

STAFF REPORT

DATE: May 8, 2023
TO: Sacramento Regional Transit Board of Directors
FROM: Jason Johnson, VP, Finance/CFO
SUBJ: ENTERING INTO AGREEMENTS WITH ELAVON AND FIRST
DATA MERCHANT SERVICES LLC FOR ELECTRONIC
PAYMENT SERVICES

RECOMMENDATION

Adopt the Attached Resolutions.

RESULT OF RECOMMENDED ACTION

Approval of the attached Resolutions will allow SacRT to continue electronic payment acceptance services (EPAY) with Elavon, Inc. (Elavon) and First Data Merchant Services LLC (First Data).

FISCAL IMPACT

EPAY fees are based on the number and types of transactions completed by SacRT as described in Tables 1 and 2 below. These fees are included in the adopted FY 23 Budget and in the proposed FY 24 Budget.

DISCUSSION

Electronic forms of fare payment and credit card payments at fare vending machines (FVMs) have become more popular with SacRT customers in recent years. Connect Card and ZipPass make it possible for customers to purchase fares from the comfort and convenience of their own home, place of employment, or anywhere else that they can connect to the internet. New technologies implemented in SacRT's fare vending machines and with contactless tap devices on trains have made it possible to pay for transit fare with a credit/debit card or mobile wallet (Apple Pay, Google Pay, etc). These methods of fare payment would not be available without EPAY service agreements in place.

SacRT's existing contracts with Elavon and First Data are set to expire on May 31, 2023. These contracts were based on a Master Services Agreement (MSA) that each company previously negotiated with the State of California for EPAY.

In July 2019, the State of California issued a new competitive “Invitation to Negotiate” to solicit new proposals from electronic payment processors. Both Elavon and First Data were awarded new contracts after that competitive solicitation. The Elavon contract commenced June 1, 2022, and will terminate June 1, 2027, with two optional 2-year extensions. The First Data agreement commenced April 1, 2023, and will terminate June 1, 2027, with two optional 2-year extensions. The Master Services Agreements allow any local public agency to benefit from the pricing obtained by the state.

It is advantageous to SacRT to use the state agreements due to the competitive pricing related to the volume of transactions. Although the contracts were competitively solicited, the state-imposed contract conditions would not have been included in a SacRT-specific competitive solicitation because the terms restrict competition. As a result, the Board is required to approve a sole source justification to use these contracts.

SacRT uses First Data and Elavon services for all SacRT EPAY activities. This includes Connect Card payments, Customer Service payment processing, and FVM electronic payments. The fee structure is broken down by tiers based on transaction volume. SacRT will fall into the Tier 1 category for both First Data and Elavon. Table 1 and Table 2 display the fees that SacRT will be charged for the most common services.

Table 1

First Data Services	Unit	Tier 1 Amount
A. Visa, Mastercard, Discover, Debit Processing Fee	Per Transaction	\$0.014
B. AMEX Authorization Processing Fee	(Pass Through Cost Per Transaction)	\$0.014
C. Chargeback Fee	Per Transaction	\$5.00
D. Customized Development	Per Hour	\$200.00
E. Gateway Implementation Fee	Per Account	\$0.00
F. Payeezy Gateway Fee	Per Transaction	\$0.05

Table 2

Elavon Services	Unit	Tier 1 Amount
1. Authorization Fee	Per Transaction	\$0.025
2. AMEX Authorization Fee	(Pass Through Cost Per Transaction)	\$0.025
3. Chargeback Fee	Per Transaction	\$5.00
4. Voice Authorization	Per Transaction	\$0.75
5. Cybersource Gateway & Processing (Transit Only)	Per Transaction	\$0.03
6. Foreign Network Fee (IP SSL)	Per Transaction	\$0.03

7. Converge Tokenization	Per Transaction	\$0.05
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As is shown in the tables above, the fee structure varies between the two service providers. While the providers each offer similar services, SacRT is not typically in a position to choose which provider is used for services. Frequently, third-party vendors integrate with a single provider and requesting integration with an alternative credit card processor would be cost prohibitive. For example, Scheidt & Bachman (FVMs) works solely with First Data, while INIT (Connect Card) exclusively works with Elavon. It would be impractical for SacRT to enter into an agreement with a single EPAY provider.

RESOLUTION NO. 2023-05-046

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

May 8, 2023

APPROVING A SOLE SOURCE PROCUREMENT AND DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO ENTER INTO AN AGREEMENT FOR ELECTRONIC PAYMENT ACCEPTANCE SERVICES WITH ELAVON, INC.

WHEREAS, SacRT will obtain a benefit from the Contract with low-cost electronic payment acceptance services from Elavon, Inc. leveraging the economies of scale that have been negotiated by the State of California.

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

THAT, due to integration with third-party services and the economies of scale offered by the State contract, pursuant to Section 1.405.B.2 of the Procurement Ordinance, it is in the best interest of SacRT to solicit only one contractor for the services offered by Elavon, Inc. under State Agreement 5-22-70-22-01.

THAT, the Board delegates authority to the General Manager/CEO to execute an agreement with Elavon, Inc. for Electronic Payment Acceptance Services Under State Agreement No. 5-22-70-22-01 for the base term of the State Agreement and to execute amendments to the agreement to extend the term if and to the extent that State Agreement 5-22-70-22-01 is extended.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary

RESOLUTION NO. 2023-05-047

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

May 8, 2023

APPROVING A SOLE SOURCE PROCUREMENT AND DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO ENTER INTO AN AGREEMENT FOR ELECTRONIC PAYMENT ACCEPTANCE SERVICES WITH FIRST DATA MERCHANT SERVICES LLC

WHEREAS, SacRT will obtain a benefit from the Contract with low-cost electronic payment acceptance services from First Data Merchant Services LLC, leveraging the economies of scale that have been negotiated by the State

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

THAT, due to integration with third-party services and the economies of scale offered by the State contract, pursuant to Section 1.405.B.2 of the Procurement Ordinance, it is in the best interest of SacRT to solicit only one contractor for the services offered by First Data Merchant Services LLC under State Agreement 5-22-70-22-02.

THAT, the Board delegates authority to the General Manager/CEO to execute an agreement with First Data Merchant Services LLC for Electronic Payment Acceptance Services Under State Agreement No. 5-22-70-22-02 for the base term of the State Agreement and to execute amendments to the agreement to extend the term if and to the extent that State Agreement 5-22-70-22-02 is extended.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary