

## **Award to Multiple Suppliers for Collection Services for Provincial Offences Act Fines for Court Services Division**

**Date:** February 15, 2023

**To:** General Government Committee

**From:** Chief Procurement Officer,  
Purchasing and Materials Management Division, and Director, Court Services

**Wards:** All

### **SUMMARY**

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The purpose of this report is to advise on the results of Request for Proposal ("RFP") Ariba Document Number 3389680974 for the provision of collection agency services to support the collection of defaulted fines under the Provincial Offences Act (POA) and approval of the collection rates under the City of Toronto Act, 2006. Existing contracts expire on March 31st, 2023, and new contracts are required to continue the service. Staff are requesting authority to negotiate and enter into agreements with nine (9) recommended Suppliers in accordance with the terms outlined in the RFP as listed in Attachment 1.

The debt collection agency services have been segmented into three (3) categories:

- **"First (1st) Assignment"** These accounts have been in default for up to two years from the date of the Accounts Receivable Report based on the debtor. These accounts may either have been previously assigned in third-party collections, or this may be the first assignment.
- **"Second (2nd) Assignment"** These accounts have been in default for more than two years and less than 20 years. All of these accounts have been previously assigned to third-party collections.
- **Third (3rd) Assignment"** These accounts have been in default for more than 20 years. All these accounts have been previously assigned to third-party collections.

This report also seeks authorization to enter Non-Competitive Procurement Agreements with up to 3 Suppliers for the Third (3<sup>rd</sup>) Assignment as the RFP resulted in no bids for this category.

This report also proposes that City Council approve an average commission rate plus non-recoverable tax for the First (1<sup>st</sup>) Assignment and Second (2<sup>nd</sup>) Assignment. In addition, this report is requesting that delegated authority be given to the Director, Court Services to approve an average commission rate plus non-recoverable tax for the Third (3<sup>rd</sup>) Assignment. This will ensure that an equal commission rate is applied to City debtors with defaulted POA fines based on assignment category.

## **RECOMMENDATIONS**

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The Chief Procurement Officer and Director, Court Services recommend that:

1. City Council authorize, in accordance with Section 195-8.5 of the Toronto Municipal Code Chapter 195 (Purchasing), the award of Ariba Document Number 3389680974 for the provision of collection services and approve the commission rates submitted by the Successful Suppliers listed in Attachment 1.
2. City Council authorize the Director, Court Services to apply an average commission rate plus non-recoverable tax to be set at 12.97% for First (1<sup>st</sup>) Assignment Accounts and 21.20% for Second (2<sup>nd</sup>) Assignment Accounts and to be charged to the debtors for the defaulted POA fines that are owed to the City.
3. City Council delegate authority to the Director, Court Services to award contracts and enter into agreements with up to three registered collection agencies for the provision of collection services for the Third Assignment category on a non-competitive basis in a form satisfactory to the City Solicitor, and to approve the commission rates that may be charged by the registered collection agencies and to set the average commission rate to be charged to the debtors for the Third Assignment Accounts.
4. The approval of the collection agency rates set out in Recommendations 1, 2 and 3 shall constitute the City's approval for the purposes of subsection 165(9) and 70.1(1) of the Provincial Offences Act and section 240 of the City of Toronto Act, 2006.

## **FINANCIAL IMPACT**

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There is no financial impact to the City from the recommendations in this report. Registered collection agency costs are fully recovered from the debtor as per Section 70.1(1) of the Provincial Offences Act (POA).

The total potential value of the contracts for the First(1<sup>st</sup>) and Second (2<sup>nd</sup>) Assignments, including all option years, is \$14,380,000 net of HST recoveries. The total potential value of the contracts for the Third (3<sup>rd</sup>) Assignments will be determined at the conclusion of the Non-Competitive Procurement.

Funding in the amount of \$2,157,000 net of HST recoveries is included in the 2023 Approved Operating Budget for Court Services in Cost Centre CT2000 GL 6590. Funding in the amount of \$3,595,000 net of HST recoveries for the balance of the contract period (January 1, 2024 to March 31, 2025) will be included in the 2024-2025 Operating Budget Submissions for Court Services

Should the City choose to exercise its option to renew for an additional three (3) separate one (1) year periods, then appropriate additional funding, if needed, will be included in the 2025-2028 annual Operating Budget Submissions for Court Services.

Table 1 below illustrates the value of the individual contracts in the procurement process for the two-year fixed-term contract and all optional periods (net of HST recoveries). This analysis assumes an equal distribution of accounts by tier throughout the contract period. This may not necessarily be the case when the performance incentive program is applied. The performance incentive program is described in the comments section of this report.

