



City of Denton

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AGENDA INFORMATION SHEET

DEPARTMENT: Finance
CM/ DCM/ ACM: Bryan Langley
DATE: March 20, 2018

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the City's Delinquent Tax Collection Contract.

BACKGROUND

The City of Denton's contract for delinquent property tax collection services was originally awarded to the law firm of Sawko & Burroughs, PC, on July 1, 2005. The City of Denton approved a new contract for delinquent tax collection services with Sawko & Burroughs on November 4, 2008, following an extensive Request for Qualification (RFQ) process. The original contract stipulated an initial term beginning December 1, 2008, and ending June 30, 2011, and it expired in June 2016 as a result of various contract extensions. Due to the impending expiration of this contract, staff issued a new Request for Qualifications (RFQ) for delinquent tax collection services in February 2016.

According to state statute, law firms receive a 20% fee for collection services associated with delinquent property taxes. These fees are in addition to the actual amount of delinquent taxes owed and are paid by the delinquent taxpayers, not the City of Denton. Since collection fees are established by statute, an evaluation of potential services is limited to a review of a particular law firm's historical collection performance, professional qualifications, and collection procedures. Accordingly, the following evaluation and weighting criteria was developed to evaluate responses to the RFQ in 2016.

- Demonstrated qualifications, experience, and credentials of firms providing proposals. (20%)
- Historical performance levels and demonstrated capabilities. (60%)
- Delinquent tax collection procedures for accounts, technological capabilities, available legal services, oral presentation, and overall response to the solicitation. (20%)

In response to the RFQ, the City of Denton received four responses from the following law firms.

- Sawko & Burroughs, PC
- Perdue, Brandon, Fielder, Collins, & Mott, LLP, in association with Minor & Jester, PC
- McCreary, Veselka, Bragg, & Allen, PC, in association with Hayes, Berry, White, & Vanzant, LLP
- Linebarger, Goggan, Blair, & Sampson, LLP

Following the submission of these qualifications, staff performed an extensive review of the materials and heard oral presentations from each firm.

After carefully evaluating all of the written proposals and oral presentations, staff recommended that the firm of Sawko & Burroughs, PC, be awarded the contract for delinquent tax collection services. The principal reasons for this recommendation were as follows:

- Strong history of delinquent tax collection performance in the City of Denton.
- Strong level of demonstrated responsiveness to the City of Denton.
- Principal tax collection attorneys work in Denton and maintain a strong local presence to assist staff and taxpayers with issues that may arise.
- Sawko & Burroughs also collects for the Denton Independent School District which leverages resources to optimize collections.
- Evidence of assisting taxpayers with information and payment arrangements.
- Led effort to collect delinquent property taxes for Nuview Molecular Trace Linac business personal property accounts which represented a very complex and time consuming task.
- Led effort to collect pro rata share of property taxes related to Texas Department of Transportation property condemnations.
- Led effort to establish proactive collection arrangements for key bankruptcy accounts.
- From 1987-2015, initiated more than 65% of the delinquent tax property auction proceedings in Denton County.

The firm of McCreary, Veselka, Bragg, and Allen, PC, received the second highest ranking from the selection panel. This firm collects delinquent property taxes for Denton County and represents several municipalities in the county. However, the firm was not able to provide Denton County collection information for Denton accounts, and the local law firm affiliated with McCreary would have a limited role in providing collection services. As a result, staff rated this firm slightly lower than Sawko & Burroughs. While the Perdue and Linebarger law firms have extensive experience in delinquent tax collections, staff rated their proposals equally as the third highest ranking.

Following several work session discussions, the City Council approved a new two year contract with the Sawko and Burroughs law firm in June 2016. As such, the purpose of this item is to receive direction on how to proceed from the City Council given the impending expiration of the contract in June 2018.

DISCUSSION

According to the contract, collections are required to be at least 60% of current year delinquencies, and 30% of all prior year delinquent amounts. City staff has independently reviewed the performance of Sawko & Burroughs and determined that the firm has exceeded the contractual requirements. Consequently, staff has been satisfied with the performance of the firm. A summary of the firm's collection performance is included in the attached presentation.

Due to the impending expiration of the contract, the following options have been developed for consideration.

- Option 1: Enter into a new three-year agreement with Sawko & Burroughs for delinquent tax collection services. While a three-year agreement is recommended in this option, the City Council could certainly choose to have an alternate contract term.
- Option 2: Enter into negotiations and award a contract to another law firm. Since delinquent property tax collections are considered a professional service, state law does not require the solicitation of bids or proposals. McCreary, Veselka, Bragg, and Allen, the firm which received

the second highest ranking from the panel during the last RFQ process, could be considered. This firm was ranked very favorably due to their prior performance and existing contract with Denton County. Alternatively, the City Council could award the collection contract to another law firm based upon their qualifications.

- Option 3: Solicit new Requests for Qualifications (RFQ) for the tax collection contract. While this is a viable option, it should be noted that staff completed an extensive RFQ process in 2008 and 2016, and we received responses from the same four firms mentioned above in each proposal process. It is doubtful that the market for these services has changed materially since 2016, and as a result, the City would likely be considering the same firms from the last proposal process if this option was selected.

RECOMMENDATION

These type of rankings for professional services are inherently subjective in nature, and the differences in collection performance and procedures is minimal between delinquent property tax collection law firms. However, after reviewing the performance of Sawko & Burroughs for the past several years, staff is of the opinion that the firm has performed more than satisfactorily. As such, staff is recommending that a new contract be awarded to the Sawko & Burroughs law firm for delinquent property tax collection services.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence

Related Goal: 1.1 Manage financial resources in a responsible manner

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Ordinance 2016-191

Exhibit 3 – Presentation

Respectfully submitted:
Bryan Langley
Deputy City Manager/COO