REQUEST FOR PROPOSAL

FOR

COLLECTION AGENCY SERVICES

Office of the City Treasurer
CITY OF HUNTINGTON BEACH

Released on October 8, 2007
COLLECTION AGENCY SERVICES
REQUEST FOR PROPOSAL (“RFP”)

1. BACKGROUND

The City of Huntington Beach is an incorporated charter law city, which operates under the council/administration form of government. The City is a full-service city with a General Fund budget of over $188 million and a total budget of over $330 million for Fiscal Year 2007/08.

The City Treasurer is an elected department head that is responsible for overseeing the receipt, collection, deposit, disbursement and safekeeping of all public funds including those funds in the General Fund. In addition, the City Treasurer is responsible for investing all of the city’s funds, as well as cash management of those funds. The department’s overall budget for Fiscal Year 2007/08 is approximately $1.3 million and it consists of two divisions: Administration/Investments Division and Cashiering/Collections/Disbursements Division. For more information on the City Treasurer department, refer to the City website www.surfcity-hb.org

The City Treasurer Department is soliciting proposals from qualified vendors for the provision of collections services applicable to unpaid and delinquent accounts.

In Fiscal Year Ending 9/30/06, the following accounts receivables were sent to the City’s current collection agency:

- Miscellaneous Accounts Receivable $65,000
- Water & Refuse (Utility) Service $30,000
- Emergency Response $514,000
- Returned Checks $39,000
- Library Charges $11,000

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<th>Estimate for FY 2005-2006</th>
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<td>Currency Recovery %</td>
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<tr>
<td>10% Misc AR</td>
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<td>10% DUI</td>
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<td>10% False Alarms</td>
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<tr>
<td>10% Water</td>
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<td>10% Emergency Response</td>
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<tr>
<td>10%</td>
<td>Ref Cks</td>
<td>$800</td>
<td>$10</td>
<td>110</td>
<td>$150</td>
</tr>
<tr>
<td>20%</td>
<td>Library</td>
<td>$300</td>
<td>$10</td>
<td>210</td>
<td>$50</td>
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%: used numbers from last time, final recovery amounts not available

2. SCHEDULE OF EVENTS

This request for proposal will be governed by the following schedule:

- Release of RFP: October 8, 2007
- Deadline for Written Questions: October 19, 2007
- Responses to Questions Posted on Web: October 22, 2007
- Proposals are Due: October 29, 2007
- Proposal Evaluation Completed: November 12, 2007
- Approval of Contract (tentative date): December 10, 2007

3. SCOPE OF WORK

Services shall include, but is not limited to the following:

