

# Overview of Credit Card Usage and Fees



## Finance Committee Meeting

October 14, 2021

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## Payment Types Accepted

- Cash
- Cashiers checks
- Money orders
- Debit cards
- Credit cards



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## Credit Cards at the City

The City accepts all major credit cards for most services, including:

- Licenses and Permits
- Utility Bills
- Citations
- Recreation Programs
- Slip Rentals
- Parking
- Copies



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## Sample Transaction

- The transaction-specific fees are illustrated for a sample building permit below
- These fees amount to approximately 1.7% of the transaction, while the City's costs are closer to 2.5% when including fees that are not transaction-specific

Building Permit Purchased Over the Counter	
Building Permit, Plumbing Permit, Plan Check Fee, deposit	
Transaction amount paid with a MasterCard credit card	<b>\$716.44</b>
Interchange Rate - 1.55% + \$0.10	\$ 11.20
Incremental Discount Rate @ .04%	\$ 0.29
Payment Brand Assessment @ .13% for transactions < \$1,000.00	\$ 0.93
Payment Brand Network Fees @ \$0.0195 per transaction	\$ 0.02
Authorization Fee @ \$0.04 per transaction	\$ 0.04
<b>Total Fees</b>	<b>\$ 12.48</b>

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## Usage Increase

- **Usage has increased in recent years**
- **Much of this is likely cyclical**
  - **Fluctuating building permit revenues**
  - **Increased use of City parking facilities during the pandemic**
- **“Everything else” primarily includes recreation (\$173k), other finance billings (\$105k), junior lifeguards (\$95k), parking citations (\$55k), and business licenses (\$51k)**

	FY 2020-21	FY 2019-20	FY 2018-19
Parking (paystations, pay-by-cell)	\$ 569,369.47	\$ 509,391.32	\$ 347,176.33
Building (over the counter)	\$ 194,603.53	\$ 185,755.83	\$ 175,805.05
Utility Payments (online)	\$ 262,730.39	\$ 231,421.87	\$ 223,250.71
Everything else	\$ 539,220.58	\$ 476,301.00	\$ 539,879.98
Total	\$ 1,565,923.97	\$ 1,402,870.02	\$ 1,286,112.07

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## How Much Do We Pay and Recover in Credit Card Fees?

- **Fees can differ based on the type of transaction and method of charge**
  - **Example: Parking charges have a per-transaction fee**
- **The City currently recovers credit card fees for utility payments via utility rates**
- **No other cost recovery currently in place for these fees**

	FY 2020-21			
Function	CC Fees	Total Revenue	% of Revenue	# of Transactions
Parking (paystations, pay-by-cell)	\$ 569,369.47	\$ 9,732,854.78	5.85%	1,765,439
Building (over the counter)	\$ 194,603.53	\$ 8,111,931.40	2.40%	8,266
Utility Payments (online)	\$ 262,730.39	\$ 18,690,446.81	5.04%	85,479
Everything else	\$ 539,220.58	\$ 15,756,417.60	3.42%	97,838

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## Do Other Cities Pass Through Fees?

Agency	Parking	Building	Utilities
City of Newport Beach	N/A	N/A	Rates
City of Anaheim	N/A	N/A	Rates *
City of Beverly Hills	N/A	N/A	Rates *
City of Costa Mesa	N/A	N/A	Rates *
City of Huntington Beach	N/A	N/A	Rates *
City of Irvine	N/A	2.50%	Rates *
City of Laguna Beach	N/A	N/A	Rates *
City of Santa Monica	N/A	2.95%	\$2.95

\* Standard practice assumed but not verified.

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## Options

1. Pass through all non-utilities credit card fees
2. Pass through credit card fees for certain transactions:
  - a) Building permits and related
  - b) Parking
  - c) Other (recreation, library, etc.)
3. Use Fee Schedule to recover credit card fee costs
4. Leave as-is



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# Questions?

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