

Considered at April 7, 2020 Special Council Meeting

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City of Port Moody Report/Recommendation to Council

Date: March 31, 2020
Submitted by: Finance and Technology Department – Financial Services Division
Subject: Credit Card Merchant Fee Recovery Bylaw

Purpose

To present the proposed Credit Card Merchant Fee Recovery Bylaw for consideration.

Recommended Resolution(s)

THAT City of Port Moody Credit Card Merchant Fee Recovery Bylaw, 2020, No. 3241 be read a first, second, and third time as recommended in the report dated March 31, 2020 from the Finance and Technology Department – Financial Services Division regarding Credit Card Merchant Fee Recovery Bylaw;

AND THAT, as permitted by section 9 of Ministerial Order No. MO 83/2020, City of Port Moody Credit Card Merchant Fee Recovery Bylaw, 2020, No. 3241 be now adopted.

Background

Taxpayers have consistently indicated they would like to pay their property taxes by credit card for convenience, extending due dates and to take advantage of loyalty points. As part of our efforts to continuously improve customer service delivery and review our internal processes, staff have been exploring opportunities for accepting credit card payments for taxes to further enhance City's online Ecommerce platform.

Historically, payment card processors and major card brands, through payment processing agreements, did not allow a transaction fee to be applied to the user for payment transactions. Vendors using credit cards as forms of payment were required to charge the same price for goods and service (i.e. could not charge a lower price for customers using cash or debit). This placed the financial burden of covering payment processing charges (merchant fees), which can range from 1.5% to over 3.5% of all transactions, on the merchants (i.e. the City). As a result, credit cards have never been an accepted payment for property taxes due to the associated merchant fees increasing taxes, which would result in non-credit card users subsidizing credit card users.

In response to the new changes, the City's software system provider has implemented a credit card recovery module that can be purchased to allow municipalities to accept credit card payments, with the payee incurring the associated credit card fees. The fee is passed on

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directly to the payee should they elect to use their credit card. This means that other taxpayers are not subsidizing credit card users.

Discussion

The City of Port Moody currently offers a variety of payment methods, including credit cards, which are accepted for utility payments, business licences, dog licences, tickets, and building permits under \$5,000. The acceptance of credit cards can have significant cost implications, which are borne fully by the merchant, and subsequently included in the fee for various services. As a result, the City has not accepted credit cards as a payment option for property taxes. The cost to provide this service, including unrecoverable fees for levies collected on behalf of other government agencies, would be passed on to all taxpayers through budget increases for banking fees. This would ultimately result in an increase to property taxes, which would not be fully justifiable. As this impact would be felt by all taxpayers, with only a portion taking advantage of credit cards as a payment option, it is also inequitable.

A few years ago, Visa introduced a new product and service rule allowing service fees to be charged directly to credit card users for Taxes, Utilities, Rents, and Fines, which other major credit card companies have also adopted. According to section 194(1)(a) of the *Community Charter*, a council may, by bylaw, impose a fee payable in respect of all or part of a service of the municipality, which the credit card user fee would fall under. With the introduction of this new Visa rule and the subsequent creation of a new Bylaw, the City would be able to provide a higher standard of service by providing more payment options for the taxpayer via credit cards, without placing any additional burden or increasing costs on other taxpayers.

Taxpayers may choose this option for the following benefits:

- accumulating loyalty points with a credit card rewards program;
- extending the individual taxpayer's tax due to the date of the credit card statement; and
- fees for using the service may be less than the penalties that would otherwise be incurred if the property taxes were not able to be paid by the tax due date.

To facilitate the imposition of credit card transaction fees, the City's software provider has developed an integrated credit card payment system that would allow the acceptance of credit card payments with the cost of the service being incurred by the end user. Depending on the card type used, some fees can be substantially higher due to the opportunity for cardholders to earn a variety of loyalty card rewards. An analysis of the average transaction fee was completed, and a rate of 1.95% was determined. However, this will be analyzed again in 2021 to determine if the average has shifted based on cardholders that are taking advantage of this program.

