

MEMORANDUM

TO: Mayor and Board of Commissioners

FROM: Mandy Cartrette, Finance Officer

SUBJECT: Acceptance of Credit Cards for Payment of Water & Sewer Bills

DATE: January 14, 2013

The purpose of this memorandum is to discuss some options for the Town's acceptance of credit cards for water and sewer bills.

Town of Pittsboro water and sewer customers can currently pay their bills by cash, check, setting up an electronic draft from their checking accounts, or setting up online bill payments through their own banks. The Town currently does not have a mechanism for accepting credit cards for water and sewer bill payments, but there are two options for accepting credit cards for payment:

1. The Town can accept face-to-face credit card payments at Town Hall.
2. The Town can accept credit card payments online through a third-party vendor or through the Town's website.

Face-to-Face Credit Card Payments

Credit card companies typically charge fees for each credit card transaction that is processed by a vendor. Many credit card companies contractually prohibit a local government or public authority from assessing these charges on their customers. As a result, if local governments agree to take credit card payments face-to-face, they have to only take those credit cards that allow governments to charge a convenience fee to customers, or they must accept the loss in revenue for each transaction that is paid for with a credit card.

I met with representatives from First Citizens Bank to discuss this option in more detail. The first step that the Town would need to take to accept credit card payments in Town Hall is to purchase a credit card machine. The cost of the machine is approximately \$400 with a monthly EMS fee of \$6 for insurance on the terminal. In addition, the Town would be required to pay a percentage of the cost of each transaction that is processed through the credit card machine. These percentages vary depending on the type of the card that customers present for payment, and the specific rates are as follows: 1.3 percent for a regulated debit card, 2.5 percent for a mid-qualified card, and 3.55 percent for a non-qualified debit card. In addition to a fee per transaction, the Town would be required to pay \$6.95 per month for the ControlScan PCI 1-2-3 Compliance Program. This program is a service to ensure that the Town is handling credit card information securely. As part of this service, the Town would have to complete a PCI Compliance Attestation, which involves answering questions about how credit card data is

handled and stored. If the Town accepts credit cards in person, it will have to address the security of how it stores citizens' and businesses' credit card information.

In a previous Board meeting, the Board had mentioned accepting payments through a device called a square. In investigating the square, Mandy found that the Town must have an iPhone or an iPad to accept payments with a square. In addition, the cost of using a square is 2.75 percent per transaction or \$275 per month. Please see the attached article courtesy of Mr. Bill Wilcox for more information on the square technology.

Online Credit Card Payments

Many municipalities use third-party vendors, such as Official Payments, to accept online credit card payments for water & sewer bills and tax payments. The citizen goes onto the third-party vendor's website and completes the necessary steps through that website to pay a bill. The citizen can use his or her credit card, and he or she is assessed a convenience fee by the third-party company. These convenience fees can be as high as \$6.50 per transaction. The third-party company sends the municipality an e-mail with a list of the customers that have paid using their service, and the municipality must still enter each payment into its own financial system to show that each account is paid. From the Town's perspective, there is no advantage to using a third-party company for accepting credit card payments. The third party company is benefitting from these transactions by collecting convenience fees that citizens must pay when they use this service, but the Town and citizens do not receive any financial benefit from these transactions. It is simply for customer convenience.

Since the last discussion of accepting online credit card payments, I have learned of another option. The Town's financial software company has a mechanism in its software that allows an online link to the Town's billing software. The Town would put a link on its website in which a citizen could access his or her billing information through that link. The citizen would then have the option of looking at his or her account history and paying the bill online using a credit card. The citizen would be charged a convenience fee for the transaction. The fees associated with this service are on the attached quote.

RECOMMENDATION

That the Board of Commissioners discuss the acceptance of credit card payments and if the Board decides that it wishes to pursue this option, that it permit Town staff to gather more information and pursue the option of accepting online payments through a third-party vendor or through the service provided by the Town's financial software company.