Table 1: Financial Impact Summary

Successful Suppliers	Collection Tier	Date of Award to Dec. 31, 2023	Jan. 1, 2024 to Mar. 31, 2025	Option Year 1 (Com. Net of HST)	Option Year 2 (Com. Net of HST)	Option Year 3 (Com. Net of HST)	Total Net of HST Recoveries
GATESTONE & CO INC	1 <sup>st</sup> Tier	\$268,188	\$446,981	\$357,585	\$357,585	\$357,585	\$1,787,924
PARTNERS IN CREDIT INC	1 <sup>st</sup> Tier	\$268,036	\$446,726	\$357,381	\$357,381	\$357,381	\$1,786,905
CBV COLLECTION SERVICES LTD	1 <sup>st</sup> Tier	\$252,009	\$420,014	\$336,012	\$336,012	\$336,012	\$1,680,059
GENERAL CREDIT SERVICES INC	2 <sup>nd</sup> Tier	\$121,425	\$202,375	\$161,900	\$161,900	\$161,900	\$809,500
NATIONAL CREDIT RECOVERY INC	2 <sup>nd</sup> Tier	\$119,746	\$199,577	\$159,661	\$159,661	\$159,661	\$798,306
ARO INC	2 <sup>nd</sup> Tier	\$118,830	\$198,050	\$158,440	\$158,440	\$158,440	\$792,200
INTERNATIO NAL CREDIT EXPERTS INC	2 <sup>nd</sup> Tier	\$118,678	\$197,796	\$158,237	\$158,237	\$158,237	\$791,185

Successful Suppliers	Collection Tier	Date of Award to Dec. 31, 2023	Jan. 1, 2024 to Mar. 31, 2025	Option Year 1 (Com. Net of HST)	Option Year 2 (Com. Net of HST)	Option Year 3 (Com. Net of HST)	Total Net of HST Recoveries
MJR CAPITAL SERVICES INC.	2nd Tier	\$117,838	\$196,397	\$157,117	\$157,117	\$157,117	\$785,586
COLLECTCENTS INC.	2nd Tier	\$115,854	\$193,090	\$154,472	\$154,472	\$154,472	\$772,360
Suppliers TBD	3 <sup>rd</sup> Tier	\$656,396	\$1,093,994	\$875,195	\$875,195	\$875,195	\$4,375,975
Total (net of HST recoveries)		\$2,157,000	\$3,595,000	\$2,876,000	\$2,876,000	\$2,876,000	\$14,380,000

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

## DECISION HISTORY

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Since 2004, Court Services entered contracts with third-party collection agencies to support the collection of defaulted fines under the Provincial Offences Act (POA). The ability to use collection agencies to enforce defaulted POA fines is provided under Section 165(9) of the POA and Section 240 of the City of Toronto Act, 2006. Section 70.1(1) of the POA allows the City to charge back collection agency costs to the debtor as part of the outstanding debt.

## COMMENTS

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Ariba Document Number 3389680974 for the provision of Collection Agency Services was issued by the Purchasing and Materials Management Division (PMMD) on October 12, 2022 and was made available on ARIBA. The Request for Proposal included the selection criteria for the evaluation. The solicitation closed on November 7, 2022.

Eighteen (18) Suppliers submitted a proposal. Of the eighteen (18) Suppliers, three (3) Suppliers (Bankers Law Corporation, Pro Collections Limited, 852515 Ontario Ltd. O/A Action) were deemed non-compliant and were not considered further.

The remaining fifteen (15) proposals advanced to Stage 2 - Evaluation Criteria Review. Table 2 below lists the Suppliers that advanced to Stage 2.

Table 2: Fifteen (15) Suppliers advanced to Stage 1 - Mandatory Compliance Review listed by assignment Account Category.

Note: No proposals were received for the Third (3rd) Assignment category.

1st Assignment Account means accounts have been in default for up to 2 years from the date of the Accounts Receivable Report based on the debtor.	2nd Assignment Account means accounts generally ranging anywhere from two (2) years post-default to 20 years post-default	3rd Assignment Account means accounts have been in default for over 20 years or may have been previously assigned to 1st or 2nd Assignment Vendors for collection.
Gatestone & Co Inc. PARTNERS IN CREDIT INC  CBV COLLECTION SERVICES LTD EOS CANADA INC, EOS NCN	(C.C.A.) Commercial Credit Adjusters Ltd ARO INC  COLLECTCENTS INC.  DEBT CONTROL AGENCY INC. FINANCIAL DEBT RECOVERY GROUPE SOLUTION COLLECT SOLU INC10  General Credit Services Inc INTERNATIONAL CREDIT EXPERTS INC MJR Capital Services Inc.  D&A GROUP SERVICES  NATIONAL CREDIT RECOVERY INC.	

The Request for Proposal was seeking qualified Suppliers to work with Court Services to collect defaulted fines under the POA. In accordance with the Auditor General April 2018 report entitled 'Toronto Court Services: Collection of Provincial Offence Default Fines' staff added a new Third (3rd) Assignment category for accounts that have been in default for over twenty (20) years. As part of the current Request for Proposal no proposals were received for the Third (3rd) assignment category.

