



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Health
Department No.: 041
For Agenda Of: March 15, 2016
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department Takashi Wada, MD, MPH, Public Health Director
Director(s) Public Health Department
Scott McGolpin, Director, Public Works Department
Contact Info: Lawrence Fay, Jr., Public Health Department 805-346-8463
Colleen Hankins, Public Works Department 805- 882-3610
SUBJECT: Financial Credit Network Professional Services Agreement

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions: That the Board of Supervisors consider the following recommendations:

- a) Assign to Financial Credit Network, for purposes of collection and pursuant to the terms and conditions set forth in the Professional Services Agreement (Attachment A), all delinquent accounts owed to the County Environmental Health Services' Certified Unified Program Agency (CUPA) in connection with the use or generation of hazardous materials.
- b) Assign to Financial Credit Network, for purposes of collection and pursuant to the terms and conditions set forth in the Professional Services Agreement (Attachment A), all delinquent accounts owed to and non-sufficient funds checks made to the County Public Works Department.
- c) Approve and authorize the Chair to execute the Professional Services Agreement (Attachment A) with Financial Credit Network.
- d) Determine that these activities are exempt from California Environmental Quality Act review per CEQA guideline Section 15378(b)(4), since the recommended actions are government fiscal activities which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment, and direct staff to file a Notice of Exemption (Attachment B).

Summary Text:

This item is on the agenda to authorize execution of an agreement with Financial Credit Network, Inc. to act as the Environmental Health Services' collections agency for delinquent fees from CUPA facilities for hazardous materials oversight and to continue to provide collection services for delinquent accounts and non-sufficient funds checks for the Public Works Department.

Background:

PHD Environmental Health Services

Environmental Health Services' (EHS) CUPA attaches annual fees to county facilities that use hazardous materials or generate hazardous waste. These fees support the inspection and oversight services provided by CUPA.

Oversight of the CUPA programs transferred from the County Fire Department to County EHS in July 2013. Included with the transfer of programs oversight was the database system that holds all previous year's inspection, violation, and enforcement records, as well as, the detail on permitting, billing and payment. As part of its operations and facility billing processes, EHS has a detailed internal collections policy and procedure for annual facility fees which includes second notice invoices, letters, and other notification and follow-up measures; however, some businesses (less than 5%) continue to allow their fees to become delinquent.

In October of 2014, the CUPA underwent an evaluation by the State of California. The State reviewed CUPA operations for a 3-year period, 2 of those under Fire Department oversight and 1 under new oversight by EHS. The final report issued by the State in January of 2015 cited as a finding the lack of the use of an outside independent collections agency by either department as a final resort to the collection of delinquent accounts. This is a 'best practice' that the State has encouraged and obliged of all CUPA programs in an effort to recover all delinquent fees.

In response to this recommendation, EHS is requesting a contractual relationship with Financial Credit Network (FCN), Inc., which will be assigned the CUPA debts for collection. This company is a member in good standing with the California Association of Collectors, operating in accordance with the terms of the Fair Debt Collection Practices Act and procedures of ACA International. FCN will attempt to collect delinquent fees directly from the CUPA facilities after all EHS internal processes and procedures for collection have been employed and after the businesses are notified of this action. FCN will retain 29% of collected fees as commission for services rendered. The remaining 71% collected will be remitted to the County. While not anticipated at this time, if collection services result in legal action or forwarding, FCN will handle these proceedings and the commission percentage will increase to 39% for FCN with the remaining 61% being remitted to the County. Legal actions may not be initiated by FCN without prior County approval. Other county CUPA agencies in California were queried and all use collection services similar to this contractual arrangement with Financial Credit Network.

At this time, the delinquent accounts of 108 facilities have been identified to be sent to Financial Credit Network. These facilities have 140 outstanding invoices totaling \$101,497, and represent four years: from 2012 through 2015.

At this time, it is unknown how much of these past invoices may be recovered through this new service. FCN has informed us that their experience is that older delinquent accounts (>3 years) are very difficult to recover and PHD has had similar experiences collecting on delinquent medical patient accounts. Therefore we are using conservative estimates for the recovery of these accounts. The table below

illustrates that for an estimated range of recovery percentages from 5% to 15% of the total outstanding amount of \$101,497; approximately \$3,600 to \$10,800 may be recovered and payable to EHS:

Recovery Percentage	Financial Credit Network (29%)	EHS (71%)
5%	\$1,472	\$3,603
10%	\$2,943	\$7,206
15%	\$4,415	\$10,809

Moving forward, it is anticipated that the count of delinquent facilities and amount due will decrease to about 55 facilities at approximately \$38,000 annually. It is unknown how much of the \$38,000 annually would be collected through this process.

