



## STAFF REPORT

DATE: July 3, 2018

**REGULAR**

ITEM# 14

**TO:** Mayor and City Council  
**FROM:** Sue Iverson, Finance Director  
**AGENDA ITEM:** Online/Credit Card Payments  
**REVIEWED BY:** Kristina Handt – City Administrator

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### **BACKGROUND:**

Part of the new accounting system updates and efficiencies was to accept online and credit card payments. A component of this is to establish a policy for processing fees.

### **QUESTION BEFORE THE CITY COUNCIL:**

- 1) Should the online check and credit card processing fees be charged to the customer or absorbed in the utility operating budgets?

### **DISCUSSION:**

The payment modules give the City the ability to take check, credit card or to set up ACH for those that want to set up auto pay for their utility bills via a Customer Portal. The Customer Portal gives Customers the ability to view bills online, obtain their billing history, and make one time or recurring payments. The City would also be able to email bills to those that wish to opt out of paper bills. To finish these modules, a policy on how to handle processing fees needs to be adopted.

The Finance Committee discussed three options:

1. Fees paid by your Customers
2. Fees paid by the City of Lake Elmo
3. The City of Lake Elmo pay the check fees and Customers pay the credit card fees

During a lengthy discussion by the Finance Committee, each of the three members supported a different option. The committee as a whole did not make a recommendation leaving it to a City Council decision.

### **FISCAL IMPACT:**

There will be a processing fees on each transaction (on average transaction fees on a \$100 charge would amount to between \$2.50 and \$3.00). The fees can either be classified as an operating cost to the utility funds or a separate convenience fee for using credit cards and online payments can be established.

**RECOMMENDATION:**

1) Motion to adopt “Fees paid by the Customers” for online and credit card payments.

Or

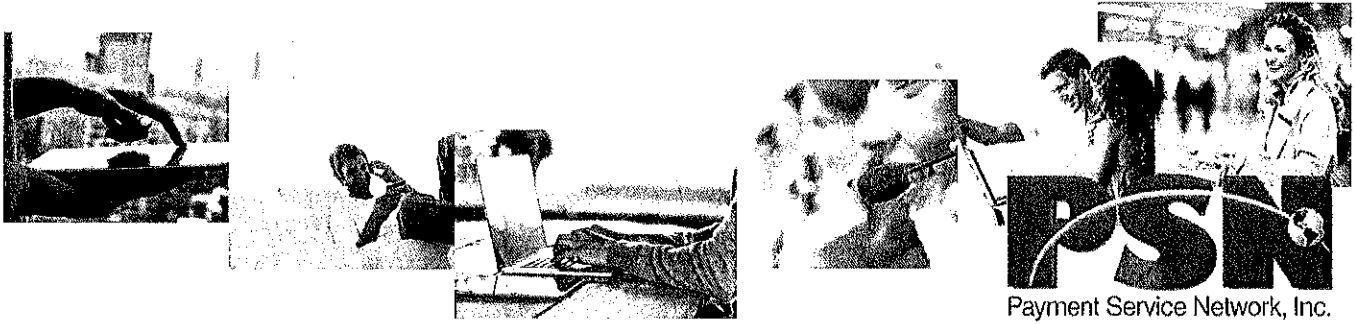
2) Motion to adopt “Fees paid by the City of Lake Elmo” for online and credit card Payments.

Or

3) Motion to adopt “The City of Lake Elmo will pay the check fees and Customers pay the credit card fees.

**ATTACHMENT:**

Transaction Fee Options



Payment Service Network, Inc.

Simplifying your customer's life and your business day

## Pricing Proposal for City of Lake Elmo, MN

Transaction fee options

Payment Service Network, Inc.  
2901 International Lane  
Madison Wisconsin 53704

[www.PaymentServiceNetwork.com](http://www.PaymentServiceNetwork.com)

VOICE 866.917.7368

FAX 608.442.5116

David Batterman

DIRECT 608-442-5056

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**Transaction Fees** - To cover costs of processing payments through the network of financial institutions, the following fees will apply to each transaction. The fees are based on the type of payment (check, credit card, cash) and/or how the payment is made.

**OPTION 1: Fees paid by your Customers**

Payment Channel	Check/Savings	Credit/Debit Card
Online • Mobile • Virtual • Text • Swipe/Scan • Automated Phone (IVR) • PSN Call Center • Field	\$1.00	2.75% (+50¢ if under \$100)*

\*Credit cards include your choice of VISA, MasterCard, Discover, American Express

**OPTION 2: Fees paid by you**

Payment Channel	Check/Savings	Credit/Debit Card
Online • Mobile • Virtual • Swipe/Scan • Field	50¢	50¢ + credit card fees
Automated Phone (IVR) • Text	75¢	75¢ + credit card fees
PSN Call Center	\$1.50	\$1.50 + credit card fees

Credit card fees for VISA, MasterCard, Discover:

Interchange Rate + Network Card Assessment Fee + Discount Rate + Authorization Fee

- *Interchange Rate: You will pay the special utility interchange rates charged by the credit card company. PSN does not mark up the interchange rate to assure you get charged the lowest possible fee for the card being used by your resident. Utility interchange fees are a flat rate between 45¢ - \$1.50 with the average cost being 65¢. Most debit cards are regulated and will have an interchange rate of 0.05% + 22¢.*
- *Network Card Assessment Fee: You will pay the amount charged by the credit card networks; PSN does not mark up this fee. The fee is a percentage based on the total monthly payment amount and is charged monthly. Example: \$1,000 in total monthly payments x 0.15% network fee = \$1.50.*
- *Discount rate (a term used by merchant providers) is an added cost. It is a percent of the transaction. You will pay a discount fee of 0.4%. Example: \$100 payment x 0.4% discount fee = 40¢.*
- *Authorization fee is \$0.10 per payment*
- *When you absorb transaction fees and offer electronic bank bill pay, an online \$125 payment will average about \$1.08*

Credit card fees for American Express (if you choose to accept): 2.60% plus \$0.50 if under \$100

**OPTION 3: You Pay Check Fees & Customers Pay Credit Card Fees**

Fees Paid by Your Customers

Payment Channel	Check/Savings	Credit/Debit Card
Online • Mobile • Virtual • Text • Swipe/Scan • Automated Phone (IVR) • PSN Call Center • Field	None	2.75% (+50¢ if under \$100)*

\*Credit cards include your choice of VISA, MasterCard, Discover and AMEX

Fees Paid by You

Payment Channel	Check/Savings	Credit/Debit Card
Online • Mobile • Virtual • Swipe	50¢	None
Automated Phone (IVR) • Text	75¢	None
PSN Call Center	\$1.50	None

NOTE: A \$15 fee is charged to you for any disputed credit/debit card.

Your customers will be charged a \$35 NSF fee.