

# Memorandum



CITY OF DALLAS

DATE October 31, 2014

TO Honorable Mayor and Members of the City Council

SUBJECT Municipal Court's 3<sup>rd</sup> Party Collections Contract

Attached is briefing material on the "Municipal Court's 3<sup>rd</sup> Party Collections Contract" to be presented to Dallas City Council on Wednesday, November 5, 2014.

A handwritten signature in cursive script, reading "Eric D. Campbell".

Eric D. Campbell  
Assistant City Manager

[Attachment]

c: A.C. Gonzalez, City Manager  
Warren M.S. Ernst, City Attorney  
Craig D. Kinton, City Auditor  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Sana Syed, Public Information Officer  
Elsa Cantu, Assistant to the City Manager – Mayor & Council

# Municipal Court's 3<sup>rd</sup> Party Collections Contract

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Dallas City Council  
November 5, 2014

# Purpose

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- Reviewing the recommended proposal for the 3<sup>rd</sup> party collections contract that council will consider on Nov. 12, 2014
  - Background: Court Services
  - Procurement Process
  - Scoring Summary
  - Recommendation and Next Steps

# Background: Court Services

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- Profile of the Dallas Municipal Court
  - Handle Class C misdemeanors and fine only offenses
  - Expect to resolve over 150,000 cases in FY14
  - Offer resolution in person, through mail, or internet

# Background: Court Services

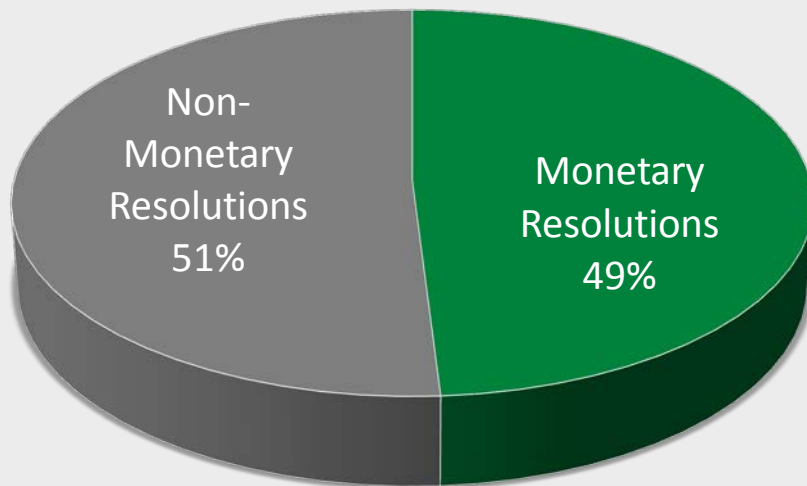
- Improvement initiatives since 2008

Issue	Before (2008 Status)	After (Present Day Status)
<b>Outdated Technology</b>	<ul style="list-style-type: none"> <li>25 yr. old case management system</li> </ul>	<ul style="list-style-type: none"> <li>Incode case management system live since Oct. 1<sup>st</sup>, 2013</li> <li>Converted +200 users &amp; 2.3m cases</li> </ul>
<b>Antiquated Facility</b>	<ul style="list-style-type: none"> <li>100 year old and 58 year old outdated facilities</li> </ul>	<ul style="list-style-type: none"> <li>Successfully moved 100% of operations into renovated facility at 2014 Main St.</li> </ul>
<b>Improved Customer Service</b>	<ul style="list-style-type: none"> <li>Initial court settings of 9 mo.</li> <li>Peak payment window wait times of over 1 hour</li> </ul>	<ul style="list-style-type: none"> <li>Initial court settings down to 28 days</li> <li>Avg. payment window wait down to 6 min.</li> </ul>
<b>Docket Efficiency Through Pre-trial</b>	<ul style="list-style-type: none"> <li>&gt;1,200 wkly. settings resulted in less than 10 <u>actual</u> trials held</li> <li>&gt;50% of all settings dismissed</li> </ul>	<ul style="list-style-type: none"> <li>Trial dismissals reduced by 42%</li> <li>Officer subpoena savings = &gt;\$470k/9k hrs.</li> <li>Actual trials held <u>remain</u> at &lt;10 per wk.</li> </ul>