Court Services has established rigorous performance and accountability measures. Performance measures include a requirement for registered collection agencies to meet quarterly collection benchmarks established by the City. Accountability measures include strict debtor information-sharing requirements. The Request for Proposal also includes a performance incentive program that rewards top performers with a 5% increase in newly defaulted accounts upon subsequent assignments.

**Evaluation of the Proposal Submissions**

The Request for Proposal evaluation process was conducted as a two-envelope process. Each Supplier was required to submit two separate submissions in ARIBA. Submission one (1) contained the technical proposal submission. Submission two (2) contained the cost of services. The cost of services information was only opened for the Suppliers who passed the Mandatory Compliance Review stage as well as the threshold of 75% out of 80 points (60 points) in each category of the detailed evaluation.

As disclosed in Section 2 of the RFP, it is the intent of the City to award up to three (3) Suppliers for First (1st) Assignment Accounts, six (6) Suppliers for Second (2nd) Assignment Accounts, and three (3) Suppliers for Third (3rd) Assignment Accounts.

A formal Selection Committee was comprised of three (3) staff members. One (1) member was from Revenue Services, and two (2) members were from Court Services. Purchasing and Materials Management Division (PMMD) provided ongoing support. All staff involved in the evaluation process signed and submitted a Non-Disclosure and Declaration of Conflict of Interest Agreement to PMMD prior to the proposals being received. The Selection Committee evaluated the proposals in compliance with the criteria set out in the Request for Proposal. The stages of the evaluation are identified below:

### **Stage 1: Initial Evaluation - Mandatory Requirements**

Proposals were reviewed by PMMD to assess compliance with the mandatory requirements. Out of eighteen (18) proposals, three (3) Suppliers did not meet the mandatory requirements set out in Stage 1 – Mandatory Compliance Review and were not considered further. The remaining fifteen (15) compliant proposals were advanced to Stage 2 of the evaluation.

### **Stage 2A– Detailed Technical Evaluation**

For a Supplier to move to Stage 3 - Cost of Services evaluation, each proposal was required to score a minimum of 75% (60 out of 80 points) in each technical section of the Request for Proposal.

At the end of the technical evaluation for Stage 2, the Selection Committee determined that all fifteen (15) proposals met the minimum technical score of 75% (60 out of 80 points) in each technical section of the applicable bidding category and advanced to the Cost of Service evaluation.

The overall technical scores for all fifteen (15) qualifying Suppliers ranged from 63.60 to 74.70.

### **Stage 2B: Interviews, Site Visits, and Demonstrations**

The Selection Committee determined that Stage 2B was not required.

### **Stage 3 – Cost of Service Evaluation**

The Selection Committee completed the Cost of Service evaluation for the fifteen (15) Suppliers that met the minimum technical threshold. The cost submissions were reviewed, and calculations of the total annual costs and price scores were validated by PMMD. The technical scores and the Cost of Service scores were then added together with the total representing the final score for each Supplier.

Upon opening the Cost of Service envelope, the category each Supplier had bid for reflected the following:

- Four (4) Proposals for the First (1st) Assignment Accounts
- Eleven (11) Proposals for the Second (2nd) Assignment Accounts
- Zero (0) Proposals for the Third (3rd) Assignment Accounts

Staff are seeking authority to enter into separate agreements with each of the recommended nine (9) Suppliers in accordance with the terms set out in the RFP with compensation at the commission rates set out in their respective proposals, on terms and conditions satisfactory to the Director, Court Services and in a form satisfactory to the City Solicitor.

### **Non-Competitive Procurement Third (3<sup>rd</sup>) Assignment Category**

There were no proposals received for Third (3<sup>rd</sup>) Assignment Category. Existing contracts expire on March 31st, 2023, and new contracts are required to continue the service. In consultation with Purchasing Material Management Division and Legal Services Court Services supports proceeding with a Non-Competitive Procurement for the Third (3<sup>rd</sup>) Assignment Category. Court Services is seeking Non-Competitive Procurement for up to three (3) Suppliers for the Third (3<sup>rd</sup>) Assignment Category.

This report is requesting that delegated authority be given to Director, Court Services to approve an average commission rate plus non-recoverable tax for the Third (3<sup>rd</sup>) Assignment.

### **Average Commission Rates for First (1st), Second (2nd) Assignment Accounts and Third (3<sup>rd</sup>) Assignment Accounts**

Each of the nine (9) recommended Suppliers submitted a commission rate for its services. These individual commission rates were included in the Request for Proposal evaluation process. The commission rates for First (1st) Assignment Account collection agencies range between 11.5% and 14.5%, and the commission rates for Second (2nd) Assignment Account collection agencies range between 18.5% and 24%.

