

AGENDA



Thursday, November 5, 2009

**Purchasing Office
RECOMMENDATION FOR COUNCIL ACTION****Item No. 29**

Subject: Authorize award, negotiation, and execution of three 24-month requirements service contracts with PENN CREDIT CORPORATION, Harrisburg, PA, for the primary collection of inactive delinquent utility accounts in an estimated amount not to exceed \$390,114, with three 12-month extension options in an estimated amount not to exceed \$195,057 per extension option, for a total estimated contract amount not to exceed \$975,285; and two 24-month requirements service contracts with WEST ASSET MANAGEMENT, INC., Hartford CT, and SOUTHWEST CREDIT SYSTEMS, L.P., Plano, TX, for the secondary collection of inactive delinquent utility accounts in an estimated combined amount not to exceed \$1,332,000, with three 12-month extension options in an estimated combined amount not to exceed \$666,000 per extension option, for a total estimated combined contract amount not to exceed \$3,330,000.

Amount and Source of Funding: Funding in the amount of \$789,302 is available in the Fiscal Year 2009-2010 Operating Budget of Austin Energy. Funding for the remaining 13 months of the original contract period and extension options is contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Sandy Calles, Sr. Buyer/322-6487

Purchasing Language: Best three evaluated proposals of five proposals received.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

Boards and Commission Action: Recommended by the Electric Utility Commission.

Austin Energy currently has two vendors, NCO Financial Systems, Inc. and Gila Corp, dba Municipal Services Bureau, for competitive primary collection services for inactive, unpaid utility accounts and one vendor, Credit Systems International, Inc. for tertiary services. In anticipation of increasing Austin Energy's attempts to collect past due or delinquent accounts, an RFP was issued for the services of one additional vendor to perform primary debt collection and to obtain two secondary level vendors. A previous RFP resulted in two secondary agency contracts being awarded in January 2008, but both vendors have since been terminated because of inability to comply with contractual terms.

Of the three proposed contracts, one is for primary collection services with Penn Credit Corp. and the other two contracts are for two secondary collection services with West Asset Management, Inc. and Southwest Credit Systems, L.P. The RFP stipulated that each vendor could only be awarded at one collection level and since responses for the lower dollar amount collection work included vendors who are being recommended for award at other levels, no vendor is being recommended for award for this level. In addition, no responses were received for the reserve standby function.

For the single primary agency, Austin Energy will refer, on a rotating basis, any utility accounts that have been inactive and unpaid for over 60 days. Approximately 664 inactive accounts, with an average unpaid

balance of \$360 per account, will be referred or placed for collections on a monthly basis. The estimated annual amount of referred accounts is \$2,868,480. Contractors are projected to collect approximately \$1,147,392 on an annual basis, before fees.

For the two secondary agencies, Austin Energy will refer, on a rotating basis, any utility accounts that have been with a primary agency for 18-30 months. Approximately 20,500 total inactive accounts, with an average unpaid balance of \$360 per account, are currently ready to be placed with a secondary agency. The estimated total annual amount of referred accounts is \$7,400,000. Contractors are projected to collect approximately \$1,850,000 on an annual basis, before fees.

Proposals were evaluated by a panel of six employees from areas representing customer care and collections, fiscal, and legal services. Proposers were required to explain their understanding of the requirements of the scope of work, experience with collection activities and processes, as well as their commission and recovery rates. In addition, the criteria required the proposers to describe payment handling procedures and the handling of non-English speaking customers and customers' questions and concern.

MBE/WBE solicited: 0/0

MBE/WBE bid: 0/0

PRICE ANALYSIS

- a. Adequate competition
- b. One hundred thirty-two notices were sent. There are no known MBE/WBEs available for this service. Five proposals were received.
- c. The commission rate paid to the primary level contractor represents a 9% decrease from the average commission rate for the current contractors awarded in January 2008. Austin Energy anticipates a continued lower volume of referrals with lower average balances.

APPROVAL JUSTIFICATION

- a. Three best evaluated proposals received.
- b. The Purchasing Office concurs with Austin Energy's recommended award.
- c. Advertised on the Internet.