



ADDENDUM
PURCHASING OFFICE
CITY OF AUSTIN, TEXAS

REQUEST FOR PROPOSAL NO: TVN0024 ADDENDUM NO. 3 DATE OF ADDENDUM: July 24, 2012

This addendum is to incorporate changes to the above referenced solicitation:

I. Questions: The purpose of this addendum is to respond questions regarding the above referenced solicitation.

Question 1: First Placement: Total monthly referrals are 721 accounts with an average balance of \$380 per month. Is that the total each of the 3 agencies will receive or does each agency receive approximately 240 accounts per month?

Answer 1: It is about 721 accounts per primary agency, so we usually have about 2,000 accounts for primary placement a week.

Question 2: Second Placement: There are 32,000 accounts totaling approximately \$19 million with a \$360 average balance. $\$19 \text{ million} / 32,000 = \593.75 . $32,000(\$360) = \11.5 million . The numbers don't add up. Can you please clarify?

Answer 2: We have 42,000 accounts at approximately \$19M total. The average balance should be about \$450.00.

Question 3: Who are the current vendors and what fee rate are they charging Austin Energy?

Answer 3:
(Primary) NCO at 18%
(Primary) Gila Corp at 19.5%
(Primary) Penn Credit Corp at 17%
(2nd) West Asset Management at 40%
(Tertiary) CSII at 50%

Question 4: What are the recovery rates of the current vendors (1st, 2nd, & 3rd placements)?

Answer 4:
(Primary) NCO Gross Recovery 17.6%
(Primary) Gila Corp Gross Recovery 16.4%
(Primary) Penn Credit Corp Gross Recovery 11.5%
(2nd) West Asset Management Gross Recovery 3.0%
(Tertiary) CSII Gross Recovery 1.1%

Question 5: Section 0600, paragraph G states that "All proposals are valid for a period of one hundred and twenty (180) calendar days subsequent to the RFP closing date unless a longer acceptance period is offered in the proposal." Are proposals valid for 120 or 180 days?

Answer 5: All proposals are to be valid for 180 days.

Question 6: What is the average age of the accounts from the time the bill goes delinquent (assuming delinquency is approximately 30 days from initial billing and inactive status means disconnection) through Disconnect and then referral?

Answer 6: The account is typically referred between 35 - 40 days from the final bill date to a Primary agency.

Question 7: Is the 721 Primary accounts referred each month an average of what goes to each of three vendors? Or is 721 divided by 3 agencies? (240 per?)?

Answer 7: We anticipate approximately 700-1,000 accounts per month to each of the three Primary agencies.

Question 8: The volume given for second placement accounts would equate to about 2700 accounts submitted each month. Is this volume stated a backlog of initial second placement accounts or a monthly average?

Answer 8: We approximate as low as 500 accounts per month to each of the two Secondary agencies. A backlog of accounts is expected as a one-time placement. Austin Energy converted to a new billing system in October of 2011, and due to continued efforts to validate the quality of the new system we have not actively placed accounts with agencies since that approximate timeframe. The backlog may or may not be placed at the start up on the contract, which is dependent on a completely validated billing system

Question 9: If the second placement volume is a backlog number, what is the age breakout by months of the file and what is the average monthly volume of second placements based on current Primary Agency liquidation rates?

Answer 9: Due to the recent billing system conversion we are unable to provide an aging breakout of accounts at this time; however we anticipate the secondary placement backlog to be approximately 15,000 accounts with an approximate average account balance of \$425.00. Average monthly volume for Secondary placement is approximately 1,300 to 2,500 accounts.

Question 10: Have the accounts that will be going to second placement agencies been scrubbed for bankruptcy and deceased customers by the primary agencies?

Answer 10: The city has a process in place to identify bankruptcy and deceased customers; however it is the City's expectation that data scrubs would be conducted at each level of placement to catch on going bankruptcy and deceased activity.

Question 11: What is the aging breakout, number of accounts and average balances of the tertiary portfolio?

Answer 11: Due to the recent billing system conversion we are unable to provide an aging breakout of accounts at this time; however we anticipate the tertiary account portfolio to be approximately 70,000 accounts with an approximate average account balance of \$457.00.

Question 12: For the small balance portfolio, can you provide an aging break out which shows number of accounts and average balance for each individual year in the portfolio?

Answer 12: We estimate 8,800 accounts with account balances that are less than \$25.00 with an approximate value of accounts at \$160,000. AE has not previously placed accounts with a Small-Dollar Level vendor and given the recent billing system conversion we do not have an aging break out at this time.

Question 13: What has been the historical rate of return or liquidation rate provided by any incumbent(s), and/or what is anticipated or expected as a result of this procurement?

Answer 13: Historical liquidation rate for Primary is 15-17%. Expected target for Primaries is up to 20%. Historical liquidation rate for Secondary is 2-3%. Expected target for Secondary is 5-7%. Historical liquidation rate for Tertiary is about 1%. Expected target for Tertiary is to exceed 1%. We do not have data for the Small-Dollar Level liquidation; expected target is equal to or less than 1%.

