

COUNCIL MINUTES

March 2, 2017

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 2, 2017 at 7:30 a.m.

COUNCIL PRESENT

Mark Freeman
Christopher Glover
David Luna
Kevin Thompson
Jeremy Whittaker
Ryan Winkle

COUNCIL ABSENT

John Giles

OFFICERS PRESENT

Christopher Brady
Dee Ann Mickelsen
Jim Smith

1. Review items on the agenda for the March 6, 2017 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None.

Items removed from the consent agenda: None.

2-a. Hear a presentation, discuss and provide direction on the City's implementation of credit card service fees.

Business Services Department Director Ed Quedens introduced Executive Management Assistant Melissa Jones who displayed a PowerPoint presentation **(See Attachment 1)** related to the City's potential implementation of credit card service fees.

Mr. Quedens explained that accepting credit cards is appropriate from a business perspective, however, the City incurs fees associated with the use of credit card transactions and as transactions are increased, the fee increases as well. He stated that approximately two years ago, the Council requested the Business Services Department evaluate credit card fees and to find ways to mitigate the fees. He added that as a result, the department has developed a service fee model.

Mr. Quedens reported that the proposal is to implement a credit card service fee that will shift the cost from the City to the customers who choose the credit card payment option, and in return will reduce expenses to the City.

Ms. Jones presented a chart on utility bill payment options and stated that approximately 23% of customers use a credit or debit card, whereas the remaining 77% use cash, check, or bank draft. She added that approximately \$550 million is collected in a one-year period and of that, \$125 million represents credit card payments. She explained that credit card usage has been increasing over the years by approximately 10% per year. (See Pages 2 and 3 of Attachment 1)

Ms. Jones explained that expenses incurred for credit card fees in FY 2015/16 was \$2.4 million with a reduction in FY 2016/17 to \$1.4 million, due to the change in the City's Banking Services Contract to US Bank and Elavon as the processor. She stated that an additional savings of \$1.2 million is possible with the implementation of credit card service fees, leaving an estimated on-going annual credit card cost of \$200,000 annually. (See Page 4 of Attachment 1)

Ms. Jones clarified that service fees are specific to government and educational institutions. She stated that the service fees would be managed by Elavon at a rate of 2.37%, with revenues from service fees retained by Elavon and expenses related to credit card payment paid by Elavon, and that the City would receive the entire bill amount on all payments. She added that currently American Express (AMEX) would not be accepted, however, if the City does implement AMEX in the future the rate of 2.37% would increase. She compared other municipalities that charge fees for credit card use and clarified that convenience fees are driven by the credit card rule and that the fee is a flat rate versus a percentage. (See Pages 5 and 6 of Attachment 1)

Ms. Jones presented the implementation process (See page 7 of Attachment 1) as follows:

- Customer Service roll-out
 - o Fees and charges process
 - o Modifications to the cashiering software used for processing payments
 - o Communication to customers
 - Credit Card organization requirements and opt out alternative

Mr. Quedens explained that in 2003 the City implemented the credit card payment option in addition to kiosks at Circle K's and Libraries within the City of Mesa. He stated that all of the payment options have varied costs, with in-person payments being the most expensive, followed by credit card payments. He added that Automatic Clearing House (ACH) payments have a minimal cost.

In response to a question posed by City Manager Christopher Brady, Mr. Quedens clarified that an incentive was presented to customers a few of years ago to promote e-billing and ACH payments in order to reduce fees. He added that although the program had substantial results, credit card payments are still a popular method and costly to the City.

Mr. Brady stated that the Business Services Department has implemented multiple payment options for customers to choose from, and explained that due to the amount of fees charged on credit cards, all items within the budget are absorbing a portion of that fee. He commented that moving forward, if the service fees were to be implemented on credit card payments, customers could choose other payment options if they prefer not to pay a service fee. He added that this would benefit the City as the cost to send out the bill and process the payment electronically significantly reduces the transactional costs, and in return reduces the City's expenses within that department.

In response to a question posed by Councilmember Winkle, Mr. Brady explained that the service fee would reduce the expense to the City and is not being implemented as a revenue stream.

In response to a question from Councilmember Glover, Ms. Jones clarified that the average utility bill transaction amount is \$150 and the customer would be charged approximately \$3.50 for that payment amount.

