



AGENCY: City Council

MEETING DATE: October 23, 2023

DEPARTMENT: Finance

PRESENTED BY: Isaac Whippy

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AGENDA ITEM SUMMARY

TITLE:

CONDUCT PUBLIC HEARING AND RECEIVE FINANCE & ADMINISTRATION COMMITTEE RECOMMENDATION ON ESTABLISHING A CONVENIENCE FEE TO BE COLLECTED FOR THE USE OF CREDIT CARD FEES FOR NON-UTILITY PAYMENTS

SUMMARY:

The City is expanding the opportunity for its customers to pay for permits and services online using credit cards. While convenient and efficient, these transactions require the City to pay fees to the credit card company, the payment processing vendor, and the bank. To mitigate the significant and growing revenue loss, Staff and the Finance & Administration Committee recommends a 2.5% convenience fee be charged on all non-utility permit and business license tax credit card payments.

BACKGROUND:

Online payment opportunities are expanding to provide more convenient and efficient payment options for the City's customers, resulting in more customer credit card payments. Before April 2022, the City of Fort Bragg accepted credit cards for only utility payments. Credit card fees for municipal water payments are charged very low, so the enterprise fund can absorb these costs. In April 2022, the Finance Department installed a credit card terminal at the finance counter to accept credit card payments for all charges and city services, such as building permits, water deposits, printing, and business licensing.

Furthermore, the Finance Department will launch an online payment portal for city services in November/December 2023. The number of credit card transactions is expected to increase as more payment activity transitions online. Although online credit card payments offer multiple benefits to the City and its customers, the City must pay fees for each transaction to the credit card companies, the City's payment processing vendor, and the bank. These fees cannot be incorporated into the City's cost-recovery charges for services or permits since they only apply to credit card transactions.

To mitigate the growing fiscal impact of credit card fees on business tax and permit fee revenue, Staff evaluated establishing a convenience fee for persons who pay the City by credit card. Convenience fees are often applied to credit card payments as a percentage of the base charge to offset the costs.

Government Code 6159 permits the City to "impose a fee for the use of a credit or debit card or electronic funds transfer, not to exceed the costs incurred by the agency or agent in providing for payment by credit or debit card or electronic funds transfer." Alternatively, the City can implement a service/convenience fee, where cardholders can pay the merchant fees directly. While the precise amount of the service/convenience fee varies, it is generally based on the number of transactions and the average transaction amount.

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Currently, the City's credit card processor's breakdown of charges is as follows:

Transaction Breakdown (e.g., a \$67 transaction)	Billing Source	Cost
Per Transaction	Springbrook	\$1.00
Gateway Transaction Fee	Bluefin	0.30
Processor Fee 45 Basis Points	Bluefin	0.31
Variable Rate.0.9-1.9% (Based on 1.9%)	Bluefin	1.27
Total		\$2.88

While most charges are nominal, fees for Building Permits and Transient Occupancy Tax (TOT) can incur over \$400 per transaction. Average monthly transaction costs range from 2.28% to 3.03%. This is also expected to increase if we accept TOT payments online. Average monthly fees range between \$400 to \$800. The estimate for this year is \$6,500 without TOT costs. Transactions are expected to increase substantially once the municipal payment system is implemented. Next year, transaction fees are estimated to exceed \$50,000 if the City accepts all payments by credit card.

Staff is not proposing applying a Transaction Processing Fee to utility transactions. These utility payment fees are at a very low cost already; for this purpose, the Transaction Processing Fee would apply to Planning, Engineering, Building, and Code Enforcement permits, Business licenses, Transient occupancy taxes, and other City items paid for by credit card, debit card, or eCheck (ACH.)

FISCAL IMPACT:

At a minimum, approval of a Transaction Processing Fee for using credit cards and debit cards will result in an annual revenue increase of approximately \$30,000 to offset associated costs. As more payments are made online through the Municipal Payment system, Transaction Processing Fee revenue will increase, offset by a similar increase in processing costs.

RECOMMENDED ACTION:

Conduct the Public Hearings, Receive Finance and administration Committee Recommendation, and consider the Adoption of a City Council Resolution Establishing a Convenience Fee to be collected for the use of Credit Cards and update the City's Fee Schedule as follows.

1. A 2.5% convenience processing fee is applied to non-utility payments with a \$10,000 limit.
2. Extend the \$5 staff time convenience fee for phone payment processing to non-utility payments. While this would create minimal revenue for the City, it would encourage customers to use the online payment system to generate staff efficiencies.

ALTERNATIVE ACTION(S):

Conduct the review and direct Staff to provide additional analysis to present at a future meeting.

ATTACHMENTS:

1. Resolution Adopting new fee schedule
2. Convenience fees range by dollar amount.
3. Historical Credit Card Costs
4. Projected Credit Card Costs

5. Public Hearing Notice

GREENHOUSE GAS EMISSIONS IMPACT:

The review of this report has little impact on greenhouse gas emissions.

CONSISTENCY:

These fee updates are consistent with established City Council policy requiring full cost recovery for services provided. All legal requirements discussed above have been adhered to.

IMPLEMENTATION/TIMEFRAMES:

If approved, the new fee will become effective January 1, 2024, 60 days after adopting the resolutions pursuant to the California Government Code Section 66017(a). The Consolidated Fee Schedule will be updated, distributed to City staff, and posted on the City's website.