



MEETING DATE: 6/16/2008

ITEM NO: 11

COUNCIL/AGENCY AGENDA REPORT

DATE: 5/29/2008

TO: MAYOR AND TOWN COUNCIL/
CHAIR AND MEMBERS OF THE REDEVELOPMENT AGENCY

FROM: GREG LARSON, TOWN MANAGER/EXECUTIVE DIRECTOR 

SUBJECT: DEBIT/CREDIT CARD ACCEPTANCE

- A. Approve new Town Cash and Credit Card Policy.
- B. Authorize Town Manager to execute a merchant service agreement with Wells Fargo Bank through a Master Service Agreement (MSA) with the State of California.

RECOMMENDATION:

- 1. Approve Cash and Credit Card Policy.
- 2. Authorize Town Manager to execute a merchant services agreement with Wells Fargo Bank through a Master Service Agreement (MSA) with the State of California.

BACKGROUND:

Currently, because of the Town's legacy software limitations, the Town of Los Gatos does not accept credit or debit cards for payments. With the implementation of an upgrade to the Town's financial and human resources software, the Town now has the ability to accept credit cards over the counter and online.

Effective January 1, 2007, State law enables public agency governing bodies to approve acceptance of debit and credit cards as legal tender for payment of agency services and products. Any additional "convenience" fee imposed for the use of debit and credit cards must also be approved by each governing body.

The Town does not currently have a cash and credit card policy. The new Cash and Credit Card Policy will provide direction for all Town staff who receives both cash and credit card payments from Town customers.

PREPARED BY:  Stephen Conway, Finance and Administrative Services Director

Reviewed by: PSJ Assistant Town Manager/Deputy Director OK Town
Attorney/General Counsel _____ Clerk Administrator/Secretary SE Finance
_____ Community Development

MAYOR AND TOWN COUNCIL/CHAIR AND MEMBERS OF THE
REDEVELOPMENT AGENCY
SUBJECT: CREDIT/DEBIT CARD ACCEPTANCE
May 29, 2008

DISCUSSION:

Beyond software considerations, to facilitate the acceptance of credit cards, the Town needs to select a banking partner, referred to in the industry as a "merchant service provider," to access the credit card or "merchant banking" processing system.

Several vendors were considered under the California State Master Service Agreement (MSA) and Wells Fargo was most responsive to the Town requirements. The selection process considered the cost charged by the provider (discount rate), technical compatibility with the Town's financial and other software systems and general customer service.

Use of debit and credit cards includes a fee charged to the Town from industry establishments such as VISA and MasterCard. The fee is based upon a percentage of the amount of payment made by credit card plus a flat amount per transaction. Through the MSA between the State of California and Wells Fargo Bank, the Town's discount rate will average 1.96%, plus \$0.10 per transaction. Rates from other vendors ranged between 2 – 6% plus up to \$0.30 per transaction. The scope of services to be provided by Wells Fargo is provided in Attachment 2. This will serve as the basis for the merchant services agreement.

The proposed Cash and Credit Card Policy allows the Town to accept credit and debit cards at all locations where payments are received by the Town and online. At the introductory phase, the Town will accept credit cards only. Acceptance of debit cards will be introduced later once a new version of the Town's financial software is released. Physical locations, where credit cards will be accepted include the Finance Department, Clerk Department, Police Department, Parks and Public Works Department, Community Services Department and Library. Staff proposes to limit payments by credit card up to \$9,999.99 per single transaction. This limitation will lower the cost to the Town for providing this service to residents and customers.

Credit card acceptance over the counter and online will provide flexibility and convenience for residents. Online options will include twenty-four (24) hour access to view and pay for existing business license accounts, some permits, and park reservation facility fees.

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A survey of cities in the Santa Clara County indicates that for those cities accepting debit and credit cards, none is charging a convenience fee to recover revenue lost due to discount fees paid to the merchant service providers. A majority stated that they will consider levying a convenience fee in the future. At this time, staff is not recommending a convenience charge for using credit cards; however the proposed Cash & Credit Card allows the Town to charge a convenience fee in the future.

If approved by the Town Council, it is anticipated that acceptance of credit cards over the counter and online will be available to the public by summer of 2008 except for the Library online payments. Online payments for the Library be available when the current library proprietary software is upgraded to allow for such a service or feature.

