

**MARYLAND STATE TREASURER'S OFFICE  
Louis L. Goldstein Treasury Building, Room 109  
80 Calvert Street  
Annapolis, Maryland 21401**

**RFP FOR MERCHANT SERVICES, RFP #MS-10052018**

**PRE-PROPOSAL CONFERENCE SUMMARY**

November 1, 2018

State of Maryland Representatives:

Bernadette Benik, Chief Deputy Treasurer  
Anne Jewell, Procurement Officer  
Nancy Clark, Director of Treasury Management  
Guest: Emily Barr, Bank of America Merchant Services

On October 19, 2018 the Maryland State Treasurer's Office ("STO") held a pre-proposal conference at its office (located at 80 Calvert Street, Annapolis) to discuss the above referenced solicitation for merchant services. The meeting opened with introductions by the Maryland State Treasurer's Office representatives and their guest panel member.

Bernadette Benik opened the meeting by providing some background information about the RFP and what the STO is doing. Within the past month, the new Director of Treasury Management came on board and STO is in the process of recruiting for a merchant services person. Jessica Papaleonti, who served as the Acting Director of Treasury Management did a lot of work on the RFP however, she was not able to attend the Pre-Proposal Conference. Emily Barr is here to assist in answering questions about processing only. This is a competitive procurement and, therefore, she may not be able to provide certain information.

The State has had the same depository bank for 30 years which included gateway services for online collection of credit card payments. Because of this connection between the two contracts, it was necessary to do the procurement for depository banking services and then for merchant services. In the RFP we mention Govolutions and I want to clarify that the State does

not have a separate contract with Govolutions, as they partner with Bank of America. It is expected that the merchant service provider that is selected for in response to the RFP will partner, if you will, to a front end firm to help the State agencies. Ms. Benik described the way the State is structured and that State agencies, for years, had an option of either going through the Depository Contract and creating a gateway to collect their electronic payments or using another State contract that is with NIC. The NIC Contract is through the Maryland Department of Information Technology and not the Treasurer's Office. The NIC Contract started with convenience fees and then went to collection as well as transaction fees. The gateway with the Depository Contract did not allow for convenience fees.

The selected merchant services contractor will be the front end of whomever they want to provide the services, either through a third party, through their company, or any other solution, to allow agencies to be able to create gateways and process payments. This Contract will be completely separate from the recently awarded Depository Contract.

Anne Jewell reviewed the schedule of events and stated that proposals are to be received by the Procurement Officer by the deadline date and time of 2:00 p.m. on November 16, 2018. Proposals received after that time will not be accepted. It was suggested that Offerors may want to consider having their proposal submissions arrive to the Procurement Officer a day early to avoid any problems. Ms. Benik stated that we are looking for competition and seeing innovative solutions from Offerors and don't want anyone to miss an opportunity. It does not help if you call to say you are stuck in traffic. The deadline is the deadline. Questions are to be submitted to the Procurement Officer by 2:00 p.m. on November 5, 2018. Ms. Jewell explained the two volume procurement process and discussed how proposals are to be packaged as stated in the RFP (Section 1.9 Submission Requirements and Deadline). The STO prefers that the electronic copies of the Offeror's proposals be provided on CDs rather than a Flash Drive. This is due to security reasons.

Ms. Benik stated that pricing is not to be referenced in any way in the technical proposal since it can create problems for the evaluation team. The intent of the evaluation team is to evaluate technical capabilities and then factor in price. Ms. Jewell stated that pages that contain pricing information in the technical proposal will be removed.

The meeting was then opened up for questions from the attendees:

Q-1. This question pertains predominantly to the transactions where consumers, constituents have a choice in making payments via credit card or ACH. What's the State's intent in terms of who the ACH processing is with? Is that the new depository bank for traditional services?

A-1. STO's intent is that the Merchant Services provider will process the credit cards and echecks and deposit these funds into the depository account. We also have lockbox services which process paper checks only.

Q-2. As a follow-up to question 1, can you clarify that you want the merchant services provider to initiate the check transaction?

A-2. Yes. We are looking for the front end provider to be able to take e-checks and credit cards payments. We want the agencies to have the flexibility to determine the best ways to have their constituents make payments, which also may include mobile at some point.

Q-3. The RFP states approximately \$1.1 billion dollars of credit card transactions are processed annually. What percentage of these transactions are convenience fees?

A-3. None. The current Contract does not allow for convenience fees. This is all transactions fees. There is a contract through the Maryland Department of Information Technology with NIC which charges convenience fees, for those agencies that want to charge convenience fees to card holders, but this was not part of our existing contract.

Q-4. One Hundred percent of the \$1.1 billion is convenience fees?

A-4. No convenience fees are charged on the volume today.

Q-5. What is the volume is on the NIC Contract?

A-5. This is not relevant since it will not impact the contract to be awarded from this RFP.

Q-6. Are we to understand that agencies such as DMV will not be able to participate in this contract?

A-6. Once a new contract is in place, agencies will have the option to choose if they want to onboard with the Treasurer's Office Merchant Services Contract.

Q-7. How long has the current contract been with the incumbent provider?

