



CITY OF DULUTH
PURCHASING DIVISION
Room 100 City Hall
411 West First Street
Duluth, Minnesota 55802-1199
218/730-5340 218/730-5922 FAX

April 15, 2010

REQUEST FOR PROPOSAL
10-14DS
Lockbox Banking Services

Please provide the City of Duluth with a proposal for **Lockbox and Other Banking Services Related to Its Utility Operations** per the following description, requirements and goals.

Please mark your proposal with the above number and title on the outside of the envelope and return to: City of Duluth, Purchasing, Room 100, 411 West 1st Street, Duluth, MN 55802 by **2 PM, Wednesday, April 29, 2010.**

All proposals will be acknowledged aloud in room 100 of City Hall. Proposals will be reviewed by committee for making final selection and according to responses addressing the requirements.

The City of Duluth reserves the right to reject all proposals. Any questions shall be directed to Purchasing and answers once obtained will be provided to all proposers.

RFP information can be obtained by calling Purchasing.

Contact: Dennis Sears (218) 730-5003
Purchasing Agent
dsears@duluthmn.gov

Thank you.

Total proposed costs of service carried over from last page. _____

(signature)

(date)

Scope:

The City of Duluth is interested in receiving a response/proposal for information on services related to its utility operations, Comfort Systems. It is the City's intention to maintain these services with one institution in order to maximize operational workflows and minimize administrative costs. This process is intended to determine who can provide the highest quality service at the most reasonable price with the opportunity to explore and create enhanced customer service opportunities and delivery methodologies.

Response Information:

Please provide a brief overview by addressing the following areas. An excel attachment is also provide for disclosing cost associated with each service required.

Services to be considered:Retail Lockbox Processing

Currently the function is performed in-house with approximately 20,000 remittances processed on a monthly basis.

Credit Card Processing

Currently the function is handled by an employee either over the counter or by telephone with approximately 1,400 card transactions per month.

ACH Transactions

Approximately 4,000 ACH debit transactions are created per month and electronically posted to customer accounts. Additionally, the federal government, state government, and Checkfree remit ACH payments which average approximately 1,000 per month and are manually posted to customer accounts.

Receivable Automation/Consolidation

Currently an integrated consolidation process is not utilized for third party processors. Checkfree supplies a file that is manually posted, and other third party processors remit check payments with customer account information that is manually posted.

Online Payments

Currently an online payment option is not offered. The City is interested in offering an online payment option via credit card and an ACH debit option to both checking and savings.

Interactive Voice response (IVR)

Currently an IVR payment option does not exist. The City is interested in offering utility customers a payment option over the telephone.

Please provide specific information regarding service availability, delivery, and pricing. The City may wish to hold further discussions with the vendor about their proposal. The City further reserves the right to reject any or all proposals that are considered non-responsive to the requirements requested.

An excel spreadsheet has been provided for a pricing summary of services.

It is most desired that the successful bank has a local presence in Duluth and is of size to fulfill the requirements stipulated in this RFP.

Any question regarding the technical nature of this RFP should be directed to Brian Hansen at bhansen@duluthmn.gov and any questions regarding the bid should be directed to Dennis Sears at dsears@duluthmn.gov.

RFP Response Format and Questions:

General Questions

Q: How does the City of Duluth handle incoming check payments presently?

A: The City of Duluth currently processes its incoming check payments internally using an NCR Payment Processor with Creditron RP2000 software.

Q: What is the rate of returned checks and is this issue of concern for the City of Duluth?

A: There are approximately 15-20 return items per month which is considered very small based on the volume processed.

Retail Lockbox Services

Q: Does the City require a lockbox located in Minnesota?

A: The first preference would be to have a lockbox in The City of Duluth. The second preference is a lockbox in Minnesota. It is understood that this may not be possible.

Q: Is information available relating to current remit coupons, envelopes, file specifications, etc. ?