ENVIRONMENTAL ASSESSMENT

It is not a project defined under CEQA, and no further action required.

FISCAL IMPACT:

The cost of offering this service is broken into two categories: set up and ongoing. Setup costs include equipment, installation/programming and training. Setup costs were estimated and included in the initial project cost approved by Council in 2006.

Ongoing costs include monthly/annual fee, chargeback fee and discount fee. The discount fee is estimated at 1.96% plus \$0.10 per transaction. For FY 2008/09, ongoing costs will approximately be \$50,000. It should be noted that this is an estimate based on a 20% participation level. Staff will bring a budget adjustment for council approval at mid-year to cover this cost at which point there would be six months substantiated data available to estimate the annual cost.

CONCLUSION:

Approval will allow staff to establish this service to residents and customers of the Town of Los Gatos.

Attachments:

1. Cash and Credit Card Policy
2. Proposal for Merchant Processing services – Wells Fargo Wholesale Treasury Solutions

Town of Los Gatos

CASH AND CREDIT CARD POLICY

1. PURPOSE

This policy sets forth procedures that govern the handling, deposit and safekeeping of Town cash. Furthermore, this policy is intended to supplement other Town personnel policies that govern rules of conduct and performance in the workplace.

2. POLICY

2.1 Applicability

The Finance Department is responsible for providing an accurate accounting of all Town cash, including revenues and expenses. Professional financial and accounting practices dictate that all funds received by the Town be promptly deposited in a Town bank or investment account. This insures that Town cash is accounted for and available for investment or an authorized expenditure. The term "Town cash" applies to currency, coin, checks, money orders, credit, charge and debit card payments, other electronic payment media and other negotiable instruments payable in money to the Town and/or Redevelopment Agency.

The Town's central cashiering function is performed by the Finance Department; however, other departments will receive payment for Town services and products. As such, employees that have been authorized to receive Town cash share the stewardship of financial assets for the Town. Other payments will be received online through the Town's website.

2.2 Authority of the Finance Director (or designee)

The Town of Los Gatos Municipal Code, Chapter 2, Article V, outlines the responsibilities of the Town's Finance Director. Duties of the finance director (or designee) include coordinating, reviewing, evaluating, and recommending improvements to administrative and financial internal control systems and procedures to insure audit compliance; directing and participating in the preparation of a variety of records and reports ensuring timeliness, accuracy, and compliance with appropriate laws, ordinances, and regulations. With respect to cash handling, this includes the following:

- * Receipt, handling and deposit by Town officers and employees of Town cash into the Town treasury;
- Method of documentation on all such transactions;
- Inspection of departmental cash records, including overages or shortages;
- Inspection of departmental practices and procedures in handling Town cash;
- Contracting with agents to collect Town cash and their collection procedures.

The Finance Director (or designee) may enforce these rules through on-site inspections; inspection of transaction records, or any other means deemed appropriate to protect Town assets. In the event of noncompliance by a department or office, require that payments to the Town be receipted at his/her office.

2.3 General Cash Controls

- 2.3.1 The number of employees with access to cash funds shall be limited to assure internal control. Each department director shall grant access authority by completing the relevant cash handling authorization form.
- 2.3.2 To the extent staffing levels permit, separation of duties from the function of custodian of cash balances and the accounting and record keeping of the same shall be maintained.

- 2.3.3 Where staffing levels do not permit separation of duties, compensating controls such as strict individual accountability and thorough management review and supervision shall exist. Authorized personnel not assigned the custodial responsibility shall periodically examine, count or perform other reviews of cash funds.
- 2.3.4 Physical protection of funds through the use of bank facilities and locked cash boxes or drawers shall be practiced at all times.
- 2.3.5 Town cash on the premises will be held to an absolute minimum to insure safety and maximize return on investments.

