occur throughout the collection process.

For more information on this report, please contact Norman Scarratt, Director of Court Services Ext. 3250.

The Senior Management Group has reviewed this report.