



Date: April 16, 2013
To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Donald F. Greeley, Director, Water Management
Subject: Selection of Electronic Bill Presentment and Payment (EBPP) Vendor

Executive Summary

In an effort to improve customer service and utility bill collection while minimizing costs, the Department of Water Management issued a Request for Proposals (RFP) for enhanced electronic billing and payment services. The department received thirteen proposals of which five vendors were selected for demonstrations. After the demonstrations three vendors were requested to provide service and fee schedules. Based upon the review of software, services and fee schedules the review committee selected KUBRA, Inc. The proposed contract will provide a new option allowing customers to pay by telephone, as well as supplement current credit card web payment to include e-checks. The new software will also allow customers to sign up for e-billing on line, greatly decreasing time and resources needed for full roll out of E-billing. Additionally, customers will be able to access certain account information such as current balance and copies of bills 24/7 via both phone and web portal.

Recommendation

The department recommends that the City Council authorize the City Manager to enter into a three-year contract with KUBRA, Inc. to provide Electronic Billing and Payment Services at the per transaction rate schedule and one-time fees listed in the contract.

Background

The Department of Water Management has an objective of providing cost-efficient customer service which includes convenient utility bill presentment and payment methods. Currently, there is no way for a customer to pay-by-telephone, nor any way for a customer without internet access to get information via phone outside of office hours. Further, the only option to pay on the web is by credit/debit card. Automatic bank draft payments continue to be an option, but many customers do not have a checking account or are concerned about the commitment to have a sufficient balance in the bank account on the City-determined draft date. While the current billing software supports the ability to send e-bills, the process of gathering and inputting e-mail addresses was not automated and implementation would have required considerable staff time and effort.

The Department of Water Management, with assistance from the Finance and Technology Solutions Departments, developed an RFP to solicit proposals to provide the following bill presentment and payment features:

- Interactive Voice Response (IVR) payment and customer self-service using telephone
- Accept e-checks on the web
- Set up recurring e-check and credit/debit card payments over the web

- Customer self-service sign up for e-billing over the web and have information programmatically entered into the customer billing database
- Send customer communications via phone, e-mail and SMS text
- Accept payments via mobile phone
- Ability to phase in improvements over time rather than one massive upgrade
- Ease of expanding services to include other DWM divisions and City departments

Issues/Analysis

The review committee, consisting of staff from the Departments of Water Management, Finance Department, and Technology Solutions Department, reviewed the 13 proposals submitted. The committee selected five vendors for demonstrations. After viewing demonstrations from each vendor and contacting references, the committee narrowed the selection down to three vendors who provided all the desired features.

Because the technical offerings of the final three vendors were so similar, the committee then evaluated the vendors based on the cost projections under various likely scenarios. These projections were then verified with the vendors to confirm there were no “hidden” or unanticipated costs for related or auxiliary services. One vendor was consistently the lowest.

Below is a comparison of the projected total costs at various service levels based on the transaction rate structures submitted. The current fees* represent the merchant fees of 1.4% for processing existing credit card payments through the website. These merchant fees are included in the cost for vendors below. Regardless which vendor the City chooses, there will still be merchant fees as a baseline cost.

The difference between the vendor cost and the current fees is the incremental cost to the City for IVR incoming and outgoing call services, e-billing, electronic notifications, and enhanced web payment and customer self-service options.

The three scenarios reflect the number and amount of web payments currently received annually, the projection if there were a 10% adoption rate the first year, and likely usage when monthly billing is fully implemented.

	<u>Current Usage</u>	<u>Current + 10%</u>	<u>Monthly Billing</u>
Current Fees*	\$255,360	\$280,696	\$300,960
KUBRA	\$339,240	\$364,512	\$457,747
Paymentus	\$410,400	\$451,440	\$902,880
Summation360	\$433,880	\$475,604	\$964,328

The anticipated increased cost for the addition of the KUBRA service would be approximately \$64,680 in FY 2014. This amount could be absorbed in the current banking service fees line item for FY 2014 and future cost increases could be mitigated by wider implementation of e-billing to reduce postage expenses. The cost for services over the remaining years of the contract must also be estimated, as they are dependent on the number of customers who pay using the system and who sign up for electronic billing. Staff projects that about \$110,000 will be spent in FY 15 and \$122,000 in FY 16 for EBPP services.

KUBRA has extensive experience with over 400 clients, 150 of which are medium and large utilities in North America including Duke Energy, PG&E, and Florida Public Utilities. Over the past five years their client retention rate has been 98.2%. All clients who terminated contracts did so as results of mergers and acquisitions with other entities that had existing services with another vendor.

The proposed fee schedule is as follows:

Fee Schedule	
Transactional Fee	Cost per Item
IVR (phone) payment	\$0.25
Web payment	\$0.10
Voice (IVR) message	\$0.05
SMS (text) message	\$0.05
E-message	\$0.02
Secure e-bill delivery	\$0.10
Bill presentment (web view)	\$0.08
Archiving bill fee	\$0.005
One-Time Fees	Total Sum
Software	\$30,000

Alternatives

The City could chose to not to award the contract. The City could decide not to make any changes and continue providing very limited web payment options, no telephone payment options and a laborious manual collection and input of email addresses to implement E-billing.

Financial Impact

Currently there is sufficient funding in Customer Services operating budget to cover anticipated costs in FY 13-14; increased costs from processing more payments through the EBPP will be offset by savings on postage and supplies.

The table below shows anticipated savings from e-billings under three assumptions. The first is 10% which reflects approximate current implementation levels of OWASA and the City of Raleigh. The vendor provided statistics that a 15-20% e-billing implementation rate is possible with active promotion of e-billing, and higher acceptance could be realistic considering the large proportion of tech-savvy students and professionals living in Durham.

	10%	15%	20%
Paper Bills	\$76,880	\$115,320	\$153,760
E-Bills	9,600	14,400	19,200
SAVINGS	\$67,280	\$100,920	\$134,560

SDBE Summary:

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by KUBRA Data Transfer of Edison, NJ and have determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE REQUIREMENTS

No MSDBE or WSDBE goals were set.

WORKFORCE STATISTICS

Workforce statistics for KUBRA Data Transfer are as follows:

Total Workforce	319	
Total Females	103	(32%)
Total Males	216	(68%)
Black Males	20	(6%)
White Males	92	(29%)
Other Males	104	(33%)
Black Females	17	(5%)
White Females	42	(13%)
Other Females	44	(14%)

Attachments

Contract

SDBE Compliance Report