



STAFF REPORT

DATE: May 6, 2025

TO: Ted Henry, City Manager

FROM: Barry Smith, Finance Director

RE: Payment Card Processing Fees

BACKGROUND:

On February 4th, 2025, the City Council and staff discussed updates regarding payment processing fees for online, phone, and in-person payment card transactions. Staff presented three options provided by the sales team at Tyler Technologies: the Absorbed method, Convenience Fee method, and Service Fee option. Each option had its own set of pros and cons. The Absorbed method incurs costs for the city per transaction, while the Convenience Fee method requires customers to cover the costs but raised legal concerns voiced by the city's attorney. The Service Fee option, though the most expensive for customers, addresses legal concerns by allowing a third party to collect the fee, displayed as a separate transaction on the customer's side.

During the meeting, the City Council instructed our City Attorney to meet with Tyler Technologies' attorneys to clarify any concerns. Following this meeting, staff was surprised to learn that the Convenience Fee method was no longer available according to Tyler Technologies' attorneys. As a result, we are now left with two viable options: the Absorbed method or the Service Fee option.

DISCUSSION:

Attached to this report is a breakdown of costs. I will present these options and lead the discussion at the upcoming City Council meeting.

Utilities - Absorbed (Current)	Paid by	In-Person	Online/IVR
CC processing fee (\$0.50 Minimum)	City	2.00%	2.00%
TP Fee		\$0.00	\$0.00
Interchange Fees	~0.5%		
<i>*Transactions from \$0.01 to \$25.00 will incur the minimum fee charge</i>			
	Amount	Total Fee	Total Fee
Example Transaction:	\$100.00	\$2.50	\$2.50
Example Transaction:	\$150.00	\$3.75	\$3.75
Example Transaction:	\$300.00	\$7.50	\$7.50

Utilities - Service Fee		In-Person	Online
CC processing fee (\$2.50 Minimum)		3.70%	3.70%
TP Fee		\$0.00	\$0.00
<i>*Transactions from \$0.01 to \$63.30 will incur the minimum fee charge</i>			
	Amount	Total Fee	Total Fee
Example Transaction:	\$100.00	\$3.70	\$3.70
Example Transaction:	\$150.00	\$5.55	\$5.55
Example Transaction:	\$300.00	\$11.10	\$11.10

Misc/Licenses/Permits - Absorbed (Current)	Paid by	In-Person	Online/IVR
CC processing fee	City	\$0.65 + 0.65%	\$0.65 + 0.65%
TP Fee		\$0.00	\$1.25
Interchange Fees	~0.5%		
	Amount	Total Fee	Total Fee
Example Transaction:	\$25.00	\$0.35	\$1.60
Example Transaction:	\$70.00	\$0.87	\$2.12
Example Transaction:	\$150.00	\$1.79	\$3.04

Misc/Licenses/Permits - Service Fee		In-Person	Online/IVR
CC processing fee (\$2.50 Minimum)		3.75%	3.75%
TP Fee		\$0.00	\$1.25
<i>*Transactions from \$0.01 to \$63.30 will incur the minimum fee charge</i>			
	Amount	Total Fee	Total Fee
Example Transaction:	\$25.00	\$2.50	\$3.75
Example Transaction:	\$70.00	\$2.63	\$3.88
Example Transaction:	\$150.00	\$5.63	\$6.88

REC - Absorbed Estimate		In-Person	Online/IVR
CC processing fee (\$0.50 Minimum)		2.00%	2.00%
TP Fee		\$0.00	\$1.25
Interchange Fees	~0.5%		
<i>*Transactions from \$0.01 to \$25.00 will incur the minimum fee charge</i>			
	Amount	Total Fee	Total Fee
Example Transaction:	\$25.00	\$0.63	\$1.88
Example Transaction:	\$70.00	\$1.75	\$3.00
Example Transaction:	\$150.00	\$3.75	\$5.00

REC - Service Fee (Current)		In-Person	Online/IVR
CC processing fee (\$2.50 Minimum)		3.75%	3.75%
TP Fee		\$0.00	\$1.25
<i>*Transactions from \$0.01 to \$63.30 will incur the minimum fee charge</i>			
	Amount	Total Fee	Total Fee
Example Transaction:	\$25.00	\$2.50	\$3.75
Example Transaction:	\$70.00	\$2.63	\$3.88
Example Transaction:	\$150.00	\$5.63	\$6.88

COURT - Service Fee (Current)		In-Person	Online/IVR
CC processing fee (\$2.50 Minimum)*		3.95%	3.95%
TP Fee - \$0.01 to \$99.99		\$0.00	\$1.00
TP Fee - \$100.00 and Above		\$0.00	\$2.50
<i>*Transactions from \$0.01 to \$63.30 will incur the minimum fee charge</i>			
	Amount	Total Fee	Total Fee
Example Transaction:	\$25.00	\$2.50	\$3.50
Example Transaction:	\$70.00	\$2.77	\$3.77
Example Transaction:	\$150.00	\$5.93	\$8.43