1. Provide collection services for unpaid and delinquent accounts receivables for: business taxes, parking tickets, traffic and other emergency charges, municipal services charges, false alarms, returned checks, other miscellaneous receivables.
   a) Vendor shall work with accounts referred by the City Treasurer or her designee only.
   b) Vendor shall not have full rights to the accounts and shall only be able to pursue collections on behalf of the City.
   c) City shall provide copies of documentation as required by the vendor to respond to debtors' requests. City will make every effort to provide all pertinent information to the vendor through the account referral data in a format approved by the City.
   d) Vendor shall allow for time payment agreements and place this statement on all collection notices. City Treasurer shall set parameters in which the Contractor may accept a payment agreement without permission of the City.
   e) Vendor shall place no delinquent accounts with any attorney for collection without the express written consent of the City of Huntington Beach City Attorney.
   f) Vendor shall not have authority to accept a compromise settlement on any account without written consent of the City Treasurer or designee for all accounts. This consent may be accomplished by setting parameters in which the vendor may accept a settlement without permission.
   g) City will provide a log of all account types by which tracing and annual reporting will be required.
2. Service Specifications and Scope of Work
   a) Vendor shall make a minimum of two written or telephone contacts for each account (unless the account clears sooner) within sixty days of receipt of account. Vendor should provide in proposal detailed steps that will be taken once account is received from the City and number of contact and procedures that will be taken.
   b) Vendor will provide an acknowledgement of accounts placed with the agency within ten (10) days of placement.
   c) Vendor shall make contacts with delinquent accounts under the name of the collection agency.
   d) Vendor shall submit status reports on all accounts on a monthly basis by type of receivable. This shall include data for each patron, detailing information such as: original placed value of debt, the value of the current debt, money received, charges waived, interest charged, balance due, and date of last payment. A financial summary will also be required showing "period to date" and "year to date" totals for pertinent information such as: Receipts, net accounts receivable, total accounts receivable, and collection percentage.
   In addition, an aging report should be available in summary and in detail. Vendor is to provide copies of all available reports. A year-end report as of September 30 (City's fiscal year-end) will be provided annually to include:
   - Detailed listing of all accounts by type
   - Detailed listing of all accounts closed in past year by type
   - Detail of all activity by account in past year by type
   - Summary of all the above reports
   e) Vendor shall conduct skip tracing on delinquent accounts. Vendor to provide specific tools used to conduct skip tracing.
   f) Vendor shall report all uncollected accounts to the major credit bureaus unless a type is excluded from reporting by the City Treasurer. Such reporting must be in accordance with all applicable Federal and California laws including, but not limited to, the Fair Debt Collection Practices Act, Federal Equal Credit Opportunity Act, Regulations and the Consumer Credit Protection Act, as now in effect or hereafter amended. Vendor shall not report accounts to the credit bureaus until the Vendor has worked the account for 60 days. At the request of the City Treasurer, the Vendor shall remove an account notification from all affected bureaus and provide a copy of that notification to the City Treasurer. In accordance with the Fair Credit Reporting Act, the City requires that accounts be cancelled from each credit bureau upon request of the City Treasurer.
   g) Vendor shall accept automated or manual transfer and payment information from the City of Huntington Beach's or other vendor's database. It is expected that the contractor will work (at no additional cost) with the City of Huntington Beach and its software to ensure accurate and timely transmission of data.
   h) Vendor shall comply with the Health Insurance Portability and Accountability Act (HIPAA) to ensure the confidentiality, security, and safety of all files, documents, computer files, etc. Vendor shall enter into a HIPAA Business Associate Agreement with the City upon selection of this RFP.
   i) Vendor shall provide in proposal any other information about their collection and shall provide detailed information about their collection methods to be used.

3. Vendor shall perform all work in strict compliance with all Federal and California State laws applicable to debt collectors, including but not limited to the Robbins-Rosenthal Fair
Debt Collection Practices Act (California Civil Code 1788-1788.3) and the Federal Fair Debt Collection Practices Act (15 U.S. Code 1692 et seq.; Title 16 C.F. R. Section 682 et seq.).

4. Vendor shall perform all work in accordance with state and local laws.

5. The City is customer service oriented and firmly believes in a positive approach in dealing with debtors. The Contractor shall not use tactics that may be interpreted as harassment or as demeaning or that may reflect poorly on the City's efforts. The City prohibits any collection enforcement procedures not consistent with the City's requirements. The City requires the Contractor to exercise high ethical standards in their collection philosophy and techniques. The Contractor shall conduct its collection business in a professional manner, which will preserve the dignity of the City and its relationship with its citizens.

6. The City will provide overall guidance on the conduct of the collection service as it will reflect on the City's policies and reputation.

7. Vendor shall meet annually with the City of Huntington Beach City Treasurer and City staff to discuss all services and discuss prior year's results, and Vendor may be asked to periodically provide training to City Treasurer and other department staff at no cost. The vendor will also provide recommendations on how the City can reduce future bad debt. The collection agency should consider providing updates to the City on changes in state and national laws related to credit and collections, as an example, monthly copies of Credit-Alert.

8. Vendor shall maintain accurate records of all transactions. City of Huntington Beach shall perform periodic audits to ensure that all amounts collected are accurately reported and remitted.

9. The City of Huntington Beach City Treasurer shall be allowed access to debtor accounting information through an on-line terminal or the internet, such that the Treasurer may view, send or receive messages, generate recovery analysis reports or audit debtor files at anytime.