By introducing a City Credit Card Merchant Fee Recovery Bylaw, the City is better able to expand card services within Council guidelines by introducing fees for credit card usage by bill type to allow a broader range of City services to be payable by credit card should the resident or patron choose this payment medium. This Bylaw will significantly reduce the impact of merchant services fees on property taxes by recovering these costs directly from the end user. If proven successful in the property tax module, this option may be expanded to other billing modules.

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Draft City of Port Moody Credit Card Merchant Fee Recovery Bylaw, 2020, No. 3241 is included as **Attachment 1** for Council's consideration.

Other Option(s)

Council may choose to receive this report for information, and not pursue this payment option.

Financial Implications

There is a one-time cost of \$15,250 to implement the module and an ongoing annual maintenance fee \$1,755. The one-time funding source for implementation should be determined by the Finance Committee. The annual cost will be added to the Operating budget for 2020 if approved.

Communications and Civic Engagement Initiatives

Information regarding payment options is communicated in the tax newsletter, posted on the City website, and printed as part of the payment option section on the tax notice.

Council Strategic Plan Objectives

This initiative meets Council's strategic plan objective of Exceptional Service, within the objective to ensure that our customers are highly satisfied with the quality of our service, and the action to review customer processes on a regular basis to improve accuracy and efficiency, and encourage feedback.

Attachment(s)

1. Draft City of Port Moody Credit Card Merchant Fee Recovery Bylaw, 2020, No. 3241.

Report Author

Tyson Ganske
Manager of Financial Planning

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Report Approval Details

Document Title:	Credit Card Merchant Fee Recovery Bylaw.docx
Attachments:	- Attachment 1 - Draft City of Port Moody Credit Card Merchant Fee Recovery Bylaw, 2020, No. 3241.pdf
Final Approval Date:	Apr 2, 2020

This report and all of its attachments were approved and signed as outlined below:

Dorothy Shermer, Corporate Officer - Apr 1, 2020 - 10:56 AM

Rosemary Lodge, Manager of Communications and Engagement - Apr 2, 2020 - 9:55 AM

Tyson Ganske, Manager of Financial Planning - Apr 2, 2020 - 9:57 AM

Paul Rockwood, General Manager of Finance and Technology - Apr 2, 2020 - 10:39 AM

Tim Savoie, City Manager - Apr 2, 2020 - 11:14 AM

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City of Port Moody

Bylaw No. 3241

A Bylaw to establish a fee for recovery of credit card merchant fees.

The Council of the City of Port Moody enacts as follows:

1. Citation

- 1.1 This Bylaw may be cited as "City of Port Moody Credit Card Merchant Fee Recovery Bylaw, 2020, No. 3241".

2. Application

- 2.1 Where indicated in Schedule A, attached to and forming part of this Bylaw, the fees and charges payable to the City may be made by credit card (Visa and MasterCard). Where a credit card is used, a non-refundable fee of 1.95% of the total fee or charge shall be paid to the City in addition to the applicable fee or charge.

3. Attachments and Schedules

- 3.1 The following schedules are attached to and form part of this Bylaw:
 - Schedule A – Fees and Charges Payable by Credit Card.

4. Severability

- 4.1 If a portion of this Bylaw is found invalid by a court, it will be severed and the remainder of the Bylaw will remain in effect.

Read a first time this ___ day of ____, 2020.

Read a second time this ___ day of ____, 2020.

Read a third time this ___ day of ____, 2020.

Adopted this ___ day of ____, 2020.

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R. Vagramov
Mayor

D. Shermer
Corporate Officer

I hereby certify that the above is a true copy of Bylaw No. 3241 of the City of Port Moody.

D. Shermer
Corporate Officer

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Schedule A – Fees and Charges Payable by Credit Card

<u>Department</u>	<u>Item</u>
Finance and Technology	Property Taxes