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CITY OF SAN ANTONIO AGENDA ITEM NO. 67
MUNICIPAL COURT DEPARTMENT
Interdepartmental Correspondence

TO: Mayor and City Council

FROM: Quentin B. Porter, Municipal Court Director

THROUGH: Terry M. Brechtel, City Manager

COPIES: File

SUBJECT: AN ORDINANCE AUTHORIZING THE CITY MANAGER TO ACCEPT LINEBARGER GOGGAN BLAIR AND SAMPSON'S OFFER TO WITHDRAW IMMEDIATELY FROM THE CONTRACT FOR THE COLLECTION OF DELINQUENT ADJUDICATED CLASS C MISDEMEANOR FINES AND NEGOTIATE A CONTRACT WITH MUNICIPAL SERVICES BUREAU, INC (MSB) FOR SAME

DATE: December 12, 2002

SUMMARY AND RECOMMENDATIONS:

This ordinance authorizes the City Manager to accept the Linebarger Goggan Blair and Sampson offer to withdraw immediately from the contract with the City for the Collection of Delinquent Adjudicated Class C Misdemeanor Fines as requested by Councilman Julián Castro, District 7.

This ordinance also authorizes the negotiation of a professional services contract with Municipal Services Bureau, Inc (MSB) for the same services as provided by the Linebarger firm.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

On October 11, 2002, the City received a letter from Linebarger Goggan Blair and Sampson, LLP stating the following: "...please allow this letter to confirm our law firm's willingness to voluntarily withdraw from representing the City of San Antonio with respect to the contract to collect the City's municipal fees and fines as referenced above. If the City desires, we are willing to withdraw immediately or at such time the City deems appropriate."

On October 24, 2002 the Quality of Life Committee met and accepted staff's recommendation to prepare a Request for Ordinance to accept the Linebarger Goggan Blair and Sampson offer to voluntarily withdraw from the collection contract. In addition, the Committee approved staff's recommendation to negotiate a contract with MSB and concurrently develop a Request for Proposal in case the negotiations are unsuccessful.

On October 31, 2002, Council took no action on the agenda item due to the fact that the entire Council was not present to consider the ordinance.

A six-signature memorandum from Councilman Castro, dated November 21, 2002, directed staff to prepare a Council agenda item accepting the withdrawal offer from the Linebarger firm.

If this ordinance is approved, staff will notify the Linebarger firm to discontinue collection activity effective immediately. Since being awarded the contract on June 27, 2002, the Linebarger firm has performed as follows:

- Opened a local call center and hired 25 out of 50 employees
- Contracted with local minority law firm, Escamilla and Poneck
- Paid call center employees a living wage of \$8.50 per hour
- Provided benefits to the employees
- Gross collections as of October 31, 2002: \$123,735
- 30% collection fee: \$37,120

In addition, staff will negotiate a contract with MSB and report to City Council within 45 days. The elements of the contract should include the initial guarantees made by MSB:

- Collection fee would remain at 30%
- Guaranteed collection rate of 16.5%
- Allow City to escrow 10% of their fee until collection rate is attained
- Contract with local minority law firm
- Open a local call center and hire 50 employees
- Pay call center employees a living wage of \$8.50 per hour with benefits

Staff recommends acceptance of the Linebarger firm's offer of immediate withdrawal and negotiation of a contract with MSB for the same services.

POLICY ANALYSIS

MSB will assist Municipal Court with the enforcement of court orders associated with adjudicated Class C misdemeanor cases. MSB has the experience and resources necessary to locate violators and obtain voluntary compliance with court orders. Staff is finalizing a revised Request for Proposal in the event negotiations with MSB are unsuccessful.

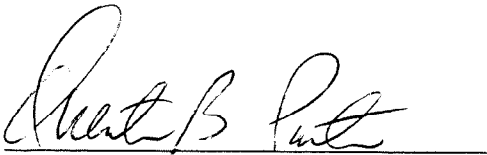
FINANCIAL IMPACT

Senate Bill 1778 amended Article 103.0031, Code of Criminal Procedure, by providing that a governing body of a municipality may enter into a contract with a private attorney or a public or private vendor for collection services for debts, fines, fees, restitution, or costs other than forfeited bonds. This statute also allows the governing body to offset associated costs by authorizing an additional collection fee in the amount of 30 percent on each debt or account that is more than 60 days past due and has been referred to the vendor for collection. On April 18, 2002, Council authorized the assessment of this fee to offset the cost of the contract.

