

City of Fayetteville Staff Review Form

2020-0389

Legistar File ID

5/19/2020

City Council Meeting Date - Agenda Item Only
N/A for Non-Agenda Item

Keith Macedo

5/4/2020

INFORMATION TECHNOLOGY (170)

Submitted By

Submitted Date

Division / Department

Action Recommendation:

Staff recommends approving a credit card fee structure for citywide online and over the counter credit card and debit card sales due to a 2019 legislative change pursuant to Ark Code Ann. § 14-59-119.

Budget Impact:

Various	Various
Account Number	Fund
Project Number	Project Title
Budgeted Item? <u>NA</u>	Current Budget
	Funds Obligated
	Current Balance
	\$ -
Does item have a cost? <u>No</u>	Item Cost
Budget Adjustment Attached? <u>NA</u>	Budget Adjustment
	Remaining Budget
	\$ -

V20180321

Purchase Order Number: _____

Previous Ordinance or Resolution # _____

Change Order Number: _____

Approval Date: _____

Original Contract Number: _____

Comments:



MEETING OF MAY 19, 2020

TO: Mayor and City Council

THRU: Paul Becker, Chief Financial Officer
Susan Norton, Chief of Staff

FROM: Keith Macedo, Director of Information Technology

DATE: April 23, 2020

SUBJECT: Staff recommends approving a credit card fee structure for citywide online and over the counter credit card and debit card sales due to a 2019 legislative change pursuant to Ark Code Ann. § 14-59-119.

RECOMMENDATION:

Staff recommends approving a credit card fee structure for citywide online and over the counter credit card and debit card sales due to recent change in the state statutes (Ark. Code Ann. § 14-59-119) and to coincide with the implementation of EnerGov's Development Services software.

BACKGROUND:

The City currently accepts credit card payments for Utility bills, Recycling and Trash invoices, Airport hangar rental and supply purchases, Animal shelter fees, building permits, business licenses, miscellaneous billing of City services, Parking, and miscellaneous Police fees.

Prior to the 2019 legislative session, the State Statutes did not address the acceptance of credit and debit cards and associated credit and debit card transaction fees.

In July of 2019 the State of Arkansas passed Ark Code Ann § 14-59-119 which directed municipalities on how the transaction fees associated with the accept and process debit card and credit card payments must be handled. The new statute prescribed:

"A municipality may accept a legal payment and any associated costs through a debit card or credit card in accordance with applicable state and federal law.

***(b)(1)** A municipality may enter into a contract with a credit card or debit card company and pay any fee normally charged by the card or debit card company for allowing the municipality to accept the credit card or debit card as payment as authorized under subsection (a) of this section.*

***(2)** When a payment is made through a credit card or debit card, the municipality shall assess a transaction fee equal to the amount charged to the municipality by the credit card or debit card company.*

***(3)** A municipality shall not assess a transaction fee for payments made through a credit card or debit card if the governing body of the municipality determines that the transaction fee is included in the amount charged for the service or product for which a credit card or debit card payment is made."*

The City accepts credit card and debit cards for the majority of transactions processed in person and online but has configured all current credit card systems to not pass any of the credit card fees. The credit card fees are comprised of a fixed transaction fees and a percentage of each transaction, which average about 2.95 % per transaction. Due to the different types of credit card and debit cards, there are hundreds of different credit card transaction fee rates and percentages, based upon the type of card used by the customer (consumer, business, reward card, etc..). Therefore, an average transaction cost fee is a practical solution if a transaction fee is to be applied.

DISCUSSION:

The City is in the process of implementing a new Development Services software called EnerGov that will allow customers to pay by credit or debit card for Permits, Inspections, HMR, Supplemental Beverage, and Business licenses through a new streamlined portal. Currently the majority of these fees are either taken in person or via a mailed in check. Staff is recommending a 2.95% pass through credit card transaction fee to pay for the transaction costs associated with providing this new service. Since this could be significant fee for large transactions, we still provide the option for customers to pay with a check or cash, which are not subject to transaction fees. We think the benefit of the new streamlined portal, to easily make online payments for permits and fees, will drive customers to utilize the online payment option for smaller transactions and provide them a convenient option.

City staff has reviewed the new state statute law and is recommending we absorb all credit card fees related to Utility payments (including monthly utility charges relating to Recycling and Trash Collections included on the monthly utility bill) and Parking related transactions because they can be incorporated in the established rates charged the customer. The City is recommending passing credit card fees to customers on all other transactions according to state law. This will enable the City to consolidate many transaction types processed allowing the City to begin accepting transaction online for payments as such as HMR and Supplemental Beverage fees via credit card without affecting the final amount of the fee collected which is needed to fund operations.

BUDGET/STAFF IMPACT:

The average transaction fee is estimated to be 2.95% per transaction based on 2019 data, regardless of whether it is purchased online or in in person with a credit card or debit card. However, Staff is recommending a beginning 2.95% fee be assessed on all credit card transactions other than Utility Bills and Parking Fees. If approved the amount of this fee will be reviewed and adjusted to actual experience on an annual basis. The overall impact to the customer would be to provide an additional payment option for many City transactions.

Attachments: Staff review form, staff review memo, state statue 14-59-119