



To: Finance Committee
David A. Hulseberg, Village Manager

From: Timothy Sexton
Director of Finance

Date: September 17, 2012

Subject: Local Debt Recovery Program - Intergovernmental Agreement with the Illinois Comptroller's Office and Request to Contract with XSELL Technologies for Match File Assistance

On August 8, 2011 Public Act 097-0632 was passed with an effective date of January 1, 2012 authorizing a Debt Recovery Program which allows revenues ordinarily paid to businesses and residents to be offset by the amount of unpaid fines and fees they've accrued with local governments. The source of these revenues can be tax refunds, paychecks (for State employees), and even lottery winnings.

There are three main areas that there is a significant amount of outstanding amounts due the Village of Lombard – ambulance fees, parking tickets and water bills. Below are the amounts in each of these areas that are significantly past due:

Ambulance Fees	\$865,000
Parking Tickets	\$859,000
Water Bills	\$127,000

Currently, out of these outstanding fines/fees, only parking tickets are eligible to be collected through the Local Debt Recovery Program.

The logistics of the program are fully handled through the Illinois Office of the Comptroller (IOC). Prior to the IOC issuing a state tax refund to an individual who owes money to a governmental entity, the amount owed to the local government plus an administrative fee will be deducted and deposited in the Comptroller Debt Recover Fund. The debtor will be provided a written notice of the action and has 60 days to protest the deduction with the IOC. If no protest is made, at the end of the 60 day period, the amount owed will be transferred to the local unit of government. The average IL State tax return is approximately \$250.00. Therefore, it could take several years to completely pay off a large debt owed by one person.

In terms of the costs for the program, there is a \$15 transaction fee for each debt collected which is passed on to the debtor. As such, there is no cost to the Village of Lombard. This program is offered on a first come, first serve basis. The IOC has limitations as to how many governmental entities it will be able to service. Additionally, the outstanding amount owed to municipalities will be run in the order of the intergovernmental agreements that were accepted. As such, if the Village of Lombard is going to be a participant of this program it is important to join prior to the next income tax season.

Initially, staff attempted working with IOC staff to get a file to the state of the amounts owed to the Village for parking tickets. Beyond just sending the initial file, Village staff would need to update the file every time a payment was made directly to the Village. Due to the complexity of working with the state and several months of attempting this, it was determined that this was not something that could be accomplished in-house.

In August, the Village of Lombard worked with XSELL Technologies to create a test file of the amounts owed to the Village for parking tickets. XSELL then submitted this test file of 3,509 records to the IOC. Of these 3,509 records, the IOC was able to match 1,465 records, or 41.7% based on the name and addresses we provided. These matches represent \$350,000 of the total outstanding amount, or 40.7%. The IOC compared these matches to the tax returns filed for 2011 and found that \$78,646.01 could have been collected, which is 9.2% of the total outstanding parking tickets.

XSELL Technologies can assist communities such as ours to increase our match rate. They do this by running our data through a series of algorithms that scrub the data and then compare unmatched records to those that were matched. By doing so, they can determine whether a data entry error may have resulted in the record not being matched. In addition, they provide accurate and ongoing maintenance to file amendments per IOC guidelines.

The cost to have XSELL Technologies assist with these data algorithms and provide their software is 10% of actual revenues recouped. The term of this agreement would be for one year and would automatically renew for another one year term, unless either party provides notice of termination.

I am requesting at this time that the Finance Committee concur in our recommendation to enter into an intergovernmental agreement for the Debt Recovery Program with the Illinois Comptroller's office and to award a contract to XSELL Technologies to assist with this program. Upon committee approval, this recommendation will be presented to the Village Board for their consideration and approval.

Attachments:

Draft Intergovernmental Agreement for the Local Debt Recovery Program
Village of Lombard/XSELL Revenue Reconciliation Statement of Work