

IMPACT STATEMENT

Legislation title: *Authorize a contract with NIC Services, LLC for an Electronic Payment System, Service, and Support in a not to exceed amount of \$7,500,000.00. (Ordinance)

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Presenter name: Christine Moody, Chief Procurement Officer

Purpose of proposed legislation and background information:

Payment gateways are software applications used to support the processing of electronic payment transactions. In 2006, when the City first started accepting electronic payments, there were no standard commercially-developed gateway products from which to choose, so the Bureau of Technology Services developed a custom gateway that the City still uses today.

Payment transaction volume has increased to the point that the City has attained Level 1 Merchant status, and the revenue processed has grown at an annual rate of approximately 20%. All City client services communicate with the City's payment gateway via an application procedural interface (API) that serves bureau-specific requirements based on the type of service.

The payment gateway is used by multiple City bureaus and accommodates bureau-specific requirements, based on the type of service or transaction being conducted. Examples of payments processed include utility bills, construction permits, ticketing for streetcar transportation and on-street parking, leaf fees, and the arts tax. In FY 2013-14, the City's payment gateway processed more than nine million payment card transactions valued at more than \$155 million.

The City's payment gateway is no longer compliant with Payment Card Industry (PCI) data security standards and needs to be remediated or replaced as soon as possible. The City has determined that emerging requirements merited an evaluation of replacing the in-house developed, custom solution with a standard commercial payment gateway system or service.

The Bureaus of Technology Services and Revenue and Financial Services have determined that replacement with a standardized gateway product, developed and supported by a third-party, is the most cost-effective and timely resolution for the City to achieve and maintain PCI compliance and will offer the City a robust solution to supporting the City's growing electronic payment processing needs.

Request for Proposal (RFP) No. 117040 was issued on August 25, 2014, in accordance with Portland City Code 5.68. On October 6, 2014, one proposal was received. The proposal was evaluated and scored by an evaluation committee with minority evaluator participation. During the RFP evaluation process, the City received no protests.

The proposal from NIC Services, LLC, was deemed responsive to the requirements of the RFP. On December 19, 2014, the City issued a Notice of Intent to Negotiate and Award a contract to NIC Services, LLC and no protests of the Notice of the Intent to Negotiate and Award were received.

As part of their business model, NIC Services, LLC will be self-performing the work under this agreement; no MWESB subcontracting opportunities have been identified. NIC Services, LLC has a current City of Portland Business License Tax Account, is in full compliance with the Equal Benefits Program and their EEO Certification is current through September 2, 2016. NIC, LLC is not a State of Oregon Certified MWESB contractor.

NIC Services, LLC (NIC) provides electronic payment processing solutions exclusively for government. NIC's client base includes more than 3,500 federal, state (including State of Oregon), and local agencies. In 2013, NIC securely processed over \$25 billion in government payments.

Financial and budgetary impacts:

This five-year contract is for a fully managed Software as a Service (SaaS) payment gateway and support services. Contract pricing is on a per transaction fee basis with price-point breaks for volume that exceeds pre-determined transaction levels. Bureaus using the payment gateway will have fees deducted from their revenue stream based on the number of transactions as a percentage of the total number of transactions processed Citywide. Total transaction fees for the City are estimated to be up to \$7,500,000 over the life of the contract. The level of confidence in the cost estimates for this project is Optimal based on the pricing received from NIC Services, LLC.

Based on the FY 2013-14 electronic payment transaction count, the estimated transaction fee impact of the gateway replacement is:

Bureau	Transaction Count	Fee Impact
BDS	19,230	\$192.30
BPS	35	\$3.50
PBOT	8,250,335	\$825,033.50
Parks	279,636	\$27,963.60
Revenue	116,522	\$11,652.20
Water	368,529	\$36,852.90

Community impacts and community involvement:

The payment gateway is an internal software application that is integral to the City's ability to process electronic payments. Replacing the gateway is critical to the City becoming PCI compliant and continuing to offer electronic payment options to the public.

The written proposal was evaluated and scored by an evaluation committee with minority evaluator participation.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES:** Please complete the information below.
- NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount