

EXECUTIVE BRIEF ELECTRIC UTILITY MEETING

AGENDA DATE: June 29, 2021

TITLE:

Payment of Credit and Debit Card Fees associated with customer payment of utility bills

SUMMARY:

Amendment #2 to contract with Paymentus Corporation to change responsibility for payment of credit card and debit card fees from an Absorbed Fee Model (under which fees are paid by the City) to a Convenience Fee Model (under which fees are paid by the customer).

BACKGROUND AND JUSTIFICATION:

The City's Utility Customer Service department utilizes Paymentus Corporation ("Paymentus") for processing of electronic bill payments for City utility services under a Master Services Agreement previously negotiated and dated September 4th, 2018. Services provided by the City and paid for in this manner by Customers include utility services such as electric, water, sewer, and incidental refuse charges.

The City is considering amending the current agreement with Paymentus to change from an Absorbed Fee Model to a Convenience Fee Model (the "Amendment"). Under the current Absorbed Fee model, the City absorbs the transaction fees incurred when City's utility customer pay their utility bills using a credit or debit card. Under the proposed Amendment, a nominal convenience fee of \$3.75 per \$500.00 transaction will be charged by Paymentus directly to the customer when paying by credit or debit card. By comparison, customer's paying with cash pay a convenience fee of \$1.99 per transaction. Under the proposed model the City will not collect the convenience fee, rather the fee will be collected directly by Paymentus from the customer at the time of the transaction and the full amount of the customer's payment towards their utility bill will be deposited into the City's bank account nightly.

The expense to the City under the current policy of absorbing credit card fees is increasing steadily as rewards cards grow in popularity. Currently the City is absorbing the credit and debit card fees for all utility bill payments at an estimated cost to the City of approximately \$456,000 for FY2021. These fees are subsequently allocated to the City's utility departments as an operating expense, thereby placing upward pressure on rates for all City utilities customers. After surveying other municipalities in the state of Florida, it was found that approximately 75% of the municipalities surveyed utilize a Convenience Fee model when customers choose to pay their utility bill with a credit or debit card, as do investor owned electric and natural gas utilities, Palm Beach County, and other Lake Worth Beach City departments for their respective services.

Under the proposed Convenience Fee model all credit and debit cards would be accepted. Under our current Absorbed fee model the City has restricted the use of credit cards to disallow certain card(s) which charge exorbitant transaction fees.

If the Amendment is approved City, Staff and Paymentus will coordinate efforts to implement the conversion to a Convenience Fee model. It is anticipated that the conversion will be effective for the new fiscal year beginning October 1, 2021.

MOTION:

Move to approve/disapprove payment of Credit and Debit Card Fees associated with customer payment of utility bills.

ATTACHMENT(S):

Fiscal Impact Analysis - N/A
Amendment No.2