

CITY COUNCIL REGULAR SESSION

Resolution authorizing execution of a Biller Agreement with Invoice Cloud, Inc., to include an initial term of three (3) years and a renewal term of two (2) additional years, in an amount not to exceed \$6,451,350, plus all applicable taxes, to provide payment processing services in support of the Utilities Department's future customer information and billing system.

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Utilities Department

EXECUTIVE SUMMARY

This Resolution authorizes Utilities to enter into an agreement with Invoice Cloud, Inc., for payment processing services necessary to fully utilize the functionality of the proposed new Utilities' customer information and billing system.

RECOMMENDATION

Move to adopt Resolution No. 10120

BACKGROUND/ANALYSIS

Utilities has been notified that its current payment processing service is being decommissioned by the vendor. This is a critical service that facilitates customer payments and provides payment processing in the customer portal, in addition to providing secure Payment Card Industry (PCI) compliant functionality.

Utilities has selected Invoice Cloud, Inc., as the successful vendor through a competitive request for proposal process to replace our current payment processing service. Invoice Cloud is fully integrated with our proposed new customer billing system and portal.

In addition to payment processing, Invoice Cloud provides benefits such as:

- engagement and communication tools that can help customers understand their utility bills,
- customer self-service features such as online enrollment in payment arrangements,
- increased ways for customers to pay their bill, including pay by text and a digital wallet,
- near-real-time system updates so customers can see their payments have been made, and
- consolidated financial reports to help simplify revenue reconciliation.

The total cost of this contract is \$6,451,350 over five years.

	2023	2024	2025	2026	2027	2028
Merchant Fees Projection	\$ 260,340	\$ 826,319	\$ 876,725	\$ 943,926	\$ 1,032,392	\$ 735,063
Monthly Billing Projection	\$ 50,886	\$ 323,027	\$ 342,732	\$ 369,002	\$ 403,585	\$ 287,353
Total	\$ 311,226	\$ 1,149,346	\$ 1,219,457	\$ 1,312,928	\$ 1,435,977	\$ 1,022,416

Note: This contract is anticipated to cover September of 2023 to August of 2028. For this reason, the fees in 2023 and 2028 are for partial years.

Invoice Cloud's service fees are incurred when payment transactions are processed, based on the type of payment used by Bellevue Utilities customers. The costs include several transaction fee categories:

- 1) Credit/debit/PayPal fees,
- 2) Automatic check clearinghouse (ACH) fees, and
- 3) Online bank direct fees, which allows the Utilities to electronically import e-check (ACH) payments initiated from customer bank bill-pay sites.

The cost to Utilities is dependent on the type of bill payment transaction a customer uses.

Credit/debit/PayPal transactions incur larger fees than check payments or online bill payments from customer banks. Credit card auto-pay is one of the most frequent customer service requests by customers. Utilities has seen a 25 percent average increase each year in merchant fee costs over the past five years, primarily due to customer use of credit cards to pay utility bills. These costs are anticipated to increase even more in the future once credit card auto-pay is available for customers.

To help control costs, Utilities staff are actively working with customers to encourage use of the less expensive payment types, such as online bank bill-pay. A future policy issue for Council consideration is whether customers using credit cards, the most expensive transaction fee, should be partially or fully responsible for the cost of those transaction fees.

This contract includes the costs associated with monthly billing; a service frequently requested by Bellevue customers. Utilities estimates the fiscal impact of these merchant fees for monthly billing to be approximately \$355,000 annually from 2023 to 2028. These fees may be reduced if customers select less expensive payment modes. Council will have an opportunity to provide direction on monthly billing as part of Utilities 2023-2024 budget discussion.

This Biller Agreement supports the future replacement of Bellevue Utilities customer information and billing system, as described in the Software as a Service (SaaS) Agreement with N. Harris Computer Corporation.

There are ancillary agreements that are necessary to facilitate payment processing services provided by Invoice Cloud, Inc. (examples include PayPal and Paymentech LLC). These agreements do not have associated monetary costs and will be executed by appropriate staff per Bellevue City Code 4.28 and the City's procurement policies.

POLICY & FISCAL IMPACTS

Policy Impact

Per Bellevue City Code 4.28.230 and the City's procurement policies, Council approval is required to enter agreements that exceed \$90,000.

This agreement allows Bellevue Utilities to replace its payment processing vendor and provides secure bill payment functionality for customers.

Fiscal Impact

The total cost of this contract is \$6,451,350 over five years and has two cost components:

- 1) a variable merchant fee transaction cost of approximately \$4,674,764 and
- 2) an additional cost for monthly billing of \$1,776,586.

This equates to an annual cost of approximately \$1,300,000. This is an increase of \$540,000 per year over previously projected costs, and is driven by projected higher usage of credit cards as well as the cost associated with monthly billing. The increase in payment processing fees will be funded by rates.

OPTIONS

1. Adopt the Resolution authorizing execution of a Biller Agreement with Invoice Cloud, Inc., to include an initial term of three (3) years and a renewal term of two (2) additional years, in an amount not to exceed \$6,451,350, plus all applicable taxes, to provide payment processing services in support of the Utilities Department's future customer information and billing system.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS

Proposed Resolution No. 10120

AVAILABLE IN COUNCIL LIBRARY

Biller Agreement – Invoice Cloud, Inc.

Supporting Contract: Software as a Service (SaaS) for N. Harris Computer Corporation