

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2009-57

Merchant Services Contract Amendment

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	6/18/09	Discussion/Possible Action	Brian McCartan, CFO Tracy Butler, Treasurer	(206) 398-5100 (206) 398-5146

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source		Amend Existing Contract/Agreement	✓
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate		Property Acquisition	

PROJECT NAME

Merchant services for ticket vending machines and other debit card and credit card processing terminals.

PROPOSED ACTION

Authorizes the chief executive officer to execute a contract amendment with Wells Fargo Bank to provide merchant services for Sound Transit's ticket vending machines and other debit card and credit card processing terminals, as part of the comprehensive banking services, in the amount of \$1,800,000, for a new total authorized contract amount not to exceed \$1,996,000.

KEY FEATURES of PROPOSED ACTION

- The purpose of this action is to increase the contract amount in order to start the merchant services implementation process, and to fully migrate to Wells Fargo as the primary merchant services provider for ticket vending machines (TVMs) and other debit card and credit card terminals, effective July 1, 2009.
- In March 2008, Wells Fargo was selected through a competitive procurement process to provide comprehensive banking services for a three-year contract period with the option of two one-year extensions.
- Merchant services are included in the scope of the existing contract with Wells Fargo. Implementation of the Wells Fargo merchant services (known as First Data) is contingent on the expiration of the contract with Sound Transit's current merchant services provider – Heartland Payment Systems (HPS) and a compliant interface between the TVM provider - Scheidt & Bachmann and Wells Fargo merchant services. Scheidt & Bachmann recently completed an interface with Wells Fargo. In addition, the merchant services contract with HPS will expire in November 2009.
- The contract amount will cover the entire contract period including the optional extensions. \$1,528,500, 86% of the merchant services contract amount, are pass through costs charged by Visa, Master and other debit card networks.
- The proposed amended contract will consolidate all merchant services, including credit card and debit card payment processing, authorization and settlement, which are currently provided by HPS and Bank of America.
- The consolidation of all merchant service functions will result in an estimated cost saving of \$1.1 million by eliminating redundant fees and intermediary fees for the entire contract period.

BUDGET IMPACT SUMMARY

The proposed action is within the Board-adopted budget; no contingency funds or funding from other parties assumed in the financial plan are required, and there are no impacts to subarea budgets.

BUDGET and FINANCIAL PLAN DISCUSSION

The proposed action will execute a contract amendment with Wells Fargo Bank to provide merchant services for Sound Transit TVMs and other debit card and credit card processing terminals as an addition to banking services it currently provides. The merchant services portion of the contract will be funded from the Sounder Commuter Rail and Central Link Operations utilities budgets.

The 2009 utilities budget for Sounder is \$361,811. Of this amount \$93,292 is allocated for TVM merchant services. At the end of April 2009, merchant services expenses for Sounder were \$14,000. 2009 expenditures under this proposed contract amendment for Sounder will be \$9,000. Upon adopting the proposed action, a total of \$70,000 will remain in the merchant service budget.

The utilities budget for Central Link is \$1,253,500, of which \$217,048 is set aside for Central Link TVM merchant services. Nothing has been spent so far in 2009. 2009 expenditures under this contract for Central Link are forecasted to be \$18,000.

Budget authority for future expenses will be included in future years' budget requests.

BUDGET TABLE

Summary for Board Action (X \$1,000)

Action Item: To execute a contract amendment with Wells Fargo bank to provide merchant services for Sound Transit's TVMs and other debit card and credit card processing terminals.

	(A)	(B)	(C)	(D)
	Adopted 2009 Budget	Spent to date in 2009	Contract Expenditures 2009	2009 Remaining Budget
Current Year Utilities Budget				
Sounder Commuter Rail merchant service budget	93	14	9	70
Sounder Commuter Rail other utilities budget	269	-	-	269
Total Utilities Budget For Sounder ⁽¹⁾	362	14	9	339
Central Link merchant service budget	217	-	18	199
Central Link other utilities budget	1,037	-	-	1,037
Total Utilities Budget for Central Link ⁽²⁾	1,254	-	18	1,236

Contract Spending Plan	Prior Year(s) Spending	2009 Spending	Future Expenditures	Total
Wells Fargo (Banking Services)	13	34	134	196
Wells Fargo (Merchant Services, this action)		27	1,773	1,800
Total	13	61	1,907	1,996

Contract Budget	Current Approved Contract Value	Spent to Date	Proposed Action	Proposed Total Contract Value
Wells Fargo (Banking Services)	196	24		196
Wells Fargo (Merchant Services, this action)		-	1,800	1,800
Contingency	-	-	-	-
Total Contract	196	-	1,800	1,996
Percent Contingency	0%	-	0%	0%

Notes:

- ¹ The utilities budget for Sounder and Central Link can be found on page 60 of 2009 Adopted Budget book..
- ² The utilities budget for Central Link can be found on page 56 of 2009 Adopted Budget book respectively.

