

**CITY OF AUSTIN
PURCHASING OFFICE
SOLICITATION NO. RFP TVN0024
SCOPE OF WORK**

I. PURPOSE

The City of Austin Electric Utility Department, d.b.a. Austin Energy, hereinafter referred to as AE, seeks proposals in response to this Request for Proposal (RFP) from debt collection agencies, hereinafter referred to as Contractor(s), qualified and experienced in collection of past due or delinquent accounts to collect, account for, submit, and report funds representing delinquent accounts receivable.

AE contemplates choosing three Contractors to perform Primary debt collection, two Contractors to perform Secondary collection work, a single Contractor to perform Tertiary collection work and a single contractor to perform Small-Dollar collection work valued at twenty five dollars or less, all on inactive AE accounts.

Although Contractors are encouraged to submit proposals for all levels of collections, contract awards **WILL NOT** be awarded to a single Contractor for consecutive levels of collections from Primary through Tertiary. Specifically, Contractors awarded a Primary collections contract will not be eligible for a Secondary collections award. Contractors awarded a Secondary collections award will not be eligible for Tertiary collections award. There are no restrictions regarding the Small-Dollar awards.

II. BACKGROUND

Austin Energy (AE) is the municipally owned, vertically integrated electric utility operated by the City of Austin (COA), Texas, providing electricity to approximately 400,000 residential, commercial and industrial customers to COA residents in Travis and Williamson Counties. Annual revenues are in excess of \$900 million.

AE jointly participates with other electric utilities in the ownership of coal-fired electric generation facilities and a nuclear powered electric generation facility. Additionally, AE individually owns two gas/oil-fired electric generation facilities which are available to meet demand. Transmission line mileage was 620 and distribution line mileage was 11,363 as of the end of 2011. Also, AE provides the customer billing services for all COA utilities: electric, water and wastewater, solid waste, and other related fees.

III. SCOPE OFWORK

A. COLLECTION OF PRIMARY LEVEL DELINQUENT UTILITY ACCOUNTS RECEIVABLE

1. Objective:

Three agencies will be selected for this service level. AE currently has three contractors performing this service. The anticipated business volumes provided in this section are estimates only. AE makes no guarantee or representations pertaining to the quantity or value of collection placements. The process of placing and recalling accounts with Contractor will occur at the sole discretion and determination of Austin Energy.

The respondents awarded the contract for the Primary Debt Collection Work, will be considered ineligible for contract award for the Secondary Debt Collection Work.

2. Performance Requirements:

AE anticipates that Primary account referrals will remain with a Contractor for 12 months before being recalled by AE and transferred to a Secondary contractor for Secondary-level collection activities.

The average eligible total monthly referrals from AE are approximately 721 accounts with an average balance of \$380 each. The majority of accounts eligible for referral will have been inactive for approximately 45 days prior to referral. Accounts eligible for placement with Contractor will have received collection letters and/or collection calls made internally by AE staff.

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AE makes no guarantee or representation regarding quantity, age, or value of placements.

B. COLLECTION OF SECONDARY LEVEL DELINQUENT UTILITY ACCOUNTS RECEIVABLE

1. Objective:

AE contemplates awarding no more than two contracts to collection agencies for Secondary level of service. Business level figures provided in this section are estimates only, and the City makes no guarantee or representation regarding the quantity, age, or value of placements.

The respondents awarded the contract for the Secondary Debt Collection Work, will be considered ineligible for contract award for the Primary Debt Collection Work and Tertiary Debt Collection Work.

2. Performance Requirements:

AE anticipates that Secondary referrals will remain with a Contractor for 12 months before being recalled by AE and transferred to a Tertiary contractor for Tertiary-level collection activities.

AE currently has 32,000 accounts totaling approximately \$19 million with an average balance of \$360 per account available for Secondary placements. **The age of initial account placements with Secondary Contractor ranges from approximately 13 to 24 months.** Future placements with the Secondary Contractor will depend on the Primary Contractor's recovery rate.

The process of recalling and placing accounts with Secondary Contractor will occur at the sole discretion of the AE Credit & Collections department. AE makes no guarantee regarding quantity or value of account placements.

AE makes no guarantee or representation regarding quantity, age, or value of placements.

C. COLLECTION OF TERTIARY LEVEL DELINQUENT UTILITY ACCOUNTS RECEIVABLE

1. Objective:

The ultimate goal of this RFP is to determine which collection agency at Tertiary level collection work AE should contract with to collect unpaid debts at the most competitive rate. AE projects selection of a single collection agency as a Tertiary vendor. AE currently has a single vendor performing this work. Business level figures provided in this section are estimates only, and the City makes no guarantee or representation regarding the quantity, age, or value of placements.

The respondents awarded the contract for the Tertiary Debt Collection Work, will be considered ineligible for contract award for the Secondary Debt Collection Work.