10. Vendor shall maintain records supporting each assigned account. All such records (correspondence, documents, accounting records and other relative evidence) shall be made available to the City of Huntington Beach for review upon request. These records should be maintained for a period of six (6) years after termination of the collection action on each account.

11. City of Huntington Beach desires a three-year contract; however, the City may terminate the resulting contract by giving thirty days written notice for convenience or cause.

12. City of Huntington Beach will not permit this work to be subcontracted without the prior written consent of the City representative.

13. Vendor shall maintain insurance as specified on the insurance attachment hereto.
14. City of Huntington Beach reserves the right to conduct oral interviews with any or all firms after the formal RFP evaluation process. Oral interviews will be for the addressing of issues specific to each respondent.

15. The City would like the contractor to consider having accounts which are collected by the agency within 30 days of receipt from the City to be returned to the City at 100% or at a discount from the final collection percentage.

16. Any settlement of principal or charges shall be agreed upon between the agency and the City, prior to acceptance and supported in writing by the City.

17. The City adds a collection fee to all accounts sent to collections and may request the contractor to also charge for delinquent fees once sent to the contractor as allowed by the City’s ordinance.

4. PROPOSAL FORMAT GUIDELINES

Interested contractors are to provide the City of Huntington Beach with a thorough proposal using the following guidelines:

Proposal should be typed and should contain no more than 20 typed pages using a 10-point font size, including transmittal letter and resumes of key people, but excluding Index/Table of Contents, tables, charts, and graphic exhibits. Each proposal will adhere to the following order and content of sections. Proposal should be straightforward, concise and provide “layman” explanations of technical terms that are used. Emphasis should be concentrated on conforming to the RFP instructions, responding to the RFP requirements, and on providing a complete and clear description of the offer. Proposals, which appear unrealistic in the terms of technical commitments, lack of technical competence or are indicative of failure to comprehend the complexity and risk of this contract, may be rejected. The following proposal sections are to be included in the bidder’s response:

A. Vendor Application Form and Cover Letter
Complete Appendix A, “Request for Proposal-Vendor Application Form” and attach this form to the cover letter. A cover letter, not to exceed three pages in length, should summarize key elements of the proposal. An individual authorized to bind the consultant must sign the letter. The letter must stipulate that the proposal price will be valid for a period of at least 180 days. Indicate the address and telephone number of the contractor’s office located nearest to Huntington Beach, California and the office from which the project will be managed.

B. Background and Project Summary Section
The Background and Project Summary Section should describe your understanding of the City, the work to be done, and the objectives to be accomplished. Refer to Scope of Work of this RFP.

C. Methodology Section
Provide a detailed description of the approach and methodology to be used to accomplish the Scope of Work of this RFP and to achieve client satisfaction. The Methodology Section should include the following:
1. A brief explanation of your approach to providing collection services and procedure on filing bankruptcy claims.
2. Copies of sample letters to be sent to delinquent accounts.
3. A sample copy of your proposed monthly and annual status report showing all accounts assigned.
4. Technology and Communication Capability - Provide a description of all systems utilized to perform the services described in the RFP document.
   ♦ Data and communication software and hardware
   ♦ Safeguards utilized to protect sensitive data
5. A statement as to the base fee per collection account submitted.
6. A statement as to the fee for submission of accounts to the three national credit bureaus, if any.
7. A statement as to the collection percentage of each amount collected to be provided to the City of Huntington Beach, and a statement of each amount collected, by category, as outlined under Item 1 of the Scope of Work Section. In addition, statements as to collection percentage if debt is forwarded out of the area or legal proceeding are started and any costs associated with those and in what order they will be paid out of any proceeds.
8. Description of the plan for recovery from a major failure or disaster.
9. The City reserves the right to withdraw on request any account, which has been assigned for collections if an account has been assigned in error or if the agent has not started the process of collection.
10. A statement of the services that the collection agency feels differentiates their product from other vendors.
11. Detailed description of specific tasks you will require from City staff. Explain what the respective roles of City staff and your staff would be to complete the tasks specified in the Scope of Work.

