



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
December 6, 2022

TOPIC: Debit and Credit Card Merchant Payment Processing Services

AGENDA TITLE:

Approve a Renewal Agreement with TSYS Merchant Solutions, LLC, DBA Global Payments, for Debit and Credit Card Merchant Payment Processing Services, including Europay, MasterCard, and Visa ("EMV") CHIP & Pin and e-Commerce Gateway Transaction Integration and Support and Maintenance in the Amount not to Exceed \$1,898,400, which includes a General Contingency of \$242,400

RECOMMENDED ACTION

Authorize the City Manager to execute a renewal agreement with TSYS Merchant Solutions, LLC, DBA Global Payments, for debit and credit card payment processing services, including Europay, MasterCard, and Visa ("EMV") CHIP & Pin and e-Commerce gateway transaction integration and support and maintenance in an amount not to exceed \$1,898,400, which includes a general contingency of \$242,400 over the maximum seven-year life of the agreement. The renewal agreement includes a base term commencing from December 6, 2022 and expiring December 31, 2025, with a provision for two renewal options of three years and one year, respectively, ending December 31, 2029, subject to non-substantive changes approved by the City Manager and City Attorney.

DISCUSSION

The Treasury & Customer Service Division ("Treasury") of the Finance & Management Services Agency is responsible for maintaining all banking related services for the City. A component of banking is debit and credit card merchant payment processing services. Since 1997, City of Santa Ana residents have been able to use debit and credit cards to pay City of Santa Ana taxes, permits, fees, fines, and other charges due for City services. Acceptance of a debit and/or credit card payment requires using a merchant service company such as TSYS Merchant Solutions, LLC, DBA Global Payments ("TSYS"). MasterCard and Visa payment transactions are presented by TSYS on behalf of the City for all walk-in credit card payments made at City facilities, including, but not limited to, the following: City Hall Cashiering Counters, Police Department Traffic and Records Divisions, and the Santa Ana Zoo.

In March 2013, Treasury negotiated a significant reduction of the TSYS discount fee from 1.5% to 0%, which has helped the City offset City expenditures. TSYS has agreed to

maintain the reduced rate for the term and optional extensions of their prior agreement and for the full term of the proposed renewal agreement. Year-after-year, Treasury has been able to track the rapid growth and popularity of debit and credit card payments made by Santa Ana residents and businesses.

In Fiscal Year 2021-22, there were approximately a total of 55,000 debit and credit card payment transactions at City facilities, which totaled \$5,600,000 in collections for City taxes, permits, fees, fines, and other charges due for City services. Per City Council approval on June 21, 2016, the City currently does not pass on merchant processing fees to Santa Ana residents or businesses making debit/credit card payments for day-to-day City services as this widely encourages Santa Ana residents and businesses to submit timely, electronic payments. The City incurs a variety of charges covering the cost of these debit/credit card transactions. The amount of these charges vary from card type to card type, based on criteria established by the card issuer. In FY Year 2021-22, the City incurred a total of approximately \$110,000 in expenditures with TSYS for debit/credit merchant processing fees.

To improve the security of debit and credit card payment transactions for Santa Ana residents, and to minimize the risk of a credit card information data breach, the City Council will be presented (at a future City Council Meeting) with a recommendation to approve a citywide upgrade of iNovah cashiering software and payment terminal hardware to EMV Chip & PIN contactless payment terminals and Payment Card Industry Data Security Standard ("PCI DSS") compliance to protect credit card payment data. Because of TSYS' unique institutional knowledge of the City's payment processing systems, they have created a System Integration Design, that includes an integration solution and support for the City's new EMV Chip & Pin contactless payment terminals and software. Additionally, as part of the proposed upgrade to the City's cashiering software and payment terminal hardware, American Express payment transactions will be introduced and presented (in addition to MasterCard and Visa) by TSYS on behalf of the City for all walk-in credit card payments made at City facilities.

