

CLARK COUNTY STAFF REPORT

DEPARTMENT: Treasurer's Office

DATE: November 17, 2015

REQUESTED ACTION:

The Clark County Treasurer's Office is requesting consent approval to enter into an intergovernmental agreement with the City of Kelso to provide remittance processing services.

Consent Hearing County Manager

BACKGROUND

The Clark County Treasurer's Office has jointly owned and operated a remittance processing center with Clark Public Utilities since 1999. The remittance center operates high speed mail opening and remittance imaging software and hardware to process check payments and coupons. Remittance processing services are also provided to a number of local government entities. Providing this service to other agencies utilizes excess capacity while providing an efficient and low cost payment processing alternative to our customers.

COUNCIL POLICY IMPLICATIONS

None

ADMINISTRATIVE POLICY IMPLICATIONS

None

COMMUNITY OUTREACH

None

BUDGET IMPLICATIONS

YES	NO	
	X	Action falls within existing budget capacity.
	X	Action falls within existing budget capacity but requires a change of purpose within existing appropriation
X		Additional budget capacity is necessary and will be requested at the next supplemental. If YES, please complete the budget impact statement. If YES, this action will be referred to the county council with a recommendation from the county manager.

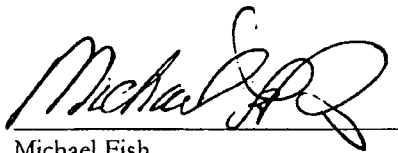


BUDGET DETAILS

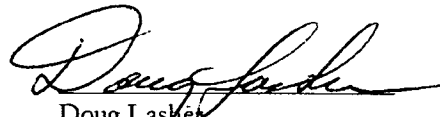
Local Fund Dollar Amount	
Grant Fund Dollar Amount	
Account	
Company Name	

DISTRIBUTION:


Board staff will post all staff reports to The Grid. <http://www.clark.wa.gov/thegrid/>



Michael Fish
Tax Service Manager



Doug Lasher
Clark County Treasurer

APPROVED: 
CLARK COUNTY, WASHINGTON
BOARD OF COUNTY COUNCILORS

DATE: NOV. 24, 2015

SR# SR 224-15

APPROVED: _____
Mark McCauley, Acting County Manager

DATE: _____

BUDGET IMPACT ATTACHMENT

Part I: Narrative Explanation

I. Adding a new client to the remittance processing center operation fills excess production capacity and allows for additional revenue generation. Net operating income is shared 50/50 between Clark County and Clark Public Utilities, with the County's revenue share distributed back to the General Fund. The City of Kelso is a relatively small client and will generate an additional \$3,000 per year in revenue for the operation.

Part II: Estimated Revenues

Fund #/Title	Current Biennium		Next Biennium		Second Biennium	
	GF	Total	GF	Total	GF	Total
0001 / General Fund	\$1,750	\$1,750	\$3,000	\$3,000	\$3,000	\$3,000
Total	\$1,750	\$1,750	\$3,000	\$3,000	\$3,000	\$3,000

II. A – Operating revenues from processing payments for City of Kelso.

Part III: Estimated Expenditures

III. A – Expenditures summed up

Fund #/Title	FTE's	Current Biennium		Next Biennium		Second Biennium	
		GF	Total	GF	Total	GF	Total
0001 / General Fund		\$1,750	\$1,750	\$3,000	\$3,000	\$3,000	\$3,000
Total		\$1,750	\$1,750	\$3,000	\$3,000	\$3,000	\$3,000

III. B – Expenditure by object category

Fund #/Title	Current Biennium		Next Biennium		Second Biennium	
	GF	Total	GF	Total	GF	Total
Salary/Benefits	\$1,750	\$1,750	\$3,000	\$3,000	\$3,000	\$3,000
Contractual						
Supplies						
Travel						
Other controllables						
Capital Outlays						
Inter-fund Transfers						
Debt Service						
Total	\$1,750	\$1,750	\$3,000	\$3,000	\$3,000	\$3,000

INTERGOVERNMENTAL AGREEMENT

BETWEEN

City of Kelso

AND

Clark County, Washington

Clark Public Utilities

(Joint Processing Center)

TR 15-68

THIS INTERGOVERNMENTAL AGREEMENT FOR REMITTANCE PROCESSING OF PAYMENTS, AND OTHER SUCH PAYMENT RECEIPTS, (this "Agreement") dated as of May 1, 2015, by and between CLARK COUNTY, Washington and CLARK PUBLIC UTILITIES (hereinafter individually and collectively referred to as "Joint Processing Center") and City of Kelso (hereinafter referred to as "Agency")

WITNESSETH

WHEREAS, the Joint Processing Center has sufficient capacity to process the Agency's remittances for payments and associated payment receipts payable to and has offered to do so; and

WHEREAS, the Agency desires to more effectively process its mail payments; and

WHEREAS, Chapter 39.34 RCW permits public agencies in Washington to enter into agreements for cooperative actions, and the parties to this Agreement desire to enter into such an agreement for the purpose of causing payments of utility charges to the Agency to be processed electronically by the Joint Processing Center;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto covenant and agree as follows:

ARTICLE I

Section 1.01. Agency Activity. This section sets forth the activities and responsibilities of the Agency.

The Agency shall at its sole expense (except as provided herein) undertake the following actions and provide for the following associated costs to effectuate this Agreement:

- a. Format, layout, design, print and utilize statements for payment service to its customers that contain optical character recognition (OCR) digits in the format specified by the Joint Processing Center. Joint Processing Center staff will provide technical assistance to the Agency in order to achieve the most optimal statement design to provide for efficient processing of the Agency's payments. The cost associated with formatting, layout, design and printing of such statements shall be paid by the Agency directly to the vendor for such activity. ***All forms must be approved by Joint Processing Center staff prior to being placed into production.***
- b. Cost of programming the Wausau Financial System software and associated hardware, including but not limited to mail opening / extraction equipment and payment & stub processing scanners/sorters, to process the Agency's payments received by mail shall be borne by the Agency. At a minimum, the Agency's OCR line should include the Agency's customer account number being paid upon, the dollar amount billed, and a check digit which would either verify: (1) account number or (2) the entire OCR line or (3) both the account number and the entire OCR line by the remittance processor's equipment's check digit routine. Use of an Image Character Recognition (ICR) box on the Agency's payment coupons or stubs must be coordinated as to placement and design with the Joint Processing Center. ***ICR boxes on payment stubs must be utilized by all Agencies to maintain efficiencies established within the Joint Processing Center.*** A "mark sense box" and/or position recognition can be utilized to recognize and out-pocket statements containing address changes or customer comments. Both the ICR box and the mark sense area need to be coordinated with the Joint Processing Center and any costs associated with these functions will be borne by the Agency. The Agency shall remit payment to Wausau Financial Systems, the Joint Processing Center's software vendor, for all costs associated with this programming. As to the mail opening and extraction equipment, payment envelopes are more efficiently processed through this equipment if the construction of such envelopes follows **Exhibit A – Paper specifications for Automated Extraction.**
- c. The Agency shall receive copies of burned CDs (or other media storage device) on a periodic basis as subsequently defined by the parties. Such subsequent definition shall be written and attached hereto as **Exhibit E – Image Archive and Access.**
- d. Cost of programming remittance processing hardware, including but not limited to all hardware that scans, images, endorses, encodes and sorts all payments and associated payment coupons or stubs, to contain the appropriate bank sort pattern desired by the Agency for deposit of the Agency's check and check-like items into its depository bank shall be at the Agency's expense. The Agency shall remit payment for the desired bank sort pattern to Wausau Financial Systems.
- e. The Agency shall bear the costs associated with electronic transfer of the account data (appropriate account number and dollar amount remitted) captured on the Joint Processing Center's equipment for entry into the Agency's account receivable and/or

general ledger system(s). Processed statements shall be returned to the Agency either through the U.S. Postal Service, UPS, courier service, armored car services, or such other means as the parties hereto may agree upon, whichever is the most appropriate and agreed upon between the parties hereto. The Agency shall bear the costs associated with this service.

- f. The Agency shall bear the costs of depositing checks and check-like items received by the Joint Processing Center into the Agency's bank account(s). This cost shall include the per item charge by the bank(s) for encoded items deposited on a Federal Reserve processing designated area. Additionally armored car service will be provided by the Joint Processing Center with a monthly cost as identified in **Exhibit B – Service Fees** to be billed to the Agency. The Joint Processing Center shall provide the Agency with a copy of the Joint Processing Center's certificate of insurance. The armored car service will also provide the Agency with a certificate of insurance naming the Agency as an additional insured.
- g. The Agency shall post all payments electronically transferred to it from the Joint Processing Center to the Agency's accounts receivable records and in summary to its general ledger system using its own personnel. Such data will initially be received in a holding (host system) file form.
- h. The Joint Processing Center shall provide a monthly total of the number of items (items is defined as a statement or a check; a payment check and associated statement stub or coupon is considered two items) it processes on behalf of the Agency. See **Exhibit B** for billing detail.
- i. The Agency must follow all forms specifications as provided by the Joint Processing Center staff.
- j. The Agency will, with technical assistance from the Joint Processing Center staff, obtain and pay for a postal call box for remittance payments at the Vancouver U.S. Post Office located on Caples Road in Vancouver, Washington.

Section 1.02. Joint Processing Center Process. This section sets forth the activities and responsibilities of the Joint Processing Center:

- a. The Joint Processing Center agrees to work with the Agency to clarify and explain all activities and responsibilities in Section 1.01 of this Agreement.
- b. The Joint Processing Center will pick up the Agency's remittance payments (mail) at the Vancouver U.S. Postal Service Office located on Caples Road in Vancouver, Washington between 6:00 a.m. and 6:30 a.m. each workday, pursuant to U.S. Postal Service approval.
- c. The Joint Processing Center will open such mail each work day on its extraction equipment. Extraction will be based upon criteria agreed upon in **Exhibit B – Service Fees** which details statement/check mail versus multiple items. The Agency's payment

- processing specifications are detailed in **Exhibit C – Agency Payment Processing Procedures**. The Joint Processing Center will process all payments accordingly.
- d. The Joint Processing Center will process all mail received each day in time to meet the armored car pickup for delivery of the deposited items to the Agency's bank on the date of receipt. The Joint Processing Center will not be held to this time frame if delivery of mail in Section 1.02 b does not occur prior to 7:00 a.m. Delivery after 8:00 a.m. may result in processed checks and check-like items going to the bank the following business day. If this occurs such checks shall be safeguarded in the safe located in the vault. Such deposit will incorporate restrictive endorsement of the Agency's name as the depositor and the account number to which the item will be deposited. An audit trail will appear on the back of the check and statement for purposes of tracking. Deposited items will be at the Agency's expense.
 - e. The Joint Processing Center will provide a report to the Agency of all bank deposits it makes on behalf of the Agency.
 - f. At the end of the processing day the Joint Processing Center will transmit, in the manner agreed upon in **Exhibit D – Data Transmission Requirements**, a file containing the days receipt activity to be used for posting to the Agency's accounts receivable system.
 - g. Additionally, the Joint Processing Center will provide image backup in the manner agreed upon in **Exhibit E – Image Archive and Online Access**.
 - h. The Joint Processing Center shall provide a monthly total of the number of items (items is defined as a statement or a check; a payment check and associated statement stub or coupon is considered two items) it processes on behalf of the Agency. The Agency shall remit payment on a monthly basis to the Joint Processing Center for the number of items processed based upon **Exhibit B – Service Fees**. Each year the Joint Processing Center determines, in its sole discretion, to increase processing fees, it shall notify the Agency by November 1st of each year. If the Agency elects not to accept the processing fee adjustment, it shall notify the Joint Processing Center pursuant to section 2.04 by December 31st of that year and such notice shall constitute notice of termination pursuant to section 2.15.