In response to a question posed by Councilmember Whittaker, Mr. Quedens replied that a breakdown of the individual payment methods displaying the costs incurred by the City had been completed in the past, however, staff would update the information and provide it to Council.

Vice Mayor Luna indicated that Council concurs with the Business Services Department, and directed them to continue moving forward with the City's implementation of credit card service fees.

Vice Mayor Luna thanked staff for the presentation.

3. Information pertaining to the current Job Order Contracting projects.

(This item was not discussed by the Council.)

4. Hear reports on meetings and/or conferences attended.

Councilmember Freeman thanked the Environmental Management & Sustainability Department for his ride along in a solid waste vehicle. He added that he appreciates the effort that goes into the job that they do.

Vice Mayor Luna: Mesa Arts Center Foundation Gala

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, March 02, 2017, 4:30 p.m. – Rio Salado Pathway Grand Opening

Sunday, March 5, 2017, 12:00 p.m. – Arizona Museum of Natural History

Monday, March 6, 2017, 5:45 p.m. – Regular Council Meeting

6. Adjournment.

Without objection, the Study Session adjourned at 7:58 a.m.



DAVID LUNA, VICE MAYOR

ATTEST:



DEE ANN MICKELSEN, CITY CLERK



I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 2nd day of March, 2017. I further certify that the meeting was duly called and held and that a quorum was present.


DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 1)



Credit Card Service Fees

March 2, 2017

Business Services Department

Payment Methods



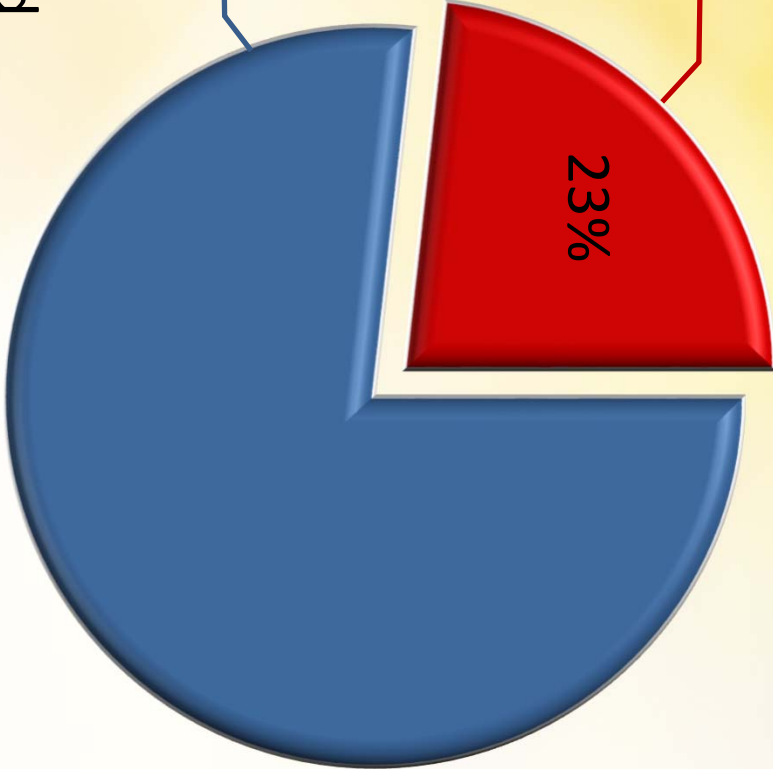
Customer Service – Utility Bill Payments

