



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Mark Freeman, Energy Management & Customer Services Manager
Wendi Schultz-Kerns, Cash Accounting Supervisor
DATE: July 25, 2014
SUBJECT: Bank of America Merchant Service Agreement
OBJECTIVE: Board approval for current Merchant Services Contract

Issue

EWEB's current Merchant Service Provider Contract with Bank of America expired in November 2010.

Background

EWEB accepts customer credit and debit card payments in a variety of ways - from standard point of sale equipment (lobby), IVR automated phone payments, and internet-based applications. These methods of payment are easy and convenient for many of EWEB's customers, both on a one-time, and on a recurring basis. EWEB's volume of credit and debit card transactions is significant, and continues to increase year to year. EWEB received approximately \$60 million in credit and debit card payments in 2013, up from approximately \$35 million received in 2009. As the use of credit and debit cards has increased, it is in the best interest of EWEB and our ratepayers to keep expenses as low as possible.

In order to accept credit and debit card payments, the credit card organizations (Visa and MasterCard) require merchants to enter into service agreements with merchant service providers (typically banking institutions) to process these payments and transfer the funds into merchant's bank accounts. The credit card organizations impose fixed fees for acceptance of their cards, and the merchant service providers impose additional fees for providing their services.

In May 2010, staff issued a formal solicitation (RFP) and received proposals from seven merchant service providers. Proposals and interviews were evaluated and scored on costs and service, and staff determined that Bank of America submitted the highest-ranking proposal. Staff began negotiating a contract with the bank however, it was determined that EWEB was not at the required PCI (Payment Card Industry) compliance level for processing, transmitting, and storing credit card data. Therefore, EWEB Management could not execute a signed contract at that time. EWEB is now at the required compliance levels. Credit/debit card volume has increased by an average of 10% annually over the past five years. We can now realize an annual cost savings of approximately \$30,000 (based on 2013 transaction volumes) by executing the negotiated contract and subsequently changing to Bank America's new processing platform.

Discussion

Once staff determined we could not execute the previously negotiated contract, we began work with a PCI Security Consultant (Fishnet Security). Our goal was to implement credit/debit card payment changes to enhance EWEB's PCI compliance levels over the past few years, outsourcing much of this work to PCI compliant vendors who are certified to process, transmit and store sensitive credit card data as required. This work included IT infrastructure enhancements, new payment processing channels and off-site PCI certified storage facilities. With these enhancements EWEB meets the necessary compliance levels to execute the previously negotiated contract with Bank America Merchant Services (BAMS). BAMS has agreed to their original price savings as proposed in the 2010 negotiated RFP, and EWEB now expects to realize a savings of approximately \$30,000 per year over the contract period of five years (reducing annual budgets as increased card volume may allow). EWEB would recognize this price savings after we transition to BAMS new payment processing platform (First Data), which can be scheduled after Board approval of the new contract and price agreement.

TBL Assessment

RFP formal solicitation – Intent to Award issued to Bank America Merchant Services (BAMS)

Recommendation

EWEB management recommends Board approval so we can move to a new processing platform which will recognize a material cost savings for EWEB Merchant Service processing, as well as enhance EWEB reconciliation efficiencies with new reporting capabilities.

Requested Board Motion/Action

A motion is set forth to approve a Price Agreement with Bank of America for Merchant Card Services.

Further Information

Funds for these services were budgeted for 2014 and will be budgeted annually with reduced savings based on business volume increase for card services. If you have questions, please contact Mark Freeman at (541) 685-7061 or via email at mark.freeman@eweb.org.

EWEB BOARD AGENDA ITEM ACTION REQUEST
For Contract Awards, Renewals, and Increases generally over \$1 million

The Board is being asked to approve a new Price Agreement with **Bank of America** for **Merchant Card Services**.

Backgrounder ("See backgrounder information") Yes

Board Meeting Date: August 05, 2014

Project Name/Contract#: Merchant Card Services / RFP 015-2010

Primary Contact: Mark Freeman Ext. 7061

Secondary Contact: Roger Gray Ext. 7130

Purchasing Contact: Tracy Davis Ext. 7468

Action Requested:

- Contract Award
- Contract Renewal
- Contract Increase
- Other

Contract Amount:

Original Contract Amount: \$ 3,450,000 over 5 years

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: N/A %

Amount this Request: \$ 3,450,000

Resulting Cumulative Total: \$ 3,450,000 over 5 years

Funding Source:

- Budget
- Reserves
- New Revenue
- Bonding
- Other

Contracting Method:

Method of Solicitation: Request for Proposal, #015-2010

If applicable, basis for exemption: N/A

Term of Agreement: August 1, 2014 – July 31, 2019

Option to Renew? Yes - 5 years total

Approval for purchases "as needed" for the life of the contract No

Form of Contract:

- Single Purchase
- Services
- Personal Services
- Construction
- IGA
- Price Agreement
- Other

NARRATIVE:

EWEB accepts customer credit and debit card payments in a variety of ways - from standard point of sale equipment (lobby), IVR automated phone payments, and internet-based applications. These methods of payment are easy and convenient for many of EWEB's customers, both on a one-time, and on a recurring basis. EWEB's volume of credit and debit card transactions is significant, and continues to increase year to year. EWEB received approximately \$60 million in credit and debit card payments in 2013, up from approximately \$35 million received in 2009. As the use of credit and debit cards has increased, it is in the best interest of EWEB and our ratepayers to keep expenses as low as possible.

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transaction volumes) by executing the negotiated contract and subsequently changing to Bank America's new processing platform.

ACTION REQUESTED:

Management requests Board approve a new Price Agreement with Bank of America for Merchant Card Service. Funds for these services were budgeted for 2014 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____