

ITEM #:	<u>23</u>
DATE:	<u>01-23-24</u>
DEPT:	<u>FIN</u>

COUNCIL ACTION FORM

SUBJECT: UTILIZATION OF ADDITIONAL DEBT COLLECTION PRACTICES&NBSP;

BACKGROUND:

The City of Ames has historically relied on three methods to collect past-due parking tickets and outstanding utility bills, depending on the type.

Parking Ticket Collection

To address unpaid citations, the City has engaged the services of a professional collection agency, marking citations as unpaid after a thirty-five day grace period from the date of issuance. Annually, an average of 20% of parking citations issued by the City remain outstanding. In the autumn of 2021, the City transitioned to a new collection agency due to sub-optimal results with the previous provider. **While there has been an improvement in the recovery of outstanding funds, a significant percentage of unpaid citations remains uncollected. Moreover, the City's agreement with the collection agency stipulates a cost-sharing arrangement of 25% for any parking fines successfully collected. Additionally, there are often costs associated with vehicle owner lookups to mail notices on these accounts.**

Utility Bill Collection

The City contracts with a separate collection agency to collect on accounts that have gone unpaid. **This agency retains 38% of the collected monies; if legal proceedings are initiated, it keeps 50%. On average, the agency collects 30% of outstanding balances.**

Miscellaneous Accounts Receivable

For other past-due accounts, the City performs account collection efforts internally. This method generally results in write-offs for accounts that the staff views as uncollectable after a significant period of time and effort.

In a review of these collection methods, staff has identified the following two new initiatives that staff believes will increase the City's collection of parking ticket fines.

AGREEMENT WITH STORY COUNTY AND THE IOWA DEPARTMENT OF TRANSPORTATION (Parking Tickets Only):

The City of Ames Parking Division employs ticketing as an effective measure to deter violations of parking regulations. Parking citations carry a range of fines, varying from \$10 to \$100. Payment options encompass in-person transactions at the Finance Customer Service Division during regular business hours and the convenience of online payment processing through the City of Ames website's credit card payment portal.

The cumulative total of outstanding parking tickets presently amounts to over \$500,000 since August 2015. Story County residents are responsible for a substantial portion, exceeding \$194,000, or approximately 37% of the total outstanding fines. Furthermore, several individuals have accrued substantial balances currently under collection. Specifically, 24 residents have incurred fines ranging

from \$1,000 to \$3,000. Additionally, there is one resident whose total fines amount to \$7,615.

In a comprehensive review of parking citation collections, our staff has identified an opportunity to collaborate with the Story County Treasurer and the Iowa Department of Transportation to enhance the collection of unpaid parking citations. This partnership aligns with Iowa Code Section 331.553(8) provisions, which allows counties to enter into agreements, as outlined in Iowa Code Chapter 28E, wherein the County Treasurer agrees to withhold the issuance and renewal of vehicle registration until outstanding tickets are paid. The Story County Treasurer has expressed their willingness to provide this service at no cost to the City, pending approval of a 28E agreement.

Several municipalities currently employ this collection methodology in the Des Moines Metro area, including Des Moines, West Des Moines, Waukee, Urbandale, and Clive. Furthermore, numerous other communities across the state have successfully utilized agreements with their respective County Treasurers to enhance collection efforts.

While the parking tickets issued since August 2015 include specific language about the potential non-renewal of motor vehicle registrations, the Story County Treasurer has agreed to assist in collections for only tickets issued from January 1, 2022, onward. This amounts to approximately \$138,400, of which \$48,460 is attributed to residents of Story County.

If approved, staff will collaborate with the Iowa Department of Transportation Motor Vehicle Support Bureau, the Iowa Department of Transportation Motor Vehicle Division, and the City of Ames IT department to initiate the program. This includes a secure transmission of the information required to the Iowa Department of Transportation to place registration holds, which the Story County Treasurer will administer.

IOWA SETOFF PROGRAM (All Past-Due City Accounts):

The Iowa Department of Revenue also offers another collection method for all past-due accounts through its “Setoff Program.” **This program allows Public Agencies in the State of Iowa to collect delinquent debts through tax refunds, casino and sports wagering winnings, State-issued vendor payments, and Iowa Lottery winnings. As part of the program, the state remits all collected debt to the city minus a \$7.00 fee.** The state requires a minimum debt of \$50 per obligor for submission to the program.

The setoff program would also allow the City to collect delinquent receivables, including unpaid utility bills and other miscellaneous charges, fines, and fees. The City currently has the following outstanding balances that are 90+ days past due, dating back to 2015 :

Miscellaneous Accounts Receivable	\$204,929
Parking	550,143
Utility Bills	<u>732,106</u>
Total	\$1,487,178

This popular program is utilized by many cities and counties across the state through the approval of a memorandum of understanding (MOU) with the Iowa Department of Revenue.

Staff believes these two collection models will decrease the City’s collection cost and improve the

collection of outstanding tickets and delinquent accounts.

ALTERNATIVES:

1. a. Approve the 28E agreement to be presented to Story County for Board approval and authorize staff to begin utilizing the agreement to collect delinquent parking tickets.

b. Approve the Memorandum of Understanding (MOU) with the Iowa Department of Revenue for the purpose of participating in the state's "Setoff Program" and authorize staff to begin utilizing the program to collect past-due accounts.
2. Approve ONLY the 28E agreement to be presented to Story County for Board approval and authorize staff to begin utilizing the agreement to collect delinquent parking tickets.
3. Approve ONLY the Memorandum of Understanding (MOU) with the Iowa Department of Revenue for the purpose of participating in the state's "Setoff Program" and authorize staff to begin utilizing the program to collect past-due accounts.
4. Do not authorize additional collection methods and refer back to staff for additional details or alternatives

CITY MANAGER'S RECOMMENDED ACTION:

Over the past several years, the City has experienced a significant number of unpaid parking tickets, charges, fines, and fees. While the City has used collection agencies in addition to staff-led collection efforts in the past, it has become apparent that alternative collection methods may result in the improved collection of these accounts. Additionally, the alternatives offered through the these two new partnerships with the county and the state will result in a lower-cost collection method. **Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.**

ATTACHMENT(S):

[COA & Story County Parking 28E.docx](#)
[Debt Vendor MOU updated blank fillable.pdf](#)