TSYS' merchant payment processing services are fully integrated into all City payment systems, including but not limited to enQuesta, the City's water utility billing system. Beginning in Fiscal Year 2019-20, the Finance & Management Services Agency ("FMSA"), Public Works Agency ("PWA"), and Information Technology Department ("IT") undertook development of a program for the implementation of Advanced Metering Infrastructure ("AMI") to provide modern smart metering services to the City's water utility operation and for Municipal Utility Services ("MUS") customers (to which TSYS' services are tied). In March 2020, Treasury began an upgrade to the City's existing water, sewer, sanitation, and refuse customer information service/utility billing system, enQuesta, to ensure the City is keeping up with best practices as they relate to utility customer service and billing technology, and to ensure compatibility with the City's AMI program systems.

The AMI program is dependent on expanded use of the City's upgraded MUS enQuesta system with which TSYS' merchant payment processing services are integrated. TSYS' services directly support and are bilaterally integrated with the MUS enQuesta upgrade. Furthermore, the iNovah cashiering software is also scheduled to be integrated into the City's new Land Management System, which will mostly require a software integration into TSYS' merchant payment processing services as well. The cost to implement an equivalent merchant payment processing service is unknown, but would require new software and substantial additional integration expenses to the City as iNovah is fully integrated into all Treasury programs that require revenue processing services.

In addition to merchant payment processing services for the City's walk-in cashiering stations, there are other related critical payment processing agreements like the City's online cloud-based electronic billing and payment presentation/bill print services, 24-7/365 walk-up payment kiosk services, and over-the-phone interactive voice response and payment services. Based on the synchronization of all of these payment-processing services, the City will achieve full PCI-DSS compliance, thereby transferring future credit card fraud liability from the City to the payment card providers. Moreover, renewal agreements for the City's integrated Interactive Voice Response ("IVR") contract and data processing, printing and mailing, and e-business services contracts have been constructed to be co-extensive with the underlying Systems & Software enQuesta MUS billing system software agreement. Because they are integrated with that agreement, they are effectively sole-source providers due to their extensive custom software systems integrations, which would be costly to replicate with another provider.

The enQuesta agreement with which this TSYS renewal agreement is synchronized runs through December 31, 2025, with optional extensions through December 31, 2029. Along with this recommendation for approval of the TSYS renewal agreement, at a future City Council Meeting date, the City Council will be presented with a recommendation to approve a City-wide upgrade to integrate the City's iNovah cashiering software and payment hardware to EMV Chip & PIN contactless payment terminals with full PCI-DSS compliance. Therefore, staff recommends the approval of a renewal agreement with TSYS to assure annual merchant payment processing services for the City's walk-in cashiering stations. By approving the TSYS renewal agreement, the City Council will be harmonizing agreements with other critical payment processing contracts, such as the enQuesta/AMI integrated project agreements.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

Funds for this renewal agreement and services are budgeted and available in various departmental Contract Services Professional accounts (No. Various-62300). Funds will be budgeted for expenditure as follows:

Renewal Agreement with TSYS, DBA Global Payments
 December 6, 2022
 Page 4

FY	Accounting Unit - Account No.	Fund Description	Accounting Unit - Accounting No. Description	Support & Maint.	Contracted Amount	Annual Rate Increase (Contg.)	Maximum Amount
2022-23	Various-62300	Various	Contract Services Professional	\$5,000	\$195,500	\$29,325	\$229,825
2023-24	Various-62300	Various	Contract Services Professional	\$5,000	\$195,500	\$29,325	\$229,825
2024-25	Various-62300	Various	Contract Services Professional	\$5,000	\$200,000	\$30,000	\$235,000
2025-26	Various-62300	Various	Contract Services Professional	\$5,000	\$210,000	\$31,500	\$246,500
2026-27	Various-62300	Various	Contract Services Professional	\$5,000	\$220,000	\$33,000	\$258,000
2027-28	Various-62300	Various	Contract Services Professional	\$5,000	\$230,000	\$34,500	\$269,500
2028-29	Various-62300	Various	Contract Services Professional	\$5,000	\$240,000	\$36,000	\$281,000
2029-30	Various-62300	Various	Contract Services Professional	\$5,000	\$125,000	\$18,750	\$148,750
				Subtotal:	Subtotal:	Subtotal:	Grand Total:
				\$40,000	\$1,616,000	\$242,400	\$1,898,400

EXHIBIT(S)

1. TSYS Merchant Solutions, LLC, DBA Global Payments, Agreement

Submitted By: Kathryn Downs, FMSA Executive Director

Approved By: Kristine Ridge, City Manager