



County of San Mateo

Inter-Departmental Correspondence

Department: TREASURER

File #: 22-705

Board Meeting Date: 9/13/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Sandie Arnott, Treasurer-Tax Collector

Subject: Amendment to Master Agreement with Elavon Inc. to Provide Merchant Card Services

RECOMMENDATION:

Adopt a resolution authorizing a fourth amendment to the Master Agreement with Elavon Inc. to provide merchant card services for County departments, extending the term of agreement through November 30, 2025, increasing the amount payable by \$900,000 to an amount not to exceed \$2,425,000.

BACKGROUND:

On December 1, 2017, the San Mateo County Treasurer's Office entered into an agreement with Elavon Inc. to provide merchant card services to six County departments.

A master service agreement with Elavon Inc. was established with the price and terms for all County departments and was used to create sub-agreements under the Master Service Agreement. As of June 2022, a total of fifteen County departments are utilizing the merchant card services and the volume and rate of funds collected has progressively increased. Additionally, County departments are expanding the use of Elavon's services from in-person with card readers to online payment processing through various departmental systems of record.

The total cost to any one department may fluctuate depending on two primary factors, the transaction size and a merchant's card volume. Elavon offers competitive rates on high dollar transactions or large volumes of transactions, whereas smaller processed amounts and smaller volume of transactions result in higher processing rates.

DISCUSSION:

In September 2017, the Treasurer's Office issued a Request for Proposal (RFP) for merchant card services for various County departments. The RFP was published on the Public Purchase website, the website the County uses for the procurement of services. Proposals were received in October 2017 and were evaluated by an RFP committee consisting of members from the Treasurer's Office and Planning & Building. Elavon, Inc. met all required specifications and was selected as the most

qualified bidder.

Although the Treasurer's Office is pursuing an amendment to the existing agreement, the department did perform an evaluation of an alternative cooperative procurement option with the State of California Dept. of General Services (DGS) for merchant card services to assess if the existing rate with Elavon remained the best value for the County. However, when comparing the State's Leveraged Procurement Agreement (LPA), the provider's rate was not as competitive as the County's existing competitively procured rate with Elavon. Upon closely analyzing the two options, the existing agreement is the better value currently since the scope of work covers a wider method of points of collection (in person card reader and online payment solutions). Elavon's amendment would also preserve the existing rates from the initial solicitation for the extended term. In light of this, the Procurement Division has approved of this amendment in lieu of a new procurement process. In addition, a change in providers would negatively impact department budgets since several departments have recently upgraded equipment to newer generation equipment which is only compatible with Elavon and deemed compliant with the latest PCI standards. This new equipment ensures they maintain independent connectivity to the County and remain off the County network.

The current structure of this agreement with departments is set up as pay per use; therefore, it is not possible to assign one specific amount since various factors can result in increased or decreased monthly fees. We have established allocated amounts based on the department's input and we maintain a reserve of unallocated funds which the Treasurer's office uses to manage the blanket PO. These funds are used as a buffer that allows us to allocate additional funds when a department's costs increase, or if a new department requests this service to provide an alternate payment method to its clients. While the total amount of this contract is being requested to be modified to an amount not to exceed \$2,425,000, it may not all be utilized. From the contract's beginning (December 1, 2017) through the end of FY 2021-22, Elavon has been paid \$1,099,035.87 for merchant card services.

In FY 2021-22, between the fifteen County departments, total gross revenue collected through Elavon was about \$12.3 million. Based on the existing rates, the County's cost to collect on this amount was 2.18%. The rate consists of Elavon's fees and Interchange/Assessment fees which are imposed by card providers.

The County Attorney's Office has reviewed and approved the Agreement Amendment as to form.

This Board is being asked to authorize the Treasurer-Tax Collector to execute subsequent amendments which do not exceed an aggregate amount of \$25,000.

PERFORMANCE MEASURE:

	FY 2019-20	FY 2020-21	FY 2021-22
Transactions processed with Elavon Inc.	414,208	134,229	148,424
Average Transaction Amount	\$30.34	\$74.33	\$83.31

FISCAL IMPACT:

The cost of merchant card services incurred under this fourth amendment to the agreement will be funded by each participating department's FY 2022-23 Recommended Budgets and will be factored in future Recommended Budgets.

It is anticipated that annual credit card processing fees will reach \$300,000 collectively between departments, due to continued strong demand in paying with a credit card.