

September 12, 2016

Derek Corrigan
Mayor of Burnaby
4949 Canada Way
Burnaby, BC, V5G 1M2

Dear Mayor and Council,

As you may know, the Canadian Federation of Independent Business (CFIB) is a non-profit, non-partisan business association that seeks to give independent business a voice at all level of government. With 109,000 members across Canada, 10,000 of which are located in BC, we are the largest organization exclusively representing the interests of small and medium-sized businesses (SMEs) to all levels of government.

You may also be aware of our annual report on municipal spending. We started this report as the cost of municipal governments is of concern to many of our members. But we also try to identify areas local governments could find ways to cut costs without reducing services. Earlier this year we released a report analysing the cost of credit card processing for ten BC municipalities. One of those municipalities was Burnaby. In 2015 alone, Burnaby paid \$497,665 processing credit card payments from residents and businesses, up 79 per cent from 2010. In total from 2010 to 2015, the cost to Burnaby of accepting card payments was \$2,302,565 – a significant cost. You can find the full report attached to this letter.

CFIB recognizes the benefit to accepting credit card payments. It increases customer convenience by providing choice in payment method and helps facilitate online payments. Therefore, some of the increase over the period is understandable as the city accepts a greater number of credit card transactions. However, efforts need to be made to ensure that the cost associated is minimized. In an effort to contain these costs, CFIB has four recommendations:

- 1) Educate taxpayers about the cost to the city for accepting credit card payments, and encourage debit payments at point of sale;
- 2) Conduct regular reviews about which credit card payments processing companies offer the best rates;
- 3) Track and regularly report data on the number of transactions, transaction fees, rates and type of credit card used (i.e. premium versus regular);
- 4) Work with other municipalities to negotiate a lower group processing rate with credit card processing companies.

CFIB is asking your municipality to publicly adopt these initiatives. If your municipality has already taken action to control the costs, we would love to hear about it. If you'd like to meet to discuss the report's findings or recommendations, please feel free to contact our office at 604-684-5325 or MS.BC@cfib.ca to arrange a mutually convenient meeting time. As a note we will be at UBCM and would be willing to meet at your convenience to discuss this and other important issues that face

small businesses.

Sincerely,

A handwritten signature in black ink that reads "SHoward". The "S" is large and loops around the "H", and the "Howard" is written in a cursive style.

Samantha Howard
Director, BC
Canadian Federation of Independent Business

A handwritten signature in black ink that reads "A Aerts". The signature is written in a cursive style with a large, looping "A" and a stylized "Aerts".

Aaron Aerts
Economist, BC
Canadian Federation of Independent Business

cc. Burnaby City Council

BC Municipal Government Spending: The Rising Cost of Credit Card Transactions

Richard Truscott, Vice-President BC and Alberta
Aaron Aerts, Economist

New research by the Canadian Federation of Independent Business (CFIB) shows that municipalities are spending millions of dollars a year processing credit card payments. Municipalities pay transaction fees for payments made by residents and businesses for municipal services, permits, licenses etc. In 2015, the ten municipalities¹ examined paid \$4.8 million dollars in fees. And the cost is rising – since 2010, the fees were up 54 per cent among the ten municipalities (see Figure 1).

Between 2010 and 2015, the ten municipalities paid over \$22 million dollars cumulatively to process credit card transactions. The highest increase observed among municipalities examined was in the City of North Vancouver, where transaction fees jumped 122 per cent. At the other end of the scale, Prince George managed to keep fee growth relatively low, at 33 per cent.

