



City of Richmond

Report to Committee

To: Finance Committee

Date: February 5, 2018

From: Jerry Chong
Director, Finance

File: 03-0900-01/2017-Vol
01

Re: Online Credit Card Tax and Utility Payments (1-Year Statistics)

Staff Recommendation

That the report titled Online Credit Card Tax and Utility Payments (1-Year Statistics) dated February 5, 2018 from the Director, Finance be received for information.

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

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| REPORT CONCURRENCE | |
| CONCURRENCE OF GENERAL MANAGER | |
| REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE | INITIALS: |
| APPROVED BY CAO | |

Staff Report

Origin

The City began accepting online tax and utility credit card payments (with a 1.75% service fee) on the City’s website in September 2016. The purpose of this staff report is to provide Council with an assessment of the success of the program based on the full year statistics of the program during its first full cycle operation in 2017.

This report supports Council’s 2014-2018 Term Goal #7 Strong Financial Stewardship:

7.4. Strategic financial opportunities are optimized.

Analysis

The City was the first municipality in the Lower Mainland to accept and administer online credit card property tax and utility payments with service fees through its municipal website.

Subsequent to Council endorsing this user-pay model and the Credit Card Payment Service Fee Bylaw No. 9536, City staff have been approached by a few other municipalities, expressing interest in adopting a similar credit card acceptance program. As a result of this initiative, the City also won the 2017 Apteian Innovation Award, which is an annual award where the organizer recognizes one municipality in the Lower Mainland that has demonstrated ingenuity and innovative achievements in increasing operational efficiencies and delivering customer excellence.

Program Objectives

The main objectives of the credit card acceptance program are:

- To enhance customer service by offering online credit card payment option; and
- To enable the City to accept credit card tax and utility payments on a cost-neutral basis.

Program Usage and Statistics

During the first year of full operation in 2017, the City processed approximately 3,500 online tax and utility credit card payments for a total payment value of approximately \$5.2 million.

In order to determine the estimated participation rate of the program, credit card payments that were processed during the peak property tax collection period during June and July have been extracted for analysis. The results are illustrated in Table 1 along with prior year comparison:

| Year | Property Tax Bills Paid by Credit Card (June and July) | City’s Total Property Tax Bills Issued | % of Tax Dollars Paid by Credit Card | Net Cost/(Income) of Accepting Credit cards |
|------|--|--|--------------------------------------|---|
| 2017 | \$3,900,065 | \$415,060,227 | 0.94% | (\$834) |
| 2016 | \$6,605,814 | \$391,497,022 | 1.69% | \$96,761 |

Table 1: Comparison of credit card property tax payments collected for 2017 (with 1.75% service fee) and 2016 (under the previous epost program, which was terminated at the end of 2016 as epost was no longer supported by the City’s property tax and utility software application).

As shown in the analysis above, the online tax and utility credit card acceptance program operated at a cost-neutral basis during 2017 where none of the credit card processing fees were passed onto the general taxpayers.

With 2017 being the first year of operation of the program, it is expected that it will take time for taxpayers to opt into this new program. Staff will continue to promote this payment method through the City's promotional and communication materials. It is anticipated that the participation will increase over time as taxpayers realize the benefits and convenience offered by the program.

Next Steps

1. Ongoing Review and Assessment of the Program

The City's Credit Card Payment Service Fee Bylaw No. 9536 imposes a service fee of 1.75% on online property tax and online utility credit card payments. Any changes in the fee structures as regulated by the credit card companies will have a direct impact on whether the City can continue to operate the program on a cost-neutral basis. Staff will perform ongoing assessment in comparing the City's credit card processing costs with the service fee revenue and will update the Bylaw as necessary to ensure that the program objective will continue to be met.

Based on the latest statistics, the service fee of 1.75% sufficiently allows the City to operate the program on a cost-neutral basis, where the service fee revenue fully covers the cost of accepting credit cards for online tax and utility payments. Therefore, there is no bylaw amendment required at this time.

2. Review the Possibility of Expanding the Credit Card Acceptance Program

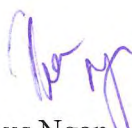
The current credit card acceptance program (with service fee) is only available to property tax and utility bill payments that are paid online. Staff will conduct a review of the legal and technical requirements to determine if the credit card acceptance model (with service fee) can be expanded to other forms and types of municipal payments. Once it is determined that the technical and compliance requirements can be met, staff will report the findings and recommendations to Council at a future date.

Financial Impact

None.

Conclusion

The City's online tax and utility payment credit card acceptance program has been successful in meeting the objective of achieving equity under this user-pay model.


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