

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** JULY 6, 2011

**SUBJECT:** PROCUREMENT AUTHORIZATION AMENDMENT - PAYMENT  
CARD PROCESSING SERVICES

## **ACTION ITEM**

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### **RECOMMENDATION**

It is recommended that the Commission authorize the issuance of a contract amendment to Global Payments Canada Inc. for payment card processing services, to extend the contract to July 15, 2013 with an increase of \$810,000.00 in the total upset limit amount to \$2,111,102.87.

### **FUNDING**

Sufficient funds have been provided in the 2011 TTC Operating Budget and will be included in future years' Operating Budgets as appropriate.

### **BACKGROUND**

This contract provides for the processing of debit/credit card payments at certain TTC locations that sell fare media. All sales transactions are "acquired" for a fee based on a percentage of the transaction value for credit card payments and a fixed fee for debit card payments, and the funds (net of fees) are then remitted for deposit to the TTC's banking institution. Effectively, the service provider acts as a "clearing house" for these non-cash payments.

In July 2004, staff obtained approval to negotiate with two services providers, Global Payments Canada Inc (Global) and Moneris Solutions Corporation (Moneris). A Request for Proposal (RFP) was issued to both Global and Moneris and as a result, Global offered the better pricing model and was awarded this contract from December 16, 2004 to July 15, 2006.

Set out below is a summary explanation of the three amendments:

Amendment 1: Pass Vending Machine (PVM) Pilot. Fees paid to Global totaled \$460,000 with Global retaining about \$69,000 as income and the remainder paid to Mastercard, Visa and Interac associations.

Amendment 2: PVM Roll-out and industry change from magnetic stripe to chip based debit/credit cards. Fees totaled \$660,000 with Global retaining about \$99,000 as income.

Amendment 3: Continue existing arrangement until Presto is in place – then switch to the Presto service provider. Avoid the cost of possibly switching to a new service provider of about \$175,000 for recertifying existing machines and training subway collectors. During this extension to July 2013, estimated fees are about \$810,000 and income earned by Global is about \$122,000.

### **DISCUSSION**

With the foregoing in mind, there are essentially two options available with regard to the provision of payment card processing services to the TTC: (1) issue an RFP as soon as possible; and (2) extend the contract and RFP later.

While it would have been preferable to have entered a long-term arrangement (more common for these types of contracts) the costs of converting exceed the total earned by Global over the next two years. Therefore, an RFP issuance and a possible switch is not recommended.

Accordingly, Global was contacted by staff regarding a contract extension. Global advised that they were in agreement and that there would be no interruption in services as the current Merchant Agreement contained an automatic renewal term and this contract would automatically renew for one year. Staff have been negotiating the terms of an amendment agreement which has recently been finalized, with more favourable terms to the TTC, which will take effect upon execution of the Amendment to Merchant Agreement. Global has agreed to lower their rates for the contract extension: credit card fees have been lowered by approximately 6%, and debit fees have decreased by 36%.

Details for the Global Payments Canada Inc. contract are as follows:

	<u>Contract Amount</u>	<u>Payable to Global</u>
Original Contract	\$181K	\$27K
Amendment 1	\$460K	\$69K
Amendment 2	\$660K	\$99K
Amendment 3	<u>\$810K</u>	<u>\$122K</u>
Revised Total	<u>\$2,111K</u>	<u>\$317K</u>

### **JUSTIFICATION**

The contract extension to July 15, 2013 and the additional increase of authorized funds will ensure that the processing of debit/credit card payments at certain TTC locations that sell fare media and through the PVMs is uninterrupted, and coincide the completion of this contract with start-up timelines for the switchover to the Presto service provider.

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