SMALL BUSINESS PARTICIPATION

Not applicable

PROJECT DESCRIPTION and BACKGROUND for PROPOSED ACTION

In March 2008, Wells Fargo was selected through a competitive procurement process to provide comprehensive banking services to Sound Transit for a three year contract period with the option of two one-year extensions. The comprehensive banking services include depository services, reporting services, electronic fund payment and receipts, investment services, merchant services, purchase cards services, and banking services to support ORCA fiscal agent functions. At the time of the contract award, the total contract amount was within the authority of the CEO, in the amount of \$196,126.85, which would cover all services listed above except merchant services.

Currently, debit card and credit card transactions processing and debit card transactions settlement are performed by HPS, credit card and non-pin debit card transactions are settled by Bank of America. Due to the fact that neither Bank of America nor HPS can perform all functions, and HPS has no direct access to debit card networks, Sound Transit has been paying redundant fees and intermediary fees that can be eliminated by switching to a comprehensive merchant service provider that can authorize, process and settle all debit card and credit card transactions.

Two factors have prevented Sound Transit from consolidating all merchant service functions and achieving significant cost savings until now:

1. Sound Transit has to work with HPS exclusively according to the terms of the contract. The contract with HPS expires on November 30, 2009.
2. Scheidt & Bachmann, Sound Transit's TVM provider, was in the process of developing a bank gateway interface with Wells Fargo merchant services for another transit agency at the time Sound Transit awarded the banking services contract to Wells Fargo.

When the Wells Fargo contract was awarded in 2008, it was unknown if Scheidt & Bachmann would have a compliant interface with First Data completed within Sound Transit's contract period with Wells Fargo. Therefore, staff did not believe it was appropriate or prudent to request and to include the dollar amount for merchant services in the original contract amount, even though non-exclusive merchant services as an option were included in the scope of work. The utilization of Wells Fargo merchant services is contingent on the expiration of the HPS contract and a compliant interface between Scheidt & Bachmann and First Data.

Scheidt & Bachmann recently completed the development of a compliant bank gateway interface with First Data, and is now ready to implement necessary changes to allow Sound Transit to switch to First Data as soon as the contract with HPS expires. Although the switch will not take place until December 1, 2009, the implementation process needs to start right away in order for First Data, Scheidt & Bachmann and Sound Transit to have sufficient time to establish the data connection, implement the application and database changes, and perform compliance testing.

Analysis of Contracting Out vs. Performing In-House

Not applicable to this action.

PRIOR BOARD/COMMITTEE ACTIONS

Not applicable to this action.

CONSEQUENCES of DELAY

A minimum of four months will be needed to migrate to First Data. The migration process includes establishing the new data connection with First Data, developing the necessary application and database updates for the TVM system, and performing full system testing in the development and production

environments. In addition, the pin pads on the TVMs will need to be removed and sent to First Data for proprietary encryption, and then reinstalled.

A delay beyond July 1, 2009 will delay the implementation process and potentially impair Sound Transit's ability to receive debit card and credit card payments after November 30, 2009.

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

SSK 6-12-09

LEGAL REVIEW

JW 6/12/09

SOUND TRANSIT

MOTION NO. M2009-57

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a contract amendment with Wells Fargo Bank to provide merchant services for Sound Transit's ticket vending machines and other debit card and credit card processing terminals, as part of the comprehensive banking services, in the amount of \$1,800,000, for a new total authorized contract amount not to exceed \$1,996,000.

Background:

In March 2008, Wells Fargo was selected through a competitive procurement process to provide comprehensive banking services to Sound Transit for a three year contract period with the option of two one-year extensions. The comprehensive banking services include depository services, reporting services, electronic fund payment and receipts, investment services, merchant services, purchase cards services, and banking services to support ORCA fiscal agent functions. At the time of the contract award, the total contract amount was within the authority of the CEO, in the amount of \$196,126.85, which would cover all services listed above except merchant services.

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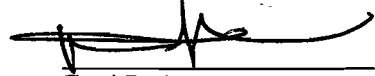
Analysis of Contracting Out vs. Performing In-House

Not applicable to this action.

Motion:


It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a contract amendment with Wells Fargo Bank to provide merchant services for Sound Transit's ticket vending machines and other debit card and credit card processing terminals, as part of the comprehensive banking services, in the amount of \$1,800,000, for a new total authorized contract amount not to exceed \$1,996,000.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 18, 2009.



Fred Butler
Finance Committee Vice Chair

ATTEST:



Marcia Walker
Board Administrator