D. Staffing
Provide a list of individual(s) who will be working on this project and indicate the functions that each will perform. Include a resume for each designated individual.

Upon award and during the contract period, if the contractor chooses to assign different personnel to the project, the Contractor must submit their names and qualifications including information listed above to the City for approval before they begin work. Services provided under this project shall not be performed by or delegated to any person or entity other than the contractor without the written authorization from the City Treasurer.

E. Qualifications
The information requested in this section should describe the qualifications of the firm, key staff and sub-contractors performing projects within the past five years that are similar in size and scope to demonstrate competence to perform these services. Information shall include:

1. Names of key staff that participated on named projects and their specific responsibilities with respect to this scope of work.
2. A summary of the your firm’s demonstrated capability, including length of time that your firm has provided the services being requested in this Request for Proposal.
3. Provide at least five local references that received similar services from your firm. The City of Huntington Beach reserves the right to contact any of the organizations or individuals listed. Information provided shall include:

- Client Name
- Project Description
- Project start and end dates
- Client project manager name, telephone number, and e-mail address

4. A statement verifying vendor’s ability to make collections in all fifty states, as well as internationally, and the ability to file reports with all three national credit bureaus. Vendor must be licensed to collect debts in all states requiring a license.

5. Provide information of collection associations of which the vendor is a member.

F. Fee Proposal

1. The City of Huntington Beach prefers to not incur any costs for this program. All monies paid to the vendor will come from collected fines and fees deducted from monies collected by vendor with an accounting in detail provided monthly. If current laws allow a vendor fee to be added to the principal amount of the debt to the City, the City will consider this method versus reducing their principal in the amount of the charge.
   a. Vendor should accrue interest on outstanding balances at the rate of the City ordinance, which is currently 18% per annum. The City's water and sewer accounts will not be charged any interest unless changes are made to the City's ordinance. Vendor will be notified at that time.
   b. If an account is reduced or cancelled by the City, no collection fee will be due the vendor for the amount so reduced or cancelled.

2. The City prefers the following payment method:
   a. Vendor shall instruct consumers to submit payment due to the City of Huntington Beach at the collection agency. Any payments received at the City will be forwarded to the collection agency for processing. The collection agency will be notified within 20 days of any payment processed by the City. The funds received by the contractor must be maintained in a trust fund until remitted to the City of Huntington Beach and the collection fee can be deducted at the time of remittance.

3. The City may choose to be invoiced for all collection fee charges.

5. PROCESS FOR SUBMITTING PROPOSALS

- Content of Proposal
The proposal must be submitted using the format as indicated in the proposal format guidelines.
♦ Preparation of Proposal
Each proposal shall be prepared simply and economically, avoiding the use of elaborate
promotional material beyond those sufficient to provide a complete, accurate and reliable
presentation.

♦ Number of Proposals
Submit five (5) copies of your proposal in sufficient detail to allow for thorough
evaluation and comparative analysis.

♦ Submission of Proposals
Complete written proposals must be submitted in sealed envelopes to:

Janet Lockhart, Senior Administrative Analyst
City of Huntington Beach
Finance Department - Purchasing
2000 Main Street
Huntington Beach, CA 92648-2702
RE: Collection Agency Services

and received no later than 4:00 p.m. (P.S.T) on October 29, 2007. Proposals will not
be accepted after this deadline. Faxed or e-mailed proposals will not be accepted.

♦ Inquiries
Questions about this RFP must be directed in writing, via e-mail to:

Janet Lockhart, Senior Administrative Analyst
jlockhart@surfcity-hb.org

From the date that this RFP is issued until a firm is selected and the selection is
announced, firms are not allowed to communicate for any reason with any City employee
other than the contracting officer listed above regarding this RFP, except during the pre-
proposal conference. Refer to the Schedule of Events of this RFP or the City webpage to
determine if a pre-proposal conference has been scheduled. The City reserves the right to
reject any proposal for violation of this provision. No questions other than written will be
accepted, and no response other than written will be binding upon the City.