- Question 14:** To how many vendors are you seeking to award a contract?
- Answer 14:** Please refer to Section 0500 (Scope of Work) for a detailed description of the requirements.
- Question 15:** What is the Percentage of consumer versus commercial accounts submitted for collection? Are the consumer and Commercial accounts separated or do they come in combined on the submission file?
- Answer 15:** We currently do not break out each utility account customer class for tracking purposes. All utility accounts placed are combined and submitted weekly to agencies.
- Question 16:** Regarding online access, what type of online system do you use and is there any special software required to access the records?
- Answer 16:** Currently, there is no online system; however, AE continues to investigate collection agency management software.
- Question 17:** When is the anticipated contract start date?
- Answer 17:** January 1, 2012
- Question 18:** Regarding the retention of hard-copy records of interactions maintained, our current process is to keep the actual hard copy for approximately two week prior to scanning and making a digitized PDF file of the actual document. We keep these documents indefinitely. Is our process acceptable to Austin Energy?
- Answer 18:** AE is satisfied with agencies maintaining records according to their own record retention policy as long as pertinent information is maintained in their collections management system of record.
- Question 19:** How do your current agencies handle disputes? Are there any special requirements that Austin Energy has regarding customer disputes?
- Answer 19:** Agencies submit customer disputes and any supporting documentation provided by the customer to the City for research. The City is generally able to provide research findings to the agency within 20 days. The City and agency communicate further to satisfy the customer dispute within 30 days. The City requires timely submission of all customer disputes as described.
- Question 20:** How will recalls be handled, electronically or will they come in the form of a manual request?
- Answer 20:** We anticipate that electronic recall files will be submitted on a daily basis, and manual requests are handled on a day-to-day basis as the need is determined.
- Question 21:** Will the agencies be sending a lock box type file update in conjunction with wiring funds into a city AE's account?
- Answer 21:** Please refer to Section 0500 (Scope of Work), subsection VII.
- Question 22:** What collection attempts are performed or will be performed internally prior to placement?
- Answer 22:** The final bill is mailed and if it is not paid by the due date a final payment letter is mailed providing an additional 10 days to pay. If the account is not paid by the due date of the final payment letter the account is referred on approximately the 30-40th day from the final bill date to a primary agency.
- Question 23:** Will the selected vendor be allowed to litigate balances exceeding a certain dollar amount on your behalf, with your explicit approval?
- Answer: 23:** No

- Question 24:** What estimated or actual dollars were paid last year, last month, or last quarter to any incumbent(s)?
- Answer 24:** For fiscal year 2011: Primary Agency 1 - \$89,776.00; Primary Agency 2 - \$113,176.83; Primary Agency 3 - \$26,067.54; Secondary Agency - \$143,365.89; Tertiary Agency \$262,350.10
- Question 25:** What is the monthly or quarterly number of accounts expected to be placed with the vendor(s) by category?
- Answer 25:** We anticipate the following: Primary approx 700-1000 accounts per month per agency; Secondary approx 500-1,300 accounts per month per agency; Tertiary approx 500-1,000 per month. We are unable to approximate the number of expected accounts per month at the Small Dollar Level.
- Question 26:** What is the monthly or quarterly dollar value of accounts expected to be placed with the vendor(s) by category?
- Answer 26:** We anticipate the following monthly dollar value of accounts to be: Primary approximate \$855,000; Secondary approximate \$800,000; Tertiary approximate \$300,000. We are unable to approximate the monthly value expected for the Small Dollar Level.
- Question 27:** What has been the historical rate of return or liquidation rate provided by any incumbent(s), and/or what is anticipated or expected as a result of this procurement?
- Answer 27:** Historical liquidation rate for Primary is 15-17%. Expected target for Primaries is up to 20%. Historical liquidation rate for Secondary is 2-3%. Expected target for Secondary is 5-7%. Historical liquidation rate for Tertiary is about 1%. Expected target for Tertiary is 3%.
- Question 28:** If applicable, will accounts held by any incumbent(s) or any backlog be moved to any new vendor(s) as a one-time placement at contract start up?
- Answer 28:** Refer to Question #10 or 11 on Pre-Proposal on accounts held by incumbent(s). A backlog of accounts is expected as a one-time placement. Austin Energy converted to a new billing system in October of 2011, and due to continued efforts to validate the quality of the new system we have not actively placed accounts with agencies since that approximate timeframe. The backlog may or may not be placed at the start up on the contract, which is dependant on a completely validated billing system.
- Question 29:** To what extent will the location of the bidder's call center and/or corporate headquarters have a bearing on any award(s)?
- Answer 29:** Please refer to Section 0600 (Proposal Preparation and Evaluation Factors), sub-section 3-B.
- Question 30:** Which contract(s) will the resulting contract(s) replace, from among contract(s) resulting from the following procurements: SLC0006, SLC0011, SLC0012, SLC0023?
- Answer 30:** All of them.
- Question 31:** Which contract(s) from those early procurements will remain in force?
- Answer 31:** None of them.
- Question 32:** Why is the contract out to bid at this time?
- Answer 32:** The City reserves the right to take whatever action is deemed in its best interest.

