

Date: April 24, 2019

To: Board of Directors

From: Doug Kelsey 

Subject: **RESOLUTION 19-04-26 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH WELLS FARGO MERCHANT SERVICES, LLC FOR MERCHANT BANKCARD SERVICES**

1. Purpose of Item

The Resolution requests that the TriMet Board of Directors (“Board”) authorize the General Manager to execute a Contract with Wells Fargo Merchant Services, LLC. (“Wells Fargo”) for merchant bankcard services (“the Services”).

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other _____

3. Reason for Board Action

Board approval is required for goods and services contracts obligating TriMet to pay in excess of \$1,000,000.

4. Type of Action

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

TriMet has an operational need for a contractor to provide merchant bankcard services. The contractor will provide payment card processing services for TriMet customers throughout the district. These transactions occur over the phone, in-person, through point-of-sale kiosks, fax, mail and third-party web interfaces for a variety of Agency services, including Hop Fastpass. Wells Fargo Merchant Services/First Data have provided these services to TriMet since TriMet began accepting credit card payments in the 1990s. TriMet has not competitively solicited for these services recently, due to the expected high cost of changing providers. TriMet’s Finance and Administrative Services Division determined that an RFP should be issued to validate this assumption and ensure the best value to the agency.

The merchant bankcard services contractor will charge fees, most of which are incurred on a per transaction basis. The nature of these fees is variable based on the number and type of transactions processed and is driven by customer behavior, such as where the customer chooses to transact (i.e. ticket vending machine vs. website). It is also worth noting that in addition to the fees owed to the

merchant bankcard services contractor, the merchant bankcard services contractor also collects fees on behalf of Visa, MasterCard and Discover (the “card brands”). The card brands also charge a variety of fees per transaction, and those charges vary based on the characteristics of the transactions, such as the type of card the customer chooses to use. These fees are non-negotiable, and are the same for every company accepting payment cards (the “merchants”). These fees can be changed at any time by the card brands for all merchants.

This leads to two important conclusions. First, in order to accept payment cards, TriMet must have sufficient contracting authority to pay the highly unpredictable fees incurred for processing those payments. Second, this contract value includes both those fees due to the competitively bid merchant bankcard services contractor, as well as those non-negotiable, pass-through fees due to the card brands. The card brand fees make up close to 90% of the estimated total cost of the contract. Without paying these fees, TriMet would not be able to accept payment cards, causing significant inconvenience to riders. Today, 50% of TriMet fares are paid via payment card.

6. Procurement Process

TriMet conducted a competitive Request for Proposals (“RFP”) process to select a contractor to perform the Services. The RFP was issued on December 14, 2018, with a due date of January 25, 2019. A total of 89 firms were directly notified of the RFP on TriMet’s vendor registration website, TriP\$, of which 18 downloaded the documents. In addition, TriMet staff reached out to several banks prior to release of the RFP in order to encourage competition. TriMet received three proposals in response to the RFP from JP Morgan Chase & Co. (“JP Morgan”), Wells Fargo Merchant Services, LLC (“Wells Fargo”), and Worldpay, Inc. (“Worldpay”).

An Evaluation Committee (“EC”) comprised of staff from TriMet’s Finance and Administrative Services Division was appointed to review, evaluate and score the proposals. The evaluation criteria in the RFP included Qualifications of Firm and Staff; Service and Approach; Pricing; and Corporate Responsibility (including Diversity). The following table summarizes initial scoring:

Criterion (points)	Proposers		
	JP Morgan	Wells Fargo	Worldpay
Qualifications of Firm, Staff, Etc. (15 Points)	10.33	14.00	14.00
Service and Approach (35)	26.00	32.33	21.67
Pricing (25)	21.67	22.00	13.00
Corporate Responsibility (25)	24.33	24.33	24.33
Total	82.33	92.66	73.00

Based on the initial scoring, the EC determined that interviews were not necessary. The EC elected to issue a request for Best and Final Offer (“BAFO”) to all three firms, which sought clarification on several points of their proposal, primarily regarding fees and other issues of pricing. The BAFO was issued on February 26, 2019 and Wells Fargo’s response was received on March 4, 2019. The EC determined that responses were satisfactory and that no changes to the initial scores were necessary. The EC determined that while the JP Morgan proposal was excellent, Wells Fargo was the more technically qualified firm.

Additionally, while JP Morgan offered better per transaction pricing, the incentives offered to defray the costs associated with transitioning to another vendor were not enough to be cost

neutral. TriMet staff performed a transition cost analysis by obtaining quotes from system vendors that would be transitioned to the new processing platform. Total transition costs are estimated at a minimum of \$1.9 Million. This cost does not include any internal TriMet costs related to managing the transition to a new processor; a project likely to span over 18 months.

Wells Fargo submitted pricing based on TriMet's estimates which totals approximately \$3,100,000 over the full ten-year life of the Contract. The pricing was deemed fair and reasonable based on competition and current prices being paid by TriMet for these services. As mentioned previously, the nature of these transactions are highly variable and may increase at a faster rate than currently estimated. Total contract costs will be based on the actual number of transactions processed.

Additionally, the Contract cost will include the non-negotiable pass-through card brand fees, which significantly and unavoidably increases the total Contract cost to approximately \$34,500,000. As mentioned in Section 5 above, these non-negotiable fees are static across all Merchant Bankcard Services providers, and are passed through from card brands. These card brand fees are required in order to accept bank cards as a form of payment at TriMet. As mentioned above, 50% of all TriMet riders pay using payment cards.

7. Diversity

Wells Fargo's workforce is comprised of 57% women and 25% minorities. Wells Fargo will be self-performing all work.

8. Financial/Budget Impact

The Services for the first year are covered under the Finance and Administrative Services Budget for FY19. Additional services will be included in subsequent Finance and Administrative Services budgets.

9. Impact if Not Approved

TriMet could re-procure the contract, however, this option is not recommended because Wells Fargo is a well-qualified firm and offered fair and reasonable pricing. Re-procurement would not result in more or better competition.

RESOLUTION NO. 19-04-26

**RESOLUTION NO. 19-04-26 OF THE TRI-COUNTY METROPOLITAN
TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A
CONTRACT WITH WELLS FARGO MERCHANT SERVICES, LLC., FOR
MERCHANT BANKCARD SERVICES**

WHEREAS, TriMet has authority under ORS 267.200 to enter into a Contract with Wells Fargo Merchant Services, LLC. (“Wells Fargo”), for merchant bankcard services (“the Services”); and

WHEREAS, the total amount of the Contract for the Services exceeds \$1,000,000; and

WHEREAS, the TriMet Board of Directors (“Board”), by Resolution dated October 25, 2017, adopted a Statement of Policies requiring the Board to approve goods and services contracts obligating TriMet to pay in excess of \$1,000,000

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contract shall conform with applicable laws.
2. That the General Manager or his designee is authorized to execute the Contract for the Services in the amount of not more than \$34,500,000 over the ten-year life of the Contract.

Dated: April 24, 2019

Attest:

Presiding Officer

Recording Secretary

Approved as to Legal Sufficiency:



Legal Department