



City of Richmond

Report to Committee

To: Finance Committee

Date: February 11, 2019

From: Jerry Chong
Director, Finance

File: 03-0900-01/2019-Vol
01

Re: Credit Card Payment Service Fee Bylaw No.9536 Amendment Bylaw No.9963

Staff Recommendation

1. That the staff report titled "Credit Card Payment Service Fee Bylaw No. 9536 Amendment Bylaw No. 9963" dated February 11, 2019 from the Director, Finance, be endorsed;
2. That Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 9963 be introduced and given first, second and third readings.

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

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Law	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

Council adopted the Credit Card Payment Service Fee Bylaw No.9536 in August 2016 whereby a service charge of 1.75% is being assessed when a credit card is used to pay for property taxes and utility payments online. The objective of the credit card acceptance program is to enhance customer service by offering taxpayers a convenient option in paying their tax and utility payments without additional cost impact to the City.

Online credit card property taxes and utility payments went up by approximately 35% from \$5.2 million in 2017 to almost \$7.0 million in 2018. The increased volume provides a positive indicator that this user-pay model is gradually gaining acceptance by the public.

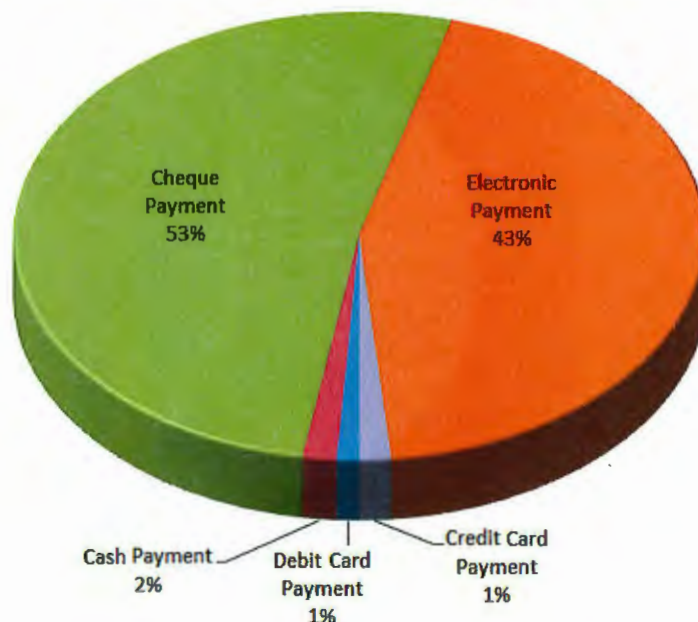
The City currently does not accept credit card payments in-person. As a result of the success of the online user-pay credit card acceptance model, staff is recommending that the user-pay model be expanded to allow credit cards to be accepted in-person (with a service fee) at City Hall for payments of a broader range of municipal fees and services.

Analysis

Collection by Payment Type

During 2018, the City collected and processed approximately \$695 million in payments (data excludes recreational services). As shown in the chart below, 53% of the payments are accepted by cheque, 43% are paid by electronic payments (such as electronic bill payments, direct deposit payments, wire payments etc.), 2% are paid by cash, with the remaining 2% of the payments paid by debit cards or credit cards.

