



Board Agenda Item 23

DATE: December 17, 2024

TO: Board of Supervisors

SUBMITTED BY: Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Agreements with Heartland Payment Systems to provide electronic payment processing

RECOMMENDED ACTION(S):

- 1. Approve and authorize the Chairman to execute an ACH Processing Agreement with Heartland Payment Systems to provide electronic payment and processing transaction services effective January 1, 2025, through December 31, 2027 which includes a three-year base contract and two optional one-year extensions; and**
- 2. Approve and authorize the Chairman to execute a Credit/Debit Card Processing Agreement with Heartland Payment Systems to provide electronic payment and processing transaction services effective January 1, 2025, through December 31, 2027, which includes a three-year base contract and two optional one-year extensions.**

Approval of the recommended actions would authorize Heartland Payment Systems to provide automated clearing house (ACH), electronic check, and credit/debit card processing via the County's website and at various County locations for a three-year period and provide the option for two one-year extensions upon the written consent of both parties. This item is countywide.

ALTERNATIVE ACTION(S):

No viable alternative available. Failure to approve the agreement would result in the County no longer being able to accept ACH, electronic check, and credit/debit card payments via website or at various County locations.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. Sufficient appropriations for this agreement are included in the FY 2024-25 General Fund Org 0410 Auditor-Controller/Treasurer-Tax Collector budget and will be included in future budget requests.

For property tax payments, there are no costs incurred by the County for electronic payment processing (ACH, electronic check, credit card, and debit card payments). The convenience fees are paid by the individuals paying their property taxes. The following table details the rates applicable to taxpayers when paying their tax payments with this service:

- Those paid through Internet, Interactive Voice Response (IVR) or in person by use of a credit card (Visa, MasterCard, Discover, American Express) will incur a 2.30% per transaction convenience fee.
- Those paid through Internet, Interactive Voice Response (IVR) or in-person by use of a debit cards will incur a \$3.29 per transaction convenience fee.

- Those paid through Internet or IVR by use of an ACH transfer or electronic check will incur a \$0.50 per transaction convenience fee.

Any other charges related to property tax payments are paid by the County's Tax Collector and recovered directly from taxpayers through fees established on the Master Schedule of Fees.

The following fees apply to payments accepted by all other County departments:

SERVICE FEE-Departments under the "service fee" pass the below fixed transaction fee to the payor, the service fee is collected by HPS and the county only receives what the payor owes to the County.

Credit Card Service Fee2.30% of the amount paid
Debit Card Service Fee.....\$3.29 per completed transaction
ACH transactions\$0.50 per completed transaction

COST PLUS- Departments under the "cost plus" directly absorb actual transaction processing fees, for cards transactions the fee consists of the Interchange fee for specific card used, an additional \$0.12 plus 0.12% of the transaction amount. For ACH transactions the fee is \$0.35 per transaction.

All Card TypesCost Plus \$0.12 per item and 0.12% of the sale amount
ACH transactions.....\$0.35 per completed transaction

The Auditor-Controller/Treasurer-Tax Collector's Office (ACTTC) centrally manages merchant card service fees under this contract. While the ACTTC initially pays all merchant fees accrued by departments, the individual departments that use these services reimburse the ACTTC for their respective fees.

The total amount of fees paid under the recommended agreements will depend upon the number of payments that taxpayers and fee payers make, and which payment methods they choose to use.

DISCUSSION:

The County issued Request For Proposal (RFP) #24-065 for Electronic Payments Processing Services on May 1, 2024. Eleven vendors submitted proposals before the closing date of May 28, 2024. A five-member evaluation committee, comprising County staff, which included senior management from the Treasurer-Tax Collector Division of the ACTTC and IT analysts from ISD independently reviewed, and scored each proposal. The committee then conducted several meetings to discuss the proposals and review their scoring results. Following this evaluation process, Heartland Payment Systems (HPS) was selected as the winning vendor for the contract award.

The proposed agreements with HPS will be effective January 1, 2025 through December 31, 2027, with an option to renew for two additional one-year periods. From time to time during the term of the agreement a Government and Education Merchant Processing Agreement, also known as a "Merchant Application," may be used to authorize each department that receives services from HPS for electronic payments and debits to and from the County Designated Account. has signed the merchant applications that are attached to each agreement. The Tax Collector will monitor the performance of the vendor to ensure the vendor is performing satisfactorily prior to implementing the renewal options.

Notable limitations on HPS's liability and deviations from the County's usual contract provisions include the following:

- Under the Credit/Debit Card Processing Agreement, the County would be responsible for all fines and fees assessed by any credit card company in connection with the County's violation of their data security standards.

- The fees charged by HPS to the County under the Credit/Debit Card Processing Agreement depend on the fees that are charged by credit card companies to HPS. If any credit card company lawfully changes their fees, then HPS will pass those changed fees through to the County. The County would receive 15 days' notice of such a change.
- HPS may use subcontractors to perform portions of the Credit/Debit Card Processing Agreement.
- Under the Credit/Debit Card Processing Agreement, trial by jury is waived for any disputes that arise.
- Under the ACH Processing Agreement, HPS requires that all communications with the County be recorded for HPS's own compliance purposes.
- Under both recommended agreements, HPS has a limitation of liability for consequential or indirect damage to the County.
- The recommended agreements do not specify a total fee amount due to its cost structures. The fees are determined by two primary factors: (1) the volume of transactions processed throughout the year, and (2) pass-through charges from payment networks and card issuers. Since both elements fluctuate based on actual usage, the total contract value remains variable. Most processing fees are passed directly to the payors at the point of transaction, resulting in no direct cost to the County.

REFERENCE MATERIAL:

BAI #20, November 6, 2018

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Agreement with Heartland ACH
On file with Clerk - Agreement with Heartland Card

CAO ANALYST:

Paige Benavides