

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION**

Date: August 22, 2013

SUBJECT: Proposed Outsourcing of Processing and Mailing Utility Bills

SUBMITTING DEPARTMENT: Management Services

PREPARED BY: Tim Henry, Customer Accounts Division Manager, for William Kauppi,
Management Services Director

AGENDA LOCATION: Comments/Communications , Consent , Work/Study ,
New Business , Public Hearing , Second Reading

ATTACHMENTS: CDS Global Agreement

SUMMARY/BACKGROUND: The Town Manager has asked staff to explore ways to streamline Town processes and come up with creative ideas to better manage operations. In response, the Customer Accounts Division has explored ways to be more efficient and improve customer service. Staff began the process several years ago by researching the possibility of outsourcing the utility billing collection lockbox process, and the Town Council eventually approved a Utility Bill Lockbox Outsourcing Agreement with CDS Global on August 12, 2010. That Agreement was renewed on May 24, 2012 as a result of our satisfaction with their service.

Recently, staff has explored outsourcing the processing and mailing of the utility bills. At the August 15, 2013 Work/Study, this possibility was discussed with Council and Council directed staff to proceed. As a result, staff is now bringing a proposed outsourcing agreement to the Council for approval.

The Division currently processes approximately 20,000 utility bills per month (including regular, delinquent and final bills). Most of these mailings include the Town newsletter and various other inserts. The work includes:

- Printing, folding and inserting the bills, inserts and return envelopes
- Sorting, packing and delivering the completed mailings
- Inventory management, ordering, rotating and tracking multiple items
- Reviewing and updating postal requirements and practices
- Equipment maintenance on folder, printer and delivery van

The personnel, supplies, equipment, and licenses necessary to complete this work in-house include:

- .50 full-time employee-Mailroom staff
- Printer and related licenses and maintenance
- Folder/inserter and related maintenance
- Mailing bar code software
- Paper stock and envelopes
- Miscellaneous supplies, vehicle and support

Staff estimates that the cost to complete this work under the proposed outsourcing contract will be about \$10,000 less per year than the current in-house costs. Plus, there is a potential for additional savings through postage programs, bulk purchasing and packaging of services. Additional benefits would be:

Improved workflow by addressing these issues:

- Large amount of work in compressed time; small margin for error; deadline driven
- Unable to multi-task and requires cross trained back-up staff
- Impacts other work flow if absent-pulls Customer Accounts Representative to cover

Improved redundancy by addressing these issues:

- Staff impact to cover if needed
- Lack of back-up printer or folder/inserters
- Frequent operating problems with folders/inserters

Improved stability by addressing these issues:

- Pricing may change but will be known
- Equipment leases and maintenance; purchasing and repair cycles
- Staff turnover and consistent service level

Staff anticipates more utility customers in an improved economy. By entering into this outsourcing agreement, the Division should be better positioned to adjust to this increase in customer activities without the need to increase staff.

Given the good experience the Town has had with CDS Global in its earlier outsourcing (and given the ability to directly enter into agreements for professional services under Town Code §3-04-080), staff is recommending that the Council approve the attached agreement for this additional service with CDS Global.

OPTIONS ANALYSIS: Council may approve the proposed agreement with CDS Global as drafted, recommend revisions to the agreement prior to adoption, OR decline to approve the proposed agreement.

ACTION OPTION: Motion to approve the agreement with CDS Global to provide utility billing outsourcing for the Town of Prescott Valley. **VOTE.**

RECOMMENDATION: Staff recommends approval of this agreement.

FISCAL ANALYSIS: Depending upon mail volume processed, the estimated yearly costs to the Town would range from \$58,224 to \$67,286. Funds for an outsourcing agreement for processing utility bills would need to come out of the Wastewater account (#501.7010.642.3275) and the Water account (#511.7020.641.3275).

REVIEWED BY:

Management Services Director _____

Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____