

**7. MERCHANT SERVICES -- DIVISION OF FINANCE  
FUNDING --VARIOUS COUNTY DEPARTMENTS**

(Request sent to 61 vendors)

RFP #18-0001 Contract

|   | First Direct Financial -<br>Representing<br>Vantiv/NPC/WorldPay                                     | Bank of America<br>Merchant Services, LLC<br>dba Bank of America<br>Merchant Services | Gila, LLC dba<br>Municipal Services<br>Bureau (MSB)                                      | Elavon, Inc. dba Elavon,<br>Inc. (INTRUST Bank)  |
|---|---|---|--|--|
| Estimated Annual Cost*  | \$296,282.19  | \$341,088.52  | <b>\$348,386.63</b>  | \$356,658.52   |
| Cutoff Times**  | 8:00 PM EST   | 1:30 AM CT  | <b>Midnight</b>  | 9:00 PM CT   |
| Funding Time Frame***   | Next Day  | Next Day  | <b>Next Day</b>  | Next Day   |
| Accommodate Cellular Devices  | Yes   | Yes   | <b>Yes</b>   | Yes  |
| Subsequent month Invoicing for<br>fees and separate invoices for each<br>merchant**** | No  | Yes   | <b>Yes</b>   | Not Clear  |
| Fee Method  | Varies from<br>1.510%+\$0.10+0.07% +<br>\$0.07 to<br>1.89%+\$0.10+0.07%<br>+\$0.07 for credit cards | Interchange fee + \$0.04<br>for credit cards  | <b>Interchange fee +<br/>0.07% + \$0.04 for<br/>credit and debit cards<br/>OR</b>        | Interchange fee + \$0.04<br>for credit cards;<br>Interchange fee + \$0.20<br>for debit cards; eCheck<br>\$0.35 per item OR |
|   | 0.8%+\$0.15+0.07%+<br>\$0.07 to<br>1.10%+\$0.16+0.07%<br>+\$0.07 for debit cards                    | Interchange + \$0.20 for<br>debit cards   | <b>Convenience fee<br/>method: 2.19% for<br/>credit cards; 1.79% for<br/>debit cards</b> | Convenience fee<br>method: \$1.50 under<br>\$60 3.50% over \$60;<br>eCheck \$1.50 per item                                 |
|   | eCheck \$0.15 per item  |   | <b>eCheck \$0.05 per item</b>  |  |
| Can customers use a savings<br>account  | No Answer   | No Answer   | <b>Yes</b>   | Yes  |

|   | UMB Bank NA  | LexisNexis VitalChek<br>Network Inc.                                  | Value Payment Systems,<br>LLC   | Commerce Bank, Inc.<br>dba Commerce<br>Bancshares, Inc. |
|---|--|---|---|---|
| Estimated Annual Cost*  | \$384,029.44   | \$392,253.27  | \$400,651.83  | \$415,534.24  |
| Cutoff Times**  | 9:00 PM CT   | 7:00 PM CT  | Midnight  | 7:00 PM CT  |
| Funding Time Frame***   | Next Day   | Next Day  | 24-48 hours   | Next Day  |
| Accommodate Cellular Devices  | Yes  | No  | Yes   | Yes   |
| Subsequent month invoicing for<br>fees and separate invoices for each<br>merchant**** | Yes  | Yes   | Yes   | Yes   |
| Fee Method  | Interchange fee + \$0.10<br>for credit cards and debit<br>cards;<br>eCheck \$0.13 per item<br>OR | \$1.75 or 2.45%,<br>whichever is greater for<br>MasterCard            | Interchange fee + 0.02%<br>+ \$.04 per item<br>eCheck \$0.10 per item<br>OR                                 | 2.60%   |
|   | Convenience fee method<br>2.75% for credit and<br>debit transactions; \$2.00<br>eCheck per item  | 2.45% for Visa and<br>Discover  | Convenience fee<br>method: 2.35% for credit<br>cards and 1.50% for<br>debit cards<br>eCheck \$1.50 per item |   |
|   |  | MasterCard and<br>Discover Debit \$1.75 or<br>2.45%; Pin debit:\$1.75 |   |   |
|   |  | eCheck \$0.15 per item  |   |   |
| Can customers use a savings<br>account  | Yes*****   | No  | Yes   | No  |