Court Services randomly distributes defaulted POA fines to collection agencies based on the age of the oldest fine in the debtor's account. The age of the oldest fine determines whether the account goes to the First or Second Account collection agency. Staff are proposing that City Council authorize the Director, Court Services to allow the collection agencies to utilize the average commission rate plus non-recoverable tax for each category set out in this report. These rates will be charged to debtors with defaulted POA fines when fines are sent to collection agencies.

The recommended rates are 12.97% for First (1st) Assignment Accounts and 21.20% for Second (2nd) Assignment Accounts.

The average rate for Third Assignment Accounts will be determined upon completion of the Non-Competitive Procurement process. The application of an average commission rate plus non-recoverable tax is a method to treat debtors with defaulted POA fines equally within each account category.

### **Approval of Collection Agency Rates under Legislation**

The Transfer Agreement which the City has in place with the Province for the collection of POA fines and the ability to impose charges under Section 169(5) of the Provincial Offences Act is subject to the approval of collection agency recovery rates under the section 240 of the City of Toronto Act, 2006. This report seeks approval of individual collection agency commission rates, as well as average rates to be charged to debtors on an equitable basis, for the purposes of the City of Toronto Act, 2006.

## CONTACT

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## SIGNATURE

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Susan Garossino  
Director, Court Services

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Geneviève Sharkey  
Chief Procurement Officer



## ATTACHMENTS

Attachment 1 –Ariba Document Number 3389680974– Recommended Suppliers per Assignment Account with corresponding Total Potential Award Values

Please Note: Based on the expected placement and historical collection rates, the total contract award value for each category of account assignment was estimated and is pro-rated among the firms based on the scores during the Stage 2A Technical Evaluation process. Actual commissions will be based on individual commission rates and collection agency performance.

Table 1 - Successful Suppliers for "First Accounts"

Successful Suppliers with Commission Rate	Value of the Initial term of Agreement from the date of award to March 31, 2025	Total Potential value of the contract, including exercising of three additional one-year terms at the sole discretion of the Director, Court Services
GATESTONE & CO INC 12.25%	Up to a maximum of: \$715,169.28	Up to a maximum of: \$1,787,923.20 net of HST recoveries; \$1,985,410.00 including all applicable taxes and charges; and \$1,757,000.00 net of all applicable taxes and charges.
Partners in Credit Inc. 11.50%	Up to a maximum of: \$714,762.24	Up to a maximum of: \$1,786,905.60 net of HST recoveries; \$1,984,280.00 including all applicable taxes and charges; and \$1,756,000.00 net of all applicable taxes and charges.
CBV Collection Services Ltd. 14.50%	Up to a maximum of: \$672,023.04	Up to a maximum of: \$1,680,057.60 net of HST recoveries; \$1,865,630.00 including all applicable taxes and charges; and \$1,651,000.00 net of all applicable taxes and charges.

Table 2 – Successful Suppliers for "Second Accounts"

Successful Suppliers/C ommission/ Rate	Value of the Initial term of Agreement from the date of award to March 31, 2025	Total Potential value of the contract including exercising of three additional one year terms at the sole discretion of the Director, Court Services
GENERAL CREDIT SERVICES INC  18.5%	Up to a maximum of:  \$323,800.32	Up to a maximum of: \$809,500.80 net of HST recoveries; \$898,915.00, including all applicable taxes and charges; and \$795,500.00 net of all applicable taxes and charges.
NATIONAL CREDIT RECOVERY INC  19.00%	Up to a maximum of:  \$319,322.88	Up to a maximum of: \$798,307.20 net of HST recoveries; \$886,485.00, including all applicable taxes and charges; and \$784,500.00 net of all applicable taxes and charges.
ARO INC  19.00%	Up to a maximum of:  \$316,880.64	Up to a maximum of: \$792,201.60 net of HST recoveries; \$879,705.00, including all applicable taxes and charges; and \$778,500.00 net of all applicable taxes and charges.
INTERNATI ONAL CREDIT EXPERTS INC  23.00%	Up to a maximum of:  \$316,473.60	Up to a maximum of: \$791,184.00 net of HST recoveries; \$878,575.00, including all applicable taxes and charges; and \$777,500.00 net of all applicable taxes and charges
MJR CAPITAL SERVICES INC.  21.50%	Up to a maximum of:  \$314,234.88	Up to a maximum of: \$785,587.20 net of HST recoveries; \$872,360.00, including all applicable taxes and charges; and \$772,000.00 net of all applicable taxes and charges.
COLLECTC ENTS INC.  24.00%	Up to a maximum of:  \$308,943.36	Up to a maximum of: \$772,358.40 net of HST recoveries; \$857,670.00, including all applicable taxes and charges; and \$759,000.00 net of all applicable taxes and charges.