



Credit Card Processing Fees

PRESENTED TO THE COUNCIL FINANCE COMMITTEE

MAY 20, 2024

Overview

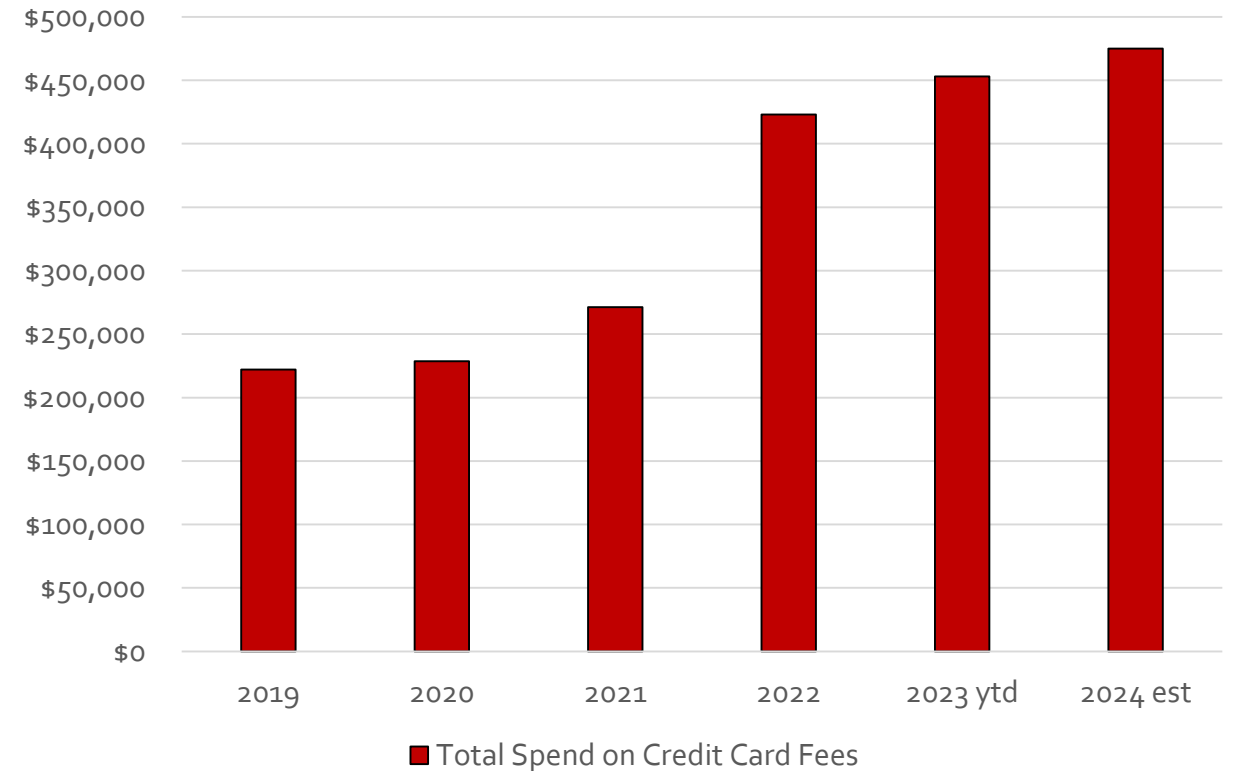
- Overview of Credit Processing Fees
- Credit Card Processing Fees Breakdown by Department
- Comparison with other Cities
- Credit Card Payment Options and Payment Statistics
- Next Steps

Credit Card Processing Fees - Overview

Initial Evaluation

- There are 14 city departments and divisions across the organization that utilize credit card transactions for payment purposes.
- Historically, based on council direction, the city has absorbed these fees and not passed them on to citizens and customers.
- Due to the city's significant growth and the fragmented nature of vendors and fees, the escalating cost of credit card fees is becoming increasingly problematic.
- The project's goal is to centralize and streamline these fees across all departments and explore potential solutions to reduce or eliminate these costs while maintaining exceptional service for citizens and customers.

