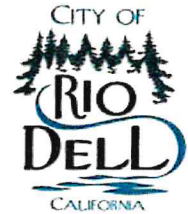

675 Wildwood Avenue
Rio Dell, CA 95562
(707) 764-3532
(707) 764-5480 (fax)



DATE: June 17, 2025

TO: Mayor and Members of the City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Authorization to Execute Collection Services Agreement with Pacific Credit Services for Outstanding Utility Receivables

IT IS RECOMMENDED THAT THE CITY COUNCIL:

- 1) Approve the Collection Services Agreement with Kelstin Group, Inc. dba Pacific Credit Services for the collection of delinquent utility accounts; and
- 2) Authorize the City Manager to execute the agreement on behalf of the City of Rio Dell.

BACKGROUND AND DISCUSSION

The City of Rio Dell has historically engaged third-party collection agencies to facilitate the recovery of delinquent utility receivables, including water, sewer, and related municipal service obligations. This strategic approach enables the City to maintain optimal cash flow while minimizing the administrative burden associated with protracted collection efforts on municipal staff resources.

The City recently received notification from our incumbent collection services provider, Statewide Collection, regarding their unilateral decision to discontinue servicing Rio Dell's account. This unexpected termination of services necessitated an immediate and comprehensive process to identify a suitable replacement vendor capable of maintaining continuity in our receivables management operations.

Through systematic consultation with peer jurisdictions and meticulous analysis of service providers' operational capabilities, financial stability, and performance metrics, staff identified Pacific Credit Services (Kelstin Group, Inc. dba Pacific Credit Services) as the preeminent candidate for our collection services requirements.

Pacific Credit Services represents an exemplary collection services organization with an unprecedented legacy of excellence spanning 77 years of continuous operation since their establishment in 1947. This remarkable longevity demonstrates exceptional organizational resilience, adaptive capacity, and unwavering commitment to client satisfaction throughout multiple economic cycles and regulatory environments.

Pacific Credit Services offers a sophisticated three-tiered collection methodology designed to maximize recovery rates while maintaining professional debtor relations:

- **Early-Out Program:** 10% commission rate for initial collection efforts, representing an exceptionally competitive rate that maximizes the City's net recovery
- **Direct Collection Services:** 25% commission rate for standard collection activities
- **Legal Collection Services:** 25% commission rate for litigation-supported collection efforts

This graduated fee structure ensures cost-effectiveness across the entire collection lifecycle while maintaining alignment between vendor compensation and successful recovery outcomes. Notably, the service model operates on a purely contingency basis with no upfront fees, setup charges, or minimum volume requirements, thereby eliminating financial risk to the City.

Pacific Credit Services maintains a sophisticated technological ecosystem including a secure online client portal that provides real-time account management capabilities. This platform enables City staff to submit new accounts, monitor collection progress, report payments, generate comprehensive reports, and access detailed analytics regarding portfolio performance.

Staff recommends the City Council approve this Collection Services Agreement with Pacific Credit Services, as their demonstrated expertise, competitive pricing structure, advanced technological capabilities, and comprehensive service portfolio position them as the optimal vendor to advance the City's receivables management objectives while maintaining exemplary standards of professional service delivery.

Attachments:

- PCS Agreement for Collection Services

Agreement for Collection Services

This AGREEMENT is made as of the date written below, by and between Kelstin Group, Inc. dba Pacific Credit Services (which will be referred to as "AGENCY"), and

City of Rio Dell

_____, (which will be referred to as "CLIENT").

CLIENT desires, from time to time during the term of this Agreement, to submit to AGENCY for collection certain claims, accounts, or other evidences of indebtedness (which will be referred to as "Claims"), and AGENCY desires to provide CLIENT with collection services with respect to said Claims, therefore, it is mutually agreed by and between the parties as follows:

The assignment of a Claim pursuant to this Agreement shall be an assignment of all rights and interest of the CLIENT relating to collecting on that Claim, including all contractual and statutory rights to collect the Claim, however the assignment of the Claim does not assign CLIENT'S obligation to perform its obligations under the Claim. For all Claims assigned, AGENCY and CLIENT acknowledge that AGENCY may enforce all legal rights for the assigned Claim, including recovery of all interest, fees, and the amounts or damages owed, or to be owed, by the person(s) for any assigned Claim, subject to AGENCY'S duties and obligations to CLIENT pursuant to this Agreement.

AGENCY agrees that all activities of AGENCY shall be carried out in compliance with all applicable federal, state, and local laws. AGENCY agrees that AGENCY will maintain licensing, bonding and errors and omission's insurance as required.