Mutually agreed procedures between the Joint Processing Center shall be established for processing the Agency's remittances and made part of this Agreement as Exhibit C. These procedures may change from time to time through signed documents evidencing each Parties' mutual agreement to such modifications. Upon execution, and by this reference, such modifications shall become part of this Agreement.

Section 1.03. Mutual Agreements. Both parties agree to work in a cooperative atmosphere to the mutual benefit of both parties with the goal of providing effective cost savings to its customer base.

ARTICLE II

Section 2.01. Administration. It is not the intent of the parties to create a separate legal entity to conduct this joint undertaking. This undertaking shall be administered by the Joint Processing Center.

Section 2.02. Holding of Property. It is not the intent of the parties that real or personal property will be acquired or disposed of as a result of this joint undertaking; however, any real or personal property acquired shall be the sole and separate property of the party that paid for it.

Section 2.03. Governing Law; Venue. This Agreement as appropriate will be governed by and shall be construed in accordance with the laws of the State of Washington shall be liberally construed so as to carry out the purposes hereof. Except as otherwise required by applicable law, any action under this Agreement shall be brought in the Superior Court of the State of Washington in and for Clark County and/or in the United States District Court of the Western District of Washington in Seattle, Washington.

Section 2.04. Notices. Except as otherwise provided herein, all notices, consents or other communications required hereunder shall be in writing and shall be sufficiently given if addressed and mailed by first-class, certified or registered mail, postage prepaid and return receipt requests as follows:

To the Joint Processing Center:

Clark Public Utilities
1200 Fort Vancouver Way
Vancouver, WA 98668

Attention:

- Office Services Manager – Clark Public Utilities
- Tax Services Manager – Clark County Treasurer's Office

To the Agency:

City of Kelso

P.O. Box 819

Kelso, WA 98626

Attention: Brian Butterfield, Finance
Director/City Clerk

The Agency of Joint Processing Center may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests, or other communication shall be sent. Notices shall be deemed served upon deposit of such notices in the United States mail in the manner provided above.

Section 2.05. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Joint Processing Center and Agency and their successors.

Section 2.06. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 2.07. Amendments; Recordation. This agreement may not be effectively amended, changed, modified, or altered except by an instrument in writing duly executed by the Joint Processing Center and Agency, or their successors in title.

Section 2.08. Waiver of Breach. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant, or agreement, or undertaking, the non-defaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provide for herein or otherwise with respect to any such default or defaults that were in existence at the time such payment or payments or performance were accepted by it.

Section 2.09. No Rights Created in Third Parties. The terms of this Agreement are not intended to establish nor to create any rights in any persons or entities other than the Joint Processing Center and the Agency and their respective successors and assigns of each.

Section 2.10. Indemnification. To the extent permitted by law, the Agency and the Joint Processing Center shall at all times during the term of this agreement indemnify and hold harmless the other's officials, officers, employees, agents, and representatives against any and all losses, damages, costs, charges, expenses, judgments and liabilities, including attorney's fees, resulting from, arising out of, or related to the negligent acts of indemnitor's employees in performing the duties under this Agreement. The Joint Processing Center shall be liable for any loss to the Agency arising from dishonesty, theft, embezzlement or fraud of any of the employees of the Joint Processing Center.

Section 2.11. Consequential Damages. Notwithstanding any other provision of this agreement, neither party shall be liable to the other for any consequential, indirect, liquidated, or

special damages or lost revenue or lost profits to any person arising out of this Agreement or the performance or non-performance of any provision of this Agreement, even if such party has been informed of the possibility of such damages.

Section 2.12. Limitation of Liability. The Joint Processing Center shall not be liable for any losses sustained as a result of its failure to provide any service or perform any obligation unless such action or inaction is directly attributed to the negligence of its employees. Both parties acknowledge that services provided by the Joint Processing Center are dependent upon outside vendors over which the Joint Processing Center has no control. Any delay or loss caused by the actions or inactions of outside vendors shall not be the responsibility of the Joint Processing Center.

