

**MEMORANDUM  
FINANCE DEPARTMENT**

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**TO:** Mr. Thomas Thomas, City Manager **Number:** 053 – 13  
**SUBJECT:** State of Illinois Comptroller Intergovernmental Agreement **Date:** 02/27/13

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Under a measure signed into law in December of 2011, the Local Debt Recovery Program will allow the Illinois Office of the Comptroller to enter into an Intergovernmental Agreement with counties, municipalities, school districts, community college, public universities and other local governments to collect unpaid debt such as parking tickets, fines, fees, and other types of outstanding obligations.

**How it works:**

- Prior to the Comptroller issuing a state tax refund, commercial payment, lottery winning, retirement or payroll check, the amount owed to the local government plus an administrative fee will be deducted and deposited in the Comptroller's Local Debt Recovery Trust Fund.
- The debtor will be provided with a written notice of the action and has 60 days to protest the deduction with the Illinois Office of the Comptroller.
- If no protest is made at the end of the 60 day period, the amount owed will be transferred to the local unit of government.
- Other payments will be processed as protests are adjudicated.
- If an individual or entity owes multiple units of government, state and federal government debts are paid first. Following that, any debts owed to local governments will be paid on a "first in, first out" manner based on the date that a debt record was placed on the IOC system.

**Recommendation:**

Council authorize the City Manager to enter into an Intergovernmental Agreement with the State of Illinois Comptroller Office regarding access to the Comptroller's local debt recover program.

**Submitted by:** Cynthia Parchert, Finance Director  
Linda Johnson, Accounting Supervisor

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**Approved:** Thomas Thomas, City Manager

**INTERGOVERNMENTAL AGREEMENT  
BY AND BETWEEN  
THE ILLINOIS OFFICE OF THE COMPTROLLER  
AND  
THE CITY OF ROCK ISLAND, ILLINOIS  
REGARDING ACCESS TO THE COMPTROLLER'S LOCAL DEBT RECOVERY  
PROGRAM**

This Intergovernmental Agreement (“the Agreement”) is hereby made and entered into as of the date of execution by and between the Illinois Office of the Comptroller (hereinafter “IOC”) and the City of Rock Island, Illinois (hereinafter “the local unit”), in order to provide the named local unit access to the Local Debt Recovery Program for purposes of collecting both tax and nontax debts owed to the named local unit. Each of the parties hereto is a “public agency” as defined in Section 2 of the Intergovernmental Cooperation Act [5 ILCS 220/2].

**WHEREAS**, both the State of Illinois and the local unit have a responsibility to collect debts owed to its respective public bodies;

**WHEREAS**, IOC operates a system, known as the Comptroller’s Offset System (hereinafter, “the System”), for collection of debt owed the State by persons receiving payments from the State;

**WHEREAS**, the Illinois General Assembly specifically provided for the ability of the local unit to utilize the System when it amended Section 10.05 and added Section 10.05d to the State Comptroller Act [P.A. 97-632; 15 ILCS 405/10.05 and 10.05d];

**WHEREAS**, IOC and the local unit are empowered under the Illinois Constitution [Ill. Const., Art. VII, Sec. 10], Section 3 of the Intergovernmental Cooperation Act [5 ILCS 220/3], and Section 10.05d of the State Comptroller Act (hereinafter, “the Act”) [15 ILCS 405/10.05d] to contract with each other in any manner not prohibited by law;

**NOW THEREFORE**, in consideration of the foregoing recitals and the mutual covenants and promises contained herein, the sufficiency of which is hereby acknowledged, the parties do hereby agree as follows:

**Article I – Purpose**

The purpose of the Agreement between the IOC and the local unit is to establish the terms and conditions for the offset of the State’s tax and nontax payments in order to collect tax and nontax debts owed to the local unit.

