



DATE: July 22, 2009

TO: TransLink[®] Management Group

FROM: Jennifer Mennucci (Golden Gate Bridge, Highway and Transportation District), TransLink[®] Finance Committee Chair

SUBJECT: Information Regarding BART Request for Reimbursement of Bank Fees

Summary Background

The TransLink[®] Contractor passes through the fees associated with credit and debit transactions for TransLink[®] product sales through the TransLink[®] program gateway. The TransLink[®] gateway is used for all credit/debit transactions processed by the TransLink[®] Service Bureau, and is also available for devices installed at operators' properties, such as the Add Value Machine (AVM) and Ticket Office Terminal (TOT) devices. The TransLink[®] Consortium is responsible for these pass-through fees, as well as a 10% administrative charge on top of the pass-through costs, which relieves the Consortium of responsibility for chargebacks. The credit/debit fees are split between the transit operators per Appendix A, Cost Allocation and Revenue Sharing, of the TransLink[®] Interagency Participation Agreement (IPA).

As part of the TransLink[®] program, TransLink[®] functionality is being integrated into BART's Ticket Vending Machines (TVM). When BART decided on the TVM design, they decided to go through the BART gateway to process credit card transactions. This means that all credit card processing fees would be charged to BART. BART reports that the option of having two gateways – a TransLink[®] gateway and a BART gateway in one TVM would be costly in terms of certification, auditing, etc.. In addition, BART's bank informed the agency that banking regulations prohibit two networks from processing debit card transactions on one machine. Therefore, BART had to choose its gateway in order to ensure debit card pin pad processing for both TransLink[®] and BART fare media purchases. According to the current project schedule, approximately 300 TVMs will be deployed next year throughout the BART system.

BART's Request

BART is requesting that the credit/debit card processing fees that BART will incur as a result of the e-cash TransLink transactions be split among all operators. BART believes this is fair in that e-cash is considered a regional product and should be split as such.

BART has also offered to do the billing until the new governance structure is in place; they do not want to do this long term and believe the new structure will be close to being implemented by the time these TVMs are ready. It is also understood that if this were

approved, all operators who would like to go through their own gateway could request reimbursement of credit card fees from other operators in accordance with the Consortium IPA. Currently Golden Gate and MTA use the TransLink[®] gateway. AC Transit is absorbing its own fees. VTA and Caltrain plan to go through their own gateways when they implement their TVMs.

The Finance Committee has discussed this item twice. At the most recent meeting, the Committee did not have enough financial data to make a decision. BART has since estimated that they would incur approximately \$60,000 to \$90,000 in annual e-cash credit card processing fees that would be subject to reimbursement. This estimate is based in part on the Consortium's Phase II Operating Cost Forecast.

Finance Committee's Discussion

To date, the fees incurred by agencies using their own credit/debit gateway have not been subject to the Consortium cost sharing IPA; agencies choosing this option have borne all credit/debit processing fees. AC Transit currently absorbs its own fees for TransLink[®] transactions at its Ticket Office Terminal devices because it felt it was worth absorbing these fees rather than spend resources to reconcile them.

BART points out that if it had chosen to go through the TransLink gateway, its fees would automatically be split among the operators. The current concerns from the Committee are:

- *What are the estimated annual fees?*
- *Are the agencies able to absorb this cost in their own agency budget? If BART does their own invoicing agencies will have to write a check to BART, it cannot come out of incentive fees.*
- *If everyone using their own gateway requests reimbursement and does their own invoicing, the process will be inefficient.*

We left the last conversation needing more information. Since that meeting, BART has estimated that credit/debit transactions at BART TVMs will generate \$60,000 to \$90,000 in fees on an annual basis that would need to be split among the operators. Agencies think it will be a hard sell to their management to write a check to operators for fees every month, especially since it would come directly out of their operating budgets.

Timing

BART needs to resolve this issue by August 14th to avoid a potential contract delay claim. It is estimated this will delay the implementation by at least a year and cost possibly up to \$1 million to redesign, in addition to possible Contract delay costs.

Next Steps

We are currently trying to schedule a Finance Committee meeting during the week of August 3rd to have a follow up conversation. Our intention is to try and come up with a solution, at least short-term, to keep the TVM project moving.

We anticipate having a few options that will be available for TMG to choose from in order to resolve this issue short term. The Finance Committee seeks TMG guidance in the following areas to aid in issue resolution:

- Does the Consortium wish to implement cost sharing of agency-specific credit/debit gateway fees for sales of TransLink e-cash?
- Is agency-specific invoicing an acceptable means of implementing the cost sharing agreement, at least in the short term?