|   | Government Payment Services, Inc.   | Information Network of Kansas, Inc.                                     | PayIt, LLC   | Lawn Buddy LLC  |
|---|---|---|--|---|
| Estimated Annual Cost*  | \$423,792.92  | \$428,612.93  | \$520,646.93   | \$2,464,515.29  |
| Cutoff Times**  | 3:00 PM EST   | Midnight  | Midnight   | 10:00 PM CT   |
| Funding Time Frame***   | Next Day  | Within 72 hours   | Next Day   | 24-48 hours   |
| Accommodate Cellular Devices  | Yes   | No  | Yes  | Yes   |
| Subsequent month invoicing for fees and separate invoices for each merchant**** | Yes   | No Need   | Yes  | No  |
| Fee Method  | Convenience fee method: 3% or 2% + \$0.039 for credit cards and debit cards; eCheck \$0.65 per item | 2.5% per transaction for credit and debit cards; eCheck \$1.25 per item | \$2.00 per transaction + 2.5% for credit and debit cards; eCheck \$1.25 per item | 2.90% + \$0.30 for credit and debit cards; eCheck 0.75% |
| Can customers use a savings account   | Yes   | No  | Yes  | No  |
|   | NXGEN International dba NXGEN   |   |  |   |
| Estimated Annual Cost*  | No cost information given   |   |  |   |
| Cutoff Times**  | Midnight  |   |  |   |
| Funding Time Frame***   | Next Day  |   |  |   |
| Accommodate Cellular Devices  | Yes   |   |  |   |
| Subsequent month invoicing for fees and separate invoices for each merchant**** | Yes   |   |  |   |
| Fee Method  | No Quote  |   |  |   |
| Can customers use a savings account   | Yes   |   |  |   |

On the recommendation of Paul Regehr, on behalf of the Division of Finance, Tim Myers moved to **accept the proposal from Gila, LLC dba Municipal Services Bureau (MSB) and establish contract pricing for a period of three (3) years with two (2) one (1) year options to renew.** Scott Hadley seconded the motion. The motion passed 3 to 1 with Linda Kizzire abstaining.

A review committee comprised of Brandi Baily - Division of Finance; Debra Rogers and Nancy Rausch - Treasurer's Office; Mike Elpers - Enterprise Resource Planning; Greg Gann - Division of Information Technology and Support Services; Steven Stonehouse - Department of Corrections and Paul Regehr - Purchasing reviewed and scored the responses based on criteria set forth in the RFP. Gila, LLC dba Municipal Services Bureau (MSB) and Value Payment Systems, LLC were short-listed and brought in for interviews and demonstrations. Gila, LLC dba Municipal Services Bureau (MSB) was given the highest score and chosen for award.

Merchant services is a category of financial services where authorized financial service providers allow businesses to accept credit card or bank debit card transactions using online ordering or point of sale systems.

In 2017, Sedgwick County paid \$342,241.79 in merchant service fees. \$187,965.76 of these fees were paid by the Treasurer's Office, \$123,966.80 paid by MABCD, and then \$30,309.23 paid by all other departments.

Notes:

\*Sedgwick County's estimated annual cost was based on 2017 usage with our current merchant services provider, Banc of America Merchant Services, LLC at the highest business model. Estimated costs incurred based on the following charges were assessed: Interchange % per sales, interchange per item, vendor upcharge % per sales, and vendor upcharge per item. The above charges were assessed against these card types: MasterCard - card present, MasterCard - card not present, MasterCard - debit card, Visa - card present, Visa - card not present, Visa - debit card, Discover - card present, Discover - card not present, Discover - debit card, and American Express. Other fees assessed were: implementation fee, set-up fee, chargeback, online reporting, account maintenance, statement fees, eCheck fees, IVR fees, and equipment.

