

CLERK'S OFFICE
APPROVED

Date:

11-9-10

Submitted by: Chair of the Assembly at
the Request of the Mayor
Prepared by: Finance Department
For reading: October 26, 2010

ANCHORAGE, ALASKA
AO NO. 2010-80

1 AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE
2 CHAPTER 6.70 TO ADD A NEW SECTION REQUIRING DEBTORS TO PAY
3 THE COSTS OF COLLECTING THEIR DELINQUENT MUNICIPAL DEBTS TO
4 THIRD PARTY COLLECTION AGENCIES.

5
6 THE ANCHORAGE ASSEMBLY ORDAINS:

7
8 **Section 1.** Anchorage Municipal Code chapter 6.70 is hereby amended by
9 adding a new section to read as follows:

10
11 **6.70.125 Cost of external collection.**

12
13 A. Definitions. As used in this section:

- 14
15 1. *Collection agency(ies)* means a person, firm or other entity
16 with a municipal contract to provide third party collection
17 services.
18
19 2. *Cost of collection* means the fee or commission described in a
20 municipal contract as allowed to be earned by a collection
21 agency for collecting municipal debt.
22
23 3. *Debtor* means any person, firm or other entity owing a
24 municipal debt.
25
26 4. *Municipal debt* includes all fines, fees, taxes, interest,
27 penalties and costs established by code, court-ordered
28 judgments received from the Alaska Court System, and Final
29 Orders received from the Administrative Hearing Officer.


- 30
31 B. The municipality may assign delinquent municipal debt to a collection
32 agency. The related cost of collection shall become the sole liability
33 of the debtor and shall be paid by the debtor, with debtor funds, to
34 the collection agency.
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- C. The collection agency shall deduct, on a pro rata basis, the cost of collection from the funds it collects from a debtor until that debtor's assigned municipal debt is paid in full.
- D. The collection agency shall provide monthly reports to the treasurer detailing payments received from debtors.
- E. This section shall also apply to outstanding balances of municipal debt assigned to a collection agency prior to January 1, 2011, subject to at least one attempt being made to notify the debtor of their liability to pay the cost of collection associated with unpaid balances.


Section 2. This ordinance shall become effective January 1, 2011.

PASSED AND APPROVED by the Anchorage Assembly this 9th day of November, 2010.



Chair

ATTEST:



Municipal Clerk

MUNICIPALITY OF ANCHORAGE

Summary of Economic Effects - General Government

AO Number: 2010-80 Title: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE 6.70 TO ADD A NEW SECTION REQUIRING DEBTORS TO PAY THE COSTS OF COLLECTING THEIR DELINQUENT MUNICIPAL DEBTS TO THIRD PARTY COLLECTION AGENCIES

Sponsor: Mayor
Preparing Agency: Finance Department
Others Impacted: None

CHANGES IN EXPENDITURES AND REVENUES: (Thousands of Dollars)

Table with 6 columns: Category, FY10, FY11, FY12, FY13, FY14. Rows include Operating Expenditures (Personal Services, Supplies, Other Services, Debt Service, Capital Outlay), TOTAL DIRECT COSTS, Add: 6000 Charges from Others, Less: 7000 Charges to Others, FUNCTION COST, REVENUES, CAPITAL, and POSITIONS: FT/PT and Temp.

PUBLIC SECTOR ECONOMIC EFFECTS:

The primary public sector effect will be to decrease to zero the amount budgeted as professional services each year within the Finance Department, Treasury Division budget for payment of commission expense earned by contracted third party collection agencies. "Cost causer - cost payer" concept applies in that the ordinance requires the debtor to bear the cost of collection and Municipal funds will no longer be budgeted to cover these costs.

PRIVATE SECTOR ECONOMIC EFFECTS:

The primary private sector effect will be to increase the cost consequence to debtors who choose to not timely pay their obligations to the Municipality. Upon the effective date of the ordinance debtors will be liable for payment of any commissions earned by the contracted third party collection agencies, in addition to the original delinquent Municipal debt owed. Debtor funds, not municipal funds, will pay aforesaid commission expense. Debtors can choose to pay their Municipal debts timely in order to avoid the additional cost consequence that is triggered once a Municipal debt has been transferred to a third party collection agency.

