



CITY COUNCIL AGENDA REPORT

DATE: October 7, 2025

AGENDA OF: October 14, 2025

DEPARTMENT: Administration

SUBJECT: Discussion and possible action regarding the fees for credit card services at the City's payment kiosk.

RECOMMENDED MOTION: I move to direct City Staff to prepare a formal recommendation and ordinance to implement a kiosk user fee designated to recover all or a portion of the City's processing costs.

BACKGROUND: In Fiscal Year 2022, the City of Castroville implemented a 24-hour self-service payment kiosk to provide residents with convenient, around-the-clock access for making utility payments. Since implementation, the City has absorbed all credit card processing and service fees for kiosk transactions.

As kiosk use has increased, the total cost to the City has grown substantially. The current service charge averages \$3.00 per \$100 in credit card transactions (approximately 3.4–3.5 percent).

For comparison:

- Customers who pay online are charged 2.5% of the payment amount, plus a \$1.25 processing fee that goes directly to Tyler Technologies (Incode).
- Customers who pay in person at City Hall using a credit or debit card are also charged a 2.5% transaction fee at the time of payment.

Below is a fiscal-year breakdown of kiosk credit card transaction volumes and associated City-paid service charges:

Fiscal Year	Total Credit Card Payments Collected	Kiosk Service Charge Fees	Average Rate (%)
FY 2022 (Inception – Sep 2022)	\$ 1,274	\$ 42	3.30 %
FY 2023 (Oct 2022 – Sep 2023)	\$ 368,989	\$ 12,972	3.52 %
FY 2024 (Oct 2023 – Sep 2024)	\$ 658,657	\$ 23,031	3.50 %
FY 2025 (YTD Oct 2024 – Aug 2025)	\$ 741,145	\$ 25,704	3.47 %
Total to Date	\$ 1,770,666	\$ 61,749	3.46 %

Since inception, the City has paid roughly **\$61,700 in kiosk processing fees** on behalf of customers.

DISCUSSION: Councilmember Lee has requested that the City Council discuss and consider options to recover some or all of these kiosk operating costs. Mayor Alexander agrees that the kiosk should include a fee structure to at least offset the City's ongoing expenses.

Staff seeks Council input and direction on the following potential recovery options:

1. Full Cost Recovery: Passing on the total processing fee (approximately 3.5%) to kiosk users.
2. Partial Cost Recovery: Implement a flat or reduced percentage-based fee that recovers a portion of the City's cost.
3. Hybrid Approach: Maintaining the City-paid costs for debit transactions but pass on credit card fees only.

Council input will help guide staff in drafting a formal recommendation or ordinance amendment for future consideration.

FISCAL IMPACT/SOURCE OF FUNDING: The City has absorbed approximately **\$61,749** in kiosk fees since FY 2022. Any future cost-recovery model could reduce annual General Fund expenses by **\$20,000–\$26,000**, depending on kiosk usage and the adopted fee structure.

☐ Budgeted ☐ Requires Budget Amendment

ATTACHMENTS:

Urgency (0-5 = Low Urgency to High Urgency): 3

Impact (0-5 = Low Impact to High Impact): 3

Submitted by: Leroy Vidales