
CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**Council Meeting Date: 05/26/2016**
Agenda Item: 5B3

ACTION: Approve a two-year contract renewal with Banc of America Merchant Services, LLC. for credit and debit card processing services.

FISCAL IMPACT: Total cost of this two-year contract renewal will not exceed \$500,000. Sufficient funds are available in cost centers – General Fund - 1831 (Accounting), and 1832 (Tax and Licensing), Golf Fund – 2511 (Rolling Hills Golf Course), and 2512 (Ken McDonald Golf Course), Water/Wastewater Fund – 1841 (Customer Services), Performing Arts Fund – 3610 (Performing Arts Admin), Transit Fund – 3915 (Transportation Center), and Highway User Revenue Fund – 3822 (Traffic Engineering) for the anticipated expenditures.

RECOMMENDATION: Approve the renewal of the contract.

BACKGROUND INFORMATION: (FIT14-014-01) The City Council originally approved a two-year contract award for merchant services that will expire on May 30, 2016. This renewal request is the first of four available renewal options.

Merchant services allows the City to accept debit and credit card payments through a secure (encrypted) network and deposit those payments into a City account. Typical transactions include payments for water, sewer, trash, recreation activities/classes, court fees and fines, etc.

Contractor Performance

The performance of Banc of America Merchant Services, LLC. (Banc of America) was rated by City staff on the following criteria:

Criteria	Banc of America
Personnel are responsive, cooperative, and available	A
Overall quality of products or services delivered	A
Timeliness of performance	A
Quality of follow-up in resolving complaints or problems	B
Firm's promptness in submitting accurate invoices	A

(A = Exceeds Standards; B = Meets Standards; C = Below Standards)

Pricing

There was price no increase associated with the Banc of America renewal.

The merchant processing cost shown above (fiscal impact) are the fees that will be paid to Banc of America for merchant processing services, equipment and supplies during the two-year contract renewal. A secondary and even greater cost that impacts the City, known as Interchange/Network fees, is a cost collected by Banc of America and passed directly through to the credit and debit card companies such as Master Card and Visa and paying customer's bank. Interchange/Network fees are set by the credit and debit card networks and are non-negotiable and represent the largest component of the various fees that most merchants (the City) pay for the privilege of accepting credit and debit cards. Annually, the City collects approximately \$35 million in revenue via credit and debit card processing. Based on projected transaction volumes, the City will pay approximately \$1,300,000 during the next two years in Interchange/Network fees to be passed through to the paying credit and debit card companies and customer's bank.

ATTACHMENTS: N/A

STAFF CONTACT(S): Jerry Hart, CPA, Deputy Internal Services Director - Finance, (480) 350-8505

Department Director: Renie Broderick, Internal Audit Director
Legal review by: David Park, Assistant City Attorney
Prepared by: Ted Stallings, CPPB, Procurement Officer