TO: HONORABLE MAYOR AND CITY COUNCIL   **DATE:**   FEBRUARY 27, 2024

FROM: FINANCE   **WARDS: ALL**

SUBJECT: SERVICES AGREEMENT FOR THE PURCHASE OF A SOFTWARE LICENSE WITH N. HARRIS COMPUTER CORPORATION IN THE AMOUNT OF $138,000 FOR A FIVE-YEAR TERM TO IMPLEMENT INOVAH PAYMENT PROCESSING SOFTWARE AND PAYMENT GATEWAY

ISSUE:

Approve a Services Agreement for the purchase of a Software License with N. Harris Computer Corporation in the amount of $138,000 for a five-year term to implement iNovah payment processing software and payment gateway.

RECOMMENDATIONS:

That the City Council:

1. Approve a Services Agreement for the purchase of a Software License with N. Harris Computer Corporation ("Harris") in the amount of $138,000 for a five-year term, and;

2. Authorize the City Manager or his designee to execute the Agreement, including making minor non-substantive changes, and to sign all documents and instruments necessary to complete the transaction.

BACKGROUND:

The most important aspects of payment processing are the Payment Card Industry Standards (PCI) set forth by the PCI council. The PCI Council is comprised of representatives from all the major credit card companies. These data security standards provide the framework for merchants to follow when processing card transactions, and mandate protocols specific to the types of payment processing: on-line, in-person, or via the telephone.

To maintain PCI compliance, merchants must adhere to all current security standard protocols. If a merchant is found to be non-PCI compliant, their banking partner could impose significant fines, ranging from $50,000 - $100,000. This could result in the City assuming liability for all leaked consumer card data.

In early 2022, the City's Innovation and Technology (IT) department assumed responsibility for the City's PCI compliance. During that same year, Bank of America, the City's banking vendor and merchant processor, initiated a PCI compliance audit of the City's payment stack. Due to numerous software enhancements and the expansion of online payment portals during the pandemic, the City's PCI classification had changed, and additional security protocols became applicable to ensure compliance. This shift prompted PCI compliance to become a priority for the City. Within this timeframe, Bank of America advised the City that the payment software, Velocity, was sunsetting. Currently the Velocity software provides payment processing services for eight (8) divisions:

- Accounts Receivable
- Business License
- Community and Economic Development (CEDD)
- Fire
- Planning/Building & Safety
- Police Department Alarms
- Public Works Land Development
- Riverside Public Utility (RPU) Water Permit

The Velocity software and payment gateway enables these divisions to process payments online.

In early 2023, Bank of America informed the City that Velocity was slated to sunset in the future, prompting staff to publish a Request for Information (RFI) to research possible replacements. Without a firm sunset date being established, staff reviewed each RFI proposal in depth to determine the most relevant information and their respective implementation timelines to address the City's needs. In late 2023, staff received notification that the official deadline for discontinuing Velocity would be the end of summer of 2024. Due to the new time constraint, the City pivoted to current City vendors that could quickly and efficiently provide a solution to replace Velocity. In addition to a Bank of America replacement option, two other options, iNovah and KUBRA software, were explored, both of which are currently utilized by RPU for in-person and online payment gateways.

Bank of America offered Commerce Payment Portal (CPP) as a replacement for Velocity. The CPP software only provides a solution for processing online payments, and the City requires payment processing for both online and in-person payments.

KUBRA's in-person solution does not meet the City's needs because their point-of-sale system does not process cash transactions.

iNovah provides PCI compliant payment gateway solutions for both online and in-person transactions. In addition, iNovah currently provides hardware and software for the cashiering system being used at Riverside Public Utilities' (RPU's) customer service windows and at the City's Finance-Treasury cashiering windows. While the iNovah system is presently operational at these three locations, its infrastructure manages all payment transactions entering the City from various departments.