2.4 Cash Receipting

- 2.4.1 The Finance Department performs the central cashiering function therefore all evidence of deposits, i.e. deposit slips and department revenue summaries, shall be forwarded to the finance department as soon as possible to assure timely and proper credit in the receipting process.
- 2.4.2 All departments receiving Town cash shall have a permanent collection record, such as a cash register tape, that has the record of transactions including voids, refunds, or cancellations. All revenues collected over the counter shall have a receipt issued at the point of sale or collection whether handwritten or electronically generated
- 2.4.3 All handwritten receipts shall be pre-numbered and issued from receipt books issued by the finance department to account for any lapsed sequence.
- 2.4.4 All currency in the amount of twenty (20) dollars and above shall be checked with a counterfeit money detector or pen prior to acceptance to verify the bills are not counterfeit.
- 2.4.5 Departments receiving checks as payments shall require the maker of the check to make it payable to "Town of Los Gatos". Under no circumstances shall a check for the Town be made payable to an individual or left blank.
- 2.4.6 All checks shall be endorsed (stamped with a Town of Los Gatos deposit stamp) immediately upon receipt.
- 2.4.7 Each check shall be inspected to ensure the following:
 - Current date (post dated checks shall not be accepted);
 - Proper signature;
 - No alterations;
 - Bank name and routing number printed on check;
 - If temporary check, payer's name and address written on check;
 - Written amount matches numeric amount;
 - Not a third party check.
- 2.4.8 No checks shall be cashed.
- 2.4.9 All steps of each counter transaction must be completed, including steps to enter the transaction in the accounting system and to place the receipts in a secured location before a new transaction is started.

2.5 Merchant/Credit Card Receipts

In keeping with the Town's goal to provide excellent customer service, customers will have the option and convenience of making payments for programs, products and services using credit cards or ATM/debit cards, in addition to cash and checks.

The Town will accept VISA and MasterCard credit cards and ATM/debit cards with the VISA or MasterCard logos. American Express, Discover, Carte Blanche and Diners Club card will NOT be accepted.

The Town reserves the right to charge a convenience fee for credit card based transactions. No payment in excess of \$9,999.99 will be accepted for payment using a credit card.

2.5.1 Acceptable and Prohibited Credit/Debit Card Transaction

VISA, MasterCard and ATM/debit card payments are accepted for ALL Town programs, products and services EXCEPT for the following:

- To cover returned checks (acceptable with a PIN based card use)
- Cash advances
- Cash back on a transaction
- Release of towed vehicles (acceptable with PIN based card use)

2.5.2 The following should be observed at all times regarding acceptance of credit and ATM/debit cards;

- 2.5.2.1 Each time a customer is using a credit card, a signed picture identification must be required. Examples of acceptable identification are driver's license, military or government identification, or California identification card.
- 2.5.2.2 Signed picture identification is not required for debit card transactions where the customer uses a personal identification number (PIN) to process transaction.
- 2.5.2.3 Telephone number, address or driver's license number are not required as a condition to accept credit/debit card payments, unless necessary if a fraudulent card is suspected.
- 2.5.2.4 Telephone number, address or driver's license number should not be written on the sales draft or note pad.
- 2.5.2.5 Customer receipt should ONLY display the last four (4) digits of credit/debit card number.
- 2.5.2.6 Cashiers should NEVER ask customer for their PIN for debit card transactions.
- 2.5.2.7 No cash or check refunds will be made on transactions paid for by credit/debit card. Credits will ONLY be issued to the card used for the original transaction.
- 2.5.2.8 Participating departments must close-out, balance and submit credit/debit transaction/receipts on a daily basis.
- 2.5.2.9 Any improper use of Town credit/debit card equipment constitutes misuse of Town property and will subject employee to disciplinary action up to and including termination. Improper use includes, but is not limited to, improper documentation, falsifying and/or altering sales drafts/receipts, and abuse of equipment.
- 2.5.2.10 Lost or stolen equipment or supplies must be reported to finance director (or designee).
- 2.5.2.11 The Town reserves the right to refuse acceptance of any credit/debit card for payment.
- 2.5.2.12 Any fraudulent use of credit/debit card subjects individuals to criminal prosecution.

2.6 Overages and Shortages

- 2.6.1 It is the responsibility of the cash handler to ensure cash on hand equals the change fund plus actual receipts at all times.
- 2.6.2 All shortages and overages shall be reported to the department director and finance director (or designee) immediately.
- 2.6.3 All cash overages and shortages, as well as any known circumstances surrounding the overage/shortage, shall be documented in a memorandum to the finance director (or designee) within one (1) business day as well kept on file by the reporting department.

2.7 Theft or Loss

- 2.7.1 Once a theft or loss has been identified, it shall be immediately reported to the department director, finance director (or designee), and the Town of Los Gatos police department. No investigation or discussion with other staff prior to notification of the proper authority.
- 2.7.2 All theft or loss shall be documented in a memorandum to the Finance Director (or designee) within one (1) business day as well as kept on file by the reporting department.

