

August 6, 2018

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution authorizing the execution of a contract not to exceed the total of \$1,686,000, plus applicable taxes, with Kaye-Smith, Inc. to provide the Utilities Department with necessary bill print and mailing services with an initial three-year term and four, one-year options to extend, with the same terms and conditions, for a total contract term of seven years.

FISCAL IMPACT

The City will agree to compensate Kay-Smith, Inc. for utility bill print and mail services performed, anticipated to cost \$680,000, plus applicable taxes, for the initial three-year term, beginning December 1. Funding for the first month of this contract is included in the 2018 Utilities budget. Funding for 2019 through 2021 will be requested as part of the relevant budget process.

Following the initial three-year term, the City may exercise four, one-year options to extend the contract to continue the bill print and mailing services with Kaye-Smith, Inc. The anticipated aggregate cost of the optional years is \$1,006,000. Funding for the four optional years will be requested as a part of the subsequent budget cycles.

The total seven-year contract amount will be for a not to exceed amount of \$1,686,000 (\$680,000 + \$1,006,000), plus applicable taxes. This amount comprehensively includes all the printing labor fees; the print material costs; the United States Postal Service (USPS) postage costs; consumer price index (CPI) inflation increases; and a 10 percent contingency for future print redesign and related work as a result of the anticipated Advanced Metering Infrastructure system (AMI) implementation.

STAFF CONTACTS

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Utilities Department

POLICY CONSIDERATION

Bellevue City Code Chapter 4.28, Procurement: This Chapter provides for fair and equitable treatment in the City's purchasing process, by maximizing the purchasing value of public funds and by providing safeguards for maintaining a purchasing system of quality and integrity. Chapter 4.28 governs the procurement of professional and general services and requires Council approval for contracts over \$90,000. This is a service contract that is greater than \$90,000.

BACKGROUND

The City of Bellevue provides utility services to its residents and bills them for those services as a critical function of maintaining the City's revenue stream. The City has outsourced the bill printing and mailing services since 1989 and procured such services following the City's procurement rules.

The bill print and mailing services directly impact Bellevue utility customers and is a necessary function performed by the City. Over the years, the volume of bill printing and mailing has steadily increased with an expectation of continued steady growth and transformation into the future. Currently, the electronic data for regular and delinquent utility bills is produced by the City's utility billing software (CIS Infinity) and transmitted on a weekly basis to the vendor to print, prepare, and then mail to the customer on behalf of the City. The City bills approximately 38,000 customers every two months. Additionally, about 700 delinquent notices are mailed weekly. Together, this amounts to approximately 5,000 bill notices printed and mailed weekly.

The City has found that it is more cost effective and secure to out-source the work for the following reasons, among others:

1. The City does not have the capabilities to handle the high volume of utility mailings that are processed weekly;
2. The City does not have the billing and mailing security features that are offered by industry providers necessary to handle sensitive customer information as required by law;
3. The City does not meet the USPS presort mailing requirements for a Detached Mail Unit to take advantage of postal discounts. By out-sourcing the mail and print services, the City saves approximately \$21,000 per year in postage costs over an in-house service option.

The current bill print and mail services contract will expire on November 30. On March 5 staff presented information on the procurement process for the bill print and mail services contract. A Request for Proposals (RFP) was issued on March 23 and the City received six proposals in response. The proposals were evaluated by a committee consistent with Bellevue's procurement rules and guidelines using the evaluation criteria in the RFP.

Kaye-Smith, Inc., the incumbent, was selected as the best value, through a full and open competitive procurement process that included evaluating Proposers' project approach and capacity, experience, additional value-added services, and their price. Kaye-Smith ranked highest on the qualifications review and submitted competitive low rates. Although Kaye-Smith was not the lowest priced proposal, their rates were determined to be "fair and reasonable" compared to the rates submitted by the other proposals and was the second lowest priced of the top three firms. The cost difference between the lowest priced proposal and Kaye-Smith's proposal is outweighed by the higher quality service offering, continuity of service with a guaranteed zero disruption to customers, their advanced security measures, and local presence which is important for timely bills delivery and customer satisfaction. Kaye-Smith has also committed to passing along the USPS per mail piece discount to the City as additional cost-savings for this service.

Bellevue is currently in the process of contracting with a vendor to implement an AMI system. It is expected that the AMI implementation project will take about three years once commenced. Once AMI is implemented, the City expects redesign and related work on its utility bills may be required. Therefore, the City has strategically planned for the AMI implementation work in determining the seven-year term.

The contract with Kaye-Smith includes resources for bill redesign and related work as part of the AMI implementation. The contract does not include costs related to changes in billing frequency. The contract will likely require an amendment if billing frequency is changed as part of the AMI implementation.

EFFECTIVE DATE

If approved, this Resolution becomes effective immediately upon Council adoption.

OPTIONS

1. Adopt the Resolution authorizing the execution of a contract not to exceed the total of \$1,686,000, plus applicable taxes, with Kaye-Smith, Inc. to provide the Utilities Department with necessary bill print and mailing services with an initial three-year term and four, one-year options to extend, with the same terms and conditions, for a total contract term of seven years.
2. Do not adopt the Resolution and provide alternative direction to staff.

RECOMMENDATION

Option 1

MOTION

Move to adopt Resolution No. 9446 authorizing the execution of a contract not to exceed the total of \$1,686,000, plus applicable taxes, with Kaye-Smith, Inc. to provide the Utilities Department with necessary bill print and mailing services with an initial three-year term and four, one-year options to extend, with the same terms and conditions, for a total contract term of seven years.

ATTACHMENTS

Proposed Resolution No. 9446

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

Proposed Professional Services Contract with Kay-Smith, Inc.