♦ Conditions for Proposal Acceptance
This RFP does not commit the City to award a contract or to pay any costs incurred for
any services. The City, at its sole discretion, reserves the right to accept or reject any or
all proposals received as a result of this RFP, to negotiate with any qualified source, or to
cancel this RFP in part or in its entirety. All proposals will become the property of the
City of Huntington Beach, USA. If any proprietary information is contained in the
proposal, it should be clearly identified.

6. EVALUATION CRITERIA

The City’s consultant evaluation and selection process is based upon Qualifications Based
Selection (QBS) for professional services. The City of Huntington Beach may use some or all
of the following criteria in its evaluation and comparison of proposals submitted. The criteria
listed are not necessarily an all-inclusive list. The order in which they appear is not intended to indicate their relative importance:

A. Compliance with RFP requirements
B. Understanding of the project
C. Recent experience in conducting similar scope, complexity, and magnitude for other public agencies.
D. Educational background, work experience, and directly related consulting experiences
E. Price
F. References

The City may also contact and evaluate the bidder’s and subcontractor’s references; contact any bidder to clarify any response; contact any current users of a bidder’s services; solicit information from any available source concerning any aspect of a proposal; and seek and review any other information deemed pertinent to the evaluation process. The evaluation committee shall not be obligated to accept the lowest priced proposal, but shall make an award in the best interests of the City.

After written proposals have been reviewed, discussions with prospective firms may or may not be required. If scheduled, the oral interview will be a question/answer format for the purpose of clarifying the intent of any portions of the proposal. The individual from your firm that will be directly responsible for carrying out the contract, if awarded, should be present at the oral interview.

A Notification of Intent to Award may be sent to the vendor selected. Award is contingent upon the successful negotiation of final contract terms. Negotiations shall be confidential and not subject to disclosure to competing vendors unless an agreement is reached. If contract negotiations cannot be concluded successfully, the City may negotiate a contract with the next highest scoring vendor or withdraw the RFP.

7. STANDARD TERMS AND CONDITIONS

♦ Amendments
The City reserves the right to amend this RFP prior to the proposal due date. All amendments and additional information will be posted to the Huntington Beach Procurement Registry, Huntington Beach - Official City Web Site - Business - Bids & RFP's; bidders should check this web page daily for new information.

♦ Cost for Preparing Proposal
The cost for developing the proposal is the sole responsibility of the bidder. All proposals submitted become the property of the City.

♦ Contract Discussions
Prior to award, the apparent successful firm may be required to enter into discussions with the City to resolve any contractual differences. These discussions are to be finalized and all exceptions resolved within one (1) week from notification. If no resolution is reached, the proposal may be rejected and discussions will be initiated with the second highest scoring firm. A sample agreement is linked to this Request for Proposal in the City web site.
Confidentiality Requirements
The staff members assigned to this project may be required to sign a departmental non-disclosure statement. Proposals are subject to the Freedom Information Act. The City cannot protect proprietary data submitted in proposals.

Financial Information
The City is concerned about bidders’ financial capability to perform, therefore, may ask you to provide sufficient data to allow for an evaluation of your firm’s financial capabilities.

Surety Bond
Vendor shall obtain a Surety Bond in the amount of not less than One Hundred Thousand Dollars ($100,000.00).

Business License
Vendor shall be required upon signing of contract to provide evidence of City of Hunting Beach Business License.

Insurance Requirements
City Resolution 2007-3 requires that licensees, lessees, and vendors have an approved Certificate of Insurance (not a declaration or policy) on file with the City for the issuance of a permit or contract. Within ten (10) consecutive calendar days of award of contract, successful bidder must furnish the City with the Certificates of Insurance proving coverage as specified in Appendix B. Failure to furnish the required certificates within the time allowed will result in forfeiture of the Proposal Security.

