



Agenda Item: 5

Date: January 12, 2010

Subject: Resolution No. 10-03 Authorizing Entry into a Merchant Card Agreement with Westamerica Bank

Staff Contact: Daniel A. Bills, Director of Finance

Recommended Board Action:

Adopt Resolution No. 10-03 authorizing the General Manager, Assistant General Manager, or Director of Finance to enter into Agreements with Westamerica Bank for Merchant Card and Debit Card Processing Services.

Discussion:

Currently VISA and Master Card (Merchant Cards) treat the District as if it were a commercial institution and charge the District a fee based on its classification as a commercial institution. Both VISA and Master Card have set up a special program for utility institutions which charge utilities a lower fee than commercial institutions. Currently, the fee the District pays for each VISA or Master Card charge is 2.2% plus \$0.30 of the transaction amount. If the District were reclassified as a utility and processed VISA and Master Card transactions through Westamerica Bank, the District would be charged \$1.25 per transaction (regardless of the amount) for VISA card payments and \$1.15 for each Master Card transaction. The cost savings to the District are substantial. As an example, for the month of July 2009 the District paid credit card fees of \$7,061.00. Under the utility program offered through Westamerica Bank the District would have paid \$3,336.00, for a savings of \$3,725.00.

Each bank has the ability to set up the District under VISA and Master Card's utility program, but each bank charges different add-on fees for processing the transactions. As Westamerica is the District's Bank and as their add-on fees are minor, staff is recommending the District utilize the services of Westamerica Bank as the District's processor of its VISA and Master Card transactions. (Westamerica add-on fees are an annual fee of \$25.00, an annual security compliance fee of \$129.00, and a monthly internet fee of \$25.00. One-time costs include a set-up fee of \$150.00 and software costs of \$150.00.)

The Debit Card service is currently being processed through PayPal as are the VISA and Master Card transactions. There is no cost of changing from PayPal to Westamerica for debit cards if the District utilizes the Merchant Card processing system offered by Westamerica. The only fee associated with debit card transactions is a \$0.25 charge per transaction.

Both the resolution and the Agreements have been reviewed by legal counsel.

Fiscal Impact:

Annual cost savings of approximately \$35,000.

Strategic Plan Alignment:

Finance – 4.A. Monitor District operations through internal control procedures, documentation and such other processes necessary to ensure effective financial performance.

RESOLUTION NO. 10-03

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SACRAMENTO SUBURBAN WATER DISTRICT AUTHORIZING ENTRY INTO A
MERCHANT CARD AGREEMENT WITH WESTAMERICA BANK**

WHEREAS, Westamerica Bank (“Bank”) is a bank duly authorized under the laws of the State of California and regulated by the State of California Banking Department;

WHEREAS, the Bank manages the District’s banking functions;

WHEREAS, the Bank provides Merchant Card Program services as described in the Westamerica Bank Merchant Agreement; and

WHEREAS, the District desires to obtain the Merchant Card Program services provided by the Bank.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Suburban Water District as follows:

1. The District Board of Directors hereby approves and authorizes the General Manager, Assistant General Manager or the Director of Finance of the District to enter into a Merchant Card Program agreement or agreements with the Bank, and to take such other actions relating to said agreement or agreements as any such officer from time to time deems appropriate in connection with the participation by this District in the Visa or Mastercard program(s) described in the Merchant Agreement. A true and correct copy of the Bank’s Merchant Card Program agreement is attached to and made a part of this Resolution as Exhibit A.
2. The General Manager, Assistant General Manager or the Director of Finance, or his or her designee, are hereby authorized to deliver sales drafts, credit memoranda, and other instruments to Westamerica Bank pursuant to said agreement or agreements.
3. The following are the present incumbents of the offices in this District indicated below their names and that the signatures set opposite their names are the true and genuine signatures of such officers:

Name: Robert S. Roscoe
Title: General Manager/Secretary

Signature: _____

Name: Edward H. Formosa
Title: Assistant General Manager

Signature: _____

Name: Daniel A. Bills

Signature: _____

Title: Director of Finance

PASSED AND ADOPTED by the Board of Directors of the Sacramento Suburban Water District on this 25th day of January 2010 by the following vote:

AYES:
NOES:
ABSENT:

By: _____
Thomas C. Fellenz
President, Board of Directors
Sacramento Suburban Water District

District Secretary's Certificate

I, Robert S. Roscoe, General Manager/Secretary of Sacramento Suburban Water District, a special district organized and existing under the laws of the State of California, hereby certify that: (a) the foregoing is a complete, true, and correct copy of the resolution of the Board of Directors of the District, duly and regularly adopted by the Board of Directors of the District in all respects as required by law and the applicable District ordinances, resolutions, rules, and regulations on January 25, 2010, at a meeting at which a quorum of the Board of Directors of the District was present throughout; and (b) that the requisite number of such directors voted in favor of the resolution.

I further certify that the said resolutions remain in full force and effect, have not been amended or revoked, and do not exceed the powers of the District or its Directors.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of the District, and affixed the seal of the District, on January 25, 2010.

(SEAL)

By: _____
Robert S. Roscoe
General Manager/Secretary
Sacramento Suburban Water District



Merchant Application

Input boxes for ownership type: New Merchant, Change of Ownership, Additional Location, Other (describe)

TELL US ABOUT YOUR BUSINESS

Your Legal Company Name:
DBA Name: (Max. length 22 spaces includes space, comma (,), period (.), etc.)
Business Location Address:
City: State: Zip Code:
Billing Address:
City: State: Zip Code:
Your Business Phone: 24 Hr. Fax Number:
Name of Signer:
Title of Signer:

Your Total Annual Cash and Credit Sales: \$
Annual MC/VISA Volume: \$
Average Ticket/Sales Amount: \$
Percent of MC/VISA sales of product or service with deferred delivery. Percentage of Cardholders that do not immediately receive their goods/services such as awaiting shipping or delivery or advance reservations.
Percentage: %
Time Frame for Delivery or Receipt of Service: Days

Please Check Ownership Type: Sole Ownership, Partnership, Limited Liability Company, Corporation, Non-Profit, Limited Partnership

State Incorp: Month/Year Started: / Number of Employees:

Your Previous Merchant Number: Federal Tax ID#

Business Type: Business Description:

Products/Services You Sell: Check Reason for Changing: Rate, Service, Terminated, Other

How many locations do you have? (If more than one, attach addresses of other locations.)

Do You Have Previous Processor Statements? MC/Visa, Debit (If checked, please provide copies of 2 consecutive months of MC/VISA and/or 1 month of Debit)

SHARE YOUR OWNER INFORMATION

Owner/Partner/Officer Name: Home Phone: Social Security Number:
Title: Home Address: City: State: Zip:
Owner/Partner/Officer Name: Home Phone: Social Security Number:
Title: Home Address: City: State: Zip:

OTHER ENCLOSURES (CHECK OFF)

Financial Statements and Tax Returns (2 years most recent), Brochures/Ads/Catalogs (Direct Marketing Only), Purchase Card/Mktg. Material, Other

MAIL/TELEPHONE/INTERNET ORDER SALES INFORMATION

1. Mag swiped % + Keyed manually % = 100%
2. Mail order % + Phone order % + In-store %
7. Who performs product/service fulfillment? Direct? Vendor?

SALES DEPOSIT/REFUND POLICY

Are customers required to leave a deposit? Yes No If yes, % required _____

Do you have a refund policy for your MasterCard/VISA sales? Yes No

Check the applicable refund policy: Cash Exchange Store Credit MC/VISA credit

If MC/VISA credit, within how many days do you submit credit transactions? 0-3 days 4-7 days 8-14 days Over 14 days

What % of bankcard sales represent business to business (vs. business to consumer)?