2. Performance Requirements:

AE anticipates that Secondary referrals will remain with a Contractor for 12 months before being recalled by AE and transferred to the Tertiary Contractor. We would anticipate that the Tertiary agency would maintain this account until full recovery or being recalled by AE.

AE currently has 100,000 accounts totaling approximately \$50 million currently placed at a Tertiary agency. Future placements with the Tertiary Contractor will depend on the Primary and Secondary contractor's recovery rate.

The process of recalling and placing accounts with Tertiary Contractor will occur at the sole discretion of the AE Credit & Collections department. AE makes no guarantee regarding quantity, age, or value of account placements

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D. COLLECTION OF SMALL-DOLLAR LEVEL DELINQUENT UTILITY ACCOUNTS RECEIVABLE

1. Objective:

One collection agency is contemplated to be selected.

2. Performance Requirements:

AE anticipates the initial account referrals will be in the sixty day to sixty month old range with future referrals anticipated to be no more than 60 days old. Account balances will be no more than 25 dollars.

AE currently has 8800 accounts totaling approximately \$160,000 available for Small-Dollar debt collection placements. The process of placing accounts with Small-Dollar Collection Contractor will occur at the discretion of the AE Credit & Collections department. AE makes no guarantee or representation regarding quantity or value of placements.

AE makes no guarantee or representation regarding quantity, age, or value of placements.

VII. CONTRACTOR REQUIREMENTS

A. TRANSFER OF FILES/ELECTRONIC CAPABILITY:

1. Contractor must be able to send and receive data files in a format designated and approved by AE. The file will contain new residential and commercial accounts being referred for collections, payments or adjustments, or updates on accounts already referred.
2. It is anticipated that the account data will be transferred via File Transfer Protocol (FTP) procedure with the following information available:
 - a. Customer account number
 - b. Customer name
 - c. Driver's license number and/or Social security number or Tax Identification Number
 - d. Service address
 - e. Last known mailing address
 - f. Account balance due
3. Online access to the records referred will be available with all costs of implementation, equipment, and operation to be borne by the contractor. Contractor must be PC and Windows based (Windows XP compatible version) with Internet access and the ability to provide reports in Microsoft Excel 2003.
4. Contractor must be able to create, submit, receive and read data files on collected payments in a format designated and approved by AE. The remittance information will be transferred to AE utilizing an FTP server provided by the Contractor on a schedule determined by AE. The FTP server will require a unique City user identification and password for access. The FTP server will have a folder structure unique to the City. The data transfer process will utilize a file naming convention dictated by the City that contains current date information. All data transfer files must be Secure TFP (SFTP) and encrypted using PGP ("Pretty Good Privacy") with a public key supplied by the City.

B. IMPLEMENTATION:

1. System Requirements: A suitable computer program, mail-out, and telephone system are considered essential to handle the volume of delinquent account(s) assigned. Contractor must electronically record all calls with AE customers. Phone (voice) records and hard-copy records of interactions with AE customers must be maintained for at least six (6) months and made available for AE review as requested. All other records related to the performance of this contract shall be retained for a period of three (3) years in accordance with the City of Austin Terms and Conditions (Section 0300).

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2. Assignment of Account(s): AE contemplates making placements on a weekly basis.
3. Recall of Account(s): AE may, at its sole discretion, recall an account placed with Contractor. If AE recalls an account, the Contractor's authority to collect debt is then terminated. Contractor shall immediately return the account to AE and desist from any further collection attempts. No commission is due to Contractor after an account has been recalled regardless of the lapsed time between the original placement and the return of the account to AE.
4. Fees: Fees will be paid to Contractor based on approved, negotiated commission rate. Negotiated fees are due for payment on account(s) sent to Contractor whether Debtor remits payment towards balance to Contractor or to AE. No fee may be invoiced by Contractor after an account has been recalled. AE shall, on a monthly basis, pay the Contractor the negotiated commission amount based on the Total Payments shown on the current Monthly Commission Report (described in subsection VII.B.5.a) after reconciliation with weekly invoices and weekly gross remittances received from Contractor for same month.
5. Reports: The following types of reports will be required.
 - a. Monthly Commission Report: At the end of each calendar month, Contractor shall give AE a "Monthly Commission Report." The Monthly Commission Report shall include a statement of the amount of the Total Payments (also itemized by account) received since the Contractor's Monthly Commission Report for the preceding month. "Total Payments" shall consist of:
 - i. The remittance(s) from Contractor to AE described in subsection VII.B.8
 - ii. All other payments which have been received from referred account(s) directly to AE
 - b. SSAE 16 Report: The successful Contractor(s), as a service organization for the City, will comply with all requirements prescribed in the Statement on Standards for Attestation Engagements (SSAE) No. 16 "Reporting on Controls at a Service Organization." This report addresses the controls a service organization implements to prevent, or detect and correct, errors or omissions in the information it provides to user entities. The report provides information and an independent CPA's opinion on whether the service organization's description of its system is fairly presented, and whether the controls over that system are suitably designed and operating effectively. The successful Contractor(s) will be required to provide the Contract Administrator the Type II report as prescribed in SSAE 16: Reporting on Controls at a Service Organization. The successful Contractor(s) will provide the report each year within 90 days after the Contractor's fiscal year end.
6. Fair and Accurate Credit Transactions Act: Contractor warrants and represents that it is compliant with the Fair and Accurate Credit Transactions Act and has implemented effective policies to meet or exceed the ends intended in Act. Reference Section 6 of the Supplemental Purchase Provisions for the specific requirements.
7. Invoices: Contractor shall submit weekly to AE an electronic and paper invoice itemizing collections made by City of Austin customer account number, customer name, and amount received. Invoices must reflect transmittal date of account to Contractor and all other information needed to review fee requested. Invoices should also reflect any adjustments made to each account so that total payment amount to Contractor is reflected on both electronic and paper invoices.
8. Remittance of Funds: Contractor must remit electronically gross funds collected to the City with supporting documentation on a basis to be determined by AE no less than weekly with corresponding hard copy. The Contractor will electronically transfer funds collected into a designated City bank account on a basis to be determined by AE no less than weekly.