**Article II – Authority**

The authority for State payment offset is granted under Section 10.05 of the Act [15 ILCS 405/10.05] and the authority for entering into this Agreement is granted under Section

10.05d of the Act [15 ILCS 405/10.05d], Section 3 of the Intergovernmental Cooperation Act [5 ILCS 220/3], and Article VII of the Illinois Constitution [Ill. Const., Art. VII, Sec. 10].

### **Article III – State Payment Offset Requirements and Operations**

A. Legal Requirements. The offset of State payments shall be conducted pursuant to the authority granted in Section 10.05 and 10.05d of the Act [15 ILCS 405/10.05 and 10.05d] and the requirements set forth in this Agreement.

1. Definition of “Debt”

- (a) For purposes of this Agreement, debt shall mean any monies owed to the local unit which is less than 7 years past the date of final determination, as confirmed by the local unit in Article III(A)(2)(a)(viii) of this Agreement.
- (b) No debt which is more than 7 years past the date of final determination may be placed or may remain on the System.

2. Due Process & Notification

- (a) Before submitting a debt to IOC for State payment offset, the local unit must comply with all of the notification requirements of this Agreement. For purposes of this Agreement, notification of an account or claim eligible to be offset shall occur when the local unit submits to IOC the following information:
  - (i) the name and address and/or another unique identifier of the person against whom the claim exists;
  - (ii) the amount of the claim then due and payable to the local unit;
  - (iii) the reason why there is an amount due to the local unit (i.e., tax liability, overpayment, etc.);
  - (iv) the time period to which the claim is attributable;
  - (v) the local entity to which the debt is owed;
  - (vi) a description of the type of notification has been given to the person against whom the claim exists and the type of opportunity to be heard afforded such person;
  - (vii) a statement as to the outcome of any hearings or other

proceedings held to establish the debt, or a statement that no hearing was requested; and,

(viii) the date of final determination of the debt.

(b) IOC will not process a claim under the Agreement until notification has been received from the local unit that the debt has been established through notice and opportunity to be heard.

(c) The local unit is required to provide the debtor with information about a procedure to challenge the existence, amount, and current collectability of the debt prior to the submission of a claim to IOC for entry into the System. The decision resulting from the utilization of this procedure must be reviewable.

3. Certification

(a) The chief officer of the local unit must, at the time the debt is referred, certify that the debt is past due and legally enforceable in the amount stated, and that there is no legal bar to collection by State payment offset (See Appendix A).

(b) Only debts finally determined as currently due and payable may be certified to IOC as a claim for offset.

(c) The chief officer of the local unit may delegate to a responsible person or persons the authority to execute the statement of the claim required by the Agreement.

(d) This delegation of authority shall be made on forms provided by the Comptroller and shall contain a signature sample of the person(s) to whom the delegation is made.

(e) For purposes of this Agreement, "chief officer of the local unit" means the City Manager.

4. Notification of Change in Status

(a) The chief officer must notify IOC as soon as possible, but in no case later than 30 days, after receiving notice of a change in the status of an offset claim.

(b) A change in status may include, but is not limited to, payments received other than through a successful offset, the filing of a bankruptcy petition, the death of the debtor, or the expiration of the

ability for the debt to remain on the System, as provided for in Article III(A)(1)(b) of this Agreement.