Total Spend by Fiscal Year



Credit Card Processing Fees - Breakdown

| Department | Vendor | FY23 Fee Spend | Fund |
|--------------------------|-----------|----------------|------------------|
| Utility Billing | Paymentus | \$240,217 | Water/Wastewater |
| BRiCk/Russell Farm | Amilia | \$67,317 | Park Performance |
| Golf Course | Stripe | \$71,498 | Golf |
| Police Records / 911 | AMS | \$838 | General Fund |
| Senior Center | Cash | n/a | n/a |
| Library | AMS | \$1,322 | General Fund |
| Animal Services | AMS | \$908 | General Fund |
| Dev Services/Inspections | Paymentus | \$45,582 | General Fund |
| Code Compliance | AMS | \$1,652 | General Fund |
| Municipal Court | Elavon | \$23,543 | General Fund |

Brief History

- Historically council policy has opted for the city to pay for credit card fees
- October 19, 2020 council discussed passing fees and continued policy but asked staff to review.
- October 19, 2020 – \$575,000 over 3 years (paymentus)
- January 23, 2023 – \$230,041 over 5 years (SmartRec)
- February 2024 – Discussed at City Council Retreat

Key Takeaways

- Total Fee Spend **\$452,878**
- Total is already up (est. 36%) in FY24
- Tyler Cashiering (with many benefits) could push cost above \$800,000 beyond FY25
- Golf Course accounts for fees in their rates
- ACH minimal cost

Credit Card Processing Fees - Breakdown

| City | CC Convenience Fee | Cost per Transaction |
|----------------------|--------------------|----------------------|
| Burleson | No | - |
| Cedar Hill | No | - |
| Cleburne | Yes | \$1.50 |
| Coppell | No | - |
| Fort Worth | No | - |
| Hurst | No | - |
| Keller | No | - |
| Mansfield | No | - |
| North Richland Hills | No | - |
| The Colony | Yes | \$1.25 |

Key Takeaways (internal)

- If other cities are not charging a convenience fee, are they covering with price? Or truly supplementing?
- Each fee would need to be assessed based on service and cost to cover with price increase.

Note: These cities not charging a credit card convenience (cc) fee are absorbing credit card processing fees. The cities charging a cc fee are using this to recovery their costs.

Credit/Online Payment Options

- Automatic Payments (Auto Pay) - fees charged.
- Automatic Bank Draft – **no fees charged**
 - Currently this is only available to Utility Customers
- Online Payments – fees charged
- Over the Phone (IVR) – fees charged
- ACH/Online Bill Pay (through bank) – **no fees charged**
 - Currently this is only available to Utility Customers

Note: Automatic Payments, Online Payments, Over the Phone (IVR) are paid by either credit card or electronic check. Small annual costs for ACH Administration.

Payment Statistics

- Approximately 15,000 utility accounts
- Utility customers pay by the following methods
 - 19% - Auto Pay (credit card/electronic check)
 - 16.4 – Automatic Bank Draft
 - 36% - Online Payment (credit card/electronic check)
 - 8.3% - Over the Phone (IVR) (credit card/electronic check)
 - 7.3% - ACH/Online bill pay
 - 9.1% - By Mail (check or money order)
 - 3.1% - Night drop box (check or money order)
 - >1% - Cash

Next Steps

Committee Discussion and Options

- Continue to supplement credit card fees as a service to citizens (no change).
- Add overarching credit card convenience charge to fee schedule and process on all transactions across the organization (cost recovery fee).
 - Full evaluation of charges across each credit card touch point and assess fee to cover cost.
- Charge a lower credit card convenience charge to “share” the cost with the customer (flat fee).
 - Example, Utility Payments averages 110,000 transactions annually.
 - A \$1.10 transaction fee would recover \$120,108 (half of FY 2023 spend).
- Pass the credit card fees directly to the customer (pass-through)
 - Full evaluation of merchant services and credit card touch point to assess pass-through rates.

Note: Based on feedback, staff would evaluate and implement changes necessary to ordinances, fees and/or contracts.

Under Option 4 some rates would increase. Tyler Cashiering would increase from 2.5% plus \$.50 per transaction to 3.75%. AMS would increase from 2.00% average to flat 2.95%.