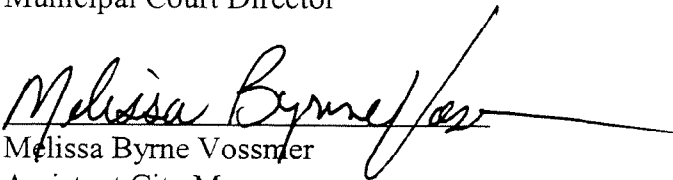
The FY 2003 budget included an anticipated \$800,000 in additional fine revenue based on contract guarantees. It will take approximately two months to negotiate a contract with MSB and develop the process to transfer data. Based upon FY 2003 revenue projections, this could potentially result in a revenue loss of \$134,000 (2 mos. @ \$67,000 per mo.). Since staff has developed a Request For Proposal, it could be released immediately at the direction of Council, while negotiations are taking place. If staff is unsuccessful at negotiating a contract with MSB, the estimated timeframe for the completion of the RFP process is four months, thus resulting in a potential revenue loss of \$268,000 (4 mos. @ \$67,000 per mo.) In either case, staff will work to minimize the time necessary to complete the process and therefore minimize the potential revenue loss.

COORDINATION

This item was prepared in accordance with a six-signature Council memorandum and conforms to the direction of the City Manager and City Attorney.

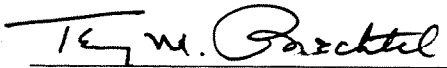


Quentin B. Porter
Municipal Court Director



Melissa Byrne Vossmer
Assistant City Manager

Approved by:



Terry M. Brechtel
City Manager

CITY OF SAN ANTONIO
OFFICE OF THE CITY COUNCIL
INTERDEPARTMENTAL CORRESPONDENCE SHEET

RECEIVED
CITY OF SAN ANTONIO
CITY CLERK
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TO: Mayor and Council

FROM: Councilman Julián Castro, District 7

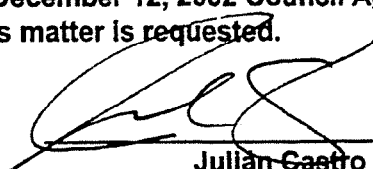
COPIES TO: Terry Brechtel, City Manager; Yolanda Ledesma, Acting City Clerk; Andrew Martin, City Attorney; Milo Nitzche, Director of Finance; Lou Lendman, Director of Budget & Management, Gayle McDaniel, Assistant to the City Council, Quentin Porter, Municipal Courts; File

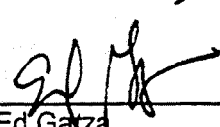
SUBJECT: Acceptance of Linebarger Contract Withdrawal

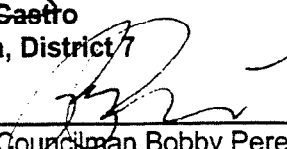
DATE: November 21, 2002

I respectfully request Council concurrence to accept the offer of Linebarger, Goggan Blair Peña & Sampson to withdraw from their contract with the City of San Antonio for collection of delinquent municipal court fees and fines.

The Linebarger firm agreed to withdraw from their contract last month, yet no Council action has taken place on this item. Therefore, I would like to see this item placed on the December 12, 2002 Council Agenda. Your favorable consideration of this matter is requested.


Julián Castro
Councilman, District 7


Mayor Ed Garza


Councilman Bobby Perez, District 1

Councilman John Sanders, District 2

Councilwoman Toni Moorhouse, District 3

Councilman Enrique Martin, District 4

Councilman David A. Garcia, District 5


Councilman Enrique M. Barrera, District 6


Councilwoman Bonnie Conner, District 8


Councilman Carroll W. Schubert, District 9


Councilman David Carpenter, District 10

LINEBARGER GOGGAN BLAIR PEÑA & SAMPSON, LLP
ATTORNEYS AT LAW
711 NAVARRO, SUITE 300
SAN ANTONIO, TEXAS 78205
(210) 225-6763
FAX (210) 225-6410

OLIVER S. HEARD, JR.
CO-FOUNDING PARTNER
1943-2000

October 11, 2002

Mr. Quentin Porter
Director
San Antonio Municipal Courts
401 South Frio
San Antonio, Texas 78207
Via Facsimile (210) 207-4258

RE: Collection Services Contract for Delinquent
Adjudicated Class C Misdemeanor Fines
Pursuant to Ordinance #95639

Dear Quentin:

Pursuant to our telephone conversation this morning, please allow this letter to confirm our law firm's willingness to voluntarily withdraw from representing the City of San Antonio with respect to the contract to collect the City's municipal fees and fines as referenced above. If the City desires, we are willing to withdraw immediately or at such time that the City deems appropriate.

