

**Meeting Date:** 8/19/2014

**Report Type:** Consent

**Report ID:** 2014-00531

**Title:** Department of Utilities Lockbox Service (Two-Thirds Vote Required)

**Location:** Citywide

**Recommendation:** Pass a Resolution suspending competitive bidding, in the best interests of the City, to allow City staff to utilize a Request for Proposal (RFP) process to select a contractor to furnish lockbox, pay station, and payment processing services for the Department of Utilities' utility bill payments.

**Contact:** Jamille Moens, Manager, Business & Integrated Planning, (916) 808-5988; Shelle Smallwood, Program Manager, (916) 808-4928, Department of Utilities

**Presenter:** None

**Department:** Department Of Utilities

**Division:** Business & Integrated Planning

**Dept ID:** 14001661

**Attachments:**

1-Description/Analysis

2-Background

3-Resolution

---

### **City Attorney Review**

Approved as to Form

Joe Robinson

8/4/2014 10:42:42 AM

### **Approvals/Acknowledgements**

Department Director or Designee: Dave Brent - 7/31/2014 11:40:27 AM

## Description/Analysis

**Issue Detail:** The City currently receives lockbox services via the City-wide banking contract with Bank of America, which provides limited lockbox and technology options. In addition, the location of the lockbox was moved from San Francisco to Los Angeles in August 2012, resulting in payment processing delays for customers and costly courier fees each day. The City also provides convenient options for utility bill customers to pay their bill, which includes local authorized neighborhood pay stations. The City's current contract agreement with Bank Up, to provide for the collection and processing of utility bill payments made at the authorized pay stations, will expire December 31, 2014. Instead of simply bidding and awarding to the low bidder, City staff believes that the City's interests will be better served by using a RFP process to select one lockbox provider within the Northern California area for all payment processing, in addition to implementing imaging and new self-service options for customers, and exploring new technology advancement opportunities.

**Policy Considerations:** This recommendation is in accordance with the Mayor and City Council mission to ensure a local government that is accountable, fiscally responsible, accessible, transparent, efficient, and responsive. The proposed RFP process will use an evaluation panel to review proposals, conduct interviews and demonstrations, and review vendor references, in order to evaluate and rank the firms responding to the RFP. In order to use a RFP process to select a contractor to provide these services, rather than the City's standard competitive bid process for non-professional services, it is necessary for the City Council to suspend competitive bidding. City Code section 3.56.230 allows the City Council to suspend competitive bidding, on a 2/3 vote, when the Council determines it is in the City's best interests to do so. Staff believes this is in the City's best interests because using an RFP process will allow the City to consider factors in addition to price to select a firm whose proposal best meets the City's needs, including the following factors: reporting and imaging capability, disaster recovery plan, identity theft prevention plan, service level commitment, technical approach and capabilities, location and references.

**Economic Impacts:** Not applicable.

**Environmental Considerations:** The proposed RFP process is an administrative activity that does not constitute a "project" under the California Environmental Quality Act (CEQA), and is exempt from CEQA review (CEQA Guidelines Section 15378(b)(2)).

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The use of an RFP process is recommended to select a single contractor to provide the payment processing services currently being provided under two different contracts, to increase efficiency, enhance current practices, and reduce delayed processing of customer payments mailed.

**Financial Considerations:** Funding for the new contract will be identified when the Department returns to City Council for approval of the contract after the RFP process is conducted. The lockbox services currently provided by Bank of America and Bank Up are included in the Department's annual budget.

**Local Business Enterprise (LBE):** The RFP will comply with applicable LBE requirements.

## BACKGROUND

The City currently has two lockbox service providers, Bank of America and Bank Up. Bank of America processes all customer payments that are mailed to the City's Post Office (P.O.) Box. Bank Up processes all payments that are collected at local Bel Air Market pay stations. Both vendors submit separate daily payment files to the City for posting to the general ledger and customer accounts via the Department of Utilities' Customer Information System (CIS) used for billing. City staff must validate each payment file separately.