2.8 Deposits

- 2.8.1 The general operating standard for deposits of Town cash to the bank shall be within twenty-four (24) hours or the next business day of receipt of those funds. Departments shall weigh reasonableness and practicality versus security in determining the timing for the deposit of small amounts. All deposits not made daily shall be held in a secured location such as a safe.
- 2.8.2 All receipts of Town cash must be deposited with the finance department in accordance with this policy and the cash handling procedures of the department that have been approved by the finance director (or designee).
- 2.8.3 All security and bid deposits or escrow funds received in cash shall be treated as Town cash and deposited accordingly.
- 2.8.4 Departmental receipts shall never be used to replenish petty cash, other funds, or for the purchasing of items.

2.9 Petty Cash

- 2.9.1 Petty cash funds, not to exceed \$200, shall be approved by the department director and established by the issuance of a check from the Town's accounts payable division restricted to a level appropriate to conduct Town business in an efficient and responsible manner.
- 2.9.2 Petty cash transactions shall be subject to the same authorized expenditure controls as any other invoice presented for payment through accounts payable.
- 2.9.3 Once established, petty cash funds shall be maintained on an impress basis, that is, the amount of the fund will remain constant with the custodian of the fund requesting a reimbursement check from the accounts payable division for amounts disbursed.
- 2.9.4 Any funds taken from petty cash must have a completed authorized petty cash voucher. A check will be issued only upon the presentation and surrender of satisfactory evidence of such disbursements. The amount of the reimbursement will always be the exact amount of the aggregated disbursements made from the fund.
- 2.9.5 Reconciliation and reimbursements will be made as frequently as the fund requires replenishment, but no less than monthly.
- 2.9.6 When replenishing petty cash, a copy of the petty cash recap must be kept in the petty cash box as backup for the vouchers that have been sent to the finance department.
- 2.9.7 No checks shall be cashed from petty cash funds.
- 2.9.8 Personnel authorized by the finance director (or designee) can make unannounced counts of petty cash and /or change funds at any time.

2.10 Change Funds

- 2.10.1 Change funds shall be established and controlled in the same manner as petty cash funds; however, change funds are strictly used for making change for customers and as such are revolving funds that require no replenishment.
- 2.10.2 There shall be no commingling of petty cash or cash receipts with change or other working funds.
- 2.10.3 When change funds are no longer needed to conduct the business for which they were established, the funds shall be deposited with the finance department as soon as possible.

- 2.10.4 Change funds established for any reason shall be used only for the purposes of conducting legitimate Town business and not for personal use even if reimbursed.
- 2.10.5 No checks shall be cashed from change funds.

2.11 Check Cashing Policy

- 2.11.1 No checks shall be cashed.

2.12 Returned Checks

- 2.12.1 Occasionally a deposited check may not clear the bank for one or several reasons; such as non-sufficient funds, account closed, stop payment, funds held, stolen checks, forgery, endorsement, or signature. The Finance Department assumes responsibility for collections with cooperation from the receipting department.
- 2.12.2 The finance director (or designee) has the authority to refuse the acceptance of checks as deemed necessary.

2.13 Refunds

- 2.13.1 Refunds will only be made to the original entity (person or company) that submitted the original payment to the Town.
- 2.13.2 Refunds of payments that were originally paid by credit card will be credited back to the credit card in which the payment was made from.

2.14 Foreign and Mutilated Currency

- 2.14.1 Foreign currency and coin shall not be accepted. Only currency and coins issued by the United States Federal Reserve Board are legal tender. Traveler's checks must state "U.S. Dollars".
- 2.14.2 No mutilated currency or coin, including bent coins, shall be accepted.

2.15 Banking Services and Account Opening Policy

- 2.15.1 The Finance Department is responsible for the Town of Los Gatos' banking relationships.
- 2.15.2 Opening new or closing bank accounts must be approved by the Town Treasurer.