- B. Operational Requirements. Upon receiving a data file from the chief officer pursuant to the terms of this this Agreement, IOC will perform a match with the local unit's debt file using a debtor's social security number, taxpayer identification number, name, address, or other unique identifier. The chief officer will receive a weekly file from IOC indicating the matches, at which time the local unit will update its debtor records. The chief officer will assume the responsibility of providing updates to the debtor records on file with IOC in order to ensure an equitable resolution of the debts owed to the local unit.
1. Technical Requirements. IOC agrees to work with the local unit to facilitate information and data procedures as provided for in this Agreement. The local unit agrees to adhere to the standards and practices of IOC when transmitting and receiving data.
  2. Fee. A fee shall be charged to the debtor in order to recover the cost to IOC for administrating the System. The fee shall be per payment transaction and shall be \$15, unless the payment is for an amount less than \$30, in which case the fee shall equal to the amount offset. The fee will be deducted from the payment to be offset prior to issuance to the local unit.
  3. Offset Notices. IOC will send offset notices to the debtor upon processing a claim under the Act and this Agreement. The notice will state that a request has been made to make an offset against a payment due to the debtor, identify the local unit as the entity submitting the request, provide the debtor with a phone number made available pursuant to Article III (B)(6) of this Agreement, and inform the debtor that they may formally protest the offset within sixty (60) days of the written notice.
  4. IOC Protest Process. If a protest is received, IOC will determine the amount due and payable to the local unit. This determination will be made by a Hearing Officer and will be made in light of all information relating to the transaction in the possession of IOC and any other information IOC may request and obtain from the local unit and the debtor subject to the offset. If IOC requests information from the local unit relating to the offset, the local unit will respond within sixty (60) days of IOC's request. IOC may grant the local unit an additional sixty (60) day extension for time to respond.
  5. IOC Hearing Officer. The local unit hereby agrees to provide the Hearing Officer with any information requested in an efficient and timely manner in order to facilitate the prompt resolution to protests filed as a result of this Agreement. For purposes of this Agreement, any decision rendered by the Hearing Officer shall be binding on the local unit and shall be the

final determination on the matter. The Hearing Officer may continue the review of a protest at his/her discretion in order to assure an equitable resolution.

6. Local Unit Call Center. The local unit hereby agrees to provide a working phone number which IOC will furnish to persons offset under this Agreement. The local unit shall ensure that the phone number is properly staffed in order to provide information about the debt the local unit is offsetting under this Agreement. The phone number for purposes of this Section and the Agreement is: 309-732-2117.
7. Debt Priorities
  - (a) If a debtor has more than one local unit debt, the debt with the oldest date of delinquency shall be offset first.
  - (b) Any debt that is less than or equal to \$9.99 which is placed or remains on the System will not be offset and will not be paid to the local unit until such time as the balance owed to the local unit by the debtor exceeds \$9.99.
8. Transfer of Payment. Transfer of payment by IOC to the local unit shall be made in the form of electronic funds transfer (EFT). Nothing in this section or this Agreement shall limit the ability of either party to modify this Agreement at a later date in order to provide for an alternative method(s) of payment transfer.
9. IOC Refunds. If IOC determines that a payment is erroneous or otherwise not due to the local unit, IOC will process a refund of the offset, and refund the amount offset to the debtor. In the event the refund results in only a partial refund to the debtor, IOC will retain the fee referenced in Article III, Paragraph B, Section 2 above. The fee will only be refunded to the debtor in the event of a full refund of the offset amount.
10. Local Unit Refunds. The local unit is responsible for refunding monies to the debtor if an offset occurred due to inaccurate debt information or over collection, and the local unit has already received payment from IOC. IOC will only refund monies in the event that a payment has not yet been made to the local unit.

#### **Article IV – Permissible Use of Information**

IOC acknowledges that the local unit is providing sensitive information about local debts for the purpose of conducting offsets under the Agreement. As such, IOC will use the information solely in connection with the Local Debt Recovery Program. IOC shall safeguard the local information in the same manner as it protects State debt information.

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The parties may use information in any litigation involving the parties, when such information is relevant to the litigation.

#### **Article V – Term of the Agreement and Modifications**

The Agreement becomes effective as of the Effective Date and shall remain in effect until it is terminated by one of the parties. Either party may terminate this Agreement by giving the other party written notice at least thirty (30) days prior to the effective date of the termination. Any modifications to the Agreement shall be in writing and signed by both parties.

#### **Article VI – No Liability to Other Parties**

Except for the fees described in Article III, paragraph B, Section 2 above, each party shall be responsible for its own costs incurred in connection with the Agreement. Each party shall be responsible for resolving and reconciling its own errors, but shall not be liable to any other parties for damages of any kind as a result of errors. Each party shall be liable for the acts and omissions of its own employees and agents. The Agreement does not confer any rights or benefits on any third party.

