



DATE: October 26, 2009

TO: TransLink[®] Management Group

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

SUBJECT: Changes to the Cost Sharing Arrangement for Credit/Debit Fees Associated with TransLink[®] Sales

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.

Finance Committee's Recommendation

Once BART launches its TransLink[®]-enabled Ticket Vending Machine (TVM) network, each transit operator will become responsible for the credit/debit interchange fees associated with its TransLink[®] sales equipment, including add value machines (AVMs), ticket office terminal devices (TOTs) and TVMs. This responsibility includes credit/debit interchange fees incurred through operator devices using the regional TransLink[®] gateway, based on the invoices provided by the TransLink[®] Contractor's credit/debit

processor. The operators will continue to allocate according to the Interagency Participation Agreement (IPA) the incremental gateway fees incurred through the TransLink[®] gateway, as well as the credit/debit interchanges fees associated with TransLink[®] sales processed by the TransLink[®] Service Bureau (i.e., Autoload transactions and requests via the TransLink[®] website and phone). The TransLink[®] Consortium will review this arrangement on an annual basis to determine whether any agency appears to have incurred a disproportionate increase in credit/debit fees as a result of the TransLink[®] program. Each agency will be required to submit credit/debit fee data for its agency to the TransLink[®] Consortium on an annual basis, beginning with data that identifies each agency's credit/debit fee costs prior to TransLink[®] implementation.

The Finance Committee originally supported the option of allocating all the TransLink[®]-related credit/debit fees (regardless of the gateway used) per the IPA and having the billing go through MTC, but due to the liability it raises for MTC to collect agency debt, MTC will not perform this for the agencies. The other option considered was that BART would do billing for everyone, but the majority of the committee thought this was more complex and impractical than the recommendation. However, if the governance structure changes, the Finance Committee requests to review this item again.

Next Steps

Upon the TransLink[®] Management Group's approval of this policy change, it will be incorporated into the next amendment to the IPA.