Breakdown of 2018 Collection by Payment Method

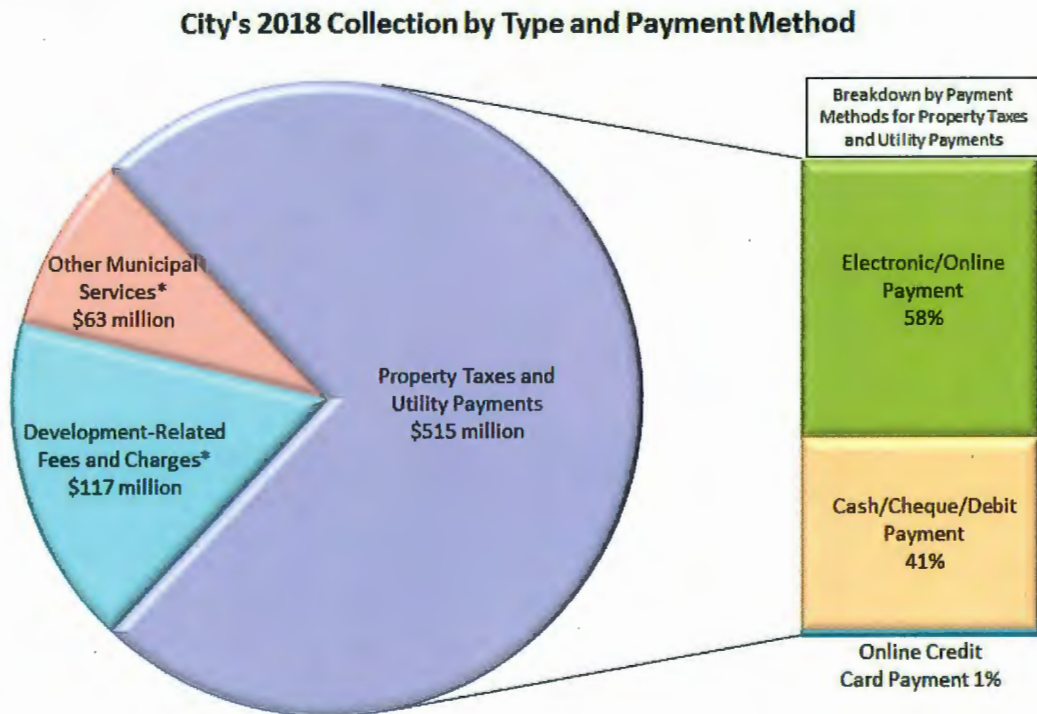


2018 Collection by Type

The City's total 2018 collection of \$695 million is made up of 3 main sources:

1. \$515 million in property taxes, payment in lieu of taxes (PILT) and utility payments.
2. \$117 million in development-related fees and charges such as development cost charges, permit fees, development-related fees and contributions, security deposits etc.
3. \$63 million in other municipal fees and charges such as invoice payments, fines, license payments, and other miscellaneous municipal payments.

The graph below depicts a high level breakdown of the City's 2018 collection by type and payment method:



* Primary payment methods for these services are cash, cheque and debit cards.

Of the City's total \$515 million collection in property taxes, PILT and utility payments, 58% was received via electronic methods, 41% was paid by cheques, cash and debit cards (majority was by cheque), and 1% was paid through online credit card payments.

The remaining collection of \$180 million represents non-property tax and non-utility related financial deposits where the primary payment methods of these municipal services and fees have historically been only by cash, cheques and debit card payments.

Benefit of Credit Card Acceptance

Based on the above statistics where over 50% of City's collections are currently paid by cash and cheques, staff believe that there is great opportunity for the City to expand the available payment options in order to realize the extra benefits associated with electronic, online and credit card payment methods, which include:

- Improve overall customer experience of quicker and more efficient services;
- Improve cash flow due to quicker electronic settlement of funds;
- Time savings resulting from reduced cash counting and processing time;
- Immediate authentication and authorization of fund availability;
- Eliminate possibility of accepting non-sufficient fund cheques or counterfeit bills;
- Reduce risk of theft or loss associated with cash handling; and
- Improve customer satisfaction by giving a choice to the customers to make their payments by credit cards that will allow them to earn credit rewards and to take advantage of extended payment due date.

Electronic payments (including online banking, electronic fund transfers, pre-authorized debit, as well as credit card payments) are widely accepted by consumers and businesses as convenient and secured ways in conducting business.

Cost of Credit Card Acceptance

Traditionally, municipal governments are reluctant to accept credit cards as a payment method because of the high transaction costs associated with accepting credit cards. The costs (known as merchant fees) to process credit card transactions could range anywhere from 1.5% to 3.0% depending on the types of credit cards used by the customers.

Credit card companies are aware that the high transaction costs are deterring non-profit entities from accepting credit cards, therefore they have introduced more flexible rules in allowing certain types of permitted merchants (including non-profits like governments, universities and charities etc.) in imposing service fees on eligible credit card transactions. The City was the leader in taking the opportunity to enable a credit card service fee bylaw and was the first municipality in B.C. in creating its own online payment platform in accepting credit cards online for tax and utility payments (with a service fee) since September 2016.

