



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-24

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6845 • (562) 570-5836

December 7, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a contract with FIS, also known as Metavante Corporation and Link2Gov, to provide credit card processing services for City services for a period of three years with the option to renew for two additional one-year periods, at the discretion of the City Manager.
(Citywide)

DISCUSSION

For several years, the City has accepted credit and debit card payments for certain City services including utility bills, parking citations, business licenses, ambulance transports, and marina slip fees. These credit and debit card payments may be made in person, via the Internet, by phone and through the Integrated Voice Response system. The volume of these transactions and associated banking costs has steadily risen over time and, in FY 06, exceeded \$550,000 against the City's General Fund. Therefore, a transaction fee was proposed in the FY 06 budget to eliminate the City's cost for these transactions.

As part of the City's Financial Strategic Plan, the Department of Financial Management issued a Request for Proposals (RFP) to credit card processing firms in September 2005. In November 2005, Link2Gov was awarded the contract to provide third party credit card processing services.

Link2Gov has been providing third party credit card processing services to the City for the past four years. They charge the City's customers a transaction fee for credit card payments made by phone or via the Internet and pay associated bank fees and other expenses. The fee charged by the outside vendor to the City's customers is \$3.99 per transaction for all payments processed over the phone and via the Internet, with the exception of the \$1.59 per transaction fee for parking citations. Please note that if credit card payments are made in person, the \$3.99 transaction fee is not charged. Customers may also avoid the transaction fee by making payments via U.S. Mail or via Easy-Pay from their personal checking account.

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In February 2009, the City Council approved extending the contract until March 2011 in support of billing system interface implementations. In addition, Link2Gov was acquired by Metavante Corporation, a subsidiary of FIS, which will be the new contracting entity.

To ensure the City is receiving the most competitive pricing available, the Department of Financial Management issued a Request For Proposals (RFP) to evaluate other competitive credit card services in March 2009. All of the RFP responses reflected pricing that is higher (less favorable to the customer) than the current contract. As those prices were not as competitive as the current contract, the Department of Financial Management issued a second RFP in April 2010, and 205 potential bidders specializing in credit card processing services were notified. Of those bidders, 30 downloaded the RFP via our electronic bid system. The RFP document was made available from the Purchasing Division, located on the seventh floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid opportunities, which is sent to 30 local, minority and women's business groups. Seven proposals were received. Of those seven bidders none were Minority-owned Business Enterprises (MBEs), Women-owned Business Enterprises (WBEs), Small Business Enterprises (WBEs), or Long Beach businesses (Local).

Seven vendors responded to the City's RFP. An interdepartmental committee was formed to review the proposals and FIS, the current vendor, again had the lowest fee structure. The proposed vendor was also selected based on their experience, successful track record, type of system, client base, and customer support capabilities. We are pleased to report that as a result of this second RFP, the Department of Financial Management was able to negotiate a new tiered pricing structure based on the size of the transaction versus the previous flat fee of \$3.99 (with the exception of parking citations which were and will remain at \$1.59). The vendor will continue to charge customers a transaction fee for credit card payments made by phone and the Internet and will pay associated bank fees and other expenses; however, the new fee will be based on the amount of the transaction as follows:

<u>Transaction</u>	<u>Fee per Transaction</u>
\$0.00 - \$50.00	\$1.59
\$50.01 - \$300.00	\$3.75
\$300.01 +	\$5.00
Parking Citation	\$1.59

The new fees will apply to all payments processed over the phone and via the Internet. In addition, the vendor will provide an alternative to credit card payments and offer the ability to pay certain payments with an electronic check (eCheck) via the Internet. The fee for an eCheck is much lower than paying with a credit card at \$0.95 per transaction.

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This matter was reviewed by Deputy City Attorney Gary J. Anderson and Budget and Performance Management Manager Lou Palmer on November 23, 2010.

TIMING CONSIDERATIONS

City Council action on this item is requested on December 7, 2010 in order to have the contract in place prior to the expiration date of March 1, 2011.

FISCAL IMPACT

There is no cost to the City for the requested contract. However, there will be potential savings for customers given the improved tiered pricing and the new eCheck payment option.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

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Approved:



PATRICK H. WEST
CITY MANAGER