- Question 33:** How will we calculate the amount required for the bond since it's based on the contract amount?
- Answer 33:** It will be based on the historical recover rates.
- Question 34:** Regarding small-dollar collections - does the prohibition against vendors contracting for consecutive levels count here as well?
- Answer 34:** No, any vendor can contract for small-dollar collections.
- Question 35:** What are the current contract fees?
- Answer 35:** This information is available through an Open Record Request only.
- Question 36:** Why do we require a \$5,000,000.00 commercial crime policy and a Fidelity Bond?
- Answer 37:** The commercial crime policy and Fidelity Bond is virtually the same thing. Either will suffice.
- Question 37:** Regarding the Mobilization & Rollback. What does this mean?
- Answer 37:** This relates to the possibility doing a mass rollback and the costs associated w/ it. For instance our recent billing system change required a lot of formatting & testing work both on our part and the contractors and we have not been able to actively collect. We anticipate having a backlog placement
- Question 38:** So basically the mobilization & rollback is in regard to how the vendor would handle these obstacles and the costs associated w/ them.
- Answer 38:** Correct
- Question 39:** On recalls, what accounts would be recalled and sent to the next collection level? What types of status would be recalled? For instance, if an agency was receiving monthly payments from a customer, would the contractor be able to hold onto that account?
- Answer 39:** Agencies will produce a Keeper List of accounts in their inventory that meet the current criteria established by the City; active payment arrangements are included within the criteria of the Keeper List. Accounts not included in the Keeper List will be recalled.
- Question 40:** What about customers that pay to restore service or balance transfers? Will those be recalled? Will commission be paid on what has been collected?
- Answer 40:** Customers restoring service with the utility who are actively placed with an agency will be recalled from the agency. Weekly payment and adjustment files and weekly account update files will reflect restored services or balance transfers within the City. Commissions are paid on balances collected by the agency up to the date of the recall from the agency.
- Question 41:** Will we accept copies of insurance certificates to show a contractors ability to secure insurance?
- Answer 41:** Yes, that is acceptable.
- Question 42:** The solicitation asks for a complete client list which is potentially proprietary info. Can we adjust that requirement?
- Answer 42:** Refer to Section 0600 (Proposal Preparation and Evaluation Factors) sub-section H (Proprietary Information).
- Question 43:** In regards to the SSAE 16 Report – is this certification mandatory?
- Answer 43:** It is mandatory

PURCHASING OFFICE MEETING SIGN-IN SHEET

Bid No & Description: TVN0024 – Collection of Delinquent Accounts	Meeting Date: 07/10/2012
Check Type of Meeting: Pre Bid/Proposal <input checked="" type="checkbox"/> Bid Opening <input type="checkbox"/>	Place/Room: TLC Assembly Room ¹³⁰ 137
Buyer: Terry Nicholson	

Please Print Legibly

Name	Company/Agency/Dept.	Phone	Email
Annie Atwood		322-6472	Annie.Atwood@austinenergy.com
Oralia Jones	Purchasing	322-6467	Oralia.jones@austinenergy.com
Stephen Powelson	Penn Credit	4698555078	Stephen.powelson@penncredit.com
Heather Goertz	MSB	512323-4230	Heather.Goertz@gilacorp.com
Janet Acosta	MSB	523234238	janet.acosta@gilacorp.com
Darlene Mead	CSII	817 4966800	Kathy@creditsystemsintl.com
Kathy Faith	CSII	817 4966800	Katy@creditsystemsintl.com
Rachel Wiese	McRaven Consulting	9792558292	mcravenconsulting@gmail.com

PURCHASING OFFICE MEETING SIGN-IN SHEET

Bid No & Description: TVN0024	Meeting Date: 07/10/2012
Check Type of Meeting: Pre Bid/Proposal <input checked="" type="checkbox"/> Bid Opening _____ Buyer: Terry Nicholson	Place/Room: Call in Bridge log

Please Print Legibly

Name	Company/Agency/Dept.	Phone	Email
Rhett Donagher	Penn Credit		Rhett.Donagher@penncredit.com
Brad Gelsky	Credit Protection Association		bgelsky@creditprotect.com
Cindy Castaneda	Fortitude Business Solutions		cindy@fortitudebusiness.com
Robert Rougeou	Infinity Group Receivables		robert.rougeou@infinitygr.com
Greg Straub	Infinity Group Receivables		greg.straub@infinitygr.com
Laura Emmons-Beam	Credit Systems International		Laura.Beam@thecontactgrouppllc.com
Luke Check	Americollect		Luke@americollect.com
John Hathaway	Sallie Mae Inc.		John.Hanaway@salliemae.com
Mike Korte	The Affiliated Group		mkorte@theaffiliatedgroup.com
Ray Perez	EOSs-CCA		Ray.Perez@EOS-CCA.com
Jeff Smith	NCO Financial Systems		jeff.smith@ncogroup.com