# Background: Court Services

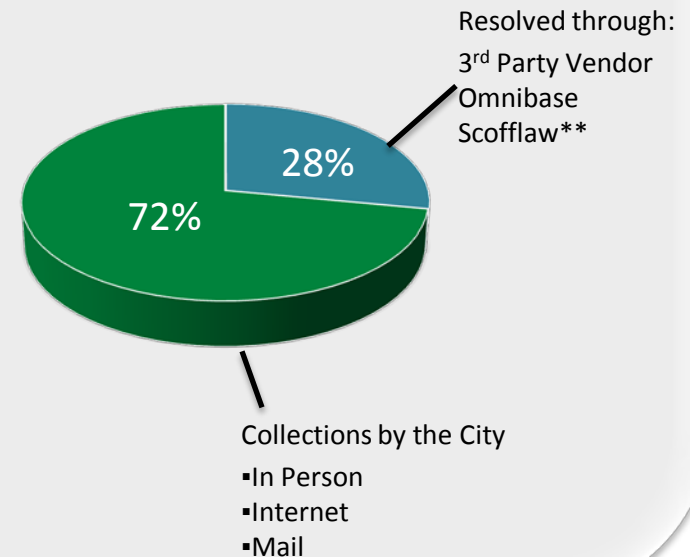
## Municipal Court's Operational Overview

**Municipal Court's  
Annual Case Resolutions**



*Resolved approx. 150,000 cases in FY14*

**General Fund Collections  
Breakout\***



\* See Appendix - p.26 \*\* See Appendix - p.27

# Background: Court Services

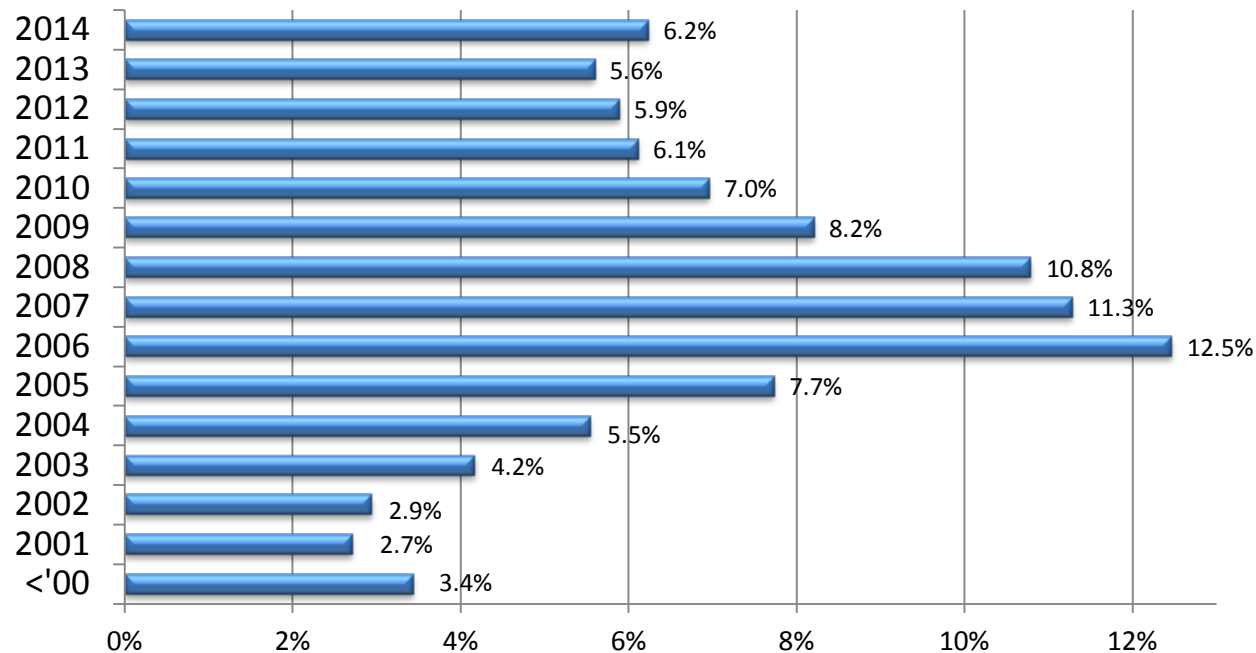
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- Recent internal collections improvements
  - Phone call and reminder letter campaign have increased 21 day response rate by 3%
  - Car registration hold program implemented (*Scofflaw*)
  - Payment installment completion rate up by 223%
  - Online payment available; soon to offer online Deferred, DSC and Trial requests
  - Improved general fund collections per citation by 55% since FY2007