Public Works

The Santa Barbara County Public Works Department has had a similar agreement with the Financial Credit Network (FCN, Inc.) for collections on overdue accounts and non-sufficient funds checks for several years and has been very satisfied with their customer service and performance.

Public Works Resource Recovery & Waste Mgt. (RRWM) Division provides waste disposal services and mulch delivery services to County residents. Fees generated by these services are collected at the Santa Ynez Valley Recycle & Transfer Station, South Coast Recycle & Transfer Station and the Tajiguas Landfill. The Tajiguas Landfill is not open to the general public and therefore does not accept cash. It is a charge only facility. Fees generated at the two Transfer Stations accept cash, checks, credit cards or the use of established credit accounts with the Division. The Division, under the guidance of the Auditor Controller Internal Audit, has established specific internal controls and cash handling policies and procedures for these facilities. On occasion checks submitted for payment of disposal or delivery fees are returned to us as uncollected for reason of insufficient funds, account closed or stop payment. The Division's accounting office submits certified letters demanding payment that includes a \$25 fee to the maker of the check. Fifty percent of the time the Division is able to collect on these bad checks, the remaining checks plus the fee are submitted to Financial Credit Network for collections. Bad checks represent only .5% of the total checks accepted at the two Transfer Stations.

RRWM utilizes an accounts receivable software system to bill customers utilizing credit accounts for disposal and delivery services. RRWM Division bills out \$1.5 million in charges monthly of which 2% becomes delinquent past 90 days. The accounting office initiates a process of collection on these accounts beginning with account closure, certified demand letter, final demand letter and ultimately, if the account has not been brought current, the submission of the account to Financial Credit Network for further collection processes. Since January of 2013 a total of \$28,374 in delinquent AR accounts have been submitted to Financial Credit Network of which \$9,010 has been recovered. The remaining unpaid accounts are still active with Financial Credit Network.

RRWM currently has a Purchasing Agreement with Financial Credit Network for these collection services. Upon approval and execution of the proposed Professional Services Agreement with Financial Credit Network the current Purchasing Agreement will be cancelled and superseded by the new agreement. The Professional Services Agreement will allow for a uniform collection fee structure and consistency of collections policies for both the Environmental Health and Public Works Departments.

By combining these similar Department services into one comprehensive agreement, the associated commission associated with these collection services will be reduced for the Public Works Department and new services established for the Public Health Department, Environmental Health Services.

Fiscal and Facilities Impacts:

Budgeted: No

Narrative:

Approval of the Professional Services Agreement with Financial Credit Network, may allow Environmental Health Services to recoup a portion of past delinquent fees at an estimated range of approximately \$3,600 to approximately \$10,800. Since the EHS program has no history with this process, the amount of past and future collections is unknown at this time. Therefore, because of the unknowns, and also because the current budget for revenues is adequate to cover current budgeted expenditure appropriation, a budget revision is not necessary at this time.

The department will continue to monitor this closely and will return with a budget revision should circumstances change and as more experience with this process and service is gained.

The Public Works Department has been utilizing Financial Credit Network collection services since January 2013 under an established contract let through the County of Santa Barbara Purchasing Department. Upon approval, the proposed Professional Service Agreement will allow for continued collections services for the Public Works Department uncollected debt at or below the current fee structure. There is no anticipated net financial impact associated with the cancelling of the current Purchasing Contract and the initiation of the new Professional Services Agreement with Financial Credit Network.

Staffing Impacts:

Legal Positions:

0

FTEs:

0

Special Instructions: Please execute two (2) originals of the Financial Credit Network Agreement and retain one (1) original Agreement and one (1) Minute Order for pick up by department. Please email phdcu@sbcphd.org when available for pick up.

Attachments:

- A. Financial Credit Network Agreement
- B. Notice of Exemption

Authored by:

Lawrence Fay, Jr., Director of Environmental Health Services