Business to Business _____% + Business to consumer _____% = 100% (bankcard sales)

Describe how the transaction works, from order taking to merchant fulfillment:

CONSENT BY OWNER(S)/PARTNER(S)/OFFICER(S) FOR BANK TO OBTAIN CONSUMER CREDIT REPORTS

In connection with this Merchant Application and any subsequent financial products or services Westamerica Bank (Bank) may offer applicant, I/we consent to Bank obtaining one or more consumer credit reports on me/us from time to time. Bank may also investigate my/our background, income, credit or credit worthiness, assets or other matters, as it reasonably deems necessary or appropriate.

Signature: X _____ Date: _____ Signature: X _____ Date: _____

MERCHANT REPRESENTATION AND AUTHORIZATIONS

The statements made in this Merchant Application are true. Merchant acknowledges having received and read a copy of the attached Merchant Agreement and agrees to be bound by all provisions as printed therein. Merchant authorizes Westamerica Bank to obtain an investigative or business credit report.

X _____
Signature of Business Principal (Please sign above)

X _____
Signature of Client's Business Principal (Please sign above)

Name of Signer (Please print above)

Name of Signer (Please print above)

Title (Please print above) Date _____

Title (Please print above) Date _____

INTERNAL USE ONLY

BRANCH INFORMATION AND CHECKLIST

Checking Account _____ (for bankcard credits and monthly discount debits)

- Current Merchant Card Statements - 6 months, 3 minimum (if applicable)
- Credit Card Participant's Corporate Resolution Form CCC237 WAB (if applicable)
- Partnership / Joint Venture Authorization Form CCC240 WAB (if applicable)
- Merchant Card Guaranty Form CCC010 WAB (if applicable)
- Personal Financial Statement Form CLD 100 WAB
- Fiscal Year-End Business Financial Statement and Tax Return for past 2 years.
- MasterCard/Visa American Express Discover/Diner's Club
- Bank Card Merchant Agreement (signed by Merchant only)
- Articles of Incorporation (if applicable)
- Partnership Agreement (if available)
- Fictitious Trade Style Filing (if applicable)
- Proof of Non-Profit Status (if applicable)

Site Survey (Must be completed by a branch officer)

- 1. Zone: Business District Industrial Residential
- 2. Location: Mall Shopping Area Isolated Home Apartment Office
- 3. Seasonal: Yes. Months in Operation: _____
Months Open Between _____ to _____

- 4. External Facility Description: Number of Levels: 1 Floor 2-4 Floors 5-10 Floors 11 or more Floors
- 5. Merchant Occupies: Ground Floor Other
- 6. Remaining Floors Occupied by: Residential Commercial Combination
- 7. Advertising Name Displayed: Window Door Store Front

- 8. Approximate Square Footage: 0-250 251-500 501-2,000 2,001 plus
- 9. Number of Registers: _____ Number of Sales Staff: _____
- 10. Proper License Visible (Liquor, Tax ID, etc.): Yes No
If No, Explain: _____

11. Does the Amount and Type of Inventory on Location Appear Consistent with This Business? Yes No

12. Comments:

CREDIT APPROVAL

Approval Conditions

Saving/CD Collateral Amount \$ _____

Business SIC Code _____

PREFACE

Thank you for selecting us for your credit card processing needs.

Accepting credit cards provides a convenience to your customers, increases your customers' ability to spend at your establishment, and helps speed payment to your account. Credit cards also present risk of loss and non-payment that are different than those with other payment systems. In deciding to accept credit cards, you should be aware that you are also accepting these risks.

Visa U.S.A., Inc. ("VISA") and MasterCard International Incorporated ("MasterCard") are associations of banks that electronically exchange sales drafts and Chargebacks for credits and debits. (We will refer to both VISA and MasterCard as "Associations.") Sales drafts are electronically transferred from banks that acquire them from merchants such as yourself (these banks are referred to as "Acquirers") through the appropriate Association, to the bank that issued the Cardholder's credit card (these banks are referred to as "Issuers" or "Issuing Banks"). The Issuing Banks then bill their cardholders for the transactions. The Associations charge the Acquirers interchange fees and assessments for submitting transactions into their systems. A substantial portion of the discount rate that you are paying will go toward these fees and assessments.

