



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Extension of existing Professional Service Agreement with Ray Klein, Inc., DBA Professional Credit Service, for three years, to provide collection services for unpaid and delinquent accounts.

1. Motion authorizing the City Manager, or his designee, to execute a contract amendment between City of Glendale and Professional Credit Service to provide collection services for a three year period.

COUNCIL ACTION

Item Type: Consent Calendar

Approved for _____ **May 20, 2025** _____ **calendar**

EXECUTIVE SUMMARY

Various departments utilize the City's collection agency, Professional Credit Service (PCS), for collection efforts on delinquent City accounts. The various types of accounts commonly collected include the Fire Department's ambulance billing, Water and Power Department's utility billing, Fire Department's false alarms, Community Development Department's administration citations, and Finance Department's miscellaneous billings for various departments, such as property damages, DUI and NSF checks. PCS has been the City's collection agency since November 1, 2020, and its contract will expire on October 31, 2025. Considering PCS' satisfactory collection rate, competitive commission rate, positive feedback from user departments, and the challenges associated with transitioning between collection agencies, it is recommended to extend PCS's collection services for an additional three year period.

RECOMMENDATION

That the City Council approve a motion authorizing the City Manager to execute a contract amendment between City and Professional Credit Service to provide collection services for an additional three year period.

ANALYSIS

Prior to contracting with PCS, the City used Sequoia Financial Services for nine years. In 2020, the Finance Department issued a Request for Proposal (RFP), and selected PCS after an extensive evaluation process which included participation from other user departments. PCS's collection approach integrates advanced technology with a solid commitment to consumer well-being, which motivates consumers to address their financial obligations. PCS has extensive experience working with state and local government clients. Some of the Southern California municipalities they currently work with include Anaheim, Beverly Hills, Burbank, Newport Beach and Pomona.

PCS adheres to regulatory and data security standards, IRS Publication 1075 Compliant, PCI DSS, and annual SOC 2 Type II audit report. Additionally, they currently possess an A+ rating with the BBB. Moreover, PCS maintains an impressive 99.996% complaint-free collection service, equating to just one complaint in every 17,000 customer contacts. Professional Credit Service collectors must be certified by ACA International and have applied for and passed the Professional Collection Specialist Exam with a score of 85% or higher. Professional Credit Service uses multilingual collectors and supervisors with immediate access to over 200 languages.

As the City's primary collection agency, PCS collects on behalf of our major departments including Fire, Police, GWP, Community Development Department, Community Services & Parks, and Finance. For the past four and half years, all of our departments have been pleased with the rapport that has been built with PCS. During this time, PCS has revolutionized the way the City handles collections by introducing a variety of advanced technological features that our prior collection agency did not have. These features include access to their online Client Tools Portal which provides the City with secure 24/7 access to view accounts in real-time, listen to calls, and generate custom reports directly from the portal, just to name a few.

Furthermore, a recent survey conducted by Finance staff which studied regional collection agency commission rates reveals that PCS's 18% rate is among the lowest amongst its competitors. Coupled with their cutting-edge technology, including real-time chat support and a self-service payment portal for both clients and debtors, PCS has proven to be competitive and effective in the collection of overdue balances.

Finally, PCS has demonstrated a consistent average rate of recovery between 10% to 12%. The recovery rate aligns with the collection recovery achievements of surrounding cities, such as Burbank (11.7%) and Pasadena (12.6%). Because PCS is paid only upon successful collection of the City's delinquent accounts, it is in their best interest to achieve the highest possible collection rate. Several factors can influence this rate, including the type of account (for example, utility accounts typically have higher collection rates than

false alarm accounts), whether is reportable to the credit bureaus, and the completeness of customer data provided by the City (such as social security number, phone number, address, and date of birth).

The transition from Sequoia to PCS was a significant undertaking, requiring extensive recoding and formatting of numerous accounts to integrate into their proprietary system. Despite PCS's proactive support through multiple training sessions and readily available assistance, it still took nearly two years for Glendale staff to become fully trained and proficient with the PCS system. Furthermore, accounts already in collection with Sequoia remained with them. This legacy issue continues today with one remaining Sequoia account generating approximately \$20 monthly, necessitating ongoing PCI compliance efforts for Sequoia.

Given that transitioning from one agency to another involves the complex reassignment of uncollected (secondary) accounts – which carry a higher commission rate of 25%, compared to the 18% for newly assigned (primary) accounts – and the considerable time investment, changing collection agencies too often is a demonstrably lengthy and costly process.

Considering PCS's satisfactory collection rate, competitive commission rate, positive feedback from user departments, and the challenges associated with transitioning between collection agencies, it is recommended to extend PCS's collection services for an additional three years.

STAKEHOLDERS/OUTREACH

Not Applicable

FISCAL IMPACT

There is no monthly or annual payment due to this vendor based on the industry's compensation model. Instead, the City will pay 18% of revenues collected by PCS for primary accounts, and 25% for secondary accounts.

ENVIRONMENTAL REVIEW (CEQA/NEPA)

This item is considered a ministerial activity and therefore, not subject to CEQA review.

CAMPAIGN DISCLOSURE

In accordance with the City Campaign Finance Ordinance No. 5744, the following are the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest in Professional Credit Service.

Officers of Professional Credit Service:					
Full Name	Title	Bussiness Address	City	State	Zip
David White	President & CEO	222 NE Park Plaza Dr, suite 125	Vancouver	WA	98084
Carl Christensen	Chief Operating Officer	400 International Way	Springfield	OR	97477
Jeff Johnson	Chief Client Officer	222 NE Park Plaza Dr, suite 125	Vancouver	WA	98084
Susan Lee	Chief Technologist	222 NE Park Plaza Dr, suite 125	Vancouver	WA	98084
Jeff Hunter	Chief Administrative Officer	222 NE Park Plaza Dr, suite 125	Vancouver	WA	98084
Luke Mauer	Chief Finanancial Officer	222 NE Park Plaza Dr, suite 125	Vancouver	WA	98084
Wade Isbell	Chief Compliance Officer	400 International Way	Springfield	OR	97477
Lisa Kirk	Executive VP of Sales	222 NE Park Plaza Dr, suite 125	Vancouver	WA	98084
Subcontractors of Professional Credit Service: None					
Investors of Professional Credit Service (holding 10% or more)					
Professional Credit Holdings		222 NE Park Plaza Dr, suite 125	Vancouver	WA	98084

ALTERNATIVES TO STAFF RECOMMENDATION

- 1) Do not approve the motion authorizing the City Manager to execute a contract amendment to provide collection services.
- 2) Consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Submitted by:

John Takhtalian, Assistant City Manager/Interim Director of Finance

Prepared by:

Isaac Apodaca, Billing & Collections Administrative Supervisor
Shu-Jun Li, Assistant Director of Finance

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

1) PCS Proposal 2025