SUMMARY STATEMENT

ITEM NO.: PATCO-11-020  SUBJECT: Automated Fare Collection (AFC) Bank Card Processing

COMMITTEE: Operations & Maintenance

COMMITTEE MEETING DATE: October 19, 2011

BOARD ACTION DATE: November 16, 2011

PROPOSAL: That the Commission authorizes staff to negotiate a contract, for a period of seven years, with Elavon Merchant Services under which Elavon Merchant Services would function as a network/acquirer/processor for all bank card transactions submitted from the PATCO (AFC) system. Elavon Merchant Services will securely collect and process bank card transactions in accordance with industry standards, for all major credit and debit networks.

Amount: Bank processing fee of $0.048 per credit card transaction; $0.15 per PIN debit transaction*

Firm: Elavon
7300 Chapman Highway
Knoxville, TN 37920

*Total cost per transaction is the bank processing fee proposed by the financial institution plus an interchange fee determined by the Visa, MasterCard and Debit Association which varies depending on the size of the sale and the type of card used.

PURPOSE: To select a debit/credit card vendor to efficiently process electronic Smart Card replenishment transactions by PATCO transit users who participate in the AFC Smart Card program.

BACKGROUND: As part of the AFC system, PATCO accepts bank cards (credit/debit) as a form of payment. Customers are allowed to use bank cards for the sole purpose of purchasing or adding value to PATCO’s FREEDOM smart card. Acceptance of bank cards requires PATCO to contract with a financial institution to function as an acquirer/processor to securely collect and process bank card 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 bank card transactions.
In October, 2006, PATCO contracted with Elavon (formerly Wachovia Merchant Services/NOVA Information Systems), after a competitive process, to act as the acquirer/processor for bank card transactions submitted by the AFC system. PATCO’s AFC system integrator used Elavon’s specific version of the ISO 8583 Financial Transaction Card messaging format to program the bank card switch software which is embedded in the AFC software. The debit pin pads in PATCO’s Ticket Vending Machines (TVMs) contain the specific encryption codes required by Elavon.

PATCO believes it is cost beneficial to stay with our current processor, Elavon, due to the software cost of switching to a new processor. The projected one-time cost of new software, messaging certification and pin pad key change is estimated as $350,000. In addition to software costs, switching to a new processor would cause a service outage of 4-6 weeks.

PATCO uses a pass-through pricing model whereby a flat processing fee is paid to the acquirer (Elavon) and interchange fees are passed by the acquirer to the various bank card brands (Visa, MasterCard). Currently, PATCO pays $165,000 per year in bank card fees. Of that amount, $15,000 is part of the contractual fees for the authorization/settlement process, $116,000 in interchange fees and $30,000 in direct debit fees. The remaining fees consist of statement, minimum bill and card association fees.

Elavon submitted three cost proposals based on the length of the contract (3 years - $.06 per transaction; 5 years - $.054 per transaction; and 7 years - $.048 per transaction). Since Elavon does not charge government contracts for early termination, the 7 year contract would be most cost beneficial.

**Estimated Yearly Elavon Processing Fees**

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<th>3-Year Agreement</th>
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It is recommended that an Agreement be negotiated with Elavon to function as the network/acquirer/processor for all bank card transactions submitted from the PATCO AFC System to cover cost and fees in an amount not to exceed $0.048 per transaction plus the interchange fee.

**SUMMARY:**

- **Amount:** $0.048 per transaction
- **Source of Funds:** General Fund
- **Duration of Contract:** 7 years
- **Capital Project #:** N/A
- **Operating Budget:** N/A
- **Master Plan Status:** N/A
- **Other Fund Sources:** N/A
- **Duration of Contract:** 7 years
- **Other Parties Involved:** N/A
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes and directs staff to negotiate with Elavon to reach a contract, for a period of seven years, under which Elavon will provide to PATCO services including credit and debit card processing at a price or cost based on AFC bank card transactions; and be it further

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

SUMMARY:

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