



City of Oceanside

300 North Coast Highway,
Oceanside, California 92054

Staff Report

File #: 25-997

Agenda Date: 9/17/2025

Agenda #: 6.

DATE: September 17, 2025

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

TITLE: AMENDMENT 4 TO PROFESSIONAL SERVICES AGREEMENT WITH STATES RECOVERY SYSTEMS, INC. FOR DEBT COLLECTION SERVICES

RECOMMENDATION

Staff recommends that the City Council approve Amendment 4 to the Professional Services Agreement (PSA) with States Recovery, Inc. ("States Recovery"), extending the term of the agreement for one year through September 25, 2026, under the existing commission-based structure for debt collection services; and authorize the City Manager to execute the amendment.

BACKGROUND AND ANALYSIS

In September 2019, the City Council approved a three-year PSA with States Recovery with commission rates ranging from 12% to 50% of collections received from debt collection services. The agreement includes the option for two additional one-year extensions.

In September 2022, the City Council approved Amendment 1 executing the first one-year extension option extending the term of the agreement through September 25, 2023.

In September 2023, the City Council approved Amendment 2, the second one-year extension option; extending the term of the agreement through September 25, 2024. Amendment 2 added three additional one-year extension options for a total contract term of eight years. Staff will issue a Request for Proposals for collection services once all extensions are exhausted.

In November 2024, the City Council approved Amendment 3, executing the first one-year extension and extending the term of the through September 25, 2025.

Amendment 4 executes the second one-year extension option; extending the term of the agreement through September 25, 2026.

States Recovery is an owner operated firm in business since 1988. The owner is directly involved in interfaces with City software programs to ensure efficient collection on delinquent accounts. States Recovery also aids in the annual submission of delinquent accounts to the Franchise Tax Board's Interagency Intercept program, providing another avenue for recovering funds owed to the City.

Over the term of the agreement, States Recovery has been responsive to both City staff and customers, it has maintained satisfactory collection rates and continues to exceed the City's expectations. The commission rates charged are consistent with industry standards.

FISCAL IMPACT

The Fiscal impact is based on actual collections and cannot be precisely determined in advance. Based on historical performance, staff projects FY 2025-26 collections of approximately \$315,000 annually, with an estimated \$53,000 in commission to States Recovery.

Commission rates remain unchanged under Amendment 4:

- Primary Assignments - 17 percent of all revenue collected
- Primary legal - 30 percent of all revenue collected
- Primary Interest Rate - 50 percent of all revenue collected
- Secondary Assignment - 20 percent of all revenue collected
- Franchise Tax Board Intercept - 12 percent of all revenue collected

As reference, revenue recovered is recorded in the fund to which the debt was originally owed. FY 2021-22 totals were higher because accounts placed on hold during the COVID-19 pandemic were reactivated and collections resumed.

Description	Collected	Commission
FY 2019-20	\$176,577	\$29,699
FY 2020-21	\$252,188	\$39,516
FY 2021-22	\$419,714	\$67,547
FY 2022-23	\$266,711	\$43,833
FY 2023-24	\$389,898	\$61,815
FY 2024-25	\$383,550	\$65,213

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

Prepared by: Donna Trevizo, Financial Services Division Manager

Reviewed by: Jill Moya, Financial Services Director

Submitted by: Jonathan Borrego, City Manager

ATTACHMENTS:

1. Staff Report
2. Amendment 4