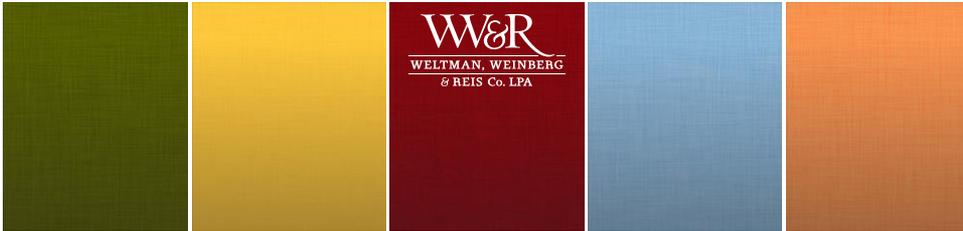


Revenue Collections

Ohio Association of Public Treasurers
Annual Training Program

Presented by:
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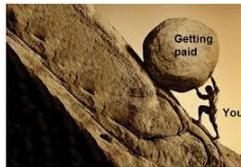
Overview

- Establishing internal guidelines to handle accounts receivable
 - Timelines
 - Appropriate actions to take at certain intervals
- Identifying sound collection techniques to address non-payers
- Understanding the legal process as an option in handling non-payers



Establishing Internal Guidelines

- Every business/municipality that has self pay accounts (or offers credit) needs to create policies that outline the processes used to deal with the past due accounts
 - Review and change standard collection policies on a regular basis
 - Find out what works in keeping past due accounts receivables at a minimum



Establishing Internal Guidelines

- Considerations
 - Accept the philosophy and the fact
 - It's ok to collect cash from residents
 - The economically-distressed can be put on a sliding scale
 - **Collect something**
 - Set the expectation that **payment is due at the time of service**
 - Clearly post messages in the lobby and other areas
 - Train staff in collecting cash
 - Assertive language is key
 - Establish a cash management policy and procedures with checks and balances



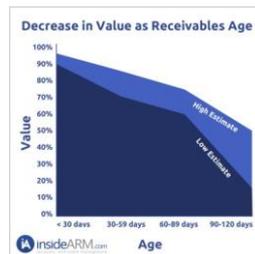
Establishing Internal Guidelines

- Timelines
 - Collections begins at day 1
 - Perception
 - 9/10s reality
 - Attitude
 - Collect something
 - Reputation
 - Maintaining goodwill



Establishing Internal Guidelines

- Time is money
 - The value of receivables can reduce substantially over a short period of time
 - The potential to collect receivables that are 90 to 120 days or older decreases to approximately 20 to 60 percent



Establishing Internal Guidelines

- Initial considerations
 - Late payment charges
 - Ordinance
 - Notice
 - Penalties
 - Applied
- Early/pre-payment discounts
- Amnesty programs
- Costs of collection
 - House Bill 5 (post judgment)



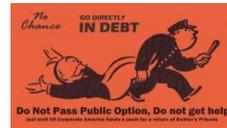
Establishing Internal Guidelines

- Account contact & follow up
 - Actions to take
 - Timely billing
 - Follow up letters
 - Phone calls
 - Promise to pay agreements/notes
 - Pledge of security/collateral
 - Legal action



Establishing Internal Guidelines

- Set up policies
 - Include letter timing and when phone calls should be made
 - Amount owed
 - Spend more time and effort to collect large balances
 - Two pitfalls:
 - The willingness to write-off small balances
 - Can add up over time
 - Obstinate, imprudent collection efforts
 - Holding onto the collection too long



Establishing Internal Guidelines

- Make collections a top priority
 - Educate staff on the importance of continued follow up and contact
 - Approximately 5% of accounts over 90 days past due tend to pay voluntarily*
 - It is estimated that accounts that are:*
 - 90 days past due: 90% collectible
 - 180 days past due: 67% collectible
 - 1 year old: 40% collectible



*WWR Client reports

Sound Collection Techniques

- Identifying sound collection techniques to address non-payers
- Remedies available for non-payment
 - Options that can be addressed outside the parameters of a court
 - Settlement
 - Consensual lien or mortgage
 - Collateral
 - Additional guarantees
 - Civil and criminal remedies
 - Suit, judgment, lien, executions
 - Warrant, citation