In order to speed up the payment process, the Issuer transfers the funds back through the Association to the Acquirer at approximately the same time that the Issuer receives the electronic sales drafts. Even though the payments under this system are made simultaneously, all payments made through the Associations are conditional and subject to reversals and adjustments.

The Associations have developed rules and regulations (the "Association Rules") that govern their member banks in the procedures, responsibilities and allocation of risk for this process. The Association Rules and applicable banking laws give Cardholders and Issuing Banks certain rights to dispute transactions, long after payment has been made to the merchant. These disputed transactions are referred to as Chargebacks.

We do not decide what transactions are charged back and we do not control the ultimate resolution of the Chargeback. While we can attempt to reverse a Chargeback to the Issuing Bank, we can only do so if the Issuer agrees to accept it or the Association requires the Issuer to do so after a formal appeal process. Sometimes, your customer may be able to successfully charge back a credit card transaction even though you have provided your goods or services and are otherwise legally entitled to payment from your customer. While you may still be able to pursue claims directly against that customer, we will not be responsible for such transactions.

You will be responsible for all Chargebacks and adjustments associated with the transactions that you submit for processing.

From time to time you may have questions regarding the contents of this Agreement with us. The following information summarizes portions of this Agreement in order to assist you in answering some of the questions we are most commonly asked:

- 1. Certain terms of the Agreement** such as pricing are dependent upon the information you have provided and certain assumptions regarding your business and bankcard processing. The price charged may be changed retroactively in the event the information or assumptions are incorrect or there is a change in your business. If you are "billed back" for such an increase in price you may be charged an additional amount with regard to each transaction processed at the incorrect price.
- 2. We may debit your bank account from** time to time for amounts owed to us under the Agreement.
- 3. There are many reasons** why a Chargeback may occur. When they occur we will debit your settlement funds or settlement account. For a more detailed discussion regarding Chargebacks see Section 9.
- 4. If you dispute any charge or funding**, you must notify us within 45 days of the date of the statement where the charge or funding appears.
- 5. The Agreement limits our liability to you.** For a detailed description of the limitation of liability see Section 20.
- 6. We have assumed certain risks** by agreeing to provide you with bankcard processing. Accordingly, we may take certain actions to mitigate our risk, including termination of the Agreement under certain circumstances.
- 7. By executing this Agreement with us** you are authorizing us to obtain financial and credit information regarding your business and the signer of the Agreement throughout the term of the Agreement.
- 8. The Agreement contains a provision** that in the event you terminate the Agreement early, you will be responsible for the payment of an early termination fee as set forth in Section 27 and on the back of this Application under "Additional Fee Information."

We hope that the above information is helpful to you. Of course, in the event any of the above information conflicts with the Agreement, the terms of the Agreement will control.

This booklet describes your merchant processing service program. It contains the operating procedures and other terms under which we will accept credit card transactions. Any alteration of these procedures and other terms must be in writing and signed by our authorized management representative. Please read this booklet completely as it contains important information.

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OPERATING PROCEDURES

This Section of the Program Guide describes the procedures and methods for submitting credit card transactions for payment, obtaining authorizations, responding to Chargebacks and media retrieval requests, and other aspects of the operations of our services.

We are a full-service financial transaction processor dedicated, among other processing services, to facilitating the passage of your sales tickets back to the thousands of institutions who issue the MasterCard and VISA Cards carried by your customers, as well as to the independent Card Issuers of American Express/Optima, Diners Club/Carte Blanche, Discover, and JCB. The Operating Procedures contained in this Section focus primarily on the MasterCard and VISA Associations' operating rules and regulations, and seek to provide you with the principles for a sound Card program. They are designed to help you decrease your Chargeback liability and train your employees. (In the event we provide authorization, processing or settlement of transactions involving Cards other than MasterCard and VISA, you should also consult those independent Card Issuers' proprietary rules and regulations.)

