

M Management Committee
For the Metropolitan Council meeting of January 23, 2008

Item: 2008-17

ADVISORY INFORMATION

Date Prepared: January 15, 2008

Subject: Recommendation to Contract with US Bank/Nova for Credit Card Processing Services for up to Four Years (Allen Hoppe)

Proposed Action:

That the Metropolitan Council authorize the Regional Administrator to enter into a contract with US Bank / Nova at their proposed level of fixed unit rates for card-based processing services for four years starting in April, 2008.

Summary of Committee Discussion / Questions:

Metro Transit currently accepts about 500,000 credit card transactions per year. These transactions are routed through a processing company. Our processor for the past four years has been Metavante Corporation; their contract was recently extended to April, 2008 to allow time for an RFP and a potential implementation cycle. A formal RFP was publicly advertised in late October. Based on qualifications and price, US Bank / Nova was deemed to have submitted the best of the five proposals. According to our current volume of transactions and the proposers' unit costs, the four-year cost of the proposals ranged from \$0.6 million (US Bank) to \$1.2 million. With this recommended change in contractors, costs are projected to drop \$60,000 / year (although volume growth will cause costs to increase over time). To the extent this service continues to primarily benefit Metro Transit, costs will be funded by Metro Transit and are available in the operating budget.

Approved by Management Committee on January 9, 2008. bid

M Management Committee

Business Item

Item: 2008-17

Meeting date: January 9, 2008

ADVISORY INFORMATION

Date:	January 2, 2008
Subject:	Recommendation to Contract with US Bank / Nova for Credit Card Processing Services for up to Four Years
District(s), Member(s):	All
Policy/Legal Reference:	Investment Policy
Staff Prepared/Presented:	Allen E. Hoppe, Manager (602-1629)
Division/Department:	All / Treasury

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to enter into a contract with US Bank / Nova at their proposed level of fixed unit rates for card-based processing services for four years starting in April, 2008.

Background

Metro Transit accepts about one-half million credit card transactions per year. This number is expected to grow to about one million within four years. Our processor for the past four years has been Metavante Corporation; their contract was recently extended to April, 2008 to allow time for an RFP and a potential implementation cycle. A formal RFP was publicly advertised in late October.

Rationale

We received proposals from five companies: Metavante, US Bank / Nova, Bank of America, Fifth-Third, and TriBul. The proposals were evaluated based on proposal quality, experience with Cubic data transmissions, overall qualifications, and price. (Cubic is our provider of LRT ticket vending machines). Based on our current volume of transactions and the proposers' unit costs, the four year cost of the proposals ranged from \$0.6 million to \$1.2 million (after our allowance for change-over costs). US Bank / Nova has experience with Cubic and its proposal provides the best annual cost reductions. Allowing for growth, the four-year cost is likely to be about \$0.8 million with US Bank.

Funding

The funding for the cost of this service will continue to come from Metro Transit. To the extent identifiable transactions occur in other divisions, the respective costs will be billed to those divisions. The US Bank / Nova per-transaction fees will be fixed for the term of the contract; however, the contract will not have a total dollar limitation due to the high variability and growth of card volumes.

Industry-wide flow through fees will be subject to change and are outside the control of US Bank / Nova. Flow through fees come from the card associations, e.g., Visa, MasterCard, etc.

Known Support / Opposition

This is a staff recommendation to cut cost while maintaining service at or above past levels. No known opposition.