CLIENT represents that the balances of assigned Claims will reflect true and just indebtedness, that the balances of said Claims are accurate and contain no unauthorized fees or costs, that CLIENT obeyed all laws and regulations affecting the assigned Claims, that the Claims are not subject to a known dispute or if the debt is disputed this information will be provided to AGENCY, that the Claims are not barred by any statute of limitations, that the person(s) obligated on the assigned Claims are not represented by an attorney unless clearly noted at time of assignment, that the person(s) obligated on the assigned Claims have not filed for Bankruptcy, and are not at time of assignment assigned to another collection agency, attorney, or other person, and that CLIENT is fully authorized, and has obtained all necessary approvals, for the assignment of the Claims and interest in the Claims to AGENCY.

Further, CLIENT agrees to provide, whenever requested to do so by AGENCY: a written verification of a Claim; a copy of the judgment, if any, on which a Claim is based; the name and address of the person or entity to whom the Claim was originally owed, if different from CLIENT. CLIENT agrees that all claims may be reported to the credit reporting agencies (Equifax, Experian, and Trans Union) or other data furnishers that may accept the reporting of Claims. CLIENT also agrees to immediately report to AGENCY any payments on assigned Claims and any other communication, including disputes, or written or verbal communication, or notice of Bankruptcy on assigned Claims that CLIENT may receive after assignment to AGENCY.

The CLIENT and the AGENCY hereby expressly understand and agree that this Agreement is between CLIENT and AGENCY and there are not intended to be any third party beneficiaries of this AGREEMENT.

TERMS AND CONDITIONS

RATES AND FEES: CLIENT agrees to pay AGENCY and AGENCY agrees to accept for the services rendered by it a contingent fee of 25 % of the amount collected of each Claim assigned to AGENCY for collection. If AGENCY employs its attorneys to pursue collections by initiating a legal action on CLIENT'S behalf to obtain a judgment, or by having CLIENT'S existing judgment assigned to AGENCY to pursue collection, the contingent fee will be 25 %. If AGENCY forwards an account to an out of state agency the contingent fee will be 50%. The contingent fees apply whether paid to AGENCY or to CLIENT directly. Payments made directly to CLIENT will be reported to AGENCY immediately. AGENCY may accrue interest at the legal rate on assigned Claims. All interest collected will be retained by AGENCY. The AGENCY may endorse any checks, money orders; et cetera, received in payment of assigned Claims whether made payable to AGENCY or to CLIENT. The AGENCY will be entitled to a fee of 5% (reviewed by AGENCY on a case by case basis) of the balance assigned plus any costs advanced if it is determined that the Claim(s) is/are not owed and the Claim has been assigned for more than 30 days. We do not accept Claims for collection against people who have filed for protection under the Bankruptcy Act.

SETTLEMENT AUTHORITY: CLIENT may authorize AGENCY or its attorneys to settle any Claim submitted for less than the balance referred to AGENCY by CLIENT. In each case, unless otherwise instructed or indicated below, it is AGENCY policy to obtain authority to settle Claims by obtaining authorization from CLIENT'S authorized representative. By checking below, you grant dollar settlement authority as indicated with respect to Claims placed with us:

☐

Unlimited Authority – AGENCY may settle any Claim for a sum it considers appropriate under the circumstances.

☐

50% Authority – AGENCY may settle any Claim for a sum not less than fifty percent (50%) of the amount referred.

☐

75% Authority – AGENCY may settle any Claim for a sum not less than seventy-five (75%) of the amount referred.

☐

Other (specify authority granted) _____

LEGAL: CLIENT acknowledges and agrees that the assignment of the Claim(s) includes the right for AGENCY to bring suit on CLIENT'S behalf, and AGENCY shall determine, in the exercise of its business judgment, whether it will commence litigation as it determines appropriate. CLIENT agrees that, if required, they will appear at any court dates issued by the Superior Court in order for AGENCY to secure a money judgment on any lawsuits initiated by AGENCY. AGENCY will advance all court costs and attorney fees, unless otherwise agreed by CLIENT. Court costs advanced will be paid to AGENCY out of first monies collected. CLIENT agrees to reimburse AGENCY for any court costs and attorney fees that AGENCY advances, AND any court costs or attorney fees AGENCY is ordered to pay the opposing party by the Superior Court, if the lawsuit is lost or dismissed by the negligence or actions of CLIENT.

AGENCY is not obligated to file suit on Claims assigned to it pursuant to this Agreement and AGENCY is not liable for Claims that become barred by the statute of limitation while in AGENCY's possession. CLIENT holds AGENCY harmless for any Claim that becomes barred by the statute of limitation while assigned to AGENCY. AGENCY reserves the right to close and return Claims that are barred by statute as it deems appropriate.

REMITTANCE AND REPORTS: Each month AGENCY will provide CLIENT an accounting of all monies collected during the previous month and a check for all monies due CLIENT, less any fees due AGENCY. Reports of assignment and collection statistics will be provided upon request.