\*\*Cutoff times: The time at which a bank stops crediting a daily deposit. Activity after the cutoff time is deposited the following business day. Bank cutoff times determine when a transaction is official.

\*\*\*Funding Time Frame: The timeframe of when the county will receive their money from the bank.

\*\*\*\*Subsequent month invoicing for fees: The fees the county will pay can be paid after the month is over, as opposed to the option where a transaction occurs say for \$10.00 and the fees associated with that transaction are \$5.00, the bank will then only send the net \$5.00 to the county rather than the \$10.00. Separated invoices for each merchant: The county has 28 merchants currently. The Division of Finance wants an invoice for each department rather than all 28 departments' activity combined into just one overall statement.

\*\*\*\*\*For UMB Bank NA the county would need to have a UMB checking account.

Definitions:

Interchange fee is a fee that is issued by the card brand to the bank. The bank then passes that fee on to Sedgwick County. This rate is very fluid and changes often, therefore what the county pays in the way of fees fluctuates and is hard to estimate. With a convenience fee model, the bank will absorb the interchange fee and not pass it on to the county. The bank will charge one set rate and will not increase or decrease this based on what the card brand companies are charging.

Convenience fee is a fee assessed by a payee when a consumer pays with an electronic payment card rather than cash, check or ACH transfers.

*Questions and Answers*

Linda Kizzire: I think the fee for the debit cards is very high compared to others that proposed. I'd like to know what the interchange fees are going to be and are we going to use both solutions? Are we going to stick to one when it's \$.07 for one vendor to do a debit card and the selected vendor 1.79%? That just seems pretty high to me.

Brandi Bailey: We do have multiple options on the table with all of the vendors. One option presented was doing an interchange plus a surcharge plus an additional convenience fee. Interchange fees are assessed by the Visa and MasterCard companies and change quarterly. We have no idea as to what those fees are going to be because they are changing all the time. If interchange is based on the type of card you use, whether you use a credit card that offers you reward miles then you are going to pay a higher fee than someone who just uses a credit card that has no rewards. It's all based on the type of credit card that is being used and the fees the card brand is issuing.

Another option that was given to us was the use of a convenience fee model, this is the type of model we would more than likely end up going with. A convenience fee model, what they are charging is for example, MSB is charging 2.19% for a credit card and 1.79% for a debit card. What that means is when the customer is at the counter and they are being charged their \$100.00 property tax then they will get the convenience fee associated with that. They will pay that fee. On the convenience fee model, the bank will keep that fee and not charge the county anything. On the pricing that was put here since many of them offered a convenience fee model and interchange model, we went with the worst case scenario. So the price we see up here for Gila, this is based on if we go with the interchange model. Right now, Sedgwick County Treasurer's Office collects the convenience fee, which is 4%. They are the only department that collects that 4%. If we go with this convenience fee model then the fee the customer is paying will go down to 2.19% for credit and 1.79% for debit. I think in the write up it said the Treasurer's Office paid \$187,000.00 last year. That will totally go away if we go with the convenience model. We won't pay that.

MABCD currently pays their own fees so the only fee that will really hit the general fund is \$30,000.00 essentially because the other departments are not allowed to take a convenience fee. I asked the question and I think it's being researched right now, statute only allows us to do a convenience fee for property tax items. My question is since this convenience fee is really being associated by the merchant and not the county, is that going to be allowed to where we can assess this fee being charged to other departments. If that happens then the county will have to pay absolutely nothing. That's being reviewed right now. If we go with this convenience fee model then Sedgwick County pays nothing out of pocket for Treasurer's items, which is that \$187,000.00.

Another big fee we pay on is our E-Checks. They are offering a \$.05 per E-Check, which was the cheapest out of all of the proposals we received.

Tim Myers: So not only would it be saving the county money with the Treasurer's Office but it would also be saving the consumer since you're going from 4% down to 2.19%?

Brandi Bailey: Correct. There were lots of vendors that offered whether we do an interchange model or a convenience model but knowing in the back of our mind the convenience fee model would be ideal for the Treasurer's Office they were the cheapest on the rates for that convenience fee model to then take away those fees from everybody. Until we find out the answer, we will then be back on that interchange model.