2.16 Written Procedures

- 2.16.1 It is required that written procedures be developed and maintained by each department associated with the Town that handles Town cash. Departmental procedures must be approved by the finance director (or designee).
- 2.16.2 Written procedures shall be consistent with this policy and minimally include:
- Authorization of person(s) to collect Town cash;
 - Off-site cash collection procedures;
 - Maintenance of receipt logs;
 - Security and reconciliation of Town cash
 - Individual cash drawers for each cash handler
 - Cash handlers must only accept and receipt funds using their individual cash drawer
 - Processing of Town cash received in the mail
 - Preparation, approval, and transmittal of Town cash to the Finance Department;
 - Over/short procedures consistent with this policy;

- Procedure to notify the appropriate Town authority in the event of loss or theft;
- Town cash must never be left out in the open or unattended.

2.17 Training

- 2.17.1 All staff shall be familiar with this cash and credit card policy and must acknowledge receipt of the policy using the relevant form.
- 2.17.2 All staff that handles Town cash shall be trained on the cash and credit card policy by the Finance Department and be trained on cash handling procedures by the department.

2.18 Violations

- 2.18.1 Any employee found to have violated this policy may have his/her cash handling authorization limited or revoked completely and may be subject to formal disciplinary action up to and including termination.

2.19 Policy Review

- 2.19.1 The Finance Department shall perform a review of all Town cash handling policies, procedures, functions and processes on a regular basis, but at minimum of every two years.
- 2.19.2 The Town's independent auditors shall review the Town's cash management controls through the course of their annual audits as needed.

3. Liability for Loss as Between Department and Finance Director (or designee)

As between a department and its officers and the Finance Director (or designee), the department as primary responsibility for care and liability for loss of Town cash in its custody until deposited in the Town Treasury or entrusted to a cashier approved by the finance director (or designee); and the finance director (or designee) thereafter.

Compliance with the Finance Director (or designee)'s rules and procedures, approved by the Finance Director (or designee), establishes a presumption that a Town department or office exercised due diligence in its custody and care of Town cash.



**WELLS
FARGO**

Wells Fargo Wholesale Treasury Solutions

Proposal For Merchant Processing

Presented To:

City of Los Gatos

May 2008

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ATTACHMENT 2

EXECUTIVE SUMMARY

Wells Fargo – A leader in payment processing

One of the benefits of our payment processing solution is the expertise and support you will receive from Wells Fargo Bank, a trusted financial institution and leader in payment processing services. WFMS allows our merchants to operate and expand their business while focusing on the most essential part of their operations and increasing sales.

Today, WFMS is a dominant force in the Merchant electronic-payment services industry, with substantial national market share in both credit and debit transaction processing. WFMS serves approximately 216,000 merchants, including over 35,000 Internet merchants, with combined annual bankcard volume in excess of \$73 billion.

Since 1976, Wells Fargo has been developing new and more efficient ways for our merchants to process electronic payments of all kinds. This process began with the design of an in-house authorization and processing system, establishing Wells Fargo as the first bank to offer electronic authorization for MasterCard and Visa transactions. In the ePayments arena, Wells Fargo was one of the first financial services companies to process a secure credit card transaction on the Internet.

With an unparalleled range of products and services, supported by nearly three decades of experience, WFMS is well prepared to provide the best possible payment processing solutions. Our goal is to showcase WFMS state-of-the-art products and service abilities we provide today, while demonstrating an interest in developing unique solutions in a partnership with our clients in the years ahead.

COMPANY OVERVIEW

Wells Fargo & Co

Wells Fargo (NYSE: WFC) is a diversified financial services company -- providing banking, insurance, investments, mortgage and consumer finance from 6,250 stores, the Internet (www.wellsfargo.com) and other distribution channels in all 50 states of the U.S and in other countries. Wells Fargo & Co. has \$575 billion in assets and 160,000 team members. Wells Fargo has achieved annual double-digit increases in revenue and earnings per share and total stockholder return not just this year but also for the past 20, 15, 10 and 5. Total annual stockholder return double the S & P 500. Wells Fargo & Company and Subsidiaries (consolidated) is ranked fifth in assets and fourth in market value of our common stock among U.S. bank holding companies at December 31, 2005.

Wells Fargo Merchant Services, LLC

Wells Fargo in collaboration with First Data Merchant Services (FDMS), have joined together to create Wells Fargo Merchant Services, LLC. (WFMS). WFMS is a leader in the merchant electronic payment services industry, with substantial national market share in both credit (10th) and online debit (5th) card processing.