Although we have worked extremely hard since the day we were awarded the contract, including leasing and furnishing over 11,000 square feet of office space and employing to date 20 personnel, it is more important to us to represent the City in a manner that fosters public trust. We have worked on the City's behalf for over 18 years and we will continue to work diligently to build on our record of proven performance.

Sincerely,



CLIFTON F. DOUGLASS, III
Managing Partner - San Antonio

CFD/cbw

Cc: Mr. Andy Martin, City Attorney

LINEBARGER GOGGAN BLAIR & SAMPSON, LLP

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CLIFTON F. DOUGLASS III
MANAGING PARTNER
SAN ANTONIO

OLIVER S. HEARD, JR.
CO-FOUNDING PARTNER
1943-2000

October 31, 2002

The Honorable Ed Garza, Mayor
The Honorable Bobby Perez, Councilman – District 1
The Honorable John Sanders, Councilman – District 2
The Honorable Toni Moorhouse, Councilwoman – District 3
The Honorable Enrique Martin, Councilman – District 4
The Honorable David Garcia, Councilman – District 5
The Honorable Enrigue Bárrera, Councilman – District 6
The Honorable Julian Castro, Councilman – District 7
The Honorable Bonnie Conner, Councilman – District 8
The Honorable Carroll Schubert, Councilman – District 9
The Honorable David Carpenter, Councilman – District 10
City of San Antonio

Via Hand Delivery

Dear Mayor Garza and Councilmembers:

Let me begin by apologizing to you for the negative publicity that has occurred in the past three weeks with respect to the City's Municipal Court fees and fines collection contract. It has been, without a doubt, a very difficult three weeks for you, as well as for our law firm and our 800 employees. Our law firm's reaction to the allegations made against one of our former partners and two members of council was one of disbelief and sadness. In light of the questions about how we received this contract, we thought the proper thing to do was to immediately offer to withdraw from representing the City with respect to the Municipal Court Fees and Fines collection contract.

We understand that you will address our offer to withdraw from the contract this afternoon. Although, presumably, you will accept our offer to withdraw from this contract, I want you to know that our law firm is proud of the work our employees have devoted to fulfilling our commitment to this contract, which was signed on August 2, 2002.

The contract negotiated by City staff provided not only performance guarantees to generate additional revenue for the City, but the contract also contained extensive reinvestment and economic

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SAN ANTONIO
MUNICIPAL COURT

October 31, 2002

considerations for the City. Those considerations included opening a call center in San Antonio to employ a minimum of 50 additional San Antonio area residents to service the City's contract within 180 days of the contract date (by February 2, 2003). In less than 30 days (on August 28, 2002), we opened a San Antonio call center featuring 11,713 square feet to accommodate a staffing capacity of 118 people. Pursuant to our contract, the 50 new employees were to receive a minimum living wage of \$8.50 per hour plus benefits, making our annual payroll to service this contract well over \$884,000 per year. As of October 23rd, we had already hired 24 new full-time employees whose salaries met or exceeded \$8.50 per hour plus benefits. In fact, the average hourly rate being paid to these 24 San Antonio residents is \$12.57. Our center's operating hours are 8:00 a.m. – 8:00 p.m. Monday through Thursday; 8:00 a.m. – 5:00 p.m. on Fridays, and 8:00 a.m. – noon on Saturdays. Each employee is equipped with the most advanced collection system available on the market today, including Dell Optiplex personal computers; Dell ultra sharp flat screen monitors; CUBS collection systems; and CUBS predictive dialers. Within the first three (3) months of the contract, our employees made 25,186 telephone calls; mailed 37,072 letters and achieved an 8.15% resolution liquidation rate on behalf of the City.

Presuming the City accepts our offer to withdraw from the Municipal Court fees and fines contract, it is our goal to retain all the employees we have hired to date. Each of these employees has worked extremely hard to serve the City honorably and professionally, and they have done an outstanding job of meeting the contractual requirements of the contract.

We will work with City staff to ensure a smooth transition to another contractor. If we can be of service to the City in any other way, we stand ready to serve.

Our law firm has a 25-year history of representing our clients ethically, honestly and with the highest integrity. Again, we are very sorry about the negative publicity this issue has generated in recent weeks. We remain available to address any concerns or questions you may have.

Sincerely,



CLIFTON F. DOUGLASS III
Managing Partner – San Antonio

CFD/cbw

Cc: Ms. Terry Brechtel
Ms. Melissa Vossmer
Mr. Andy Martin
Mr. Quentin Porter