

Metropolitan Transportation Commission
Operations Committee

May 13, 2022

Agenda Item 4b

**Next Generation Clipper® (C2) Contract – Credit Card Acceptance: American Express
Travel Related Services Company, Inc. (Amex) (\$75,000)**

Subject:

Contract with Amex to provide American Express® card acceptance services to the Clipper program under the Master Services Agreement (MSA) between the State of California and Amex.

Background:

In February 2021, this Committee approved the selection of Fiserv, Inc. dba First Data Merchant Services, LLC (Fiserv) as the C2 Payment Services vendor, and subsequently MTC duly entered into a contract with Fiserv. While Fiserv, as the C2 payment gateway provider, will process C2 purchase transactions in which an American Express card is used in the same fashion as for Visa, MasterCard, and Discover cards, the actual deposit of settled funds into MTC's (as the C2 “merchant”) bank account from those transactions will be done by Amex, as that is Amex’s preferred operational model.

The State of California currently has a Master Services Agreement (MSA) with Amex. This memorandum proposes that MTC becomes a “Local Authorized User” under the MSA, by executing a “subscription agreement” with Amex. MTC will thus obtain the same favorable transaction processing percentage rate that Amex provides the State of California, without the need to negotiate individually with Amex.

Once a subscription agreement is signed, purchase transactions using American Express cards would become part of the pilot testing of the C2 system scheduled for later this year. Pending the extension of the MSA past June 30, 2022, the value of the requested contractual authorization is for the estimated payments due to Amex through June 30, 2023. The payments due to Amex will be a Clipper program operating cost subject to the operating cost allocation formula in the Clipper Memorandum of Understanding.

In 2019, prior to the COVID-19 pandemic and its severe effects on Bay Area transit ridership, the Clipper program saw nearly 60,000 transactions (5,000 per month) with a total purchase amount of over \$2.5 million (\$208,000 per month) by customers using American Express cards. Much more recently, in January 2022, Clipper had 9,500 American Express card transactions totaling \$237,000. So, Clipper purchases using American Express cards appear to have returned to pre-pandemic levels. The requested contractual authorization amount of \$75,000 to pay Amex for its card acceptance services in FY 2022-23 takes current and projected transaction levels into consideration. The Clipper Executive Board approved this contract at its April 2022 meeting.

Issues:

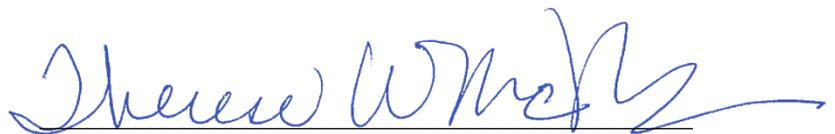
The MSA is currently scheduled to expire on June 30, 2022. The MSA has been extended multiple times before, so it is reasonable to assume it will be extended again, but of course nothing is guaranteed. Nonetheless, the MSA does include a provision that says subscription agreements that are executed before the end of the MSA can continue up to twelve months beyond the MSA's expiration, or June 30, 2023, the requested term of the proposed subscription agreement.

Recommendation:

Staff recommends the Operations Committee authorize the Executive Director or designee to negotiate and enter into a subscription agreement with American Express Travel Related Services Company, Inc. (Amex), as permitted by the Master Services Agreement between the State of California and Amex, to provide American Express card acceptance services for the benefit of Clipper and its customers during FY 2022-23, with maximum compensation for such services not to exceed Seventy-five Thousand Dollars (\$75,000), subject to approval of the FY 2022-23 agency budget.

Attachments:

None.



Therese W. McMillan

Request for Committee Approval

Summary of Proposed Contract

Work Item No.: 322-1220

Contractor: American Express Travel Related Services Company, Inc.
New York, New York

Work Project Title: American Express® card acceptance

Purpose of Project: Arrange for payments in settlement of purchases by Clipper® customers using American Express credit cards in the Next Generation Clipper Fare Payment System (C2)

Brief Scope of Work: Contractor will settle funds to MTC's bank account from purchase transactions made by Clipper customers using American Express cards

Project Cost Not to Exceed: \$75,000 for FY 2022-23

Funding Source: Regional Measure 2 Operating, Regional Measure 2 Marketing, Regional Measure 3, SB1 State of Good Repair, CARES Act, Inactive Card Funds, Float Account Interest, Card Fee Account, Transit Agencies

Fiscal Impact: Funding dependent upon the adoption of the FY 2022-23 MTC budget.

Motion by Committee: That the Executive Director or designee is authorized to negotiate and enter into a contract with Amex, for the purposes described above and in the Operations Committee Summary Sheet dated May 13, 2022, and that the Chief Financial Officer is authorized to set aside \$75,000 for such contract, subject to approval of the FY 2022-23 agency budget.

Operations Committee:

Carol Dutra-Vernaci, Chair

Approved: May 13, 2022