Credit or Debit Card

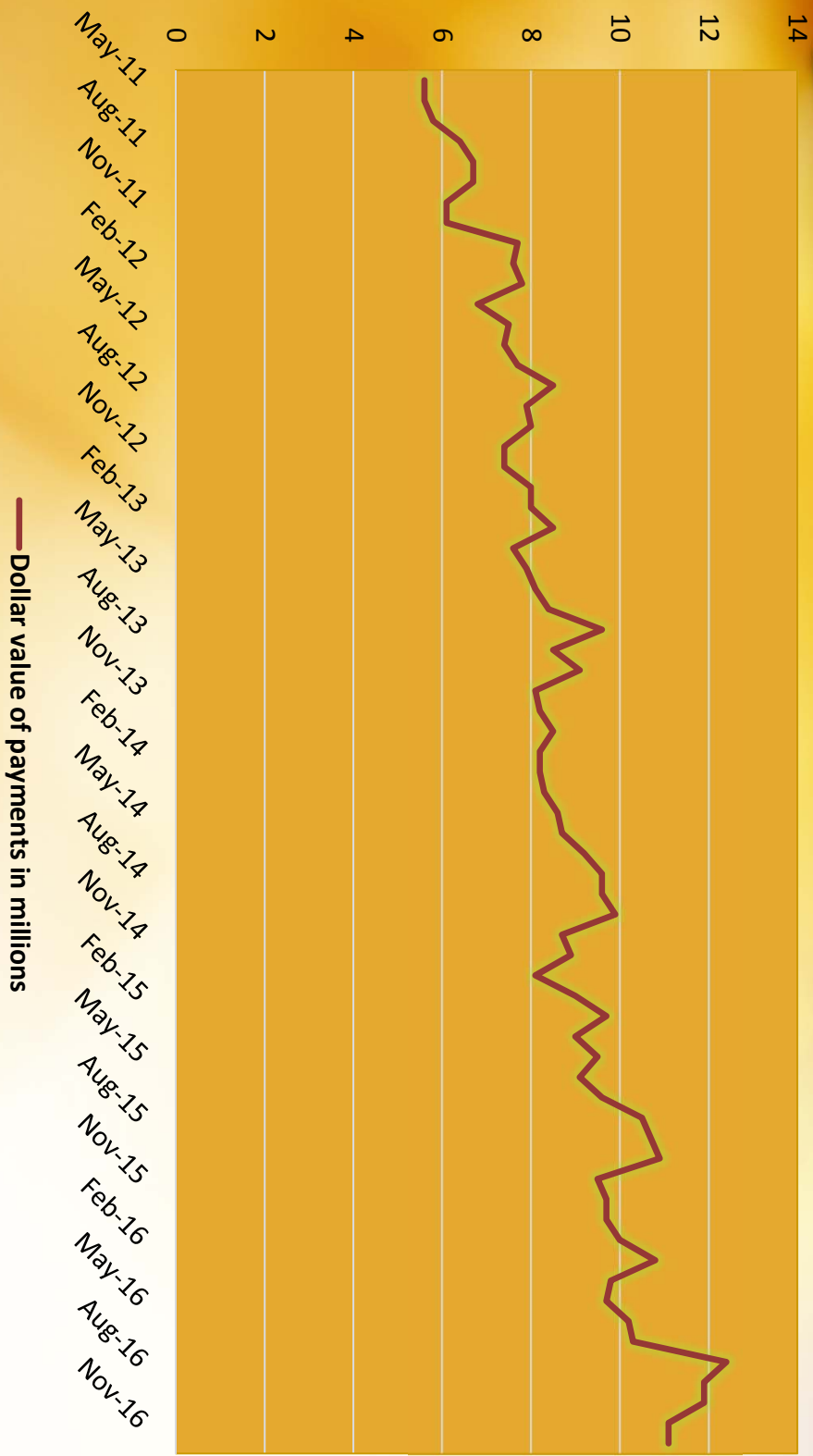
23%

Cash, Check or Bank Draft

Of Dollars Collected



Credit Card Usage Increasing



Expenses



- \$2.4 million in Credit Card Fees in FY 15/16
- Reduced to \$1.4 million for FY 16/17
 - Due to change in Banking Services Contract
- Could eliminate an additional \$1.2 million annually
- Estimated on-going annual credit card costs \$200,000 annually

Proposed Solution



- Credit Card Service Fee
- Managed by Elavon (Banking Services Contract)
- Rate – 2.37%
- Revenue from service fee retained by Elavon
- Expenses related to card payments paid by Elavon
- City of Mesa will receive the entire amount owed
- Not able to accept AMEX at this time

Comparisons



- Gilbert – 2.68% Surcharge on Development Services Fees
- Scottsdale - \$1.95 per transaction Convenience fee on Utility Payments
- SRP - \$1.90 per transaction Convenience fee
- Southwest Gas - \$2.00 per transaction Convenience fee
- APS - \$2.95 per transaction Convenience fee

Implementation



- Customer Service roll out first
 - Fees and charges process
 - Modifications to the software we use to process payments
- Communication to customers
 - Credit Card organization requirements
 - Opt Out alternative
 - Communication to ensure all customers are aware of the change



Questions?