Over the past decade, a select list of important initiatives include:

- Pioneered banking by computer
- First bank to offer 24-hour person-to-person telephone service
- First bank to process secure credit cards transactions over the internet
- Piloting Mondex smart card in the U. S.
- First to provide mutual fund trades via ATMs
- Pioneered sales of U. S. postage stamps at ATMs
- First lender to originate small business loans remotely (direct mail)
- Automated supermarket banking centers
- First to offer banking via the Internet

Forbes magazine recently ranked Wells Fargo as the #1 bank in the world, Also, Smart Money magazine named Wells Fargo its #1 stock pick in the banking segment of the financial services industry.

COMPETITIVE ADVANTAGE

Wells Fargo Merchant Services (WFMS) offers a vast array of services designed to provide comprehensive processing solutions to our merchants. We have designed an organization and systems that offer merchants measured cost savings, technological expertise, exceptional service and a unique set of operational benefits. WFMS offers some unique advantages:

Discount Fees Deducted Monthly: Fees are deducted from your bank account once a month instead of daily. This helps streamline reconciliation.

Low Unit Transaction Fees: WFMS enjoys large economies of scale and has aggressively structured its fees to offer measurable cost savings.

Securing the Best-Qualified Rate: WFMS ensures that each transaction is sent through at the lowest possible Interchange qualification rate available to your industry. Additionally, our pricing structure is a true pass-through of the rates charged by Visa and MasterCard.

Expedited Funding: Funding of bankcard transactions are expedited through an automated file transfer directly to the Wells Fargo DDA system. We have established an 11:00 AM PT cut-off time to complete the daily settlement file. Bankcard funds are memo posted the next morning by 9:00 AM PT to a Wells Fargo Direct deposit account.



Superior Management Reporting Tools: These reports can consolidate the credit and debit card activity for each location, or all locations collectively. www.myclientline.net provides the most advanced reporting in the industry. The system allows you to track your merchant activity on a daily or monthly basis, and export data to your own programs in an excel format.

Clientline.net is a secure, easy-to-use Internet-based service that provides access to a monthly outlet or recap statement along with transaction data for in-depth research, and statistics. Clientline.net offers a comprehensive suite of reporting views and utilities for credit and PIN-based debit transactions. Credit card specific information includes in-depth research, retrieval and chargeback history and statistics, non-compliance statistics for managing Interchange qualifications and a host of other financial data to help merchants manage their data.

Information can be viewed, sorted and printed from the application or exported to an Excel worksheet. Clientline.net is updated every 24 hours. Your monthly statement can be viewed in a browser, PDF file or be printed after the second business day the following month. Pre-scheduled email or fax reports are also possible. Yesterday's activity can be viewed the next business day for all card types. You can see a guided tour to view some of the standard reports available at www.myclientline.net.

Provide Cost Effective Solutions: By consolidating as many services as possible under one processing platform to take advantage of economies of scale.

Authorization Network: WFMS has robust networks, redundant data centers, multi-carrier support, ISDN backup and end-to-end solutions. Our response time is less than three seconds for 90% of transactions and we have 98% system availability. WFMS has not incurred any significant outage or disruptions during the past five years.

DEDICATED CUSTOMER SERVICE

The backbone of our payment processing solution is the quality of our customer support. 94% of customers who responded in our 2005 customer satisfaction survey said they would recommend WFMS to others. WFMS provides 24/7 support to keep you processing with uninterrupted service. Some customer service options include:

Relationship Management - We will automatically assign a relationship management team to take care all your day-to-day merchant card needs. Your relationship management team will also work closely with your Wells Fargo Commercial Banking office Relationship Manager to provide seamless service to you.

Our relationship managers have been recognized as best in class for service and experience. In addition to daily operational support, your relationship managers will also perform the following functions:

Information Security Consulting – Cardholder information security is extremely important. Your Wells Fargo Relationship Manager will work with you to ensure that your equipment meets all requirements for Payment Card Industry (PCI) Data Security Standards.



Association Compliance Reviews and Updates – All merchants must comply with Visa and MasterCard operating regulations. From time to time the Associations introduce new rules and your Relationship Manager will ensure that you are kept up to date and work with you as necessary if variances or extensions are warranted.

