



City of
Peterborough

To: Members of the General Committee

From: Richard Freymond
Commissioner of Corporate and Legislative Services

Meeting Date: November 12, 2019

Subject: Report CLSFS19-047
Maximum Third-Party Collection Commission Rate

Purpose

A report proposing an increase in the maximum commission rate charged by third party collection agencies for the recovery of outstanding receivables.

Recommendation

That Council approve the recommendation outlined in Report CLSFS19-047 dated November 12, 2019, of the Commissioner of Corporate and Legislative Services, as follows:

That By-law 06-146, being a By-law to establish the maximum commission rate of the outstanding receivable amount charged to debtors by the City's third-party collection agencies, be amended, to increase the commission rate from 25% to 45%.

Budget and Financial Implications

The cost of collection will be recovered from the debtor, therefore there will not be a financial cost to the City. The ability to utilize a third placement agency with an increased maximum commission rate of 45% may increase the City's collection of long-standing receivables.

Background

Currently all debts which City Collections staff are unable to successfully collect are forwarded to a third-party collection agency. The City currently holds contracts with a first placement and a second placement agency. These agencies issue a commission rate that varies by agency and by placement, but at an amount within the current 25% threshold as established in By-Law 06-146. This rate is calculated as a percentage of the fine and is paid by the debtor having no effect on the amount received by the City from successful collections.

Staff wish to begin using a third placement collection agency for older debts, however, are limited to do so due to the restrictions imposed by the current 25% commission rate. Staff recommend amending By-law 06-146 to increase the maximum rate to 45%, the rate required by the marketplace for this type of service.

Summary

A maximum commission rate of 45% charged by a third-party collection agency and added to the outstanding receivable will allow City staff to utilize first, second and third placement agencies. This charge will create an incentive for third-party collection agencies to pursue outstanding debts where City staff have exhausted all internal collection actions.

Submitted by,

Richard Freymond
Commissioner of Corporate and Legislative Services

Contact Name: Loren Drinkwalter, Revenue Administrator
Phone: 705-742-7777 Ext. 1804
Toll Free: 1-855-738-3755
Fax: 705-748-8839
E-Mail: ldrinkwalter@peterborough.ca

Attachments:

Appendix A – Draft By-Law to Establish a Maximum Collection Agency Commission Rate



The Corporation of the City of Peterborough

By-Law Number 19-XXX

Being a By-law to amend By-law 06-146 to increase the maximum commission rate for third-party collection agency commission rates.

WHEREAS Section 304 of the Municipal Act 2001 stipulates that if a municipality uses a registered collection agency in good standing under the Collection and Debt Settlement Services Act to recover a debt, including taxes, payable to the municipality, the collection agency may also recover its reasonable costs of collecting the debt but those costs shall not exceed an amount approved by the municipality.

It is enacted as a by-law of The Corporation of the City of Peterborough as follows:

1. By-law 06-146 is amended by
 - a) deleting in section 1 the words, “on a commission free basis”, and by substituting the words, “from the debtor”; and by
 - b) deleting in section 2 the reference to “25%” and by substituting “45%”.

2. This by-law comes into force on the date of the final passing thereof.

By-law read a first, second and third time this XX day of November 2019.

(Sgd.) Diane Therrien, Mayor

(Sgd.) John Kennedy, City Clerk