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9. Credit Bureau Notification: Contractor shall file notification of collections to the appropriate Credit Bureaus according to Contractor protocols. AE reserves the right to request the Contractor to recall any account from the Credit Bureau due to error or AE business needs and to request a paper copy of the deletion made on behalf of Debtor to Credit Bureau. A copy of the deletion notice shall be provided electronically to AE and hard copy mailed to the customer.
10. Exchange of Information: In the event that either AE or Contractor receives notice of Bankruptcy, Probate, or other legal proceedings pertaining to any account, said party shall immediately notify the other party thereof. Contractor agrees to terminate all collection efforts on any account which is subject to Bankruptcy or Probate proceedings and to immediately return said account to AE.
11. Evaluation of Contractor(s) Performance: Contractor's performance will be evaluated on an on-going basis.
 - a. AE will monitor, among other performance standards:
 - i. Monthly placements versus a rolling eleven (11) month average
 - ii. Monthly collections versus a rolling eleven (11) month average
 - iii. Subsequent monthly recovery rates versus a rolling eleven (11) month average
 - iv. Year-To-Date total placements versus recoveries
 - v. Annual placements, collections and recovery rates
 - vi. Any monthly or annual percent increases or decreases in all of above
 - vii. Life to date total placements versus recoveries
 - b. Contractor(s) performance may be shared with other Contractors selected, if any, for this work.
 - c. AE, solely, will determine the presence and details, if any, of any incentive program. Such a program would be based on performance standards (measured as indicated in subsection III.C.11.a) and may result in a change in placement volume, age and/or value. If created, this program will be proposed in detail at that time and will require the acceptance of the contractor(s).
12. Mobilization and Rollback: Contractor shall bear all costs pertaining to set up, rollback and any other steps or processes required under this contract to provide conforming collection account management.

C. CONTRACTOR RESPONSIBILITIES

1. Contractor must assume sole responsibility for all aspects of their behavior of the collection process in compliance with State and Federal laws including problem resolution with Debtors.
2. Contractor will not forward any account or any other request received of AE for collection to any other party, including transferring account(s) to any other location of the Contractor other than the Contractor's address as listed in the Contract, without first obtaining the written consent of AE.
3. Contractor shall ensure mutually negotiated collection efforts are performed on all assigned account(s) regardless of the amount of money owed on the account. Contractor shall not stop collections activities on any account unless specifically requested do so by AE.
4. Contractor shall submit all funds collected to the City as indicated in subsection VII.B.8.
5. Contractor shall verify receipt of account(s) via e-mail to include the number and dollar amount of account(s) received.

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6. Contractor shall notify AE in advance and coordinate with AE on any software upgrades. All software upgrades necessary to maintain service level functionality required under this contract shall be at Contractor's expense.
7. Contractor shall ensure that all inquiries, complaints, and disputes from debtors are resolved satisfactorily as determined by AE.
8. Upon AE request Contractor shall ensure that collection efforts are immediately suspended and account(s) are returned to AE.
9. Contractor shall submit electronic and hard-copy reports and invoices by the due date, with all required supporting documentation to capture and itemize the transactions reflected in the related reports/invoices as described in subsections VII.B.5.a and VII.B.5.b.
10. Contractor shall provide ad hoc reports as requested by AE.
11. Contractor shall provide AE all information on collection efforts made on individual accounts as requested by AE. AE reserves the right to forward collection efforts information to the account holder.
12. Contractor shall comply with the plan submitted with the RFP response and approved by City covering account set up, mobilization and de-mobilization pertaining to the electronic transmission of individual account information and funds remittance.

D. AE RESPONSIBILITIES:

1. AE shall provide Contractor with prescribed format for specified reports upon execution of contract.
2. AE shall pay Contractor according to the Terms and Conditions of the Contract.
3. AE shall provide to Contractor regular records of any payments made directly to AE on accounts already released to Contractor.