SUMMARY STATEMENT

ITEM NO.          SUBJECT:  PATCO Automated Fare Collection (AFC) Bankcard Processing Services

COMMITTEE:        New Business

COMMITTEE MEETING DATE:  N/A

BOARD ACTION DATE:  November 16, 2005

PROPOSAL: That the Board authorizes staff to negotiate and enter into a contract with Wachovia Merchant Services for bankcard processing services for a period of two years, with renewal options. Wachovia Merchant Services would function as the network/acquirer/processor for all bankcard transactions submitted by the new PATCO Automated Fare Collection (AFC) system. Wachovia Merchant Services will securely collect and process bankcard transactions in accordance with industry standards, for all major credit and debit networks.

Based on information provided by the bidders, staff has determined that Wachovia’s proposal would result in the lowest aggregate cost for processing bankcard transactions based on projected levels of activity and anticipated penetration rates by customers using the new PATCO AFC system.

Amount: Based upon the passenger forecast for 2006, total bankcard processing fees are estimated to be $69,000 in 2006, with implementation in the 3rd quarter and assuming 30% penetration; $190,000 for the full year 2007, assuming 50% smart card penetration; and $133,000 for six months in 2008 with an assumed penetration rate of 70%.

Firm: Wachovia Merchant Services
       Government and Institutional Sales
       106 Fox Chase Drive
       Delran, NJ  08075

Other Firms Submitting Proposals:
    Bank of America Merchant Services
    Commerce Bank Merchant Services
PURPOSE: To select a bankcard transaction processor to efficiently process electronic smartcard replenishment transactions by PATCO transit users who participate in the AFC smartcard program.

BACKGROUND:

As part of the implementation of the new fare collection environment, PATCO will accept bankcards (credit/debit) as a form of payment. Customers will be permitted to use bankcards for the purpose of purchasing or adding value to PATCO’s new transit system smartcards. Acceptance of bankcards requires PATCO to contract with a financial institution to function as an acquirer/processor to securely collect and process bankcard transactions in accordance with industry standards. The acquirer/processor will transmit the transactions to the various credit and debit networks and act as the settlement agent for all bankcard transactions.

In July, 2005 the Authority issued a “Request for Qualifications” (RFQ), inviting interested firms to submit responses demonstrating that they met the minimum standards needed to interface with the AFC software supplied by Cubic Transportation Systems, Inc. (Cubic is the vendor for the AFC project). Four (4) firms replied to the Request for Qualifications. All firms were determined to meet the minimum qualifications. Additionally, one (1) firm was added to the qualified list due to their current status as a bankcard processor for certain Authority toll and parking transactions. A Request for Proposal was sent to the five (5) firms. Three of the five firms replied to the Request for Proposal and are presented alphabetically below:

Bank of America Merchant Services/Vital
Commerce Bank Merchant Services/Heartland Payment Systems
Wachovia Merchant Services/Nova Information Systems

(Note: Most major financial institutions have a relationship with a bankcard clearinghouse which transmits transactions directly to the various credit/debit networks. The partner firm, which actually transmits transactions to the credit or debit networks, is listed next to the financial institution acting as the settlement agent.)

A committee of six (6) Authority staff members evaluated the Proposals on the basis of qualifications and experience; completeness of proposal; and cost. Based on the review of the staff committee, the Proposal submitted by Wachovia Merchant Services was deemed to be the most responsive to the specified requirements. The pricing scenarios supplied by the three financial institutions were evaluated using expected bankcard usage, and Wachovia Merchant Services was determined to be the provider with the lowest transaction cost, and, therefore, the lowest aggregate cost to the Authority.

Accordingly, it is recommended that an Agreement be negotiated with Wachovia Merchant
SUMMARY STATEMENT  
New Business 11/16/05  

PATCO Automated Fare Collection  
(AFC) Bankcard Processing Services

Services to function as the network/acquirer/processor for all bankcard transactions submitted from the new PATCO AFC system.

Upon approval of the Board, an Agreement will be negotiated with Wachovia Merchant Services to provide the services in accordance with the Request for Proposal.

PATCO presently sells magnetic tickets for all transit services. While sales of magnetic tickets will continue through the use of ticket vending machines, elimination of manual ticket sales in conjunction with the implementation of the new AFC system will result in estimated annual savings of $130,000. These cost savings mitigate a large portion of the additional costs of processing bankcard transactions.

### SUMMARY:

<table>
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<tr>
<th>Amount:</th>
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<tr>
<td>Other Sources of Funds:</td>
<td>General Fund</td>
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<td>Duration of Contract:</td>
<td>Two years, with renewal options</td>
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RAB/to
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes and directs staff to negotiate a contract with Wachovia Merchant Services for a period of two years, with renewal options, under which Wachovia Merchant Services will provide to PATCO processing services for credit and debit card transactions arising from customers’ use of the new PATCO AFC system smartcards, in accordance with Wachovia’s proposal.

FURTHER RESOLVED The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of the DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

SUMMARY: Amount: Estimated to be $69,000 in 2006, with implementation in the 3rd quarter and assuming 30% penetration; $190,000 for the full year 2007, assuming 50% smart card penetration; and $133,000 for six months in 2008 with an assumed penetration rate of 70%.

Other Sources of Funds: General Fund
Duration of Contract: Two years, with renewal options