Section 2.13. Interpretation. In the event of any conflict between the provisions of this Agreement and any working understanding of this arrangement, this Agreement shall control.


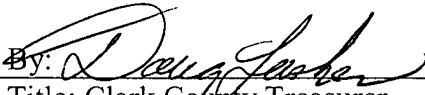
Section 2.14. Time of Essence. Time and all terms and conditions shall be the essence of this Agreement.

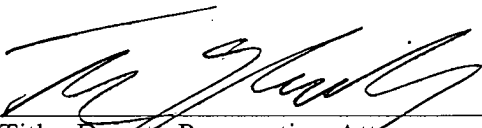

Section 2.15. Effective Date; Filing. This Agreement shall enter into force upon its filing with the Clark County Auditor.

Section 2.16. Duration and Termination. This Agreement shall continue until it is terminated by one or both of the parties. This Agreement may not be terminated by prior to the payment of all sums owing the Joint Processing Center. Subject to the foregoing, either party may at its discretion terminate this Agreement upon 120 days written notice to the other party. Upon the termination of this Agreement, any property, acquired shall be the sole property of the party who paid for it.

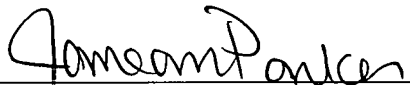
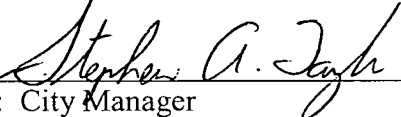
Section 2.17. Compliance with Applicable Authorities. All parties agree to comply with any and all applicable statutes and regulations of the state, local, or federal governments.

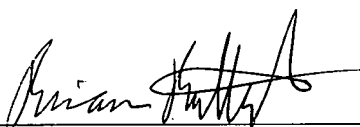
IN WITNESS WHEREOF, the Joint Processing Center (consisting of Clark County, Washington and Clark Public Utilities) and the Agency (City of Kelso, Washington) have caused this Agreement to be executed in their respective names by their duly authorized officers, and have caused this Agreement to be dated as of the 1st day of May, 2015.

ATTEST:	CLARK COUNTY, WASHINGTON
	By: 
Title: Clerk to the Council	Title: Clark County Treasurer

APPROVED AS TO FORM:	CLARK COUNTY, WASHINGTON
	By: 
Title: Deputy Prosecuting Attorney	Chair, Board of Councilors

APPROVED AS TO FORM:	CLARK PUBLIC UTILITIES
	By:
Title: Clark Public Utilities Attorney	Director of Finance/Treasurer

APPROVED AS TO FORM:	AGENCY: CITY OF KELSO
	By: 
Title: Agency's Attorney	Title: City Manager

ATTEST:

Title: City Clerk

Exhibits Attached

Exhibit A – Paper specifications for Automated Extraction

Exhibit B – Service Fees

Exhibit C – Agency Payment Processing Procedures

Exhibit D – Data Transmission Requirements

Exhibit E – Image Archive and Online Access

Exhibit A – Paper specifications for Automated Extraction

Insert or attach specifications.

Exhibit B – Service Fees

B1. Transactions Processing Fees

The Joint Processing Center shall provide a monthly total of the number of items it processes on behalf of the Agency. Items are defined as a statement or a check; a payment check and associated statement stub or coupon is considered two items. The Agency shall remit on a monthly basis to the Joint Processing Center based upon the following fee schedule:

Clean Transactions - Number of items at **\$0.10** per item

Manual Transactions¹ – Number of items at **\$0.16** per item

1 - Manual transactions include payments that require additional manual intervention in order to process. This includes payments with multiple stubs and a check, payments with multiple checks and a stub, payments with check only, payments that include a remittance advice (check and lists), and payments made by a third-party vendor such as Metavante or Check-Free.

Service Fee Increases

Each year the Joint Processing Center determines, in its sole discretion, to increase processing fees, it shall notify the Agency by November 1st of each year. If the Agency elects not to accept the processing fee adjustment, it shall notify the Joint Processing Center pursuant to section 2.04 by December 31st of that year and such notice shall constitute notice of termination pursuant to section 2.15.

