



CITY OF SAN MATEO

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Agenda Report

Agenda Number: 4

Section Name: {{section.name}}

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TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Finance Department
MEETING DATE: October 7, 2019
SUBJECT: Credit Card Service/Convenience Fee – Update

RECOMMENDATION:

Receive an update on the implementation of the City's credit card processing procedures.

BACKGROUND:

As a part of the City's two-year business cycle, staff reviews the City's business practices and looks for opportunities to reduce the City's operating budget. In its review, Finance department staff identified credit card transaction fees as one such area. The City accepts credit cards for a broad range of services, including building permits, recreation class registration, encroachment permits, and business tax. In fiscal year 2018-19, the City of San Mateo collected \$12.5 million in payments for various fees via credit card and paid approximately \$388,000, or 3%, in transaction and interchange fees to its merchant service providers (MSPs), the businesses that process credit card transactions.

Government Code 6159 permits the City to "impose a fee for the use of a credit or debit card or electronic funds transfer, not to exceed the costs incurred by the agency or agent in providing for payment by credit or debit card or electronic funds transfer." Alternatively, the City can implement a service/convenience fee, where card holders can pay the MSP's fee directly. While the precise amount of the service/convenience fee varies by MSP, it is generally based on the number of transactions and the average transaction amount.

Merchant Service Providers

The City currently has four MSPs. Staff is currently evaluating the City's options to reduce that number for administrative efficiency, and to hopefully achieve a uniform service/convenience across the City's various payment locations and departments.

The service/convenience fee is supported by two of the four of the City's current MSPs. The MSP for ParkMobile, which provides online monthly parking permits for downtown parking garages and surface lots, has stated that it is unable to assess a service/convenience fee at the time of payment. Staff will continue to pursue and advocate for alternative MSPs for this service in the future that will support a service/convenience fee.

The MSP for MacKay Meters (MacKay), which provides service for parking pay stations, also indicated that it is not able to support a service/convenience fee. However, as of the time of this administrative report, there is a related report on the consent calendar for the City Council meeting on October 7, 2019, which recommends that the City Council approve an agreement with IPS Group, Inc. (IPS) to implement parking technology improvements throughout the Downtown core, including new parking pay stations and single-space parking meters, thus supplanting MacKay. IPS has indicated that the City can elect to add a convenience fee to recover its transaction fees.

Finance staff has been collaborating with staff from the Community Development Department and Parks & Recreation Department in consideration of their options for MSPs that are compatible with their respective systems. The MSPs that are currently being reviewed and considered have indicated support of a service/convenience fee.

The example below lays out the primary steps for payment of a business tax via credit card:

1. An applicant's business tax and associated fees totals \$100 (principle payment amount);
2. The City, through a virtual terminal, will present a payment page, which displays the principle payment amount and payment options;
3. The applicant selects to pay via credit card and enters their payment information;
4. The service/convenience fee is calculated by the merchant service provider;
5. The City's credit card processing station presents the principle payment amount of \$100, service/convenience fee of \$3, and terms and conditions for the applicant to approve;
6. The transaction is settled, and the principle payment amount is funded to the City;
7. The service/convenience fee is funded directly to the merchant service provider;
8. The applicant's credit card statement will reflect two transactions - \$100 to the City of San Mateo, and \$3 to the merchant service provider.

By the end of the calendar year, staff estimates that implementation, training, and integration into the City's various systems, including Rectrac (Parks & Recreation), Tyler Energov (Community Development), and Tyler Cashiering (Finance, Police, Library), will be completed.

Staff anticipates that some customers may opt to pay with cash or check as a result of the credit card service/convenience fee. As such, staff expects a nominal increase in the cost of armored car service, which is calculated based on the number of checks and a tiered fee structure for cash deposits.

BUDGET IMPACT:

The cost of magnetic card readers to be used in coordination with virtual terminals is expected to be minimal, and will be more than offset by the service/convenience fee savings. The adopted 2019-20 budget included appropriations for credit card fees, thus no additional budget appropriations are necessary.

ENVIRONMENTAL DETERMINATION:

This informational item is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

None

STAFF CONTACT

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