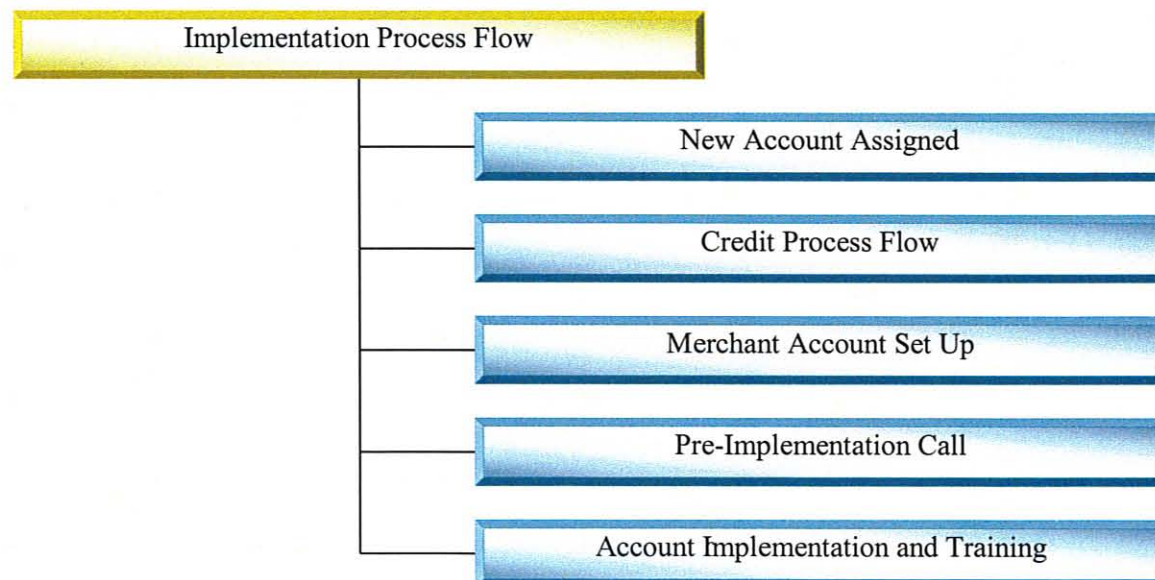
Interchange Management – Your Relationship Manager will review your transaction activity with you on a monthly basis to ensure that your business is achieving the best possible interchange qualification rate and will provide guidance and suggestions for optimizing transaction processing.

Chargeback Analysis – On an as needed basis, your Relationship Manager will provide you with a detailed analysis of your chargeback activity, by chargeback reason code and will suggest ways that you can reduce Chargebacks.

Chargeback Triage – Visa and MasterCard require that chargeback to sales ratios are not excessive. Your Relationship Manager will proactively monitor your merchant account to identify trends that may indicate a growing problem with Chargebacks and recommend strategies and tactics to reduce chargebacks. If chargeback volumes exceed Association parameters, your Relationship Manager will partner with you to develop a Chargeback Reduction Plan and will work with the Associations to communicate your plans and progress.

Implementation - Through the implementation process will have a dedicated Wholesale Implementation Management Team leading the enterprise-wide conversion, beginning with a Statement of Work (SOW) including mutually agreed to timelines. Timelines vary depending on the type of processing conversion, POS Systems, and the method of processing communication.

The Wholesale Implementation Management Team takes total ownership of the conversion throughout the implementation cycle placing the highest priority on timeliness, accuracy, and efficiency. The Implementation Team will coordinate with you for all system conversions and training both one on one and group sessions.



PRODUCTS AND SERVICES

CARD ACCEPTANCE

WFMS has the ability to process all major Credit Cards, Debit Cards, and Purchasing Cards. Here is a list of the available payment types:

Acquirer Processing	
Visa	MasterCard
Debit Cards	American Express
Discover	JCB
Diners	Purchase Cards (including Data Rate III)
Gift Cards	Private Label Cards

SUGGESTED PROCESSING METHODS

We offer a wide variety of innovative methods for processing your credit, debit and gift cards. Several of which are available through Wells Fargo Merchant Services include:

Hardware/Software Solutions- WFMS is proposing that you use PayFlow Link software as the gateway connection to your website. For the other locations, we suggest a terminal solution, such as the Verifone Vx570. We resell this terminal for \$699 per unit. The terminal has an integrated pinpad, enabling you to accept PIN-debit transactions, which are considerably less expensive for you over credit cards.



PROPOSED PRICING

Visa and MasterCard Interchange Fee: Pass through at processor's wholesale cost.