B2. Armored service fees

The Joint Processing Center provides armored car services to transport Agency check payments to their designated financial institution for deposit. Armored services fees will be charged to the Agency as part of their monthly billing and are subject to change based upon armored service pricing.

Armored Service Pricing - **\$75.00** per month per Agency.

B3. Other services and fees

Other required services and special handling such as postage, UPS shipping and secure document shredding will be charged back to the Agency at cost and will be included on their monthly service billing.

Exhibit C – Agency Payment Processing Procedures

Processing daily operations details:

The Agency will keep a current Call Service PO Box at the Caples Post office located at 2700 Caples Ave. Vancouver, WA. The Clark Public Utilities/Clark County will provide courier service transportation of the remittance payments (mail) from Caples Post Office for delivery to Joint Processing Center between 5:45 AM to 6:15 AM each workday, pursuant to U.S. Postal Service approval.

Mail is opened by client and not one client receives preference. Client mail is sorted and visually screened for noticeable exceptions and non-conforming payment envelopes. Clean mail for each client is loaded onto an Opex mail opening and extraction device individually. The device sorts single transactions (stub and check) from multiples or manual type transactions. As singles are opened and retrieved from the opening and extraction device the statements and checks are loaded into a remittance scanner processing system for Pass 1. Mail screened out for exceptions such as envelopes which include multiples, payments with additional documentation, staples and paper clips are kicked out from the Opex as exceptions and are taken to manual mail opening machines along with other pre-screened exceptions. The manual mail envelopes are opened and prepared as directed by client.

At the remittance scanner processing system Pass 1 is completed first, which creates a record with information from the scanline on the statement and the MICR line on the check. If the system is unable to identify particular fields or portions of a field within a scanline or MICR line, operators will review the images of the items (either stub or check) and assist the system with identifying the missing information. At the time that all batches are balanced, Pass 1 is completed. The checks and stubs have been separated and Pass 2 will encode and endorse the checks and will be ready for deposit.

For an Agency that uses Image Cash Letter services, Pass 2 will be eliminated and only Pass 1 will be performed. The check will be sent by electronic deposit to the Agency's bank via Image Cash Letter (ICL) services and the original physical checks will be stored at Clark County in a secure location. The Agency's financial institution will provide daily reporting and communication for accepted as well as non-conforming checks or checks that failed electronic deposit. Original checks will be pulled for all rejected and non-conforming check deposits, and will be sent to the bank via armored car service. Original checks for accepted ICL deposits will be securely destroyed after 14 days. A monthly shredding service fee of \$15 will be applied to the monthly remittance billing for the Agency for the secure destruction of physical checks and accompanying remittance stubs or coupons.

Transactions are kept separate by client, but all mail is worked simultaneously to allow for greater efficiencies to be met.

All processing will be completed by 2:30 each day. Electronic transmission of data will occur before 3:00 PM the day of processing. Mail delivered to the Joint Processing Center after 8:00 AM may result in processed checks and check like items going to the bank the following day. Electronic transmission of data may also need to be coordinated between the parties prior to such transmission due to time frames.

All stubs and any checks that we are not able to process or correspondences from their customers will be sent back to the Agency each day via UPS.

At the end of each month, the Joint Processing center will send to each agency a breakdown of their bill each month.

Exhibit D – Data Transmission Requirements

The Agency's electronic host file or payment posting file may be transmitted daily by email or via FTP, including Secured or SFTP.

Transmission Method – SFTP (Secured File Transfer Protocol)

The Joint Processing Center will transmit to the Agency daily using a SFTP transmission method. The file will be transmitted between the hours of 11:00 a.m. and 3:00 p.m. under normal operating circumstances.

Exhibit E – Image Archive and Online Access

The Agency will access their payment transaction images using one of the following methods:

1. CD (or other media storage device)
2. Online Access (Fee Based Service)

The Agency will receive CD's for their image access.