REVERSED PAYMENTS: CLIENT agrees that in the event a payment on a Claim submitted to AGENCY is returned by the bank the payment was drawn on, charged back by the credit card issuer, or that the payment was applied incorrectly to the Claim by AGENCY that any funds that AGENCY remitted to CLIENT will be returned to AGENCY. All accounting of returned or incorrectly applied payment items will be itemized on the monthly accounting sent to CLIENT by AGENCY AND whenever possible AGENCY will offset any amounts due for returned or incorrectly applied payments from money due CLIENT from the collection of other Claims. If AGENCY is not able to offset the amount due to AGENCY by CLIENT for returned or incorrectly applied payments then CLIENT agrees to promptly remit to AGENCY any amount due for said returned or incorrectly applied payments upon receipt of the monthly accounting.

TERM AND TERMINATION: The term of this Agreement shall become effective on the date of acceptance and shall continue in effect until terminated as herein after provided. This Agreement shall be binding on the heirs, legal representatives, successors and assigns of the parties named above. Either party may terminate this Agreement at any time by giving the other party at least thirty (30) days prior written notice of the date of termination. Termination or cancellation of this Agreement by either party shall not affect the collection, enforcement, or validity of any accrued obligations owing between the parties. In the event of termination or cancellation of this Agreement, all Claims assigned to and held by AGENCY will continue to be retained by AGENCY at the contingent fees in effect under this Agreement and will be subject to the section below entitled; CANCELLATION OF CLAIMS.

CANCELLATION OF CLAIMS: CLIENT may request cancellation of Claims that have been assigned for more than six (6) months. AGENCY will not be required to return Claims that are in the process of collection. Should either party terminate this Agreement, it will still remain in full force and effect in relation to any Claim assigned during the term of the Agreement as long as the AGENCY retains the Claim(s). A Claim is in the process of collection if it is included in a Note or Judgment obtained by AGENCY, there is a promise of payment, or payment is assured by some ascertained future event. CLIENT may request cancellation of Claims that have been assigned for less than six (6) months by paying AGENCY 15% of the amount referred for AGENCY to handle the Claim.

INDEMNIFICATION: AGENCY shall defend, indemnify, and hold CLIENT harmless from any claims, damages, losses or actions brought against CLIENT due to any allegedly illegal or wrongful act or omission of AGENCY. CLIENT shall defend, indemnify, and hold AGENCY harmless against any claims, damages, losses, or actions brought against AGENCY due to any act or omission of CLIENT.

COUNTERCLAIMS: If a debtor files a counterclaim or lawsuit against CLIENT based on a Claim(s) submitted to AGENCY for collection, CLIENT will be responsible to defend said counterclaim or lawsuit and provide its own legal counsel.

CONFIDENTIALITY: All information learned or gained by either CLIENT or AGENCY, whether related to patient care or business practices will be held in confidence and will not be disclosed without specific authorization from CLIENT or AGENCY. CLIENT and AGENCY warrant that all information provided under this Agreement will be used for no purpose other than to provide collection services.

REMEDIES: In the event any legal action is necessary to enforce the terms of this Agreement, the venue shall be in the Superior Court of California, County of Solano. The prevailing party shall be entitled to reasonable attorney fees and costs of litigation. By signing this contract, AGENCY and CLIENT accept all of the stipulations set forth herein and agree to each and every provision herein. If any court of competent jurisdiction shall rule that any provision of this Agreement is invalid or unenforceable, the remaining provisions shall remain in full force and effect and shall not be affected by said ruling.

ASSIGNMENT OF AGREEMENT: This Agreement shall be assignable by either party without prior written consent of the other party hereto.

Neither the waiver by either of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of either party, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall thereafter be construed as a waiver of any subsequent default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

No provision of this Agreement shall be applied or construed in a manner inconsistent with applicable laws and regulations of the United States and the State of California.

CONTRACT IN ENTIRETY: CLIENT and AGENCY agree that all actions taken by CLIENT and AGENCY pursuant to this Agreement shall be in accordance with the TERMS AND CONDITIONS, if any, set forth herein. Thus, whenever the term "Agreement" is used, it shall be construed to include said TERMS AND CONDITIONS. This Agreement, including the TERMS AND CONDITIONS, contains the entire agreement between the parties and cannot be amended or modified in any respect except by an amendment in writing signed by both parties.

Both parties have read this **Agreement for Collections Service** and the **Terms and Conditions** and acknowledge that they are authorized to enter into this Agreement and the acceptance of it in its entirety by signing below.

Date of Agreement: _____

CLIENT:

Name: _____

Address: _____

Phone: _____

E-mail: _____

Signature: _____

Print Name: _____

AGENCY:

**Kelstin Group, Inc. dba
Pacific Credit Services
460 Union Avenue, Suite C
PO Box 150
Fairfield, CA 94533
800-564-6440**

Signature: _____

Print Name: _____