# Background: Court Services

- Although recent court improvements have increased enforcement of new citations, efforts to resolve delinquent cases must continue through Omnibase, Scofflaw and 3<sup>rd</sup> party collections
- Represents the full face value of all outstanding citations (≈\$600m)

## % of Outstanding Portfolio by Offense Date





# Procurement Process

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- Procurement Method Determination
  - Request for bid (RFB)
    - Utilized when needs are clearly defined
      - ❖ E.g.- 1,000 bags of crushed ice, 200 light duty trucks
    - Low price or highest revenue serves as the basis for award
    - More expeditious process
  - Request for proposal (RFP)
    - Utilized when there are multiple solutions to the City's problem or need
    - Scope of work provided and vendor provides solution
      - ❖ E.g.- maximize revenue, replace telephone system
    - Multiple approaches or solutions to resolve

# Procurement Process

## Guiding Parameters for Contract Types

<i>Elements</i>	<i>Revenue Contract</i>	<i>Expenditure Contract</i>
<i>State Law</i>	Not applicable	Applicable if >\$50,000
<i>City Code/Policy</i>	Administrative Directive (AD) 4-5	Chapter 2 and AD 4-5
<i>BID Policy (M/WBE Participation)</i>	Not applicable unless required by federal guidelines	Required on all expenditures over \$50k by Council policy
<i>Local Preference</i>	Not authorized	Only allowed on certain low bid contracts with limitations

# Procurement Process

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- Scoring Criteria

- Department works with Purchasing to develop weights on

- Relevant experience
    - Performance
    - Contract history
    - Monetary considerations
      - City practice has always been to include cost/revenue
      - Typical minimum weight is 30%

- City's Administrative Directive (4-5) governing contracting requires revenue contracts to be formally solicited and awarded on a most advantageous basis

# Procurement Process

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- Defining “Most Advantageous Proposal”
  - Providing the City with the overall best value or quality and may or may not come at the lowest possible price or highest revenue
    - Evaluated based on the listed criteria
    - Revenue contracts heavily weigh revenue to the City
    - Reviewed and scored by staff committee
      - Subject matter experts are involved where needed to provide additional information or clarification to the voting committee
      - Efforts made to include diverse representation

# Procurement Process

## Compare and Contrast of Current Contract vs. Recommended Contract

<i>Elements</i>	<i>Current Contract</i>	<i>Recommended Contract</i>
<i>Terms</i>	5yr base + 2 option yrs.	3yr base + 3 option yrs.
<i>Scoring Criteria</i>	100% Revenue	40% Revenue 25% Plan to resolve challenging cases 25% Relevant experience 10% References
<i>Performance Bond Required</i>	No	Yes, \$1M/year
<i>MWBE Required</i>	No	No
<i>Procurement Type</i>	Bid – No negotiations	Proposal* (see next slide) – Contract negotiations
<i>Revenue Guarantee</i>	Required	Vendors proposed best offer ( <i>incentive/bonus/guarantee</i> )

# Procurement Process

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- Provided flexibility to restructure as needed:
  - Vendor provided solutions
  - The need to address cold case inventory
  - A strong revenue commitment through a minimum guarantee

