

**CITY OF SAN ANTONIO  
INTERDEPARTMENTAL MEMORANDUM  
FINANCE DEPARTMENT**

**TO:** Mayor and City Council  
**FROM:** Milo D. Nitschke, Director, Finance Department  
**THROUGH:** Terry M. Brechtel, City Manager  
**COPIES:** Melissa Byrne Vossmer, Assistant City Manager; Management Team; File  
**SUBJECT:** Merchant Banking Services Contract Renewal and Amendment  
**DATE:** September 4, 2003

**SUMMARY AND RECOMMENDATION**

This ordinance authorizes the renewal and amendment of the current contract with Paymentech LLC, for authorization, capture, processing and settlement of Visa and MasterCard transactions for a three (3) year period, beginning October 1, 2003, and ending September 30, 2006, at a discount rate not to exceed 3.325% per transaction dollar amount plus other related interchange fees.

Staff recommends approval of this ordinance.

**BACKGROUND INFORMATION**

In February 2000, the Finance Department issued a Request For Proposal (RFP) for merchant banking services with the following objectives:

- 1) Providing the citizens and customers of the City an expanded choice of payment options.
- 2) Achieving operational efficiencies through the application of new technologies.
- 3) Expediting the availability and access to funds in order to efficiently manage the day-to-day cash operations of the City.

A total of three (3) firms submitted proposals in response to the RFP. A City staff evaluation committee evaluated the proposals and personal presentations and unanimously recommended Paymentech to provide merchant banking services to the City (see Attachment A). The committee made its recommendation based on the following facts:

- Paymentech is the second largest acquirer/processor of bankcard transactions;
- Paymentech can provide authorization, capture, processing and settlement for a wide range of credit and private label card types including: Visa, MasterCard, American Express, Discover, Diner's Club and Carte Blanche;
- Paymentech can settle credit card transactions ranging from below \$1.00 to over \$50,000;

- Paymentech can provide authorization, capture, processing and settlement of credit card transactions utilizing both the Internet and telephone;
- Paymentech can provide debit card authorization, capture, processing and settlement and has access to all major debit card networks in the United States; and
- Paymentech can provide check authorization services and/or electronic check acceptance utilizing a subcontractor.

Ordinance No. 92328, approved on August 17, 2000, authorized the execution of a merchant banking services contract with Paymentech LLC, for authorization, capture, processing and settlement of credit and debit cards for the period beginning September 1, 2000, and ending September 30, 2003, with an option to renew the contract for one (1) additional three (3) year period.

The City currently accepts credit card payments at thirty-one (31) different locations. During FY 2002, credit card sales totaled \$12.7 million. Credit cards accepted include Visa, MasterCard, American Express and Discover. The amendment to the contract will provide for the acceptance of Diner's Club and Carte Blanche credit cards. Additionally, acceptance of debit card transactions is anticipated to begin in the first quarter of Fiscal Year 2004.

### **POLICY ANALYSIS**

Pursuant to Section 2.2 of the current merchant banking services contract, upon mutual agreement of both the City and Paymentech LLC, the contract may be extended for one (1) additional three (3) year period, under the same terms and conditions of the current contract.

### **FISCAL IMPACT**

This ordinance authorizes the renewal and amendment of a merchant payment card processing contract for authorization and settlement of Visa and MasterCard transactions for a discount rate not to exceed 3.325% per transaction dollar amount plus other related interchange fees. However, the majority of credit card transactions will fall under the retail card swiped category at a discount rate of 2.065% per transaction dollar amount plus other related interchange fees. Additionally, other applicable merchant payment card fees pertain to (1) credit card chargeback handling, (2) credit/debit card equipment, (3) on-line financial reporting, (4) debit card transactions, (5) credit card voice authorization, (6) check verification services, (7) Internet Gateway credit card authorization, and (8) capture and conveyance of non-bank card transactions such as American Express, Discover, Diner's Club and Carte Blanche.

Consistent with current practices, the cost of credit card discount, interchange and other fees for FY 2004 will be included in the City Manager's FY 2004 Proposed Budget for each City department utilizing credit card equipment. Additionally, the City Manager's FY 2004 Proposed Budget recommends a \$4.00 per transaction convenience fee be assessed to persons paying Municipal Court fines (traffic, parking and misdemeanors) over the Internet utilizing a credit card. This convenience fee is estimated to generate approximate \$30,000 to help offset the City's cost to process credit card transactions over the Internet.

**COORDINATION**

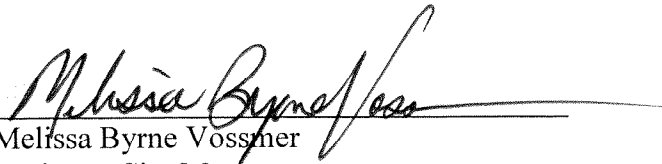
This action has been coordinated between the following departments: Finance and City Attorney's Office.

**SUPPLEMENTAL COMMENTS**

The requirements of the City's Ethics Ordinance are attached.



Milo D. Nitschke  
Director, Finance Department



Melissa Byrne Vossmer  
Assistant City Manager

Approved:



Terry M. Brechtel  
City Manager

**Attachment A**  
**Merchant Banking Services RFP**  
**Evaluation Matrix**

Evaluation Criteria		Maximum Points Possible	NDC e-Commerce	Bank of America	Paymentech
I.	Merchant Banking Qualifications	25.00	19.08	16.75	23.17
II.	Merchant Banking Experience	25.00	17.25	18.50	22.50
III.	Cost of Services	20.00	16.25	16.50	16.00
IV.	Quality of Written and Oral Presentations	10.00	7.92	7.17	9.00
V.	Local Business Enterprise Participation	10.00	0.00	6.00	0.00
VI.	Disadvantaged Business Enterprise Participation	5.00	0.00	0.00	0.00
VII.	SBEDA Program Compliance	5.00	0.00	0.00	0.00
<b>Total Points Awarded (Averaged)</b>		<b>100.00</b>	<b>60.50</b>	<b>64.92</b>	<b>70.67</b>

## City of San Antonio Discretionary Contracts Disclosure\*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2*

*Attach additional sheets if space provided is not sufficient.*

*State "Not Applicable" for questions that do not apply.*

\* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

### Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract:

(2) the identity of any business entity that would be a party to the discretionary contract:

Paymentech, LP

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract:

and the name of:

(B) any individual or business entity that is known to be a **partner** or a **parent** or **subsidiary** business entity of any individual or business entity who would be a party to the discretionary contract:

PTI General Partner, LLC

<sup>1</sup> A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

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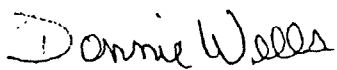
#### Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:

#### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Client Relationship Manager  Company: Paymentech, LP	Date:  June 19, 2003

<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.