Figure 1:

Credit card transaction fees paid by select municipal governments

Municipality	2010	2011	2012	2013	2014	2015	Total 2010-2015	Percentage increase 2010 to 2015
Abbotsford	\$128,652	\$123,601	\$141,077	\$145,988	\$157,050	\$176,232	\$872,598	37%
Burnaby	\$277,506	\$312,536	\$351,479	\$413,691	\$449,688	\$497,665	\$2,302,565	79%
Coquitlam	\$282,602	\$352,699	\$389,692	\$428,477	\$468,865	\$470,261	\$2,392,596	66%
City of North Vancouver	\$39,442	\$52,770	\$60,121	\$63,915	\$75,268	\$87,577	\$379,093	122%
City of Vancouver	\$1,295,000	\$1,549,000	\$1,562,000	\$1,627,000	\$1,768,000	\$2,042,000	\$9,843,000	58%
Richmond	\$189,783	\$194,997	\$228,448	\$258,778	\$298,055	\$302,666	\$1,472,727	59%
Victoria	\$353,018	\$438,283	\$404,753	\$437,795	\$466,735	\$507,050	\$2,607,634	44%
Prince George	\$73,523	\$89,773	\$89,446	\$94,211	\$98,434	\$97,834	\$543,221	33%
Nanaimo	\$83,954	\$102,128	\$102,779	\$113,975	\$127,060	\$139,396	\$669,292	66%
Surrey*	-	-	-	\$420,817	\$480,015	\$519,119	\$1,419,951	%23*
Total	\$2,723,480	\$3,215,787	\$3,329,795	\$4,004,647	\$4,389,171	\$4,839,798	\$22,502,677	%54**

Source: Municipal Freedom of Information requests

*Surrey did not have the financial information requested for 2010 to 2012. Growth is calculated for 2013 to 2015.

** As no 2010 data was available for Surrey, the total growth calculation uses Surrey's 2013 figure as a conservative estimate for a 2010 baseline.

¹ Municipalities examined are Abbotsford, Burnaby, Coquitlam, City of North Vancouver, City of Vancouver, Richmond, Victoria, Prince George, Nanaimo and Surrey. These municipalities were selected due to their size and representation across the province. The data is not publically available and requires freedom of information requests, hindering analysis of a larger set of municipalities. Prince George, Coquitlam and the City of North Vancouver figures include debit transaction fees, representing a very small percentage of total fee.

There are obvious benefits to accepting credit card payments. They increase customer convenience by providing choice in payment method and help facilitate online payment. Therefore some of the increase in processing fees occurs as municipalities expand the goods and services which can be paid by credit. However, the increase in fees paid also highlights the need for a deliberate effort to minimize the costs associated with accepting credit card payments.

Small businesses are well aware of the costs of accepting credit cards. They need to be – many run on thin margins and even small changes in the cost of customer transactions can have a large impact. Many encourage customers to pay by alternative low-cost methods such as debit. And most scrutinize various credit card processing options to find the lowest fees.

Municipal governments should have a keen eye on controlling and reducing a wide range of costs. Higher credit card processing costs for municipal governments means a greater reliance on property taxpayers to make up the lost revenue, which have been shown to be disproportionately levied on business properties².

When CFIB meets with municipal leaders to highlight unsustainable growth in municipal operating spending³, the elected officials often argue that any expenditure reduction will result in lower levels of services. However, there are many areas where municipalities can find cost efficiencies and maintain high quality public services. One idea is cost savings related to credit card processing fees. The following are recommendations on how that can be achieved:

A good example of the savings from renegotiation is from the City of Victoria. They renegotiated fees for city parking in 2012, decreasing fees from \$243,256 in 2011 to \$180,592 in 2012 – savings of over 25 per cent.

Recommendations

To ensure municipalities are minimizing the costs of credit card transaction fees, CFIB has the following recommendations:

- ▶ Educate taxpayers about the impact of credit card fees on municipal operating costs and encourage debit payments at point of sale;
- ▶ Conduct regular reviews about which credit card payment processing companies offer the best rates;
- ▶ Track and regularly report data on the number of transactions, transaction fees, rates and type of credit card used (i.e. premium versus regular);
- ▶ Work with other municipalities to negotiate a lower group processing rate with credit card processing companies.

² In 2014, an average BC business paid 2.6 times more than a resident on the same assessed property value. B.C. Municipal Property Tax Gaps 2004-14: A 10-Year Perspective Richard Truscott and Aaron Aerts

³ For details on the spending problem for many BC municipalities, see BC Municipal Spending Watch 2015, Richard Truscott and Aaron Aerts