



County of Los Alamos

Los Alamos, NM 87544
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Council Meeting Staff Report

June 16, 2021

Agenda No.:	6.D.
Indexes (Council Goals):	DPU FY26 - 2.0 Achieve and Maintain Excellence in Financial Performance
Presenters:	Bob Westervelt
Legislative File:	AGR0758-21

Title

Approval of Amendment No. 8 to Services Agreement AGR16-4289 with Paymentus Corporation in the Amount of \$75,000 for a Revised Total Agreement Amount of \$400,000, plus Applicable Gross Receipts Tax for the Purpose of Credit Card and Electronic Bill Payment Services.

Recommended Action

I move that the Board of Public Utilities approve Amendment No. 8 to Services Agreement AGR16-4289 with Paymentus Corporation in the amount of \$75,000.00 for a revised total contract value of \$400,000.00 plus applicable gross receipts tax and forward to Council for consideration.

Staff Recommendation

Staff recommends that the Board approve the motion as presented.

Body

In January 2021 Amendment 7 to this contract was executed which increased the funding to \$325k with the expectation that funding would be sufficient to carry us for the remaining term of the current contract. However, with Covid and the renewed emphasis on contact-less payment alternatives, plus the addition of Paymentus as an option for citizens to make donations to the Utilities Assistance Program, we have seen a sharp increase in usage of the credit card payment alternative and resulting fees. This was the same explanation as was presented with the previous increase. Now, as an additional concern, as the restrictions from the Governor's office look like they are likely to be eased or lifted in the next few weeks, we are working with customers and finding that many of them are seeking to bring their past due accounts current by utilizing their credit cards, most likely to spread the impact over their credit card grace periods or payment schedules, or perhaps simply because of the simplicity and convenience of the payment alternative. While the current contract amount may be sufficient to see us through the December contract expiration date, staff is proposing this increase to ensure we have adequate coverage to maintain this important payment option as people work through this complicated and unprecedented recovery period.

In addition to simply requesting additional funding, to ensure the program is sustainable, and remains an option for the future, staff is working with the contractor on implementing certain program changes. Most utilities payments fall under a special "utilities rate structure", which is a set fee per charge increment, and works out to be significantly lower than the percentage fee normally charged by credit card companies and processing services. Charges designated by the credit card issuer as "non-qualified transactions", however, are still subject to the much higher percentage fee structure. While the rules for "non-qualified transactions" are complicated and subject to the card issuer's discretion, the most common, and most expensive, exception is for individual charges over \$1,000, or total charges for a single customer exceeding \$1,000 in a 30-day period. As an example, the fee for a charge amount of \$1,000. would be \$6.75 (\$2.25 per \$350. Increment). The fee, however, for a \$1,001 charge amount would be \$29.50 (\$1,000 times 2.95%).

Paymentus does offer the ability to apply "velocity rules", which can be utilized to eliminate these high-cost transactions. Effective as soon as we can get it programmed in the payment portal, staff

proposes to implement a simple “velocity rule” limiting individual transactions or customer total transactions in a thirty-day period to \$1,000. This will primarily affect a few larger commercial customers, and a few multiple unit residential accounts that currently put their entire cumulative monthly charges on a single card. This change would not affect the majority of residential or small business customers that elect to pay by credit card. It is noteworthy that the additional fee does not apply to ACH/eCheck transactions, so those customers that choose to do so could still use our online payment options and pay up \$1,000 on a credit card, and any remaining balance via ACH or eCheck.

Additional background and history was provided with the January staff report, and is repeated here for clarity and ease of reference: For years, the Utilities Department had a “convenience fee” model for accepting credit card payments for utilities bills. Under this model, customers were charged \$4.95 per transaction with a transaction limit of \$450.00. The department received substantial customer feedback that this model was unacceptable in the modern business world. We also got similar indications from trade shows and from publications to which we subscribe. Finally, to successfully deploy our Smart Customer Mobile application, it was apparent that we needed to better support credit card payments. Although that application has since been retired, we did learn that strong support for credit card payments was going to be essential for successful deployment of any type of replacement mobile or “customer self-service” application.

In response to these inputs, Department staff reached out in 2015 to the then current provider, Paymentus Corporation, and to several other potential providers, to look at their fee models and structure. The Procurement Officer determined at the time that such services were exempt from the competition requirements of the Los Alamos Procurement Code, so no formal request for proposals was issued, but staff did conduct extensive “due diligence” to ensure we were obtaining best value for the Department and our customers. After careful consideration, it was determined that Paymentus provides the most cost-effective model, the most flexibility, and the best service for our requirements.

Having not had experience with the “absorbed fee” model, staff had little information on which to base an estimated total contract cost. We also wanted to limit our exposure until we had that history and could gauge success of the program. Thus, we initially funded the contract for only \$49,000. In 2017, funding was increased to \$99,000, which was projected as and which was adequate for the remainder of the initial contract term, based on historical usage and growth.

With almost six years now under the program, we have received very favorable customer feedback. We are still seeing increased utilization as more customers become familiar with and utilize its functionality and convenience. Through amendment #3, the contract term was extended in 2018 for a six-year term running through December 27, 2021, but funding was not at that time increased. Later that year, through amendment #4, funding was increased to \$195,000. In February 2020 amendment #5 was executed to increase the limit for a single transaction from \$2,400 to \$99,999, reducing the department's exposure to multiple minimum transaction fees for customers wishing to make larger payment. As noted previously, In June 2020, amendment #6 was executed increasing the funding to \$250,000 and amendment #7 was executed in January 2021 to increase the funding to \$325,000.

Again, DPU is now seeking additional funding authority to support this popular and customer focused payment option. We are anticipating that the proposed funding will be adequate for the remainder of the current contract term and remain confident that the service provides good value for the department and our customers in terms of payment ease and flexibility. At the expiration of the current contract, the plan is to solicit proposals from qualified offerors and procure continuing similar services in accordance with the Los Alamos County Procurement Code.

Alternatives

If the Board elects not to approve this amendment, we will cancel the current contract when funding runs out and initiate solicitation for replacement services to avoid any lapse in this payment option for our customers. This action may result in a different fee structure, or a return to the “convenience fee”

model we were previously under.

Fiscal and Staff Impact

This proposed additional funding amount is based on the most recent usage data. The attached chart shows, by year, the actual and projected total fees paid over the life of the contract. As noted above, the existing contract amount may be adequate, but this increase is proposed to ensure we have adequate funding available to support this payment option for the remaining term of the contract. The increase of \$75,000 can be covered with existing funds budgeted in the FY22 budgets. There is no staff impact as this is for continuation of an existing service.

Attachments

A - AGR16-4289-A8 Paymentus Corporation.

B - Actual and projected annual fees paid.

C - AGR16-4289 Original and Amendments 1 to 7