



# Service Fee for Credit Card Transactions in Development Services

Town Council Meeting

September 15, 2021

# Town Council Policy Decision

## Best Approach to Address Rising Credit Card Fees in Development Services?

- Costs Currently Paid by All Customers and Taxpayers
- Prior Attempts to Reduce these Costs Have Not Yielded the Desired Results



# Options

- 1. Continue to absorb credit card fees in the Operating Budget**

- Actual costs ~\$435K in FY 20-21

- 2. Implement a New Service Fee Program on credit card transactions**

- Estimated annual savings ~\$435K

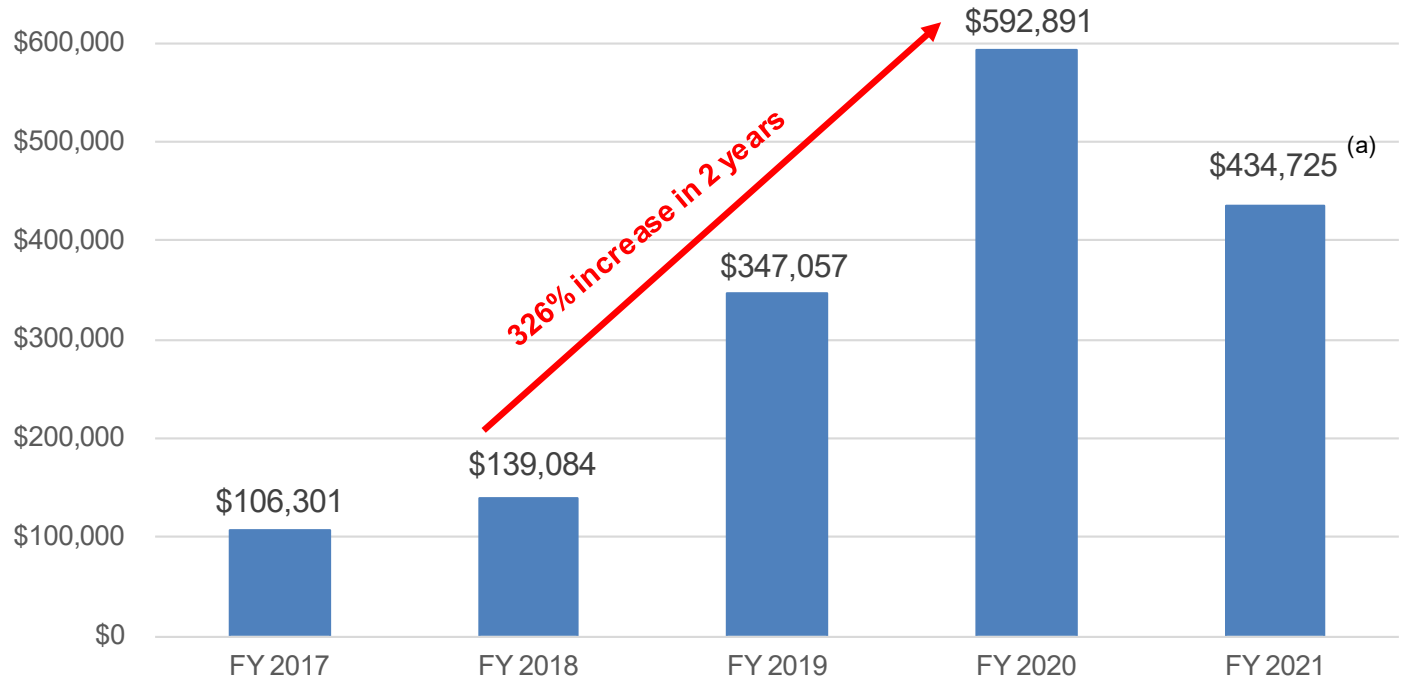


# Current Practice

- **The Town Pays the Cost of the Credit Card Transaction Fees (not the Customer)**
  - FY 20-21 Fees Paid: ~\$435K on \$19.2M Charged
  - FY 20-21 Development Services Revenue: \$33.6M
- **Costs Have Increased Significantly Over Recent Years For Two Main Reasons:**
  1. Migration to Online Services (Electronic Plan Review) – May 2018
  2. High Level of Building Permit Activity
    - FY 19-20 SF Permits = 1,750
    - FY 20-21 SF Permits = 2,223
- **Home Builders Make Up the Majority of Charges**
  - 17 Home Builders Resulted in \$281K (65%) of the Fees Paid in FY 20-21



# Credit Card Transaction Fees – Development Services



(a) Switched payment processors and offered ACH payment option



# Prior Steps to Reduce Fees Have Yielded Minimal Results



- **Changed Vendors (August 2020)**
  - Lowered the credit card fee rate from 3.15% to 2.26%
  - Savings: \$170K
- **Offered ACH / Electronic Check Option (August 2020)**
  - Flat rate of 50 cents per transaction, regardless of transaction dollar amount
  - Communications targeted major production home builders
  - Moved \$14.2M transactions to ACH instead of credit cards
  - Savings: \$300K

# Recommended Service Fee

- A fee charged on ALL credit card transactions for Development Services Transactions only
- Customer pays the fee directly to the processor (Wells Fargo), does not come to the Town
  - Non-Refundable
- **Proposed Rate: 2.4%**
  - Rate established by processor based on our history / volume
- **Estimated Savings: \$435K**
- **Service Fee Charged by Other Cities**
  - Town of Gilbert: 3.1%
  - City of Mesa: 2.37%



# Service Fee Examples

- **SF Home Permit = \$11,984**
  - Service Fee = \$287.62
- **Residential Pool Plan Review & Permit = \$265**
  - Service Fee = \$6.36
- **Commercial Site Review & Building Permit (19,300 sq ft) = \$141,972.71**
  - Service Fee = \$3,407.35





# Customer Options to Avoid the Recommended Service Fee

## 1. Use ACH / Electronic Check

## 2. Use a Trust Account

- Offered to a limited group of customers who have high-volume high-dollar transactions (e.g., home builders)
- Lump sum deposited with the Town
- Funds drawn down and applied to permits as needed
- Customer notified when account balance is low
- Pilot Program with Taylor Morrison



# Steps to Implement Service Fee Recommendation

- **October 6 Town Council Meeting**
  - Publish 60-day Notice of Intent to levy Service Fee, set public hearing date of December 15, 2021
  - Begin Customer Outreach and Education
    - Will Continue Through and After Effective Date
- **December 15 Town Council Meeting**
  - Public Hearing on Service Fee
- **January 3, 2022**
  - Service Fee Becomes Effective





# Questions and Comments