Scott Hadley: It looked like First Direct Financial had the lower bid and cost so why did we select Gila over them because it looks like a lower convenience fee charge as well?

Brandi Bailey: Where that line is and not seeing this until this morning, that's in addition to. First Direct Financial did not offer a convenience fee model. They had interchange rates all over the place based on the type of card.

Scott Hadley: So that's not a convenience fee for them? That's an interchange?

Brandi Bailey: That's an interchange. That's the only method they offer?

Scott Hadley: It varies?

Brandi Bailey: Yes.

Tom Stolz: The current way we do business today is the interchange model?

Brandi Bailey: Yes.

Tom Stolz: Linda, what's your debit card fee right now? If a citizen uses a debit card?

Linda Kizzire: The commissioners set the fee for the Treasurer's tax office with the 4% by resolution. At the tag office, I have my own separate vendor but for the courthouse transactions, that's set by resolution and it's currently 4%. For debits, the county pays a minimal amount and I think it's \$.50.

Brandi Bailey: Right now the county does pay the interchange plus \$.20 for debit cards but we do not charge the customers anything.

Tom Stolz: So if we go to this convenience model then that customer pays that 1.79%?

Brandi Bailey: Correct.

Scott Hadley: For some consumers it would reduce the cost from 4% to 2.19%?

Brandi Bailey: Correct.

Linda Kizzire: For the debit card users, it will go up significantly.

Brandi Bailey: I just want to make one other highlight with what MSB offered us. MSB offered us a guarantee that is if Sedgwick County was ever to be breached we would never pay anything. Gila would come in and they would take care of everything to help the customers. They would pay all the fees. Sedgwick County would not be out a penny, which was an offer that nobody ever has offered in the years I've been here. They told us they would definitely put it in the contract in writing.

Tom Stolz: So if we approve this bid, we'll have to back in by resolution to reduce the rate from 4% to whatever this rate is?

Linda Kizzire: Yes.

Tom Stolz: Several commissioners were asking Rick for weeks where this is at. We need to get a move on this. I'm interested in the differences between the interchange model versus the convenience fee model. Brandi, could you give me a one minute on this and if we want to migrate to a convenience fee? Is it cheaper? Is it better for customers?

Brandi Bailey: An interchange model is that fee that is paid by Sedgwick County. For example with First Direct Financial it can vary from 1.5% all the way up to 3%. It varies on the type of card. It's the fee Sedgwick County will pay to the merchant on a monthly basis. On top of that then for example, Banc of America interchange plus \$.04 for every credit card so we will pay that interchange fee plus for every transaction that is done will be charged another 4% that we pay out of Sedgwick County's budgets to pay the merchant.

A convenience fee model, what's proposed, the citizen will pay the fee at the counter. It will be one swipe so it will be \$1,000.00 plus 1.79% if it's a debit card and that goes to the bank and Sedgwick County will never receive a bill. It essentially covers all the fees. Now the merchants have told us with the convenience fee they know they are going to be out money in the first however many months it takes to get them going and established but it's a guarantee to the county that we're not paying anything out of our budget. Last year we paid over \$341,000.00 to Banc of America and \$187,000.00 of that came from the Treasurer's Office, which like I said is going to a convenience fee that will go away.

Scott Hadley: In a nutshell, the interchange fee is passed through to the county then directly to the consumer?

Brandi Bailey: Correct. It's passed through from Visa and MasterCard to the merchant bank who then passes that to the county to where we are now passing it down to the consumer at 4% to cover it.

Linda Kizzire: Did they offer any type of enhancements or IVR (Interactive Voice Recognition) or anything with this system?

Greg Gann: The IVR solution presented full and complete. It's not an additional cost to the proposal and they are offering seven languages out of the box. So if we want to go farther than English and Spanish, Vietnamese for example, they can accommodate. No heavy lifting on our part.

Linda Kizzire: No fees?

Greg Gann: No fees. IVR is included in the price of the bid. Additionally Linda, the online banking they presented is also offered in Spanish.