

STAFF REPORT

SUBJECT: Highway Call Box Program

MEETING DATE: September 18, 2008

AGENDA ITEM: 6A

STAFF CONTACT: Brittany Odermann

RECOMMENDATION:

1. Adopt guidelines for collecting payment for damages to the SAFE call box system, including giving the Executive Director authority to approve call box damage settlements of up to \$10,000.
2. Authorize the Executive Director to contract with a collection services firm for one year with the option to extend the agreement for two additional years on an annual basis assuming satisfactory performance.

SUMMARY:

SBCAG, as the Service Authority for Freeway Emergencies (SAFE) owns and operates approximately 330 call boxes located adjacent to Highways 1, 101, 135, 154, 217 and 166. Occasionally a call box needs to be repaired or replaced due to damage sustained during a traffic collision on one of these facilities. Repairs generally cost between \$1,000 and \$3,000 per incident and in a fiscal year, on a system wide basis, can amount to \$30,000 - \$90,000. Repairs are made by SBCAG's field technician and paid from the SAFE program fund. In order to recover the cost of the repair, staff works with the California Highway Patrol (CHP) to obtain collision reports identifying the responsible party. There are no board adopted guidelines directing staff on how to collect damage payments once the party is identified. Currently, the responsible party is mailed an invoice; invoices are usually paid in full once the party receives correspondence from SBCAG requesting payment. But in some cases, the responsible party refuses to pay or acknowledge receipt of correspondence. Staff has no board authority at this time to pursue these uncooperative parties. Staff is recommending that the board adopt new guidelines to ensure that a reasonable and consistent effort is made to collect damage payments from all identified parties. This includes giving the Executive Director the authority to approve settlements of up to \$10,000 and collect damage payments from uncooperative parties using a private collection firm or by filing suit in small claims court. Staff also recommends that the Board authorize the Executive Director to contract with a collection firm for one year with an option to extend the agreement for two additional years, on an annual basis.

DISCUSSION:

SBCAG serves as the Service Authority for Freeway Emergencies (SAFE) responsible for operating and maintaining the 330 roadside call boxes throughout Santa Barbara County. Revenues for the SAFE program come from the \$1 fee collected per vehicle registered in the county. The revenues may be expended only on motorist aid purposes, per state statute. In

Member Agencies

Buellton ■ Carpinteria ■ Goleta ■ Guadalupe ■ Lompoc ■ Santa Barbara ■ Santa Maria ■ Solvang ■ Santa Barbara County

addition to using the funds to operate a highway call box system, SBCAG also uses the funds to operate a freeway service patrol and a congestion monitoring system on Highway 101 on the South Coast.

On an annual basis, the call box system sustains between \$30,000 and \$90,000 in damage from traffic collisions. When a call box needs to be repaired or replaced after a collision, the repairs are done at cost to the SAFE program. An accounting of the cost of repairing the damaged box, including labor, is prepared by the call box field technician and submitted to the SAFE program manager. There are no guidelines or board policies in place for how, when or if damage payments should be sought from the responsible party. Currently, the program manager contacts the CHP to see if a collision report has been filed that identifies the responsible party. If the responsible party has been identified, staff mails an invoice requesting reimbursement payment for the damages. Most motorists are insured and will submit payment for damages once SBCAG correspondence is received. At times it is necessary to take further action to collect payment. However, without board adopted guidelines in place authorizing further action, staff's effort to collect payments from uncooperative parties is stymied and reimbursements go uncollected. This means that part of the program's budget every year is set aside to cover uncollected reimbursements, rather than be budgeted for new or additional motorist aid services.

Other Agencies' Procedures

Staff consulted with the cities of Santa Barbara and Santa Maria and the Air Pollution Control District to determine how they collect fines for regulation violations, payments from uncooperative parties for city services, or damages done to public property. Both cities reported that they allow 90 days for payment and then turn their outstanding invoices over to a collection services firm. They may send more than one notice in the 90-day period. This process minimizes staff time dedicated to collection given the larger volume of unpaid invoices the cities process. The Air District also allows 90 days for a response and then pursues their payments through small claims court.