DISCUSSION:

To ensure a seamless transition from Velocity to a new payment processing gateway and to prevent any service disruption or revenue loss, the City has conducted a thorough analysis of the

three payment solutions. A summary of each system and their advantages and disadvantages is as follows:

	Advantages	Disadvantages
Bank of America CPP Solution	• Waived implementation fee.	• The CPP software does not provide an in-person solution, so a second vendor would need to be selected and utilized to process in-person payments. This would result in a concurrent implementation project, higher overall costs, stretched resources, and the likelihood of being unable to meet the required timeline. Not meeting the timeline would mean the City would be unable to process in-person payments between the time Velocity sunsets and a replacement solution is implemented. • Bank of America has stated that the CPP implementation would require leveraging iNovah vendor resources to assist with the integration, at an additional cost to the City.
iNovah Solution	• Meets all required needs, including online and in-person payments. • iNovah is the City's current cashiering system, and in that capacity, has demonstrated responsive and comprehensive customer service for the City.	• Higher implementation cost than Bank of America.
Kubra Solution	• Current RPU vendor and positive working relationship.	• Kubra's in-person solution does not meet the City's needs because their point-of-sale system does not process cash transactions. This would result in a second implementation project, with the same consequences described above for Bank of America. • This vendor is the most expensive option.

After conducting thorough vendor meetings and a meticulous review of the advantages and disadvantages, the Innovation & Technology (IT) and Finance Departments have determined that the iNovah Solution is the most suitable choice to replace the City's sunsetting payment processing software. The City remains committed to fostering collaboration between IT, Finance, and the vendor, ensuring a successful transition and ongoing cooperation to meet project milestones and guarantee zero service disruption. Project Managers from both teams have been assigned, and initial meetings have taken place to ensure a smooth transition is achievable.

Per Purchasing Resolution 23914, Section 602 (d) states, "Competitive Procurement through the Informal Procurement and Formal Procurement process shall not be required…. (d) When the Procurement can only be obtained timely from a single source and the Manager is satisfied that the best price, terms, and conditions for the Procurement thereof have been negotiated."

The Purchasing Manager concurs that the recommended actions are in accordance with Purchasing Resolution 23914.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 5.2** – Utilize technology, data and process improvement strategies to increase efficiencies, guide decision making, and ensure services are accessible and distributed equitably through all geographic areas of the City.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The project ensures the City is using the latest financial technology, thus ensuring the City remains current with all PCI compliance guidelines, and security protocols, safeguarding the public's personal private information.

2. **Equity** – Project outcomes will benefit the entire community by providing equal access to convenient and secure payment options and by offering multiple channels for payments. The City will be able to generate more robust data analytics which will provide valuable insights into the payment needs of its residents and assist in future decision making.

3. **Fiscal Responsibility** – The project will ensure compliance with PCI industry standards while ensuring a seamless transition to a new payment processing gateway with zero interruptions. The City will be in a better position to increase automation, reduce manual data, certify PCI compliance, and realize savings through more efficient processes.

4. **Innovation** – The project utilizes the latest technologies to ensure efficient and effective payment processing throughout the City.

5. **Sustainability & Resiliency** – This project will contribute to our paperwork reduction policy, thereby reducing our paper purchases and minimizing our carbon footprint.

FISCAL IMPACT:

The total fiscal impact of the action is $138,000 for the five-year term of 2024 through 2029. Year 1 costs are comprised of an $18,000 implementation cost for iNovah development labor and

$24,000 for annual gateway and estimated transaction costs, for a total of $42,000 in Fiscal Year 2023/24. Sufficient funds are available in the General Fund, Non-Departmental Citywide Financial Management, Professional Services expenditure account 7223700-421000 to cover Year 1 expenses, including implementation, annual gateway, and estimated transaction costs. Transaction costs will ultimately be reallocated to City departments alongside merchant fees; sufficient funds exist in departmental budgets.

The below table represents the annual cost of the iNovah contract. Years 2 through 5 will be included in future budget cycle planning.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Estimated Transaction Costs	13,500	13,500	13,500	13,500	13,500	67,500
Annual Gateway Costs	10,500	10,500	10,500	10,500	10,500	52,500
One-Time Implementation Cost	18,000	-	-	-	-	18,000
TOTAL	**42,000**	**24,000**	**24,000**	**24,000**	**24,000**	**138,000**

Prepared by:	Mitchell Mason, Treasury Manager
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Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/Treasurer)
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:
1. Software License Service Agreement