



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 | | |
|-----------------------------------|-------------------------------------|---------------------------------------|
| ROUTED TO: | CONCURRENCE | CONCURRENCE OF GENERAL MANAGER |
| Law | <input checked="" type="checkbox"/> | |
| SENIOR STAFF REPORT REVIEW | INITIALS: | APPROVED BY CAO |
| 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 services¹. 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.

¹ 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"> • 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. • Support the current initiative to incentivize property owners to transact with the City online instead of in-person. • 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. | <ul style="list-style-type: none"> • The non-recoverable option of the credit card payment processing fee will need to be absorbed by the City. • Probably costs could range from \$75K to \$563K, depending on credit card usage. |
| <p>Option 2 @ 0.00%</p> | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • 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. • The City will need to fully absorb all costs, including the portion collected on behalf of other taxing agencies. |

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.

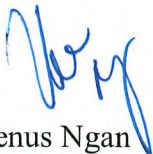
Staff will continue to regularly monitor the health and safety situation and operating environment of City Hall, and will report back to Council to make any necessary adjustments to the credit card payment service fee bylaw, should the need arise during this 6-month period.

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

Four horizontal lines for signatures

CITY OF RICHMOND
APPROVED for content by originating dept.
APPROVED for legality by Solicitor
BRB

MAYOR

CORPORATE OFFICER