1. MasterCard and Visa Acceptance

1.1. **Card Descriptions.** At the point of sale, the card must be carefully examined to determine whether it is a legitimate and valid card. The name of the Card (e.g., VISA/MasterCard) and Card Issuer (e.g., XYZ Bank, etc.) should appear in bold letters on the Card. The following is a description of the authorized VISA and MasterCard Card designs:

- VISA Cards have the VISA symbol on the right-hand side of the Card. Above the VISA symbol is the **3-dimensional hologram of the VISA Dove design**. The words Classic, Preferred, Gold or Business can also appear in which case a bold letter designator of CV, PV, GV or BV will be present. VISA Cards contain a 13-or 16-digit account number embossed across the middle of the Cards and the first digit is always a four (4). In addition, the Classic and Preferred Cards have the first four digits of the account number printed directly above the embossed number. You must always check these numbers carefully to ensure that they are the same. Only VISA Cards fitting this description may be accepted.
- MasterCard Cards are issued under the following names: MasterCard, EuroCard, Access, Union, Million and Diamond. The MasterCard symbol appears on the right hand side of the Card. MasterCard and the Globe designs appear in a **3-dimensional hologram** above the symbol. In addition, the words, Classic, Preferred, Gold or Business may appear. MasterCard account numbers are always 16 digits and the first digit is always a five (5). Only MasterCard Cards fitting this description may be accepted.

1.2. **Effective/Expiration Dates.** At the point of sale, the Card should be carefully examined for the **effective** (valid from) (if present) and **expiration** (valid to) dates which are located on the face of the Card. The sale date must fall on or between these dates. **Do not accept a Card prior to the effective date or after the expiration date. Otherwise, you are subject to a Chargeback and could be debited for the transaction.**

1.3. **Valid Signature.** Check the back of the Card. Make sure that the signature panel has not been disfigured or tampered within any fashion (an altered signature panel may appear discolored, glued or painted, or show erasure marks on the surface). The signature on the back of the Card must compare favorably with the signature on the sales slip. The sales slip must be signed in the same format as the signature panel on the Card; e.g., Harry E. Jones should not be signed H.E. Jones.

- **VISA:** If the Card is not signed, call our Voice Authorization Center and request to speak to a Code 10 operator. Explain that you have an unsigned VISA Card and need Card Issuer approval.
- **MasterCard:** If the Card is not signed and the Cardmember refuses to sign the Card, do not accept it for a transaction. If the Cardmember is willing to sign the Card in your presence, request two pieces of valid and current identification (e.g., driver's license, another bankcard, etc.).

1.4. **Users Other Than Cardmembers.** A Cardmember may not authorize another individual to use his/her Card for purchases. Be sure the signature on the Card matches with the one on the sales slip. Furthermore, any Card having two signatures on the back panel is invalid and if a sale is made with this Card, it can result in a Chargeback. For Cards bearing a photograph of the Cardmember, ensure that the Cardmember appears to be the person depicted on the picture which appears on the Card. If you have any questions, call the Voice Authorization Center and request to speak to a Code 10 operator.

1.5. **Special Terms.** If you limit refund/exchange terms or other specific conditions for credit Card sales, the words "No Exchange, No Refund," etc. must be clearly printed (in 1/4" letters) on the imprinted sales slip (or electronic equivalent; i.e., the receipt printed when a Card is swiped through a terminal) near or above the Cardmember's signature. The Cardmember's copy, as well as your copy, must clearly show this information. **Never give cash check or in-store credit refunds for Card sales. NOTE: A qualifier does not completely eliminate your liability for a Chargeback because consumer protection laws and Association Rules frequently allow the Cardmember to return disputed items.**

1.6. **Delayed Delivery or Deposit Balance.** In a delayed delivery transaction whereby a Cardmember makes a deposit toward the full amount of the sale, you should execute two separate sale slips (each completed fully as described in Section 3.1.), the first for a deposit and the second for payment of the balance upon delivery of the merchandise or the performance of the services.

- For VISA transactions, you must obtain separate authorizations for each of the two sales slips. You must assign the separate authorization number to each sales slip, respectively. You must note on such sales slips the words "delayed delivery," "deposit" or "balance," as appropriate, and the authorization dates and approval codes.