Sound Collection Techniques

- If no arrangements are made and there has been no response, there are a few options to take:
 - Send out a notice with options
 - Amnesty
 - Waiver of penalties or interest
 - Outsource to a third party
 - File legal action



Sound Collection Techniques

- Overall strategy
 - Asset review and knowing the debtor
 - Identifying the debtor
 - Locating the debtor
 - Identifying the debtor's financial position
 - Understanding any pressure points



Sound Collection Techniques

- Game plan
 - When **not** to pursue a judgment
 - How to effectively get a debtor's attention
 - Pre-litigation procedures
 - Pre-judgment procedures
 - Obtaining judgment

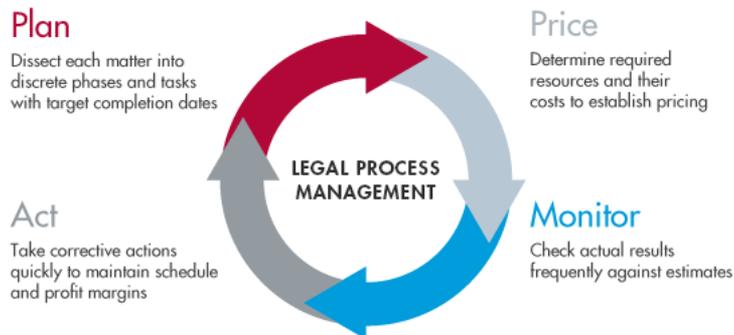


Understanding the Legal Process

- Develop an understanding of the legal process as an option in handling non-payers
- Litigation considerations
 - Statute of limitations
 - Documentation
 - Collectability
 - Jurisdiction
 - Venue
 - Cost



Understanding the Legal Process



*Legal Practice Intelligence



Understanding the Legal Process

- Results
 - Promise to pay agreements/notes
 - Extend statute of limitations
 - Waive defenses and counterclaims
 - Acknowledge balance
 - Legal action
 - A judgment may become a lien against any real property owned by the debtor in the county
 - In Ohio, failure to execute on a judgment for five years will result in the judgment becoming dormant
 - Non-exempt assets attachable



Outsourcing

- Timing
 - Balance should be considered to control collection costs
 - How long has the item been unpaid?
 - Pattern of payment
 - Note whether there were partial payments or any effort to settle the debt
 - Relationship
 - How long have you been dealing with the person or business?
 - Previous dealings
 - How has the person or business lived up to its commitments in the past?



Outsourcing

- Collection agency
 - A business that pursues payments of debts owed by individuals or businesses to another party
 - First party vs. third party collections
 - First party agencies
 - Often subsidiaries of the original company to which the debt is owed
 - Third party agencies
 - Separate companies contracted by a company to collect debts on their behalf for a fee



Outsourcing

Just the facts

- In 2013, third party collectors recovered approximately \$55.2 billion in total debt, netting creditors nearly \$45 billion
 - Less than .01% of all collection contacts end in complaints to regulators or the Better Business Bureau*
 - The collection industry saved the average American household \$389 in 2013
 - Represents dollars households would have spent if businesses were forced to raise prices to cover bad debt**

*ACA International
**The Impact of Third-Party Debt Collection on the National and State Economies, July 2014



Outsourcing

Just the facts

- U.S. debt collection agencies were estimated to directly contribute:
 - \$724 million of federal tax
 - \$400 million of state tax
 - \$287 million of local tax
 - **Combined tax impact of more than \$1.4 billion**
- U.S. collection agencies*:
 - Directly employ approximately 136,100 people
 - Support the indirect and induced employment of more than 95,100 individuals in industries that sell goods and services to debt collection agencies and their employees

*Based on 2013 figures



Outsourcing

- Checklist for choosing a collection agency
 - Capabilities and experience
 - Do they have the resources to carry out legal action?
 - Reputation/references
 - Are they affiliated with industry associations?
 - Better Business Bureau
 - Association of Credit and Collection Professionals
 - American Collectors Association
 - Do they have established policies and procedures?
 - On-going training
 - Compliance



Outsourcing

- Compensation
 - Contingency fees
 - House Bill 5
 - Set fee
 - Sliding scale
 - Flat fees
 - Fee for service/action
 - Hourly fees
 - Rates per position



Questions?

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