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**To:** General Purposes Committee  
**From:** Jerry Chong  
Director, Finance  
**Date:** March 31, 2020  
**File:** 03-0900-01/2020-Vol 01  
**Re:** **Referral Response: Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166**

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### Origin

At the March 23, 2020 Special General Purposes Committee meeting, the following staff referral motion was passed:

*That the staff report titled, "Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166" dated March 16, 2020 from the Director, Finance be referred back to staff for more information on the financial impact of the reduction in credit card user fees and to discuss approaches in the reduction or elimination of credit card transaction fees with banking partners, and report back.*

### Findings of Fact

Since the start of the COVID-19 pandemic, staff have been working closely and communicating daily with the City's bank contacts and payment processing provider to stay informed of any financial and operational impacts to the City as the banking and payment processing industries respond to the evolving COVID-19 situation.

Based on discussions with our contacts in the payment card industry, there are no official announcements made by the credit card brands (such as Visa, MasterCard and Amex) in Canada to provide any financial relief to merchants.

### Analysis

The City processes over \$680 million of payments annually in the collection of property taxes, utility and various other municipal payments. In 2019, 52% of the payments were paid by cheque payments (in person or by mail), 44% was paid by electronic means (online bill payments and wire payments), 1.5% was paid by credit cards, 1.5% was paid by cash and 1% was paid by debit cards.

With City Hall closed to the public during this pandemic period along with the ceasing of acceptance of cash at City Hall until the end of September 2020, the City needs to remain flexible in offering the public with payment options that comply with the public health official's guideline of social distancing and the stay-at-home recommendation to help reduce the spread of COVID-19 in the community.

### Public Health Considerations

The payment options that meet the recommended health and public safety guidelines during this time is for property owners to either (i) pay online or over the phone using bill payment service offered by financial institutions or (ii) pay by credit card (with service fee) through the City's website.

Although mailing in cheque payments will still continue to be accepted, there still remains concerns and doubts that property owners could still be exposed (e.g. visit the post office, contact with public mail box, or possible contact with others when dropping off cheque payments at City Hall). Some recent cases also suggest that virus could live on surfaces for a long period of time, thus it remains unknown whether the public and staff could be exposed when handling mailed in cheque payments.

### Changing Customer's Behaviours for the Future

For many, individuals and businesses alike, this unprecedented crisis will change the way they conduct business, and consumer behaviors and preferences may also be changed as a result of this.

The City continues to encourage property owners to pay the City using the online bill payment option (typically a free service or subject to minimal bank fee) offered by their financial institutions. In addition to the online bill payment option, the City also enabled the availability of the online credit card payment option (with service fee) over two years ago through MyRichmond and MyProperty in encouraging the public in using the City's e-service offerings.

To further encourage and promote the usage of the credit card payment option that is currently used by less than 2% of the taxpayers, it is believed that with the proposed reduction in the service fee structure from 1.75% to 1.00%, property owners will have an incentive to consider this option for their current payment needs. The temporary service fee reduction could help create and shape the public's future behavior in accepting and continuing to pay their property taxes and utility bills by credit cards (with service fee). Staff believe that once the public experiences the convenience, time savings and benefits associated with paying by credit card (with service fee), they may change their future payment preference to credit card instead of making in-person payments at City Hall, even when the service fee resumes back to the regular level of 1.75%.

### **Financial Impact**

The estimated financial impact of \$563,000 presented in the staff report titled, "Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166" dated March 16, 2020 from the Director, Finance assumed the credit card participation rate to increase from the existing level of \$10,000,000 to \$75,000,000. If actual participation is less, the financial impact will be proportionally reduced.

The proposed temporary decrease in the credit card service fee from 1.75% to 1.00% would have a financial impact to the City where every \$1,000,000 in gross collection by credit card would cost the City approximately \$7,500 as a result of the credit card service fee reduction. The credit

card processing fee associated with the amounts collected on behalf of other taxing agencies will continue to be borne by the credit cardholders.

Although the proposed temporary reduction of 0.75% in credit card service represents a real out of pocket costs for the City (for example, an average household property taxes of \$3,500 will cost the City approximately \$25 due to the reduced service fee rate), it will provide an alternative online payment option for taxpayers during this pandemic period and it will also encourage additional usage of online payment methods in the long run, while protecting the health of taxpayers.

### **Recommendation**

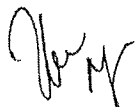
Online payment is an effective means to conduct business with the City from the public and the City's perspective as it reduces wait times and also reduces staff's processing time as compared to walk-in payments. This temporary proposed reduction in the credit card service fee from 1.75% to 1.00% will allow the City in supporting the community in reducing and slowing down the spread of COVID-19 while creating efficiency, and keeping the public, our employees and our workplace safe and healthy.

If the staff recommendation to temporarily reduce the credit card service fee for property taxes and utility payments is reconsidered by Council, staff would propose the following change to section 2.1 of the proposed Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166 included in the staff report titled, "Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166" dated March 16, 2020 from the Director, Finance, to remove the date reference in the bylaw and replaced it with the temporary reduction in the service fee to expire on September 30, 2020:

- 2.1 The service charge imposed under section 1 is reduced to 1.00% for property taxes and utility bill payments made by credit card during the period from the effective date of the bylaw to September 30, 2020, inclusive.

### **Conclusion**

With the additional information provided in this staff referral response, that the staff report titled, "Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166" dated March 16, 2020 from the Director, Finance be reconsidered by Council.



Venus Ngan, CPA, CA  
Manager, Treasury and Financial Services  
604-276-4217



# City of Richmond

## Report to Committee

**To:** General Purposes Committee

**Date:** March 16, 2020

**From:** Jerry Chong  
Director, Finance

**File:** 03-0900-01/2020-Vol  
01

**Re:** Credit Card Payment Service Fee Bylaw No. 9536,  
Amendment Bylaw No. 10166

### Staff Recommendation

1. That Option 1 (reduction of credit card payment service fee for property taxes and utility payments from 1.75% to 1.00%) as proposed under the staff report titled "Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166" dated March 16, 2020 from the Director, Finance be approved;
2. That the Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166 be introduced and given first, second and third readings; and
3. That the Consolidated Five-Year Financial Plan (2020-2024) be amended to include additional expenditures of \$563,000 for additional credit card fees which will be funded by the Rate Stabilization Account.

Jerry Chong  
Director, Finance  
(604-276-4064)

REPORT CONCURRENCE		
<b>ROUTED TO:</b>	<b>CONCURRENCE</b>	<b>CONCURRENCE OF GENERAL MANAGER</b>
Law	<input checked="" type="checkbox"/>	
<b>SENIOR STAFF REPORT REVIEW</b>	<b>INITIALS:</b>	<b>APPROVED BY CAO</b>
N/A		

## Staff Report

### Origin

As the COVID-19 situation escalates, staff continue to assess the risk and vulnerabilities in order to best protect the public and our employees. To ensure that the public can continue to transact and conduct business with the City safely, the City, in following the guidelines published by public health officials, has been promoting social distancing measures by encouraging the public to conduct business with the City over the phone, by email or online instead of in-person.

The purpose of this report is to propose a bylaw amendment to temporarily reduce the credit card service fee charge for property taxes and utility payments made by credit cards, which is currently imposed at 1.75% under the City’s Credit Card Payment Service Fee Bylaw No. 9536. This proposed reduction in credit card payment service fee charge for property taxes and utility payments provides financial relief for property owners that are paying their property taxes and utility payments through the City’s website.

This report supports Council’s Strategic Plan 2018-2022 Strategy #1 A Safe and Resilient City:

*Enhance and protect the safety and well-being of Richmond.*

*1.4 Foster a safe, caring and resilient environment.*

### Analysis

Currently, the public can pay municipal payments in person, by mail, by phone, through their banks, or by credit card on the City’s e-commerce platform.

Type	Description
In person (all services)	Cash (less than \$10,000), cheque, debit card, or credit card*
By Mail (all services)	Cheque by mail, or at 24-hour cheque drop box at City Hall
By Phone (tax/utility)	Pay by phone service offered by financial institutions
Pay Online (tax/utility)	Online bill payment service offered by financial institutions
E-Commerce (tax/utility)	Pay by credit card* over the City’s website via MyRichmond or MyProperty.
Others (tax/utility)	Pre-authorized withdrawal through automatic bank deduction

\* Under the existing Credit Card Payment Service Fee Bylaw No. 9536, a 1.75% service fee is assessed and charged when a credit card is used as a payment method for applicable municipal services<sup>1</sup>. The service fee is intended to allow the City to offer the credit card payment option to the public under the user-pay principle at a net cost-neutral basis.

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<sup>1</sup> Under section 2 of the Bylaw, the credit card payment service fee does not apply to recreational programs, library services, business licence, dog licence, bylaw tickets, fines, pay parking and items sold at the Richmond Recycling Depot.

As the health and safety of our community and staff is the City’s utmost priority, the public is encouraged to transact with the City using online payment tools. In order to encourage property owners to use online payment methods, staff propose a reduction in the City’s credit card payment service fee for the next 6 months. The situation will be monitored closely by staff to determine whether the credit card payment service fee bylaw amendment should be shortened or extended should the COVID-19 risk assessment for public safety change over time.

Options and Sensitivity Analysis

The table below provides a sensitivity analysis of the cost impact of the two proposed credit card service fee options at various levels of credit card payment participation rate. The analysis is performed based on the following data and assumptions for the next six months:

1. \$70 million in projected utility billings (flat rate utility and quarterly utility bills)
2. \$470 million in projected property taxes billings (50% municipal, 50% taxing agencies)
3. 1.75% is the credit card processing fee charged to the City by the credit card companies
4. Less than 2% (less than \$10 million in gross collection) of property owners paid by credit card with a 1.75% service fee charge (based on 2018 and 2019 actual statistics)

Scenario	Estimated % of Total Revenue Paid by Credit Card  (see Note)	Estimated Net Cost Impact For Each Proposed Credit Card Payment Service Fee Option	
		Option 1 1.00% (recommended)	Option 2 0.00%
Scenario 1 (current level)	2%	\$ 75K	\$175K
Scenario 2 (current level x 2)	4%	\$150K	\$350K
Scenario 3 (current level x 5)	10%	\$375K	\$875K
Scenario 4 (current level x 7.5)	15%	\$563K	\$1.3M
Scenario 5 (current level x 10)	20%	\$750K	\$1.8M

Note:

The actual uptake of the credit card participation for each proposed option is unknown as participation rate will depend the payers’ personal choice and preference. Staff estimate that:

- Status quo (1.75% service fee): The participation rate could be between 2% and 4%
- Option 1 (1.00% service fee): The participation rate could be between 2% and 15%
- Option 2 (0.00% service fee): The participation rate could be between 2% and 20%

It is anticipated that even with a modified credit card payment service fee structure, property owners may still continue to transact with the City using existing methods such as by mail, by drop box, by pre-authorized withdrawal and by using online banking services offered by their financial institutions, which are all available to them at minimal costs.

Analysis of Proposed Options

Option	Pro(s)	Con(s)
<p>Option 1 @ 1.00% (recommended)</p>	<ul style="list-style-type: none"> <li>• Provide incentives for property owners to consider paying online using credit card at a lower cost compared to the original bylaw fee of 1.75% in the interim.</li> <li>• Support the current initiative to incentivize property owners to transact with the City online instead of in-person.</li> <li>• By keeping the proposed 1.00% service fee, this will allow the City to at least cover the credit card payment processing fee for the non-municipal portion of the gross property tax collection.</li> </ul>	<ul style="list-style-type: none"> <li>• The non-recoverable option of the credit card payment processing fee will need to be absorbed by the City.</li> <li>• Probably costs could range from \$75K to \$563K, depending on credit card usage.</li> </ul>
<p>Option 2 @ 0.00%</p>	<ul style="list-style-type: none"> <li>• Waiving the credit card payment service fee will likely provide high level of financial incentive for property owners to pay by credit card online over other available payment methods.</li> </ul>	<ul style="list-style-type: none"> <li>• Property owners may switch from online banking to online credit card payment, thus creating unintended outcome of significantly increasing processing costs for the City, which is estimated that the costs could range from \$175K to \$1.8M depending on credit card usage.</li> <li>• The City will need to fully absorb all costs, including the portion collected on behalf of other taxing agencies.</li> </ul>

Recommendation

In order to protect both staff and the public, staff recommend a more cost effective option for the public to transact with the City online. Along with increased communication to encourage the use of online bill payment offered by all financial institutions, it is recommended that the credit card payment service fee for property taxes and utility payments be reduced from the current level of 1.75% to 1.00% for a period of six months. The proposed reduction only applies to property taxes and utility payments paid by credit card, all other in-person municipal services that are subject to a credit card payment service fee will remain unchanged at the rate of 1.75%.

With approximately half of the City's gross property tax collection being collected on behalf of various taxing agencies, it is recommended that a 1.00% service fee be maintained to ensure that the credit card processing fee associated with the portion collected for other taxing agencies are not borne by or subsidized by the City and passed onto the general taxpayers.

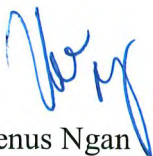
Staff will continue to regularly monitor the health and safety situation and operating environment of City Hall, and will report back to Council to make any necessary adjustments to the credit card payment service fee bylaw, should the need arise during this 6-month period.

**Financial Impact**

The estimated financial impact of adjusting the credit card service fees for property taxes and utility credit payments is \$563,000. This will be funded from the Rate Stabilization Account and the Consolidated Five-Year Financial Plan (2020-2024) will be amended accordingly.

**Conclusion**

That the Credit Card Payment Service Fee Bylaw Amendment be considered and approved by Council where the credit card payment service fee for property taxes and utility payments be reduced from 1.75% to 1.00% over the next 6 months in order to encourage the public to transact with the City electronically instead of in person.



Venus Ngan  
Manager, Treasury and Financial Services  
(604-276-4217)

Att. 1: Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166





**Credit Card Payment Service Fee Bylaw No. 9536,  
Amendment Bylaw No. 10166**

The Council of the City of Richmond enacts as follows:

1. The **Credit Card Payment Service Fee Bylaw No. 9536** is hereby amended as follows:
  - a) In section 1, by adding the words "or in section 2.1" immediately after the words "Except as set out in section 2"; and
  - b) By inserting the following as section 2.1:
    - 2.1 The service charge imposed under section 1 is reduced to 1.00% for property taxes and utility bill payments made by credit cards during the period from March 23, 2020 to September 23, 2020, inclusive.
2. This Bylaw is cited as "**Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 10166**".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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CITY OF RICHMOND
APPROVED for content by originating dept.
<i>W</i>
APPROVED for legality by Solicitor
<i>BRB</i>

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MAYOR

\_\_\_\_\_  
CORPORATE OFFICER