



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: May 18, 2021
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department Van Do-Reynoso, MPH, PhD, Director, Public Health Department
Director(s) Scott McGolpin, Director, Public Works Department
Contact Info: Lars Seifert, Public Health Department 805-681-4934
Gloria Alvarez, Public Works Department 805- 882-3610
SUBJECT: **Second Amendment to 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) Approve and authorize the Chair to execute a Second Amendment to the Agreement (Attachment A) that extends for three years the term during which Financial Credit Network is assigned, for purposes of collection and pursuant to the terms and conditions set forth in the Professional Services Agreement (Attachment C):
 - 1) all delinquent accounts owed to and non-sufficient funds checks made to the County Public Health Department's Environmental Health Services; and
 - 2) all delinquent accounts owed to and non-sufficient funds checks made to the County Public Works Department.
- b) 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.

Summary Text:

This item is on the agenda to authorize execution of a Second Amendment to the agreement with Financial Credit Network, Inc. to continue to act as the Environmental Health Services' (EHS) and Public Works' collections agency for delinquent accounts and non-sufficient funds checks. The Second Amendment extends the term of the Agreement for three additional years from July 1, 2021 through June 30, 2024.

Background:

Public Health Department, Environmental Health Services

Environmental Health Services (EHS) assesses hourly charges and annual health permit fees as authorized by resolution of the Board of Supervisors to facilities within Santa Barbara County. These fees recover the costs of services provided by EHS, such as plan reviews, inspections, permitting, and other regulatory services.

As part of its operations and facility billing processes, EHS has a detailed internal collections policy and procedure for annual facility fees and hourly services' fees which includes past-due and final notice invoices, letters, and other notification and follow-up measures; however, some businesses continue to allow their fees to become delinquent.

In 2016, the Board of Supervisors authorized the execution of a contract with Financial Credit Network, Inc. (FCN) to collect delinquent fees for EHS's Certified Unified Program Agency (CUPA). On April 2, 2019, an updated Fee Resolution for EHS was adopted by the Board, effective July 1, 2019. The new and amended fees included a change in the fee structure for plan reviews to include hourly charges for some services versus flat fees that were in place prior to July 1, 2019. These amended fees apply to all of the EHS programs, including CUPA. This contract amendment authorizes the expansion of FCN's collection services agreement to include all uncollectable EHS fees consistent with this updated Fee Resolution.

FCN 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 currently collects delinquent fees directly from CUPA facilities after all EHS internal processes and procedures for collection have been employed and after the businesses are notified of this action. FCN retains 29% of collected fees as commission for services rendered. The remaining 71% collected is remitted to the County. 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 and collection via these legal actions has not been employed since the initiation of the contract on March 15, 2016.

Public Works

The Santa Barbara County Public Works Department has had a similar agreement with the Financial Credit Network, Inc. (FCN) 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 reasons 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 FCN for collections. Bad checks represent only 0.5% 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 \$2 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.

Fiscal and Facilities Impacts:

Budgeted: Yes

Approval of the Second Amendment to the Professional Services Agreement with Financial Credit Network to extend the term will continue to allow EHS to recoup a portion of past delinquent fees at an estimated range of approximately \$10,000 to \$13,000 annually for the CUPA programs and a lesser anticipated amount for the additional programs included in the amendment.

The Public Works Department has been utilizing Financial Credit Network collection services since January 2013. Since January 2013, a total of \$32,607 in delinquent AR accounts have been submitted to Financial Credit Network of which \$16,759 has been recovered. The remaining unpaid accounts are still active with Financial Credit Network. Upon approval, the Amendment to the 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 Professional Services Agreement with Financial Credit Network.

Staffing Impacts:

Legal Positions:

0

FTEs:

0

Special Instructions:

Please execute two (2) originals of the Second Amendment to the Financial Credit Network Agreement and retain one (1) original Agreement and one (1) Minute Order for pick up by department. Please email Kelly.Lazarus@sbcphd.org when available for pick up.

Attachments:

- A. Second Amendment to the Financial Credit Network Agreement
- B. First Amendment to the Financial Credit Network Agreement
- C. Financial Credit Network Professional Services Agreement

Authored by:

Lars Seifert, Director of Environmental Health Services