

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	01/09/17	Open	Action	12/12/16

Subject: Approving the Second Amendment to the Contract for Banking Services with U.S. Bank National Association

## ISSUE

Whether to approve the Second Amendment to the Contract for Banking Services with U.S. Bank National Association to add optional electronic payroll card services for employees.

## RECOMMENDED ACTION

Resolution No. 17-01-\_\_\_\_\_, Approving the Second Amendment to the Contract for Banking Services with U.S. Bank National Association.

## FISCAL IMPACT

RT will incur no fees for the electronic payroll card services. All fees will be paid by employee cardholders.

## DISCUSSION

On October 28, 2013, the RT Board delegated authority to the General Manager/CEO to negotiate and enter into a 5-year term contract with U.S. Bank National Association (U.S. Bank) for Banking, Credit Card Services and Investment Services. The contract was executed on January 15, 2014. RT desires to enhance its payroll program by adding a prepaid debit card offered by U.S. Bank ("Focus Card").

RT makes payroll to its employees through automatic deposit for approximately 93 percent of its employees and by issuing checks to the remaining 7 percent. Staff would like to add the option of issuing an electronic payroll card. An electronic payroll card may be of most value to employees who are issued a check, but for personal reasons, do not use the services of a bank.

Electronic payroll cards act as a debit card but without the need for a bank account. The employee may access funds through an automatic teller machine (ATM), a bank, grocery store, gas station, or other retail store such as WalMart and may use the payroll card for other transactions. RT will deposit money with U.S. Bank, and U.S. Bank disburses the funds to the employee through the debit card. U.S. Bank's Focus Card funds are FDIC insured.

RT staff will have control over the issuance of Focus Cards and will be able to replace lost or stolen cards in minutes rather than the labor intensive, time-consuming and costly process of stopping a check and re-issuing it. RT will incur no fees for Focus Card services. The Focus Card holder is responsible for any fees, although many Focus Card services are free, including withdrawals within U.S. Bank's network. Just as with a debit card, if an employee tries to purchase or withdrawal more funds than what is on the debit card, the transaction will be denied.

Approved:

Presented:

Final 01/04/17

General Manager/CEO

Acting VP of Business Services / Chief Financial Officer

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It is impossible at this point in time to calculate the actual fees that will be incurred over time because each employee card-holder will manage his/her own card as they choose. For example, out of network cash withdrawals are \$1.75. Because the total amount of compensation for the use of the Focus Card is unknown, U.S. Bank’s payroll card program will provide summary reports that show actual fees received on a monthly basis. RT will be able to track the amount of fees employees are incurring over a period of time.

Per Board Resolution No. 13-10-0155, RT is transferring all of its banking services to U.S. Bank. Staff nonetheless used the expertise of the American Payroll Association to research payroll card vendors to find the best value for RT’s employees. Staff made a determination that the fees that U.S. Bank charges for its prepaid debit card are fair and reasonable compared to two other vendors.

Staff recommends initially capping the payroll card service at \$100,000. The total amount of fees incurred by employees may eventually exceed \$100,000 but until staff receives summary reports, the actual amount is unknown. It may take 10 years before the fees exceed \$100,000. The requirement for competition has been met through staff’s engagement of other vendor candidates.

Staff recommends the Board approve the Second Amendment to the Contract for Banking Services with U.S. Bank National Association to add the electronic payroll card service, with the total amount of fees incurred by RT employees not to exceed \$100,000.

RESOLUTION NO. 17-01-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

January 9, 2017

**APPROVING THE SECOND AMENDMENT TO THE CONTRACT FOR BANKING SERVICES WITH U.S. BANK NATIONAL ASSOCIATION**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Second Amendment to the Contract between the Sacramento Regional Transit District, therein referred to as "RT," and U.S. Bank National Association, therein referred to as "Contractor," to add an electronic payroll card service with the total amount of fees incurred by RT employees not to exceed \$100,000.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute the Second Amendment.

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JAY SCHENIRER, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary