



Legislation Details (With Text)

|                       |   |                      |   |                      |   |
|-----------------------|---|----------------------|---|----------------------|---|
| <b>File #:</b>        | 17-0938   | <b>Version:</b>      | 1 | <b>Name:</b>         | FM/HR - Contract w/NetSpend for payroll card services |
| <b>Type:</b>          | Contract  | <b>Status:</b>       |   | <b>Status:</b>       | CCIS  |
| <b>File created:</b>  | 8/9/2017  | <b>In control:</b>   |   | <b>In control:</b>   | City Council  |
| <b>On agenda:</b>     | 10/17/2017  | <b>Final action:</b> |   | <b>Final action:</b> | 10/17/2017  |
| <b>Title:</b>         | Recommendation to authorize City Manager, or designee, to execute an agreement, and all necessary documents, with NetSpend Corporation, of Alpharetta, GA, for payroll debit card services, at no cost, for a period of three years, with the option to renew for seven one-year periods, at the discretion of the City Manager. (Citywide) |                      |   |                      |   |
| <b>Sponsors:</b>      | Financial Management, Human Resources   |                      |   |                      |   |
| <b>Indexes:</b>       | Agreements  |                      |   |                      |   |
| <b>Code sections:</b> |   |                      |   |                      |   |
| <b>Attachments:</b>   | 1. 101717-C-6sr&att.pdf   |                      |   |                      |   |

| Date       | Ver. | Action By    | Action                 | Result |
|------------|------|--------------|------------------------|--------|
| 10/17/2017 | 1    | City Council | approve recommendation | Pass   |

Recommendation to authorize City Manager, or designee, to execute an agreement, and all necessary documents, with NetSpend Corporation, of Alpharetta, GA, for payroll debit card services, at no cost, for a period of three years, with the option to renew for seven one-year periods, at the discretion of the City Manager. (Citywide)

City Council approval is requested to enter into an agreement with NetSpend Corporation (NetSpend) for payroll debit card services. City staff recommends replacing City-printed physical payroll checks with reloadable payroll debit cards utilizing NetSpend’s services. This change adds one more step in advancing the City’s use of modern, efficient technology, and will benefit both the employee and the City.

Direct deposit, which is currently used by most employees, and payroll debit cards are the much better methods to pay employees. Payroll cards will perform similarly to bank debit cards. Direct deposit and payroll debit cards offer employees greater security, faster and more reliable access to funds, and help avoid potential loss and the delivery risks associated with natural disasters. Checks expose employees to delayed access to cash, potential check cashing fees, and possible check fraud and check loss.

During emergency or disaster situations, physical check distribution may not be possible or may be delayed. Employees have greater assurance of receiving payment and having access to payroll funds through direct deposit and payroll debit cards versus the delivery and cashing of a physical check. In addition, the payroll card will provide some efficiencies and administrative cost-savings. Payroll card holders and users of direct deposit will have the same timely access to their funds, and receive the same payment advises. Both direct deposit and payroll cards will be credited through a secure automated process each payroll

period. The majority of City employees already receive payroll payments via direct deposit and, therefore, would not be affected.

The proposed service incorporates smart card security technology. The smart card security standards in place for bank credit and debit cards also apply to payroll debit cards. A smart chip is embedded in each payroll debit card for increased security. The smart chip uniquely encrypts the account number and transaction to safeguard consumer information.

The payroll card holders can withdraw cash or make purchases wherever Visa credit or debit cards are accepted. Payroll card holders will have immediate access to cash through the teller line at any Visa participant bank, at over 65,000 ATM's nationwide, and point-of-sale locations. Card holders may also directly purchase goods and services using their payroll card and Personal Identification Number (PIN).

There is no cost to the City for this service. NetSpend's normal revenues are not derived from employees or the City. Instead, NetSpend's revenues are derived from the transaction (interchange) fees paid by the merchants and banks. The typical transaction fees paid by merchants range from 2 to 3 percent. Additionally, the City may realize some operational savings due to the reduced need to buy and secure check stock.

The Human Resources Department has completed the meet and confer process with all employee bargaining units representing potentially impacted employees. Human Resources will implement a communication plan to assist with the rollout of the payroll debit card. The communication plan strategy will include a campaign to encourage employees to utilize the current direct deposit payroll option to minimize the number of employees that will need to transition from paper physical checks to payroll debit cards.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on August 17, 2017 and by Assistant Finance Director Lea Eriksen on August 9, 2017.

City Council action is requested on October 17, 2017, to facilitate program implementation for the first payroll payment in January 2018, and ensure coordination with the City's LB COAST Enterprise Resource Planning (ERP) system implementation.

There is no cost to the City or its employees associated with the use of payroll debit cards and execution of this contract. The primary revenue source for the vendor are the transaction interchange fees paid by merchants and banks on each transaction. There is no local job impact associated with this recommendation.

Approve recommendation.

JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

ALEJANDRINA BASQUEZ

DIRECTOR OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST  
CITY MANAGER