

TO: CHAIR AND MEMBERS
FINANCIAL MANAGEMENT COMMITTEE

DATE: 2015 November 18

FROM: DIRECTOR FINANCE

FILE: 6900-20

SUBJECT: CREDIT CARD MERCHANT FEES

PURPOSE: To provide for the recapture of credit card merchant fees.

RECOMMENDATIONS:

1. **THAT** Financial Management Committee recommend Council authorize staff to implement the proposed model for the recapture of credit card merchant fees as outlined in this report.
2. **THAT** Financial Management Committee recommend Council authorize staff to bring down a fee recovery bylaw related to the use of credit cards.

REPORT

In 2015 April Council authorized staff to explore the feasibility and advisability of recapturing credit card merchant fees to facilitate expanding the acceptance of credit card payments for City services. This report outlines the findings and recommendations as a result of staff's review.

1.0 BACKGROUND

Credit card usage in Canada has become the preferred option of payment for many Canadians who currently hold 76 million active credit cards. In 2014 credit card payments accounted for 50 percent of purchases in Canada valued at over a half trillion dollars.

In 2014 the City's merchant service fees for the acceptance of credit cards exceeded \$400,000, reflecting an increase in demand for online services and broader use of credit cards as a form of payment for City services. Merchant service fees are operating expenditures that impact City property taxes, and therefore the City has been slow to expand the acceptance of credit card payments for many of the City's services. Even with limited services where credit card payments are currently accepted, projections show that credit card merchant services fees will increase to \$800,000 per annum by the year 2020, more than double the City's current cost.

Discussed in this report are recommended methods for recapturing these credit card merchant fees. The recommendations are based on the nature of City services being purchased and the

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City's current business applications. By introducing various fees for credit card usage by bill type, merchant services fees can be recovered in a practical and direct manner.

2.0 COST RECOVERY

Review of the use of credit cards for payment of City services identified three methods the City can deploy for the recovery of merchant credit card fees. Each would be based on the nature of the business being conducted and considers the cost implications, the demand by constituents, and the competitive nature of the service offering. The proposed model includes built-in fees and added credit card merchant fees as follows:

- a fee charge included in the cost of service being purchased
- a fee add-on at the time of the payment (requires a City bylaw)
- a fee paid by the purchaser to a third party who collects payment on behalf of the City at no charge to the City

With the bylaw in place, Treasury Services staff will work with City departments to implement credit card fee recovery measures through one of the noted methods. This will allow the City to work towards a full cost recovery for credit card payments in the future and facilitate the use of credit cards for payment of City services.

3.0 RECOMMENDATION

Given the diverse business services provided by the City, three methods of credit card merchant fee recovery are proposed in this report. These methods will reduce City merchant fee costs and facilitate the expansion of credit card use in the City, providing greater convenience for many of our citizens.

It is recommended that the Finance Management Committee recommend Council authorize staff to implement the proposed model for the recapture of credit card merchant fees as outlined in this report and authorize staff to bring down a fee recovery bylaw related to the use of credit cards.



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City Clerk
Director Engineering
Director Planning and Building
City Solicitor