- Please refer to Attached Interchange Rates

Wells Fargo Processing Fee:

- This is based upon the average transaction size of each business unit. Please refer to page 9 of this proposal for rate details.

ADDITIONAL VALUE

- Next banking day funding to a Wells Fargo DDA
- Dedicated Relationship Manager
- Internet reporting obtained through the Commercial Electronic Office (CEO) portal



WELLS FARGO MERCHANT SERVICES FEES

WFMS is pleased to have this opportunity to submit our proposal. The following fees were based upon your annual Visa/MasterCard volume of \$11,00,000 with an average ticket that varies.

Interchange		Processing Fee	
MOTO/Internet			
	Association Interchange	+	Assessments + Authorization
Visa	Pass Through*		Incl See page 9
MasterCard	Pass Through*		Incl See page 9
Equipment:			
PayFlow Link		Purchase	
Gateway Set-up		\$199.00	
Other Fees:			
Monthly Gateway Fee		\$31.00 (web page only)	
Statement Fee		\$7.50 per outlet per month WAIVED w/Clientline.net	
Annual Fee		\$45.00 WAIVED	
On-Line Debit Fee		\$0.08	
American Express	Discount	3.50% (if desired)	
Discover	Discount	Matches Visa rate	
Non-Bankcard (Amex, JCB, Diners)	Authorization	\$0.08 per authorization attempt	
Non-Bankcard (Amex, JCB, Diners)	Capture	\$0.03 per attempt	
Address Verification		\$0.01 per AVS attempt	
MC Cross Border Fee		0.20% per non-US issued MC transactions settled in US\$.	
MC Cross Border Fee		0.30% per non-US issued MC transaction settled in non-US\$.	
Chargeback Fee		\$15.00 per outgoing chargeback	
VRU/Voice Authorizations		\$0.75 per voice authorization attempt	
Monthly Minimum		\$25 in processing fees	
Voice Address Verification Fee		\$2.00 per attempt (manual)	
Foreign Handling		0.10% on Visa foreign sales	
My Clientline.net		\$20.00 monthly- Waived	

The processing of credit and debit card transactions is subject to the terms, conditions, policies and procedures of the Visa and MasterCard Associations and the non-bankcard issuers. WFMS Merchant Services Agreement references and incorporates those terms and conditions. All Card Processing responses in this document are subject to the Wells Fargo Merchant Services Agreement. If there are conflicts with the terms and conditions in the WFMS Merchant Services Agreement and the terms and conditions of this Request for Proposal, WFMS will negotiate in good faith to resolve. The terms, conditions, policies and procedures of the Visa and MasterCard Associations and the non-bankcard issuers are beyond WFMS control.



Wells Fargo Merchant Services
State of California RFP Pricing Proposal

Effective 01/18/03

Pricing Proposal

WFMS Front End (Cardnet, Nashville, Wellservice, FDR)

Average Ticket	MC/VISA Discount Rate
\$1,000.00 and Up	0.19%
\$500.00 - \$999.00	0.20%
\$200.00 - \$499.00	0.21%
\$100.00 - \$199.00	0.23%
\$50.00 - \$99.00	0.27%
\$30.00 - \$49.00	0.34%
\$20.00 - \$29.00	0.43%
\$10.00 - \$19.00	0.59%
\$5.00 - \$9.00	1.24%

Notes:

- * Grid is fixed based on the individual agency's signed average ticket.
- * Grid is valid for all processing modes (i.e. Retail, MOTO, Internet, etc.)
- * Pricing proposal structure is Interchange + Rate (rate includes MC/Visa assessments and MC/Visa access fees).
- * MC/Visa rate applies to the gross MC/Visa volume of each agency that signs with Wells Fargo Merchant services.
- * Each agency will receive the best interchange level for their transactions as a straight pass through (see association interchange chart for interchange levels and descriptions).
- * Non-Bank Card authorizations fees (Discover, AMEX, JCB, Diners) are \$0.08 per authorization attempt.
- * Debit transactions fees are \$0.08 per transactions plus all applicable network interchange, switch, and adjustment fees which are passed through to each agency at cost.
- * Wells Fargo Merchant Services offers a variety of custom reports / electronic files. Sizing is required to determine actual cost. If Moneta reporting is chosen, a \$5 per month / per Moneta user ID fee will be assessed for the report.
- * Pricing assumes that the individual agencies will be utilizing an FDMS front end.