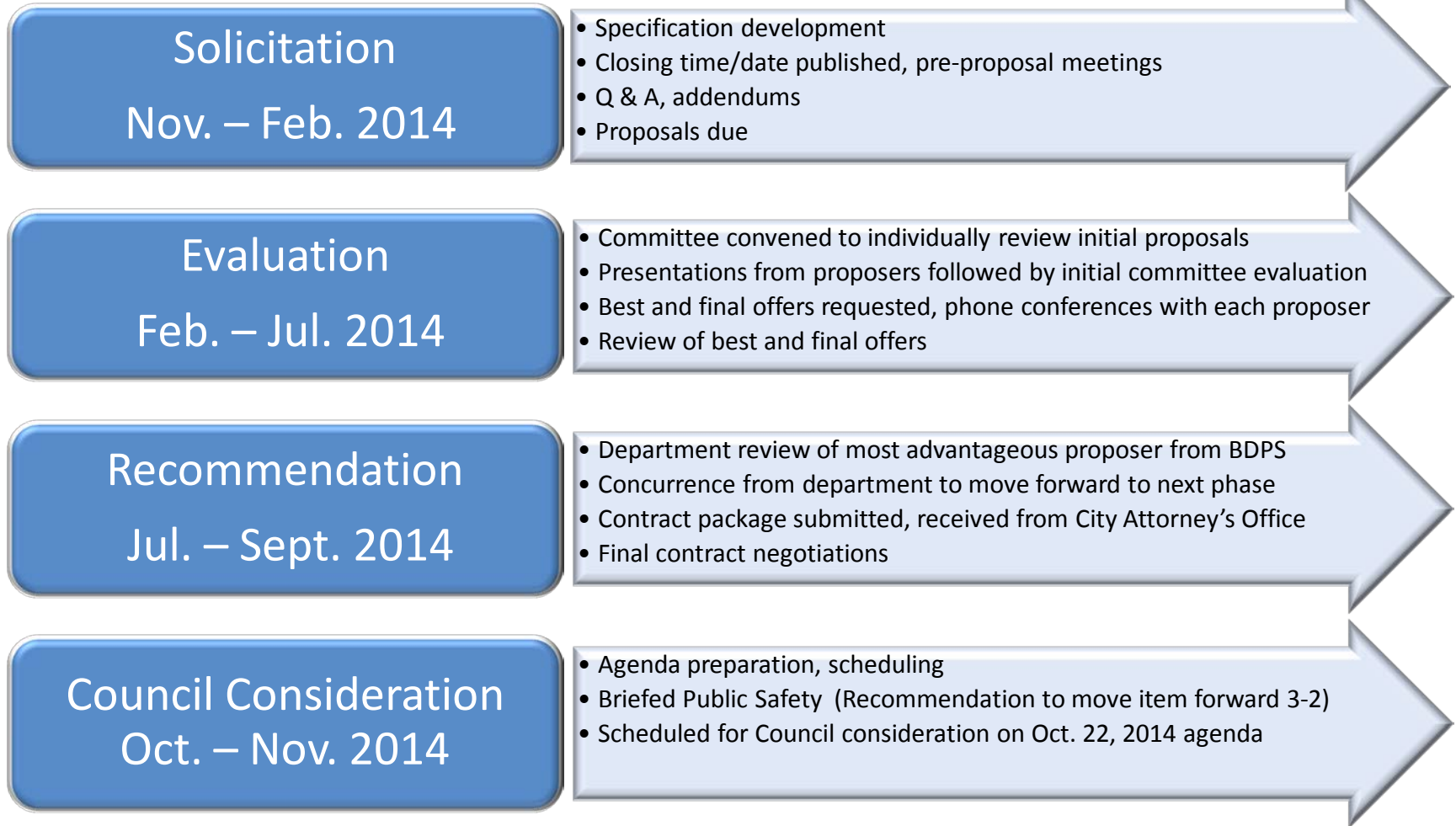
# Procurement Process

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- **Current Contract History**
  - December 2006 - 5 yr. service contract with 2-12 month renewal options with Linebarger, Goggan, Blair & Sampson
  - August 2012 & 2013 - Supplemental Agreements to authorize one year renewal options
  - October 13, 2014 - Briefed to Public Safety, recommended to Council
  - December 31, 2014 - Current contract expires

