

Mayor
John Murray
Mayor Pro Tem
Mary Hornsby
Councilmembers
John Plourde
Willard Rodarmel
William Siegel



**Finance
Department**

119 Fox Street
Lemoore Ca 93245
Phone(559)924-6707
FAX(559)924-9003

Study Session

Item # 2

To: Lemoore City Council
From: Nancy E. Cota, Finance Director
Date: January 16, 2009
Subject: Credit Card, and Electronic Payments for City Services

Discussion:

For some time we have had requests for on-line credit card, debit card, and electronic payments for Utility services and other City services. Staff has researched several methods of payment transmission. Currently we accept cash, checks, and on-line payments from individuals that bank on-line and are generally only for utility payments. These payments come to us in the way of a check and the timing is based on the individuals' bank processing as well as the individuals date to commit payment. Staff is currently researching the possibility of expediting these payments faster, possibly through ACH transfers or direct electronic payment to the City's bank. If a customer banks with Union Bank of California, then the payment is directly deposited into the City's bank account.

There are two ways of accepting the electronic or credit card payments by customers. One way is for the City to set up with a particular vendor to accept credit card payments by the customer coming in, paying bill and swiping the card on a reader as we do in most retail establishments. This process can also be done by telephone. This cost to the City would be approximately 3.5% to 5% on each transaction.

The second method is provided by a third party processing service. The convenience to the citizen is that they can either process their payment on-line through the City of Lemoore's website, access the payment link, use a credit card, or a check to make payment. This method can also be accessed by telephone. There is a convenience fee to the payer based on the dollar amount of the payment. Staff has researched three different entities. They are Point & Pay, Link 2Gov (Metavante), and Pay Pal. After several methods were researched staff suggests the best type of on-line credit card payments would be the Point & Pay for our citizens. The convenience fee ranges from approximately \$2.00 to \$5.00 depending on the dollar amount of the transaction. Additionally, the Utility Office or other departments can have a credit card machine to process payments face to face. Visa credit cards have a stipulation that the City or vendor cannot charge a convenience fee to the card holder at time of sale; therefore Visa may not be a type of payment offered, unless the City is willing to absorb the processing fees.

Staff has collectively conducted a study of various cities in our locale of their opinions and use of these systems. Below is a brief description of their opinion:

- City of Selma – Does not offer payment of Utility Bills, only recreation programs, approximately 3% of Recreation sales are paid by Credit Card. The cost is charged as a departmental expense.
- City of Fresno – Offers payment for Utility Bills, however, not recreational programs, they state 20% of payments are credit cards, the costs reduces revenues, the City covering the fees.
- City of Tulare – Offer credit card payments for Utility Bills and Recreation, feel as though payments by credit cards are about 50%.
- City of Clovis – Offer credit card payment for all City services has caused an increase of customer phone calls, and additional staff time and processing steps.

These are a sample of the information shared by the above mentioned cities and their experience with payments by credit card.

Naturally, in any electronic payment procedure, there are costs. If the City were to absorb all transaction costs, the issue of having to raise fees for services and utilities would need to be considered. The citizens of Lemoore, on the other hand, could be willing to pay a fee with each payment that is transacted to the City.

Additionally, Parks and Recreation Director, Joe Simonson, believes that adding credit card acceptance for Park and Recreation programs will result in a greater use of these programs. On the other hand, with most other City services, such as City Utilities, customers really do not have a choice, and therefore would not affect the number of accounts; but may add convenience.

Both Joe Simonson and Jason Shaw will be in attendance with me on Tuesday afternoon, and can provide further comments as all three of us have been working on this item for the last several months.

Budget Impact:

None at this time.

Recommendation:

None. For Council discussion.