

## City of Garden Grove

### INTER-DEPARTMENT MEMORANDUM

To: Matthew Fertal  
Dept: City Manager  
Subject: ELECTRONIC PAYMENT/CREDIT CARD PROCESSING SERVICE

From: Kingsley Okereke  
Dept: Finance  
Date: May 13, 2008

#### OBJECTIVE

To seek City Council approval to enter into a contract with LINK2GOV to provide web-based/Electronic Payment capability and Credit Card Payment Services at various City of Garden Grove locations and from the Internet and phone.

#### BACKGROUND

The City currently accepts credit card payments for limited services. However, when customers pay for City utilities through their own online bank system the City receives a check from their bank. These checks require the City staff to manually enter them into the city system. Staff currently processes 200 or more of these checks on a daily basis. Even more importantly, feedback from city customers and residents indicate a strong desire for the City to offer enhanced and more convenient bill payment options.

In 2006, staff began to explore the feasibility of putting in place an electronic payment processing system that will provide more payment options such as Web-Based payments, payments by phone and expanded Point-of-Service acceptance of Debit and Credit Cards as well as the possibility of Electronic Bank to Bank Funds Transfers. These payment options will provide great convenience to City residents and other customers. A streamlined payment receipts and processing system would also enhance the city's cash flow cycle.

#### ANALYSIS

The City issued a Request For Proposal (RFP), and on August 22, 2006 received proposals from four qualified vendors, Easy 2 Pay, Kubra, TransFirst and LINK2GOV. A Source Selection staff Committee was assembled to review and rate the proposals. The proposals were rated on the basis of three criteria. They were:

- Price 40%
- Project plan 30%
- Qualifications of Proposer 30%

The Source Selection Committee completed its review of the proposals on September 26, 2006, and selected TransFirst and LINK2GOV to continue in the evaluation process. The committee determined that the cost of providing the requested services were basically the same for all of the qualified vendors. The only

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difference was the range of services they provided for the quoted cost. The requested services are listed on the attached schedule A. The cost to process credit cards ranges from 1.2% to 4% of the total charge depending on the type of transaction and credit card used. The cost to process Automated Clearing House (ACH) transactions were quoted at \$0.15 per transaction by all of the qualified vendors.

The Source Selection Committee unanimously voted to select LINK2GOV based on their ability to provide all the requested services, including the ability to receive Internet payments from other banks electronically. LINK2GOV was the only vendor that provided all the services listed on schedule A for the quoted price. The other vendors were not able to provide all the services and, required the city to contract separately with their business partners to supply some of the requested services. Contracting with one vendor for all these services will allow the City to better manage the program, contain costs and, provide integrated and better service to residents and other customers of the City.

Following City Council approval, staff will work with the vendor to implement the program with anticipated roll out date of July 2008.

### FINANCIAL IMPACT

The City cannot legally charge customers for the cost to accept credit cards and ACH payments. However, the City can shift some of the cost by allowing LINK2GOV to charge the users a convenience fee for some of the services instead of billing the City. The fees charged could be a fixed amount or a percentage of the transaction amount depending on the type of payment or card used. The convenience fee limits the locations and the type of credit card the City can accept. It also tends to reduce the use of these types of payment avenues by the citizens.

Hence, staff recommends that the City of Garden Grove bear the cost of providing these payment options to the city residents and customers. This allows the City to provide the full range of payment options to the residents. It is staff's opinion that the anticipated cash flow benefits from this program will largely offset the cost incurred by the City. However the amount of the actual offset is unknown at this time.

Staff estimates the annual cost to the City would be approximately \$30,000 per year. This is based on estimated volume of transactions given past experience. The actual cost will depend on the number of credit card payments and the number of ACH transactions in a year. These charges are only for the processing of the payments. LINK2GOV will provide the City with all the necessary equipment at no charge. Attachment 1, page 14 of the contract provides more details of the contracted Services and Charges with LINK2GOV. Their fee to process credit cards is 2.35% of the total charge plus \$0.15 per transaction. ACH transactions would be billed at \$0.15 per transaction. There is also a \$0.05 connection fee per transaction.

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COMMUNITY VISION IMPLEMENTATION

This service is consistent with the City's vision/goal of "A Well Administered Community". It meets the service needs of the community by applying the most efficient and effective methods for providing public service.

RECOMMENDATION

It is recommended that City Council:

- Approve awarding a three-year agreement with Link2Gov renewable each year thereafter for electronic payment processing services.
- Authorize the City Manager or his designee to execute the contract with LINK2GOV and other enabling documents to put the electronic payment processing services in place in the City of Garden Grove.

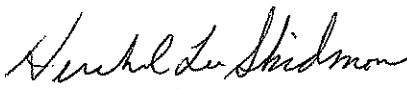


Kingsley Okereke  
DIRECTOR OF FINANCE

**Recommended for Approval**



**Matthew Feral**  
City Manager

By:   
Hershhal Skidmore  
Financial Services Manager

Attachments:

Schedule A  
Agreement with LINK2GOV