# Procurement Process

## ● Procurement Stages





# Scoring Summary

## Scoring Tabulation Results

- 60% evaluated by committee + 40% scoring by Purchasing

Vendor	Revenue Value to the City		Plan to Resolve Challenging Cases in Portfolio	Relevant Experience	Client References	Total	Final Rank
<i>Weight: (%)</i>	<i>5 + 35 = 40%</i>		<i>25%</i>	<i>25%</i>	<i>10%</i>	<i>100%</i>	
<b>M.S.B.</b>	3.21	35.00	<b>38.2</b>	<b>20.0</b>	<b>7.7</b>	<b>87.9</b>	<b>1<sup>st</sup></b>
<b>GC Services Limited Partnership</b>	4.39	0.72	<b>5.1</b>	<b>24.0</b>	<b>7.7</b>	<b>57.5</b>	<b>2<sup>nd</sup></b>
<b>Linebarger Goggan Blair &amp; Sampson</b>	3.36	0.48	<b>3.8</b>	<b>20.3</b>	<b>9.0</b>	<b>56.8</b>	<b>3<sup>rd</sup></b>
<b>Penn Credit</b>	4.35	0.71	<b>5.1</b>	<b>21.0</b>	<b>6.3</b>	<b>50.1</b>	<b>4<sup>th</sup></b>
<b>Pioneer Credit</b>	1.38	0.45	<b>1.9</b>	<b>17.7</b>	<b>6.7</b>	<b>44.5</b>	<b>5<sup>th</sup></b>
<b>Alliance One Receivables</b>	5.00	1.15	<b>6.2</b>	<b>15.7</b>	<b>6.0</b>	<b>43.8</b>	<b>6<sup>th</sup></b>

\*Ability Recovery Services LLC was deemed non-responsive for not meeting bid specification

# Revenue Value Summary

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## ***40 Total Points – Revenue and Final Offer***

- All vendors were given a set of parameters and were evaluated on two sets of numbers on 5/13/14\*
  - 1.) Projected gross collections over a three year period (5 points)
  - 2.) Proposed guaranteed money (35 points)
  
- Individual phone conference with each vendor on 5/15/14 to ensure understanding of the Best and Final Offer requirement
  - No questions or concerns from proposers on the sub-criteria within the exercise (35 guaranteed revenue points, 5 projected)

\* See Appendix - p.28

# Revenue Value Summary

## 40 Total Points – Best and Final Exercise Results

### Results of Best and Final Offer Comparing Vendor Proposals

Vendor	(5 points) Projected Gross Collections for 3yrs	(35 points) Guaranteed Money Backing Projection for 3yrs
MSB	\$21,853,579	\$21,853,579
GC Services	\$29,842,235	❖ \$450,000
Linebarger	\$22,820,000	❖ \$300,000
Penn Credit	\$29,600,000	\$441,688
Pioneer	\$9,362,545	\$280,970
Alliance	\$33,990,000	\$720,000