#### **Article VII – Issue Resolution**

The parties acknowledge that IOC is ultimately responsible for the development, design and operation of the System. Subject to that understanding, the parties agree to work cooperatively to resolve any matters that arise during the development, design and implementation of the program. If an issue cannot be resolved informally by mutual agreement of staff personnel, then the parties agree to elevate the issue to a senior level manager for resolution of the issue. For purposes of the Agreement, the “senior level managers” are:

1. IOC: Ray Marchiori, Director – Department of Government and Community Affairs
2. Local Unit: Theodore Kutsunis, City Attorney

#### **Article VIII – Contacts**

The points of contacts for this Agreement are:

IOC: Alissa Camp, General Counsel  
Illinois Office of the Comptroller  
325 West Adams  
Springfield, Illinois 62704  
Phone: 217/782-6000  
Fax: 217/782-2112  
E-mail: CampAJ@mail.ioc.state.il.us

Local Unit: Theodore Kutsunis, City Attorney  
Kutsunis, Weng & Morrison  
1515 – 4<sup>th</sup> Ave, Suite 301  
Rock Island, IL 61201  
Phone: (309) 786-3313  
Facsimile: (309) 786-0061  
Email: tkutsunis@aol.com

#### **Article IX – Acceptance of Terms and Commitment**

The signing of this document by authorized officials forms a binding commitment between IOC and the City of Rock Island, Illinois. The parties are obligated to perform in accordance with the terms and conditions of this document, any properly executed modification, addition, or amendment thereto, any attachment, appendix, addendum, or supplemental thereto, and any documents and requirements incorporated by reference.

By their signing, the signatories represent and certify that they possess the authority to bind their respective organizations to the terms of this document, and hereby do so.

[Signature Page Follows]

IN WITNESS WHEREOF, the Illinois Office of the Comptroller and local unit by the following officials sign their names to enter into this agreement.

ILLINOIS OFFICE OF THE COMPTROLLER

By: \_\_\_\_\_

Date: \_\_\_\_\_

Name: Judy Baar Topinka

Title: Comptroller

THE CITY OF ROCK ISLAND, ILLINOIS

By: \_\_\_\_\_

Date: \_\_\_\_\_

Name: Thomas E. Thomas

Title: City Manager

# Appendix A



STATE OF ILLINOIS  
COMPTROLLER  
JUDY BAAR TOPINKA

## Involuntary Withholding Tape/File Certification Form

Local Unit Name: \_\_\_\_\_

Tape #/File Type: \_\_\_\_\_

Record Count: \_\_\_\_\_

Dollar Amount: \_\_\_\_\_

Please mark the appropriate box:

Add Tape/File

- The debtor(s) has (have) been sent a notice that a claim has been established against said person thus giving the debtor the opportunity to appeal the determination of the existence and amount of the claim(s).
- No hearing(s) was (were) requested or a hearing(s) was (were) held and the result(s) was (were) that the claim(s) was (were) found to be valid in the amount(s) referenced in the attached record.
- The date(s) of the final determination of the debt(s) for each claim was prior to the date of submittal of the claim to IOC for Local Debt Recovery purposes.

Change Tape/File

- All change transactions contained on the enclosed tape/file meet the criteria for inclusion in the Local Debt Recovery Program.

Delete Tape/File

- All claims contained on the enclosed tape/file no longer meet the criteria for inclusion in the Local Debt Recovery Program, and should be removed from the Program.

I, \_\_\_\_\_, do hereby certify that all of the debts included on the tape/file are in compliance with the requirements of the State Comptroller Act [15 ILCS 405] and the Intergovernmental Agreement entered into between the above named local unit and the Illinois Office of the Comptroller. If I am submitting a facsimile or email signature, I hereby certify by so filing that the original signed document exists in my possession.

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Local Unit: \_\_\_\_\_ Phone #: \_\_\_\_\_