

**TOWN OF PRESCOTT VALLEY  
REQUEST FOR COUNCIL ACTION  
Date: August 12, 2010**

**SUBJECT:** Utility Bill Lockbox Outsourcing Agreement with CDS Global

**SUBMITTING DEPARTMENT:** Management Services

**PREPARED BY:** Cordell R. Compton, Customer Accounts Division Manager for William Kauppi,  
Management Services Director

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

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**ATTACHMENTS:** a) CDS Master Services Agreement

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**SUMMARY/BACKGROUND:** As part of the Town Manager's directive to explore ways to streamline Town processes and come up with creative ideas to better manage our operations, staff investigated ways to improve the efficiencies within the Customer Accounts Division and improve customer service. Staff began researching the utility billing collection lockbox process. Staff had met previously with Council at the July 1, 2010 Work Study session and presented them with CDS Global's mail outsourcing proposal. Council requested that staff prepare additional supporting documentation for the project, which they did and was subsequently presented at the August 5, 2010 Work/Study session.

Division staff currently processes between 11,000 – 12,000 pieces of mail per month. These payments include one check–one stub, multiple stubs–one check, multiple stubs–multiple checks and bank bill pay payments. Mail volume and processing time for these payments vary from day to day, but approximately 3 to 4 hours each day (a potential yearly cost reallocation of \$15,762) could be devoted to other duties such as delinquent account collection, as well as processing other customer payments through bank drafts, online payments and drop box payments, the handling of customer walk-in traffic and enhanced customer service. This 3-4 hour window also would allow staff to focus on their core competencies and achieve more cross-training in other areas of Management Services, i.e. in the mail/copy center.

CDS Global processes and posts funds to the bank the same day and would transmit a posting file to the Town so that customers' accounts are updated. Since the Town offices are closed on Fridays, any postal mail that arrives at the post office is not processed until the next work day (usually Mondays) and then deposited the day after that. CDS Global can process and post mail payments on Fridays, gaining several days' use of funds for the Town over the present process, resulting in a more timely posting of funds to the Town bank account, thereby creating interest earnings potential on these funds. There is also the possibility this process would reduce the Town's banking fees and/or charges. The City of Prescott uses CDS Global to process their utility payments and have expressed to us that they are very pleased with the service.

Several of the benefits of outsourcing this function cannot be quantified, such as:

- Consistent cash flow with same day processing Monday through Friday
- Electronic storage:
  - Opens up square footage for other use,
  - Mitigates risk of a security breach with hard copy documents, and

- Fast and secure access to images for research to Town staff for problem resolution/customer inquiries
- Ability to stay current with payment processing industry trends, such as electronic check presentment, image archive, remote deposit capture and emerging payment channels, i.e. mobile payments
- Ability to stay ahead of the ever-increasing compliance requirements and data protection regulations by using a PCI/SAS70/SOX compliant partner
- Disaster recovery and business continuity risks created by processing in house
- Benefits of clearing checks electronically through the ACH network increases funds availability and reduces NSF check items
- Scalability for growth or additional data capture/payment processing needs, reducing the need for future investments

As a preview to the August 5, 2010 Work/Study, Council and staff took a tour of the CDS Global facility on August 3, 2010, to view their operations. After discussion and review at the August 5, 2010 Work/Study session, staff is proceeding with approval of this agreement. It is felt that with new technology and moving ahead into a future with anticipation of more customers in an improved economy, by entering into this agreement, the Town will be better positioned to adjust to the rise in collection activities created by these additional customers. It should provide the Town with the capability to handle our added customer base without the necessity to increase staff.

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**OPTIONS ANALYSIS:** Council may approve the agreement to provide utility bill lockbox outsourcing to the Town of Prescott Valley, or decline to approve the agreement.

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**ACTION OPTION:** Motion to approve the CDS Global Master Services Agreement to provide utility bill lockbox outsourcing. **VOTE.**

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**RECOMMENDATION:** Staff recommends approval of this agreement.

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**FISCAL ANALYSIS:** Depending upon mail volume processed, the estimated yearly costs to the Town would range from \$26,000 - \$29,000. Funds have been budgeted in the Wastewater account (#501.7010.642.3275) and Water account (#511.7020.641.3275).

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**REVIEWED BY:**

Management Services Director \_\_\_\_\_ Town Clerk \_\_\_\_\_

Town Attorney \_\_\_\_\_

Town Manager \_\_\_\_\_

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**COUNCIL ACTION:**

Approved  Denied  Tabled/Deferred  Assigned to \_\_\_\_\_