A: Information can be supplied upon request via e-mail.

Q: Is it the intent of the City to accept credit card payments if the Retail Lockbox Service is implemented?

A: Credit card payments are accepted in person now but, we are looking to expand to accepting credit card payments via internet and an IVR System. Additional methods available can be explored using the lockbox service.

Credit Card Processing

Q: What is the average ticket amount of each transaction processed each month?

A: \$273.01 for the past 14 month period.

Q: What is the current equipment being used to process over-the-counter and telephone payments?

A: First Data Model FD100.

Q: What is the current annual credit card amount processed?

A: \$4,881,778.14 from October 2008 to September 2009.

Receivable Automation/Consolidation

Q: What is the current total monthly volume for payments received through various "bill/pay" service providers?

A: The City receives approximately 150-300 Checkfree payments received as an ACH payment with manual posting to various customer accounts. Metavante sends a check payment referencing customer accounts but exact volume is not known.

E-Payment Services

Q: Does the City have an estimate for anticipated online volume and average payment amounts for the new process of online payment options?

A: Dollar averages should stay about the same but moving to the e-payment environment and an ACH debit option, the overall volume should increase greatly.

Q: What would the City consider a success by moving to an online payment service via its website?

A: Elimination of all card transactions by staff over the counter and over the telephone, reduced customer traffic, overall telephone calls, and manual transaction handling resulting in overall enhanced staff efficiencies and improved customer service.

Q: Does the City have a process envisioned for processing in an online environment?

A: The City is looking for a secure, transparent and easily understood online payment environment.

Q: Is the City interested in registering their utility customers on the online payment system for single sign-on and IVR processing?

A: Yes

Q: What is your anticipated IVR volume for online payments and your anticipated average ticket amount?

A: Please see first Q and A under E-payment services.

ACH Transactions

Q: How does the City currently send ACH Direct Payment files to their current bank? (directly or via an online bank system)

A: The City sends an ACH formatted file directly to the bank using a secure transmission methodology.

**City of Duluth
Utility Operations**

Retail Lockbox:

Currently the function is performed in-house with approximately 20,000 remittances processed on a monthly basis.

Lockbox:	Location	Cost/M	Cost/yr	Total Cost
Location				
Set Up Fees				
Monthly Base				
Post Office Box Rental				
Courier Service				
Checks Processed		20,000		
Coupons Processed		20,000		
Checks Imaged		20,000		
Coupons Imaged		20,000		
Online Access				
Transmission Costs				

Depository Services:

- On Us Items
- Local Items
- Regional Items
- Transit Items
- ARC Conversion

ACH Transactions:

Approximately 4,000 ACH debit transactions are created monthly and electronically posted to customer accounts.

Set Up Fees	
Monthly Base	
ACH Items	4,000
Transmission Costs	

Receivable Automation / Consolidation:

Currently an integrated consolidation process is not utilized for third party processors.
Approximately 1,000 third party (Checkfree) transactions are posted manually to customer accounts.

Set Up Fees	
Monthly Base	
Electronic Payments	1,000
Transmission Costs	

Credit Card Processing:

Currently the function is handled by an employee either over the counter or by telephone with approximately 1,750 card transactions per month totaling \$625,000.00 (March 2010).

Set Up Fees	
Interchange Plus Rate	

Online Payments:

Currently an online payment option is not offered. The City is interested in offering an online and IVR payment option via credit card and an ACH debit to checking and/or savings.

Payment Gateway (Shopping Cart) Option:

Set Up Fees	
Monthly Base (Credit Cards)	
Transaction Fees	1,750
Transmission Costs	

Set Up Fees	
Monthly Base (ACH)	
Transaction Fees	
Transmission Costs	

Electronic Bill and Payment Option:

Set Up Fees	
Monthly Base	
Transaction Fees	1,750
Transmission Costs	

IVR Option:

Set Up Fees	
IVR Fees	
Transmission Costs	