Bank of America is the City's bank, and has provided lockbox service for the processing of utility payments for over fifteen years. The City's lockbox service has not kept up with technology changes and City staff does not know if Bank of America's availability of new technology enhancements and the cost for new services is competitive. In addition, the Bank of America lockbox service location was changed from San Francisco to Los Angeles in August 2012, requiring the City to use a courier to fly payments to Los Angeles daily. The Los Angeles cut-off time for same-day processing of payments is earlier than the cut-off time for the San Francisco lockbox. The change in courier service and the cut-off time has resulted in at least a two-day processing delay of payments from the previous lockbox location.

The City also incurs daily Fed-Ex costs to receive boxes of the original bill coupons processed, along with reports. Previously, these boxes were delivered by the courier that drove to and from San Francisco. The City's costs for courier services increased from approximately \$1,400 per month to \$3,300 per month. Bank of America has covered the cost of delivery of mail from Sacramento to Los Angeles on a temporary basis, as a result of the location change. Once Bank of America no longer covers this cost, the City's cost for courier service will double. The lockbox service provided by Bank of America is not a condition of the City-wide contract with Bank of America, and the Department may choose another service provider.

The Bank Up contract, to process payments received at local pay stations, was implemented in 2011. Bank Up's contract includes imaging of both payments and bill coupons in a proprietary database. Bank Up has a separate courier that collects payments from the pay stations. Bank Up also electronically deposits the City's payments to the City's bank account with Bank of America on a daily basis. The Bank Up contract will be expiring in December 2014. The City achieved some efficiencies when contracting with Bank Up, with the use of new technology for electronic deposits and imaging.

The City implemented online payment options for customers in 2009 and continues to

keep up to date with technology via the online electronic bill and payment solution. The City is currently working on implementing a mobile bill and payment solution under an existing contract with Kubra America West implemented in 2012. The City wishes to explore new self-pay options for customers, such as the use of kiosks, which will result in increased efficiencies. Currently, customers who choose to pay their utility bill at a City facility must wait in line at City Hall and the Department of Utilities office located at 1395 35<sup>th</sup> Avenue. The proposed RFP process will identify technology options and enhancements available to secure viable tools and options for customers and the City.

## **RESOLUTION NO. 2014-**

Adopted by the Sacramento City Council

### **SUSPENDING COMPETITIVE BIDDING TO AUTHORIZE REQUEST FOR PROPOSALS TO PROVIDE LOCKBOX SERVICES FOR UTILITY PAYMENT PROCESSING**

#### **BACKGROUND**

- A. Bank of America has been the City's bank for over 15 years, and has provided lockbox service for utility bill payments under a City-wide contract.
- B. Bank of America moved its lockbox location from San Francisco to Los Angeles in August 2012, resulting in increased costs and delays in customer payments posting to their account, customer complaints, and late fees assessing on customer accounts.
- C. The current Bank of America lockbox service does not include imaging or electronic reporting of payments processed.
- D. The Department of Utilities also has a separate lockbox service contract with Bank Up to process payments received at local pay stations. The Bank Up contract will be expiring in December 2014.
- E. Bank Up's contract includes imaging of both payments and bill coupons in a proprietary database. Bank Up has a separate courier that collects payments from the pay stations. The City achieved some efficiencies when contracting with Bank Up, with the use of new technology for electronic deposits and imaging.
- F. The Department is recommending the use of a Request for Proposal (RFP) process to select a single contractor to provide the payment processing services currently being provided under two different contracts, to increase efficiency, enhance current practices, and reduce delayed processing of customer payments mailed. The proposed RFP process would identify technology options and enhancements available to provide more tools and options for customers and the City.
- G. Because these services constitute non-professional services under the City Code, the City's standard competitive bidding process requires bidding the services out and awarding a contract for these services to the lowest responsible bidder based solely on price. The Department is recommending that the City Council suspend competitive bidding for these services, to allow the Department to utilize an RFP process to solicit competitive proposals. Under the City Charter and City Code, the City Council can suspend competitive bidding for non-professional services when it determines, on a 2/3 vote, that it is in the City's best interests to do so.

- H. It is in the City's best interests to suspend competitive bidding for these services, because issuance of an RFP will allow the City to consider factors in addition to price in selecting a firm to provide the services that best meet the City's needs, including the following: reporting and imaging capabilities, disaster recovery plan, identity theft prevention plan, service level commitment, technical approach and capabilities, location, and references.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. In the best interests of the City, competitive bidding is suspended for lockbox and related services for utility payment processing. The Department of Utilities may use an RFP process to solicit proposals for these services.