1 **MUNICIPALITY OF ANCHORAGE**
2 **Assembly Memorandum**
3 **No. AM 557-2010**

4
5 **Meeting Date: October 26, 2010**

6
7 **From: Mayor**

8
9 **Subject: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE 6.70**
10 **TO ADD A NEW SECTION REQUIRING DEBTORS TO PAY THE**
11 **COSTS OF COLLECTING THEIR DELINQUENT MUNICIPAL DEBTS**
12 **BY THIRD PARTY COLLECTION AGENCIES**

13 The attached ordinance is intended to reduce Municipal budgeted direct expense
14 in the amount of \$320,000, by relieving the Municipality from bearing the future
15 cost of collection associated with Municipal debt referred to a third party collection
16 agency. This expense is currently budgeted within the Finance Department,
17 Treasury Division budget as part of professional services (account 3101) and it
18 represents the single largest item of non-personnel expense. The ordinance
19 explicitly shifts the burden of paying the cost of collection associated with third
20 party collection agencies to the debtor (i.e., "cost causer – cost payer" concept).
21 There are currently 23 other jurisdictions across the United States that have been
22 granted similar authority and the language used in the proposed ordinance was
23 modeled after several of these jurisdictions.

24
25 Currently, delinquent municipal debts are transferred to the Municipality's third
26 party collection agencies for collection. These collection agencies are then paid
27 commissions on debts successfully collected. The collection agencies utilized by
28 the Municipality were selected in conjunction with the competitive bidding process
29 required by Anchorage Municipal Code, Title 7.

30
31 Collections on delinquent criminal/civil fines and fees have nearly doubled in 2010,
32 causing the Municipality's commission expense to increase dramatically and
33 requiring a supplemental budget appropriation approved by the Municipal
34 Assembly in August 2010. This near doubling of commission expense payable in
35 2010, along with the needed 2011 budget reductions led to the fundamental
36 change in budgeting and payment responsibility cited in the attached ordinance
37 (i.e., commission budget is set at zero beginning January 1, 2011 and debtors are
38 simultaneously expected to begin paying the cost of collection associated with
39 commissions earned on delinquent Municipal debts collected).

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41 This ordinance increases the debtors' cost of being delinquent once the ordinance
42 takes effect. The increased cost to the debtor is avoidable if the debtor chooses to
43 pay all existing unpaid delinquent balances prior to the ordinance effective date,

1 or, if after the effective date, a debtor with a newly incurred Municipal debt
2 chooses to pay that debt more timely (i.e., prior to the account being referred to
3 the contracted collection agency).

4
5 The commission amount owed by a debtor will be determined according to
6 contractual terms negotiated by the Municipality with each of its third party
7 collection agencies. A retainer fee may be required as part of the overall collection
8 cost calculation. The Municipality will work with its contracted collection agencies
9 to inform debtors of the fully loaded add-on cost that will be due in addition to the
10 balance owed by the debtor on the original Municipal debt.

11
12 The add-on cost will become part of the overall amount due from the debtor and it
13 will be collected and retained by the collection agency. Once assessed to a
14 debtor's account, the add-on cost may only be reduced or eliminated if the
15 Municipality determines that an error occurred during the account referral process
16 or if the court reverses all or a portion of a formerly imposed fine or fee. In such
17 instances the Municipality will refund the paid fines or fees in order to correct a
18 municipal error or to comply with court instructions, and will adjust the collection
19 cost amount on a pro-rated basis in accordance with the refund action.

20
21 THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE
22 AMENDING ANCHORAGE MUNICIPAL CODE 6.70 TO ADD A NEW SECTION
23 REQUIRING DEBTORS TO PAY THE COSTS OF COLLECTING THEIR
24 DELINQUENT MUNICIPAL DEBTS BY THIRD PARTY COLLECTION
25 AGENCIES.

26 Prepared by: Daniel Moore, Municipal Treasurer
27 Concur: Lucinda Maloney, CFO
28 Concur: Dennis A. Wheeler, Municipal Attorney
29 Concur: George J. Vakalis, Municipal Manager
30 Respectfully submitted: Daniel A. Sullivan, Mayor

Content ID: 009487

Type: Ordinance - AO

AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE

Title: CHAPTER 6.70 TO ADD A NEW SECTION REQUIRING DEBTORS TO PAY THE COSTS OF COLLECTING THEIR DELINQUENT MUNICIPAL DEBTS TO THIRD PARTY COLLECTION AGENCIES, FINANCE/TREASURY DIVISION.

Author: pruitns

Initiating Dept: Finance

Keywords: Third Party, Debtor, expense, collection agency, delinquent, Municipal debt

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Director Name: Lucinda Mahoney

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Public Hearing Date: 11/9/10

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Clerk_Admin_SubWorkflow	10/15/10 3:48 PM	Exit	Joy Maglaqui	Public	009487
MuniManager_SubWorkflow	10/15/10 3:48 PM	Approve	Joy Maglaqui	Public	009487
Legal_SubWorkflow	10/15/10 3:47 PM	Approve	Dean Gates	Public	009487
OMB_SubWorkflow	10/15/10 2:56 PM	Approve	Marilyn T. Banzhaf	Public	009487
Finance_SubWorkflow	10/15/10 11:23 AM	Approve	Lucinda Mahoney	Public	009487
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