In 2018, the City accepted approximately \$7 million in online credit card property taxes and utility payments, with a full recovery of the associated merchant fees that totaled over \$115,000. In the absence of a service fee recovery tool, any such costs associated with credit card acceptance would be borne by all taxpayers whether or not they used credit cards in making their municipal payments. Under the existing user-pay model, the City was able to fully recover from the users all the merchant fees incurred with the collection of the 1.75% credit card service fees as prescribed under the Credit Card Payment Service Fee Bylaw No.9536.

Expansion of in-person credit card acceptance with a service fee

Consistent with the City's core value of continuous improvement and customer service excellence, staff are proposing that an additional in-person credit card payment option (with a service fee) be added. This will make the City of Richmond a leader in providing our customers with the additional option to pay with their credit cards for a full scale of municipal services.

Based on the City's credit card merchant fee rates, it is proposed that the Credit Card Payment Service Fee Bylaw No.9536 be amended to enable the City in assessing and charging a non-refundable service fee of 1.75% for in-person credit card transactions.

The Bylaw includes a schedule of items that are specifically excluded from the credit card service fee bylaw. The exclusion includes fees for recreational programs and library services, bylaw violation fines, pay parking, certain types of license payments, and miscellaneous offsite revenues. Due to the nature of these fees and charges, the City has historically been accepting credit cards without any service fees in order to promote usage, increase collection rates and improve overall process efficiencies. Staff believe that it still remains advantageous to accept credit card payments for these fees and charges without the extra service fee in order to continue to promote their usage and enhance collection rates.

Under the proposed expanded credit card service fee acceptance model, the City will be able to accept credit cards payments for a broader range of municipal services without any tax impact. Customers that choose to use credit cards to pay for property taxes, utility bills, development-related fees and charges or any other municipal fees will bear all transaction costs associated with their purchases. Staff will monitor and review the credit card service fee rate on a regular basis and will amend the credit card service fee bylaw as required to ensure that the City will continue to operate the credit card acceptance program on a cost-neutral basis.

The City's cashier system will be subject to being configured by the software provider in order to enable the in-person credit card acceptance function. The configuration is required in order to ensure that the City will continue to meet the credit card companies' requirements for accepting credit cards with a service fee. The City is required to disclose the fee clearly to the cardholder as a service fee and to provide the ability for the cardholder to cancel the transaction without any penalties before the transaction is completed. Additional staff training will also be involved to ensure compliance with credit card security standards. It is anticipated the City would be able to begin accepting credit card at City Hall under the proposed model when the functionality becomes available by May 2019.

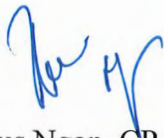
The in-person credit card payments (with a service fee) option is anticipated to be made available for the Q1-2019 quarterly utility bill due date in May 2019 and the option will continue to be available for the upcoming 2019 property tax due date in July 2019.

Financial Impact

None.

Conclusion

Staff recommend that the Credit Card Payment Service Fee Bylaw No.9536 be amended to enable the City to assess and charge a non-refundable service fee of 1.75% for both online and in-person credit card transactions. Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 9963 is attached for Council's consideration.



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

Att. 1: Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 9963



Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 9963

The Council of the City of Richmond enacts as follows:

- 1. Credit Card Payment Service Fee Bylaw No. 9536 is amended by deleting Section 1 and replacing it with the following:
- 1. Except as set out in section 2, when a credit card or a mobile device is used to pay for fees and charges payable to the City of Richmond in both card-present and card-not-present environments, a service charge of 1.75% of the final transaction amount, net of all discounts and rebates, shall be assessed and charged to the payor in addition to the final transaction amount.
- 2. The service charge imposed under section 1 does not apply to the following exempt fees or charges:
a) Recreation program registrations and services processed via the City's parks and recreation system
b) Library services
c) Business licence applications and renewals
d) Dog licence applications and renewals
e) Bylaw violation tickets and fines
f) Pay parking
g) Criminal record check services at RCMP detachment
h) Garbage tags and garbage disposal vouchers
i) Miscellaneous items sold at the Richmond Recycling Depot
- 3. The service charges assessed and charged under this Bylaw are non-refundable.
2. This Bylaw is cited as "Credit Card Payment Service Fee Bylaw No. 9536, Amendment Bylaw No. 9963".

FIRST READING

SECOND READING

THIRD READING

ADOPTED

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CITY OF RICHMOND
APPROVED for content by originating Division
APPROVED for legality by Solicitor

MAYOR

CORPORATE OFFICER