



Item .....
Meeting .....2016 Aug 29

## COUNCIL REPORT

**TO:** CITY MANAGER **DATE:** 2016 August 23

**FROM:** DIRECTOR FINANCE **FILE:** 6900-20

**SUBJECT: CREDIT CARD MERCHANT FEE RECOVERY BYLAW**

**PURPOSE:** To provide information to Council regarding the City's Credit Card Merchant Fee Recovery Bylaw that appears elsewhere on this Agenda under Bylaws.

**RECOMMENDATION:**

1. THAT Council receive this report for information purposes.

**REPORT**

Council at the 2015 December 07 regular Council Meeting authorized staff to bring down a fee recovery bylaw. This report is to advise Council that a Credit Card Merchant Fee Recovery Bylaw is included for the consideration of Council on this Agenda. The following information summarizes the status of credit card merchant fee practices and the City of Burnaby's bylaw credit card merchant fee provisions.

**1.0 BACKGROUND**

Credit card usage in Canada has become the preferred option of payment for many Canadians who currently hold 72 million active Visa and MasterCard credit cards and over 4 million American Express cards. Since 2008, credit cards have been the fastest growing payment method in Canada, with an average of 8% per annum increase for both payment volume growth and dollar value growth. When looking at point of sale and online payments in isolation, credit cards represent more than 33% of the payment volume and 50% of the payment value in Canada.

In 2015 the City's merchant service fees for the acceptance of credit cards exceeded \$450,000, 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 service fees will increase to \$800,000 per annum by the year 2020.

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## 2.0 COST RECOVERY BYLAW

In 2015 December Council adopted staff's recommended methods for recapturing the cost of the City's credit card merchant fees. The recommendations are based on the nature of City services being purchased and the City's current business applications. By introducing various fees for credit card usage by bill type, merchant service fees can be recovered in a practical and direct manner based on each line of business:

- 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 user to a third party who collects payment on behalf of the user and forwards payment to the City at no charge to the City

The fee add-on model through a bylaw is best deployed with a maximum credit card payment limit of \$50,000 CDN for a single invoiced item. A fee of 1.75% will be added to the transaction total at the time of payment.

The limit of \$50,000 CDN will allow for inclusion of payment items such as business licences, receivables and various engineering, planning and building department fees. Excluded are items such as security deposits, bonding and community benefit bonus payments. Security deposits and cash bonding for example are items which are repayable by the City once inspection or other delivery conditions have been met. The bylaw is presented based on Schedule A. The fees and charges payable to the departments set out in Column 1 of Schedule A may be made by credit card and where payment is made by credit card, a fee of 1.75% of the total fee or charge shall be paid to the City in addition to the applicable fee or charge. Payment by credit card is not permitted for items set out in Column 2 of Schedule A and for any single fee or charge that exceeds \$50,000.

### Schedule A:

Column 1 – City Departments	Column 2 – Excluded Items
Building Department	Security and Damage Deposits
Engineering Department	Bonding, Security and Damage Deposits
Fire Department	None
Legal Department	None
Licence Office	Property Rental Payments
Office of the City Clerk	None
Planning Department	Community Benefit Bonus, Bonding and Deposits
Printshop	None
RCMP Burnaby Detachment	None
Tax Office	Property Taxes, Utilities Charges and Garbage Disposal Fees

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Credit card fee recovery for other lines of business not found in Schedule A will be built into the cost of the service delivery. Staff will analyze the best deployment and structure for this fee recapture model with a planned 2017 roll out.

**3.0 RECOMMENDATION**

By introducing a City Credit Card Merchant Fee Recovery Bylaw the City is better able to expand card services within Council guidelines by introducing various fees for credit card usage by bill type to allowing a broader range of City services to be payable by credit card should the resident/patron choose this payment medium. This bylaw will significantly reduce the impact of merchant services fees on property taxes by recovering these costs in a practical and direct manner based on each line of business.

It is recommended this report be received for information purposes to provide Council with an update and the supporting details pertaining to the Credit Card Merchant Fee Recovery Bylaw No. 13640 found elsewhere on this agenda for consideration and adoption of Council.



Denise Jorgenson  
DIRECTOR FINANCE

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Copied to: City Solicitor