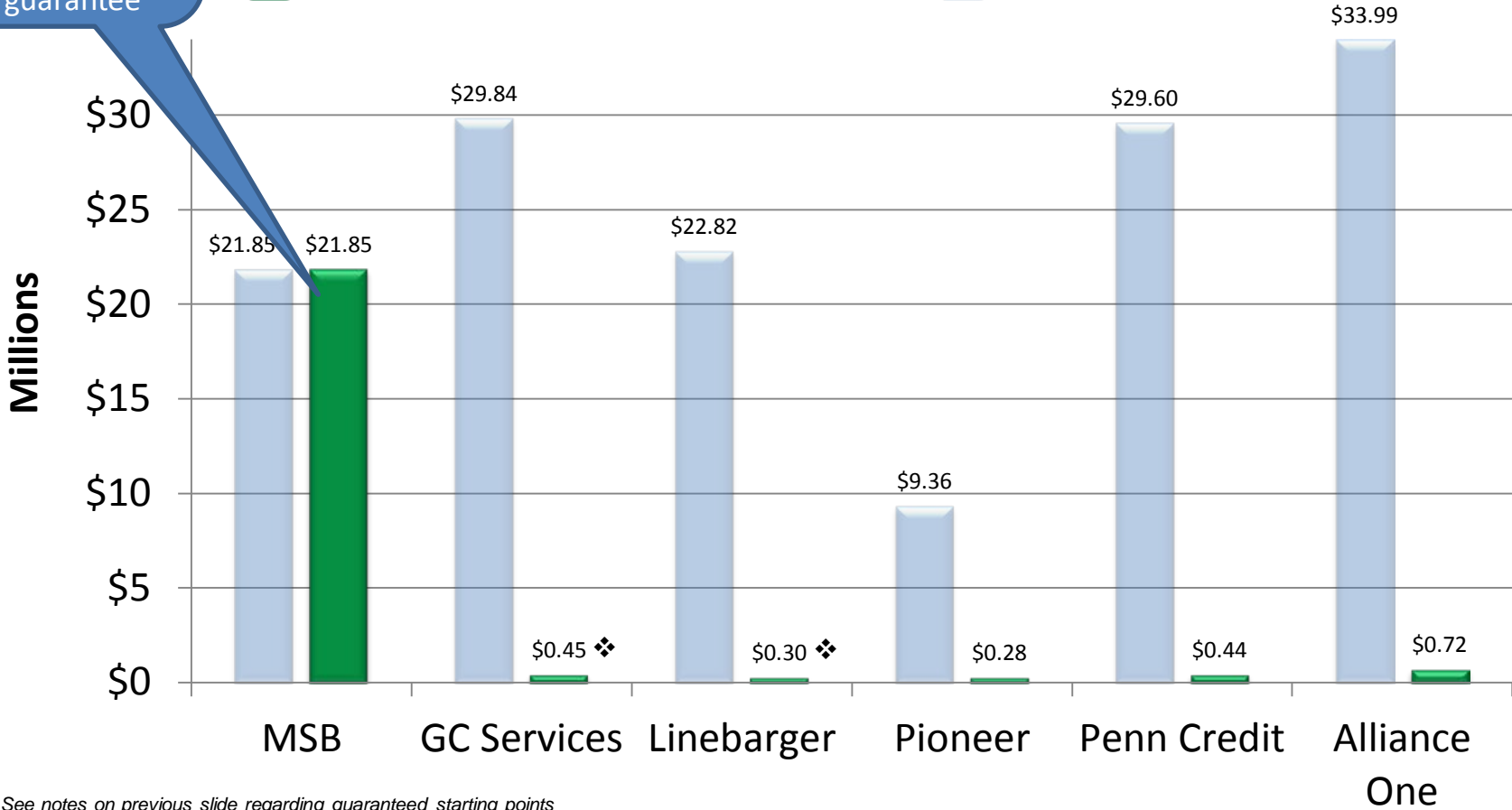
- ❖ *GC Services' guaranteed money does not start until \$23,873,789 is collected*
- ❖ *Linebarger's guaranteed money does not start until \$11,921,789 is collected*

# Scoring Summary

**40 Total Points**

MSB was the only vendor to back its proposal with a 100% guarantee

**Guaranteed Revenue (35 Points)**    **Projected Collections (5 Points)**



❖ See notes on previous slide regarding guaranteed starting points

# Scoring Summary

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- Most Advantageous Proposal
  - Municipal Services Bureau (M.S.B.) proposed the following performance:
    - 1) New Placements: Guaranteed fixed collection rate on all new placements
      - 11.5% in each contract year
    - 1) Existing Portfolio: Guaranteed \$15m in total collections
      - \$7.5m – First year
      - \$4.5m – Second year
      - \$3.0m – Third year