Please carefully review the Sample Agreement and Insurance Requirements before responding to the Request for Proposal enclosed herein. Some of the terms and conditions in the sample agreement may be modified to include HIPAA and other language specific to collection services; however, insurance requirements have been mandated by City Council and can be modified only if extraordinary circumstances exist. Your response to the Request for Proposal must indicate if you are unwilling or unable to execute the agreement as drafted as well as providing the insurance requirements. The City will consider this in determining responsiveness to the Request for Proposal.
COLLECTION AGENCY SERVICES
REQUEST FOR PROPOSAL
VENDOR APPLICATION FORM

TYPE OF APPLICANT:  □ NEW  □ CURRENT VENDOR

Legal Contractual Name of Corporation: ______________________________________

Contact Person for Agreement ________________________________________________

Corporate Mailing Address: ________________________________________________

City, State and Zip Code: ________________________________________________

E-Mail Address _________________________

Phone: ________________________     Fax: ________________________

Contact Person for Proposals: ________________________________________________

Title:______________________________  E-Mail Address ______________________

Business Telephone: _________________________  Business Fax: ________________

Is your business: (check one)

□ NON PROFIT CORPORATION       □ FOR PROFIT CORPORATION

Is your business: (check one)

□ CORPORATION             □ LIMITED LIABILITY PARTNERSHIP
□ INDIVIDUAL              □ SOLE PROPRIETORSHIP
□ PARTNERSHIP             □ UNINCORPORATED ASSOCIATION

Names & Titles of Corporate Board Members
(Also list Names & Titles of persons with written authorization/resolution to sign contracts)

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Federal Tax Identification Number: __________________________________________

City of Huntington Beach Business License Number: _____________________________
(If none, you must obtain a Huntington Beach Business License prior to execution of contract.)

City of Huntington Beach Business License Expiration Date: __________________________
INSURANCE REQUIREMENTS FOR
COLLECTION AGENCY SERVICES CONTRACTOR

PLEASE GIVE THESE INSURANCE REQUIREMENTS TO YOUR INSURANCE AGENT

Huntington Beach City Council Resolution No. 2007-3 requires submittal of certificates of insurance evidencing the following minimum limits with a California admitted carrier with a current A.M. Best’s Rating of no less than A:VII:

Minimum Limits of Insurance

Errors and Omissions Liability Insurance Certificate: Minimum of $1,000,000 per occurrence and in the aggregate.

General Liability (GL) Insurance Certificate: Minimum of $1,000,000 per occurrence and in the aggregate.

An Additional Insured Endorsement Page is required bearing both the GLs policy number and specifically naming the City of Huntington Beach, its agents, officers and employees as additionally insured.

Per the resolution, the insured definition must read as “the insured is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of “your work” for that insured by or for you.” It is not to read, “...but only with respect to liability arising out of your ongoing operations performed for that insured.”

Type of coverage must be “per occurrence” not “claims made”.

Claims made policies are acceptable if the policy further provides that:

1. The policy retroactive date coincides with or precedes the contractor’s start of work (including subsequent policies purchased as renewals or replacements).

2. The contractor will make every effort to maintain similar insurance during the required extended period of coverage following project completion, including the requirement of adding all additional insureds.

3. If insurance is terminated for any reason, contractor agrees to purchase an extended reporting provision of at least two (2) years to report claims arising from work performed in connection with this agreement or permit.

4. The reporting of circumstances or incidents that might give rise to future claims.

Deductibles, Self-Insured Retentions, or Similar Forms of Coverage Limitations or Modifications

Any deductibles, self-insured retentions or similar forms of coverage limitations or modifications, must be approved by the Risk Manager and City Attorney of the City of Huntington Beach. NOTE: Waivers and / or modifications are discouraged and will be considered only under extraordinary circumstances.
Workers’ Compensation Insurance Certificate

Workers’ Compensation Insurance Certificate of statutory amount is required. If you have no employees, you must sign a Declaration of Non-employee Status form in lieu of a certificate of insurance or provide a certificate of Consent to Self-Insure issued by the California Director of Industrial Relations.

Description of Work to be Performed

The staff contact and purpose of the evidence of coverage must be identified.