



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
General Manager's Office

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	March 27, 2017
SUBJECT/REPORT NO:	Collection Agency Fees (FCS17035) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Wendy Mason (905) 546-2424 Ext. 5718
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That By-law No. 07-007, "To Provide for the Recovery of Collection Agency Fees", be repealed;
- (b) That the following new collection agency fees be approved and added to the User Fees and Charges By-law:
 - (i) collection agency of first assignment shall include and recover a collection fee of 12.5% of debt owed by an individual and 9.9% of debt owed by a corporation;
 - (ii) on re-assignment to a second collection agency, the collection agency shall include and recover a collection fee of 20% of debt owed by an individual or a corporation.

EXECUTIVE SUMMARY

The *Municipal Act, 2001* allows the recovery of fees charged by registered collection agencies working on behalf of the City of Hamilton directly from the debtor at the rates approved by Council. In early 2007, Council enacted By-law 07-007 authorizing collection agencies working on behalf of the Provincial Offences Administration Office (POA) to recover their collection agency fees directly from the debtors. The City's most recent collection agency contract expired, and POA has secured the first and second assignment services of two collection agencies through Cooperative Procurement with Ontario Education Collaborative Marketplace ("OECM"), which is a collaborative

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purchasing group. The collection agency fees charged by the current collection agency on second assignment (re-assignment to a second collection agency) are different than those that were charged under the previous contract (20% vs. former 10% for debt owed by a corporation and 20% vs. former 23% for debt owed by an individual), necessitating an update to the rates previously approved by Council.

Alternatives for Consideration – See Page 3

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: Section 304 of the *Municipal Act, 2001* allows Council to set and recover cost incurred by the City in using collection agencies. If collection agency fees are not charged to the debtor as part of the debt recovery, they would have to be paid directly by the City, which would result in an annual estimated financial cost to the City of approximately \$200,000. The POA budget is negatively impacted where collection agency fees are not recovered from the defendant.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

Outstanding fines that are not collected internally by POA Staff are referred to collection agencies who charge a fee for their successful collections. Up until 2007 these fees were paid directly from the POA budget. As a cost saving measure, the City passed By-law No. 07-007, To Provide for the Recovery of Collection Agency Fees, allowing for collection agency fees to be recovered by the collection agencies directly from the debtor.

The City had since had two contracts with collection agencies. The most recent contract had rates for first assignment agency at 12.5% of debt owed by individuals and 9.9% of debt owed by corporations. The rates for second assignment agency were 23% for individuals and 10% for corporations.

As part of a co-operative procurement, the Ontario Education Collaborative Marketplace issued a Request for Proposals for collection agencies. The current proponents, Gatestone & Co. Inc. and EOS Canada Inc., were selected as a result of this process, and the collection agency contract was signed by the City on July 6, 2016. The first assignment agency began collections for POA for the City of Hamilton on July 6, 2016 and the second assignment agency began collections on November 14, 2016. The collection rate for the second assignment agency is 20% for both individuals and corporations, and therefore different than the previous contract (20% vs. former 10% for debt owed by a corporation and 20% vs. former 23% for debt owed by an individual),

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necessitating amendment to the collection fees currently authorized by Council in By-law No. 07-007. Staff propose to repeal the current Collection Agency By-law #07-007, and consolidate the new fees into the City's User Fees and Charges By-law.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

There are no policies affected.

RELEVANT CONSULTATION:

- Legal Services Division; and,
- Procurement Section, Financial Services Division.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The process of charging the debtor for the cost of collection agency fees in our most cost effective alternative. Collection agency fees in 2016 were \$196,922.41.

ALTERNATIVES FOR CONSIDERATION

The City could pay the collection fees directly, which would have a negative impact on the POA budget.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance:

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

N/A

WM/dkm