# Scoring Summary

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- Highlights of Contract
  - Shorter term contract with options
  - Percentage based collections
  - 3<sup>rd</sup> party collections of civil cases
  - Continued partnership during Warrant Round Up

# Proposed Vendor

- MSB
  - Established in 1991
  - Previous City of Dallas Contract 1998-2002
  - Provides Court Collections in 39 states
  - Experience working with large Texas cities
    - Houston – Water, EMS, Parking and Municipal Courts *(recently awarded split contract)*
    - Austin – Electricity, EMS, Municipal Courts
    - San Antonio – Water, Municipal Courts

# Next Step

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- Seek direction from Council



# Questions?

# Appendix

# Appendix

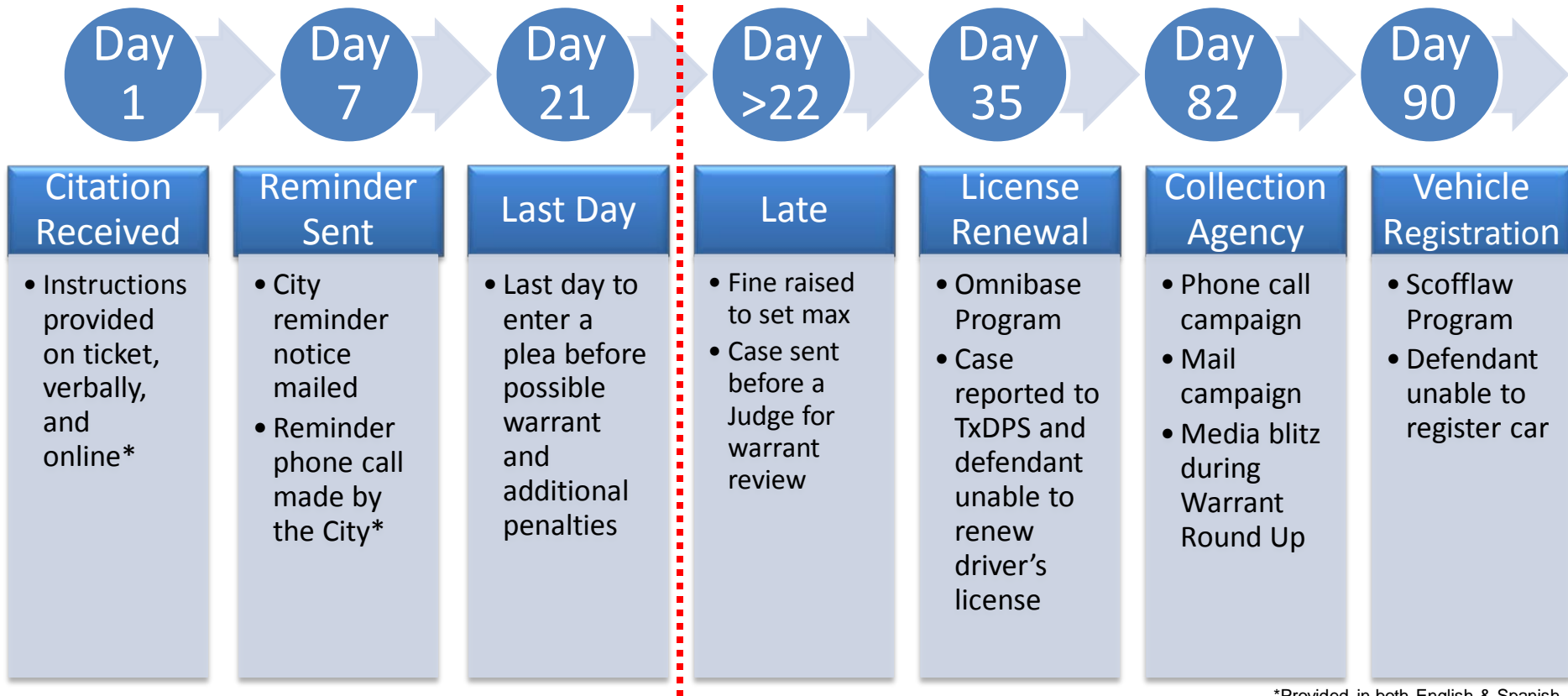
- Total Collection Summary

Year	(a)	%	(b)	%	(c) = a+b	%
	Collection Company's Gen. Fund Impact		General Fund Collections Resulting from City Efforts		Municipal Court's Total General Fund Collections	
<b>2008</b>	\$5,086,476	29%	<b>\$12,600,863</b>	71%	\$17,687,339	100%
<b>2009</b>	\$3,839,859	24%	<b>\$12,362,613</b>	76%	\$16,202,472	100%
<b>2010</b>	\$4,304,625	25%	<b>\$13,184,002</b>	75%	\$17,488,627	100%
<b>2011</b>	\$4,495,443	29%	<b>\$11,276,119</b>	71%	\$15,771,562	100%
<b>2012</b>	\$4,569,790	30%	<b>\$10,866,439</b>	70%	\$15,436,229	100%
<b>2013</b>	\$4,257,007	29%	<b>\$10,497,456</b>	71%	\$14,754,463	100%
<b>2014</b>	\$4,109,979	28%	<b>\$10,715,649</b>	72%	\$14,825,628	100%
<b>Total:</b>	\$30,663,179		<b>\$81,503,141</b>		\$112,166,320	

Note: We apologize for incorrectly labeling data found in the October 17, 2014 Council memorandum pertaining to Court and Detention Services' third party collections contract. Data displayed in "Column B" of question and response #4 inadvertently displayed data for "Total Gross Collections from the Third Party Collection Company" instead of the intended data, "General Fund Collections Resulting from City Efforts". This informational table was not a factor in the section process and was purely background provided in response to a Council question. Updated information can be found in red font above.

