

**CITY COUNCIL AGENDA TOPIC**

Resolution authorizing the execution of an amendment to the Merchant Services Agreement with Bank of America, N.A., for itself and as assignee of Banc of America Merchant Services, LLC, for a two-year extension and to increase the contract value to an estimated amount of \$12,339,000, plus all applicable taxes.

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*Finance & Asset Management Department*

**EXECUTIVE SUMMARY****ACTION**

This Resolution authorizes the execution of an amendment to the Merchant Services Agreement with Bank of America, N.A. for a two-year extension and adding \$8,094,000 for an estimated contract amount of \$12,339,000, plus applicable taxes.

**RECOMMENDATION**

Move to adopt Resolution No. 10374

**BACKGROUND/ANALYSIS**

The City currently contracts with Bank of America for merchant services for credit and debit card processing. These services are paid via fees associated with the processing of credit card payments as well as interchange fees, which account for the majority of overall card processing costs to the City. Interchange fees are set by the card-issuing banks and are a non-negotiable pass-through cost to the City.

The current Merchant Services Agreement with Bank of America was approved by Resolution No. 9293 in 2017. This Agreement was amended to update the scope of services (Amendment #1). The five-year term of the contract ended in August 2022 and the contract has continued since that time on a month-to-month basis, based on contract provisions. To ensure that the City is receiving the optimal level of automated banking services at a competitive price by a qualified and financially viable bank, staff recommends this Amendment #2 to continue its current relationship with Bank of America for two more years, with the option to extend for additional two one-year terms, and to increase the contract value.

As required by City contracting policy, a competitive exception has been granted to continue services with Bank of America for up to four additional years. The exception is based on the rationale that major online portals and payment systems have either been implemented recently or are currently underway in addition to an Enterprise Resource Planning system (ERP) replacement being imminent. Changing banks at this juncture may increase costs and introduce delays to these projects, potentially disrupting the services that are provided by the City to customers. Approvals with Bank of America and the project vendors have been negotiated and systems developed as part of the City's projects, so all parties align with the needs of the City and its customers. With our previous point of sale system closing its doors it

was imperative to move forward on these projects immediately. The terms of the negotiated contract extension with Bank of America include fixed pricing schedules for the first two-year period, without escalation of service fees and charges.

The volume of credit card transactions as a method of payment to the City has been steadily increasing, driving an associated increase in fees that pass through this contract. To provide enough contracted capacity to cover the estimated fees for the extended term, staff recommends an estimated increase to the contract from \$4,245,000 to \$12,339,000.

Prior to the execution of the one-year extensions, staff will weigh the need against timing of system replacement projects to ensure customer services are not interrupted.

## POLICY & FISCAL IMPACTS

### Policy Impact

Bellevue City Code 4.28.010 provides for the fair and equitable treatment of all persons involved in payment processing. Council approval is required to award contracts where the cost exceeds \$350,000.

### Fiscal Impact

The fiscal impact for merchant services, including pass through and interchange fees to credit card organizations are set by and owed to credit card organizations, such as VISA or Master Card, to create the means necessary for the city to maintain electronic payment options and are an estimated amount for two years with two one-year extensions of approximately \$8,094,000.

The below table shows the history of Merchant Services Agreement with Bank of America.

Action	Description	Value
<i>Original Contract</i>	<i>Merchant Service Fees</i>	<i>\$4,245,000</i>
<i>Amendment 1</i>	<i>Modify scope of work</i>	<i>N/A</i>
<i>Amendment 2</i>	<i>Extension of term &amp; increased contract amount</i>	<i>\$8,094,000</i>
<b>Contract Total</b>		<b>\$12,339,000*</b>

\* The amounts listed above are a conservative estimate based on trends toward credit card usage by consumers demonstrated in historical activity.

Costs for these services were anticipated and included in the 2023-2024 adopted budget in the General Fund, Development Services Fund, Parks Enterprise Fund, Water Utility Fund, Sewer Utility Fund, and Storm and Surface Water Utility Fund. Interchange fees historically increase over time and are variable as they are subject to change by the card organizations and non-negotiable. Due to this factor as well as a historical increase in customer card usage, future biennial budgets will include the costs for these services.

New products and services may be made available during the terms of the contract or renewal period. The Finance & Asset Management Director or their designee will evaluate the benefits of new services and products offered by the bank during the terms of the contract to further the efficiency and effectiveness of banking services as authorized.

## **OPTIONS**

1. Adopt the Resolution authorizing the execution of an amendment to the Merchant Services Agreement with Bank of America, N.A., for itself and as assignee of Banc of America Merchant Services, LLC, for a two-year extension and to increase the contract value to an estimated amount of \$12,339,000, plus all applicable taxes.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS**

A. Competitive Exception  
Proposed Resolution No. 10374

## **AVAILABLE IN COUNCIL LIBRARY**

Merchant Services Agreement with Bank of America, N.A.  
Amendment #1  
Amendment #2