A-7. It dates back to the 90's. The contract that will be awarded in response to this RFP will have an initial term of 5 years with three two-year renewal options.

Q-8. Has there been a lot of customization by the incumbent over the last 20 year period?

A-8. The gateways that were built under the Depository Contract were customized for agencies. So yes, on the front-end there has been customization. On the back-end there has been some customization, but overall has remained steady. We realize that will change with a new vendor. We have a number of agencies that are waiting to accept electronic payments once this procurement is completed.

There are a number of agencies that have specialized processes, such as SHA with hauling permits, and others that want to take in electronic payments that tie in with programs, such as inventory, etc. We have indicated to those agencies that with the new contract we are going to have the front end solution to build the collection gateway and processes. We will then determine what makes sense; will it be cheaper to build software to meet their needs or to do something else. It was further pointed out that the STO is the sole procurement authority for all banking and financial services. One of the goals for STO is to get the frontend and everything coming in on the gateway. Agencies can then decide if that front end piece can meet their special needs. At some point in the future we may consider mobile app payment processing since we know it's coming.

Q-9. Can you speak to the timing of this contract award and phasing as it relates to STO's major systems upgrades?

A-9. STO's current systems and interfaces to our banks are currently running on an IBM i5. There is a lot of customization on our end that flows through to the banks to process files for deposits, receipts, and ACHs. We are currently writing new programming to move from the current system over to our new system which is the Microsoft Dynamics Enterprise 365 and working with the banks and their IT departments as we go through this. We anticipate to start running dual systems late next summer. So our plan is that the timing of this is pretty good. As part of this, it was determined to move forward with the RFPs for Depository Banking Services and Merchant Services. Disbursement services will be re-procured in 2020. This will help with the agencies in transitioning. This will be a big undertaking.

Q-10. On the Price Proposal form, there is a section titled "Miscellaneous One-Time/Per Occurrence Fees." Item, "Website Gateway Services Design/Customization Support (Hourly)" has an estimated volume of 400 hours. Is this just for comparative purposes? Is there some basis for the 400 hours?

A-10. This is for comparison costs.

Q-11. If a responder has some insight on what the actual amount of hours would be, should they respond that way?

A-11. Complete the price proposal as instructed. If there is any additional information or costs that is required to provide the scope of services outlined in the RFP this should be included on a separate sheet and added as a pricing supplement.

Discussion followed that STO is looking for creative solutions that may be new or upcoming in the industry. If an Offeror feels there are services that would be beneficial to the State, and improve customer service, please list them and provide the appropriate pricing. It is the goal for the State to be in a position where it has people collecting payments anywhere, by mobile phone, etc.

Q-12. Can you confirm that the tentative contract date is December 19, 2018?

A-12. Yes, that is correct.

Q-13. To follow-up on the conversation about proposal submissions, are you looking for electronic submissions of the proposals?

A-13. Electronic submissions will not be accepted for major procurements such as Merchant Services. See Section 1.9 Submission Requirements and Deadline, of the RFP regarding the number of copies of the proposal submissions. If BAFO's are requested by the Procurement Officer, you may be directed to send an electronic response, and again, do not wait until the last minute in case there is an issue with transmission.

Q-14. Are there any existing cooperative agreements in place for extending services to other municipalities in the State, riding off the State?

A-14. No.

Q-15. Is that contemplated in the future?

A-15. For banking service contracts most counties do their own contracts and we haven't seen a lot of interest.

Q-16. Regarding invoicing, does the RFP refer to actual generation of a paper document for future payment or the more standard industry approach of a direct debit after a statement is produced?

A-16. The State requires receipt of an invoice. By law, the State can only pay with an actual invoice. You can send an electronic copy of an invoice, but the State does not allow debits to accounts. There is no allowance in the law to offset payments.

Q-17. Does the State law provide the term of payment?

A-17. Invoices are to be paid within 30 days. There is a statutory provision that allows vendors to claim interest and how to claim it.

Q-18. Section 3.2 references 45 State agencies operating on the TSYS platform that will need conversion. Are they looking to maintain those systems or are they looking to completely change.

A-18. In the RFP we have identified equipment that is currently in use and, depending on the solution offered, we understand that it is very possible that equipment may need to be replaced or updated.

Q-19. With no debits being allowed to the State account, how are ACH returns currently handled?

A-19. The credit card transactions are settled daily and posted to the account net of chargebacks.

Q-20. For service and convenience fees, is it the desire of the State of Maryland for those to be processed as a single transaction or for the convenience fee to be a separate transaction? Would the agency make that decision?

A-20. Separate transaction.

Q-21. Referring to having a single point of contact for the agencies that will be part of this program, are there a number that operate out of the normal government or State business hours?

A-21. Most agencies are working from 7:00 a.m. to 7:00 p.m. The Maryland Transportation Authority runs 24/7 and there may be a few others, such as additional hours during tax time. We have discussed this with agencies and we are comfortable with the standard set of hours.

Q-22. The RFP states a requirement of having 10 years' experience providing credit card payment through multiple payment channels. We have been doing online payments for 20 years but have only been in the card present space for five. Will you consider that a non-starter as far as that requirement goes?

A-22. Submit your proposal with you explanation of what your experience is.