Small Claims Court

Invoices for damage to call boxes are generally less than \$3,000. This gives SBCAG the option of pursuing unpaid invoices in small claims court since the claim limit for a government entity is \$5,000. However, public agencies are allowed no more than two filings in small claims for amounts greater than \$2,500 annually. When small claims court is not an option, a private collection services firm is the next best option.

Private Collection Firms

Staff contacted two local collection firms and confirmed that their services could be used to collect reimbursements for call box damages. Collection firms have access to additional contact information, bilingual staff and other resources that allow them greater success in collecting payment. Generally the firm retains 40% of what they collect. Collection services could be used in cases where small claims court is not an option or when the responsible party ignores the small claims court ruling and fails to pay the outstanding invoice.

Settlements

Occasionally, SBCAG receives a contract from a motorist's insurance company requesting claim settlement for less than the amount invoiced. This usually occurs when an insurance policy threshold for payment to property damage is exceeded. In these cases the Executive Director could approve settlements for matters that involve amounts of \$10,000 or less and where either the claim is paid in full or the settlement amount proposed is greater than 50% of the total invoice.

Guidelines for Collecting Payments for Damaged Call Boxes

Staff recommends that that the board approve the attached guidelines (Attachment 1) adopting procedures for collecting damage payments, and authorizing the use of a collections firm, small claims court, and providing the Executive Director with settlement authority. The Executive Director would be authorized to settle claims of less than \$10,000 and retain a private collection firm for those instances when small claims court is not an option. Staff is recommending the contract with the collection firm be for one year with the option to extend the agreement for two additional years on an annual basis assuming satisfactory performance. These services would be used in cases when an invoice exceeds the small claims court threshold in amount or frequency rendering the small claims process unfeasible.

In practice, the final decision to pursue a claim in court versus using the collection services firm would be at the discretion of the SAFE Program Manager, in consultation with the Executive Director.

COMMITTEE REVIEW: None

RECOMMENDATION:

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2. Authorize the Executive Director to contract with a collection services firm for one year with the option to extend the agreement for two additional years on an annual basis assuming satisfactory performance.

ATTACHMENTS

- ATTACHMENT 1: Guidelines For the Collection of Damage Payments For the Santa Barbara SAFE Program

ATTACHMENT 1

Guidelines For the Collection of Damage Payments For the Santa Barbara SAFE Program

I. Settlement Authority

The Executive Director is authorized to settle outstanding claims under the following circumstances:

- a. The total claim is less than \$10,000; and
- b. The claim is paid in full or the settlement amount is greater than 50% of the total claim.

Claim settlements not meeting these conditions would require board approval.

II. Collection Procedures

To ensure that a reasonable and consistent effort is made to collect damage payments from all identified parties, payments will be pursued as follows:

1. The SAFE program field technician will submit an invoice to the SAFE program manager reflecting the actual costs incurred by the agency to repair a damaged box(es).
2. The SAFE program manager will send an initial letter, via USPS certified mail, to the responsible party requesting payment within 30 days of receipt of letter. The letter shall include the invoice, the repair work order and CHP Collision Report (if available).
 - a. Cooperating parties who make contact within the stated time frame may be allowed additional time to submit payment. The SAFE Program Manager will work with responsible parties to establish payment plans with reasonable time frames for payment in full. A reasonable time frame will generally be considered 12 – 24 months.
3. If there is no response within 30 days, the SAFE Program Manager will mail a second letter to the responsible party, via USPS certified mail, including copies of prior correspondence.
4. After 30 additional days, if there is no response to the second letter, the SAFE Program Manager will mail, via USPS certified mail, a third and final letter indicating that if there is no response within 30 days of receipt of the third and final letter, the agency will file a claim in small claims court or turn the outstanding invoice over to a collection agency.
5. If the responsible party is unresponsive to the third letter, the SAFE Program Manager will weigh the small claims court filing limitations and the cost of collection services and file a claim in small claims court or turn the invoice over to the collection services firm.
6. If a small claim is successful, ruling is in SBCAG's favor, and defendant will still not submit payment, the SAFE Program Manager will turn the outstanding invoice over to the collections services firm.
7. When the responsible party has paid, in full, the settlement amount approved by the Executive Director or small claims court, the SAFE Program Manager will mail the party a written notice stating that all obligations to SBCAG have been met.