



TO: GENERAL COMMITTEE


SUBJECT: ACCEPTABLE PAYMENT METHODS

WARD: ALL

PREPARED BY AND KEY CONTACT: K. SHORT, MANAGER OF REVENUE, EXT 4428 

SUBMITTED BY: D. MCKINNON, DIRECTOR OF FINANCE 

GENERAL MANAGER APPROVAL: E. ARCHER, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES 

CHIEF ADMINISTRATIVE OFFICER APPROVAL: C. LADD, CHIEF ADMINISTRATIVE OFFICER 

RECOMMENDED MOTION

1. That delegated authority be granted to the Municipal Treasurer or his/her designate to establish or alter from time to time acceptable payment methods for goods and services including the use of credit cards and annual and single-source transaction payments limits, as may be deemed appropriate or necessary in response to business needs.
2. That the Mayor and Clerk be authorized to execute any documents required to accept American Express Credit Cards subject to the content of the agreement being satisfactory to the Director of Legal Services.

PURPOSE & BACKGROUND

3. The purpose of this report is to delegate authority to the Municipal Treasurer or his/her designate to establish or change the goods and services payable by credit card and annual or single purchase limits for credit card transactions in order to respond to changing business needs. This report also recommends that American Express cards be added to the list of credit cards accepted by the City.
4. When an organization accepts credit cards as a method of payment it is responsible for paying a credit card fee. Currently, this is calculated as a percentage of the value of the purchase. The City currently accepts Mastercard and Visa which have a credit card fee of between 2.25% and 2.5%. The City's agreement with the credit card companies prevents the City charging this fee back to our customers. The total forecasted credit card fees for 2013 are \$338K.
5. The requirement to pay a credit card fee influences the City's decision with respect to what goods and services can be paid by credit cards as every payment made by credit card erodes the City's revenue. For illustration purposes, if all property owners paid their taxes using a credit card, the credit card fees incurred by the City would be approximately \$4.6M.

ANALYSIS

Use of Credit Cards

6. The City currently accepts credit cards for small value and online transactions. However, there have been instances where property owners have made requests to use a credit card for the payment of development charges and building permit fees. These transactions can be very high in value but without a clear policy in place, the City has no basis to refuse that method of payment. Payment of tax, water and wastewater charges will continue to be excluded from being paid for by credit cards due to the potential credit card fee impact to the City.
7. A survey of OMBI municipalities was conducted which indicated that there was some variation in credit card acceptance. The City of Ottawa recently implemented a hosted service provider for payments and now allows credit card payments for all services up to a limit of \$5,000. No other municipalities accept credit cards for development charges and only two municipalities accept credits cards for building permits.
8. In addition to expressly prohibiting credit card payments for development charges, staff would establish the following limits:
 - a. recreation facilities/permits \$10,000: to allow for credit card payments for field and ice use but to preclude the large annual payments that can be in excess of \$100,000
 - b. building permits \$500: to allow credit card payments for small projects such as decks and pools but preclude the larger value building permits.
9. It is recommended that delegated authority be given to the Municipal Treasurer or his/her delegate to establish or alter goods and services payable by credit card and annual or single-purchase limits for credit card purchases in order to provide sufficient flexibility to response to business needs as they arise. The most likely events that would trigger a change would be either fee increases or the opportunity to provide more services online.

Acceptance of American Express Credit Cards

10. American Express recently approached the City to request that the American Express Card be added to the list of credit cards accepted by the City. In the past, American Express charged higher credit card fees than Mastercard or Visa as a result, they were not generally accepted by municipalities.
11. American Express recently reduced their credit card fee to be slightly lower than Visa and Mastercard in order to gain access to the government sector. Based on information provided by American Express, the Federal Government, six Provinces and more than twenty-five municipalities are currently accepting American Express cards.
12. The profile of American Express cardholders is that they typically carry a second credit card for use when American Express cards are not accepted, therefore it is not anticipated that the acceptance of a third credit card will generate any additional credit card payment activity however it will improve customer service by providing an additional method of payment.

ENVIRONMENTAL MATTERS

13. There are no environmental matters related to the recommendation.

ALTERNATIVES

14. There is one alternative available for consideration by General Committee:

Alternative #1

General Committee could choose to not accept American Express cards as a valid form of payment.

This alternative is not recommended as American Express has reduced their credit card fee to a level below that of Visa and Mastercard. Also, the acceptance of an additional credit card is a positive customer service initiative.

FINANCIAL

15. The 2013 budget for credit card fees at the Corporate level was \$264K and it is anticipated that costs of \$338K will be incurred by year end
16. Delegated authority to staff will facilitate clear, consistent direction and allow staff to control the credit card fee expense. It is anticipated that the changes identified in this report will reduce these fees by \$61,000 in 2014. This reduction has already been captured in the draft 2014 Business Plan.

LINKAGE TO COUNCIL STRATEGIC PRIORITIES

17. This is an operational matter that has no direct relationship to the City of Barrie's Strategic Plan.