# Appendix

- Timeline of Collection Efforts



\*Provided in both English & Spanish

# Appendix

- Best and final revenue exercise lists potential points assigned
- Three questions were designed to capture and normalize different types of bids:
  - E.g.-Pioneer submission utilized questions #1 & #2.....MSB, Linebarger, and GC Services submitted proposals utilizing questions #2 & #3
- Individual phone conferences with vendors to answer questions

## Work Instructions

This is intended to identify bidders proposed collection rates, incentives, and/or guarantees for scoring purposes. Please complete all highlighted sections.

1.) **If applicable** Proposed incentives to the City in annualized dollars (Max of 0-35 pts)

If applicable, please describe what incentive is included in your calculation above:  
-Place response here-

2.) Proposed gross annual collections - Please see exercise below, column "a" (Max of 5 pts)

3.) Minimum guaranteed gross annual collections - Please see exercise below, column "d" (Max of 0-35 pts)

### Question #2 & #3

Please complete the columns highlighted in yellow below. This exercise is intended to identify proposers collection rates (column a) and minimum collection amount guarantee (column d, if applicable). Assumptions are found in the "\*\*\*IMPORTANT NOTES" below the table.

	(indirectly part of calculation)	(a)	(b)	c = (a/b)	(d)
	Estimated Portfolio	Projected Gross Annual Collections (does not include any extra incentive dollars)	Gross current year placement value	"Collection Rate"	Minimum Collection Amount Guaranteed (if applicable)
Future contract years					
Contract Yr. 2015	≈ \$600,000,000	\$	24,559,169	0.00%	\$
Contract Yr. 2016	≈ \$600,000,000	\$	19,525,784	0.00%	\$
Contract Yr. 2017	≈ \$600,000,000	\$	15,523,988	0.00%	\$
Extension Yr. 2018	≈ \$600,000,000	\$	12,342,358	0.00%	\$
Extension Yr. 2019	≈ \$600,000,000	\$	9,812,800	0.00%	\$
Total	≈ \$600,000,000	\$	81,764,100	0.00%	\$