

AGENDA ITEM NO: 7.6

MEETING DATE: November 7, 2023

STAFF REPORT - COVER SHEET

SUBJECT: Credit Card Payment Service Fee Bylaw Date: October 30, 2023

DEPARTMENT: Finance Department Prepared by: Glen Savard

1. SUMMARY OF ISSUE:

A staff report was previously presented to Council regarding the use of a credit card as a payment option for certain City services and the recent authorized ability for businesses to charge back a service fee to the user, to recover the merchant fees charged. Historically, the City has only allowed payment by credit card for limited services and for nominal amounts due to the associated fees that are charged by credit card merchants for use of this payment option. Currently, these services include landfill charges, recreational programming registrations, transit passes, RCMP criminal record checks and accident report services, licensing, ticketing and permit charges up to \$10,000. The City is also currently underway in developing an online system to streamline services such as the business license and development building permit application processes and the system has the functionality to allow for payment by credit card, however, the level of many building permit fees would result in significant estimated credit card merchant charges for the City if a credit card were to be used. Staff were recommending utilizing this functionality to provide time efficiencies for the online business license and building permit process. Additionally, staff presented a bylaw that would provide the ability to implement a 2% fee in addition to the cost of the service (ie. building permit fee), to be paid by the user, which would allow the City to recover the costs that would be charged to the City by the credit card provider to avoid subsidization by general revenues and taxpayers in general.

Council referred this item back to staff to research additional payment options that may allow for other forms of payment through the online system in addition to a credit card option.

In response, staff has considered various options as follows:

E-transfer / Interac Online

Within this option, dollar amounts are limited by a customer's bank, which is typically between \$500 to \$2,000, which would not be sufficient for most fees. This option also requires payments to be matched manually, presenting administrative and efficiency challenges and often payments being received with little information on what they relate to. This could result in processing delays.

Pre-Authorized Debit (PAD)

These types of payments would also present processing delays as some type of pre-authorization (pre-authorized debit form) would need to be completed by the payee and would then take time to process depending on when a file was uploaded and then payment received. This option requires manual entry and a reconciliation process, thereby, presenting administrative and efficiency challenges, in addition to time delays.

Bill Payment

This option would require an additional bill payment type to allow for payment through online banking using a folder number similar to how property tax and utility fees can be paid. Processing times can be two to three days from the time payment is made. This option would require a reconciliation process and can also present situations where payments are made to the incorrect "payment type", which does currently occur between property tax and utility payments. This would lead to processing delays and could lead to inefficiencies in the reconciliation process should payments be made incorrectly.

EFT/Wires

This option would require the City to provide instructions on how to send an EFT or wire payment and creates time delays in processing until the payment is actually received by the City. This option also requires a manual reconciliation process which would present administrative and efficiency challenges.

At this time, there are no great alternative online payment options that would provide for efficient business license and building permit processing, for which the online system is being designed to accomplish. As a result, staff is not recommending alternative payment options at this time, however, this does not prevent adding functionality for alternative payment solutions at any point in the future should technology or solutions be improved. Staff will continue to seek future options should they help provide efficiencies to the process.

Providing a credit card payment option within the online system proves to be the most efficient, however, that comes with the associated credit card usage fees. In addition, should that option be provided, this would be extended for in-person payments for those building permit fees. As a result, to be fiscally responsible, staff are recommending that a fee of 2% be applied to credit card payments, with the exception to those as noted within the bylaw. This is in keeping with the principle of cost recovery and the associated fees are then recovered directly from the user utilizing the credit card payment option and not subsidized by general taxpayers or through all building permit fees should the costs be built in to the overall fee structure.

Should a payee choose not to pay by credit card to avoid the additional fee, standard payment options of cash, cheque and debit/interac, are still available, no differently than currently offered.

Staff are presenting the attached "Credit Card Payment Service Fee Bylaw 2023, No. 5331" for Council consideration.

2. RECOMMENDATION:

That "Credit Card Payment Service Fee Bylaw 2023, No. 5331", be given first and second reading.

That "Credit Card Payment Service Fee Bylaw 2023, No. 5331", be given third reading.



Glen Savard, Director of Finance

**3. CHIEF ADMINISTRATIVE OFFICER'S
RECOMMENDATION/COMMENTS:**

Supports recommendation.



Chris Crosman, CAO

City of Chilliwack

Bylaw No. 5331

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

The Council of the City of Chilliwack in open meeting assembled, enacts as follows:

1. This bylaw may be cited as “**Credit Card Payment Service Fee Bylaw 2023, No. 5331**”.
2. Except as set out in Section 3, when a credit card is used to pay for fees and charges payable to the City of Chilliwack, or for any payments taken on behalf of other municipalities, in both card present and card-not-present environments, a service charge of 2.00% of the final transaction amount shall be assessed and charged to the payor in addition to the final transaction amount.
3. The service charge imposed under Section 2 does not apply to the following exempt fees or charges:
 - (1) Bailey Landfill and Parr Road Green Depot tariffs;
 - (2) Recreation program registrations and services processed via the City of Chilliwack’s recreation system;
 - (3) Criminal Record Check services and Accident Report services at the RCMP Detachment; and,
 - (4) Transit Fares.
4. Credit card payments are not authorized to pay Development Cost Charges, Property Taxes, Water, Sewer and Curbside Charges.
5. The service fees assessed and charged under this Bylaw are non-refundable.

Received first and second reading on the
Received third reading on the
Received adoption on the

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Mayor

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Corporate Officer