

## **TOWN OF QUEEN CREEK**

### **Notice of Intention to Establish Fees**

Pursuant to ARS §9-499.15, the Town of Queen Creek hereby gives notice that it may adopt an ordinance or resolution to establish a service fee related to credit and debit card payments made through the Town's Development Services Department. A public hearing has been set for December 15, 2021 in the Community Chambers, 20727 E. Civic Parkway, Queen Creek, Arizona at 6:30 p.m. for the purpose of receiving public comment on the proposed service fee. Information relating to the fee is available in the Town Clerk's office at 22358 S. Ellsworth Road, Queen Creek, Arizona, and on the Town's website at [www.queencreekaz.gov](http://www.queencreekaz.gov).

### **SERVICE/SURCHARGE FEE OF 2.40%**

The Town proposes to establish the fee to recoup the costs of accepting credit and debit card payments for Development Services transactions. The fee will be applied to payments made for services listed in the Development Services fee schedule that is available on the Town's website, including Planning, Building Safety & Code Compliance, Engineering, Fire Permit, Plan Review and Inspection services. Each payment made online (credit or debit card) or any payment made at the counter or over the phone with a credit or debit card for such services will be assessed a fee of 2.40% of the transaction's total gross amount.

The Queen Creek Town Council will consider this matter at its regular Town Council meeting to be held at the Queen Creek Community Chambers, located at 20727 E. Civic Parkway, Queen Creek, Arizona at 6:30 p.m., on December 15, 2021, at 6:30 p.m. Following such consideration, the Town Council may approve, disapprove, or modify said ordinance or resolution.



<p>Requesting Department Finance</p>
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**TO: HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH: JOHN KROSS, TOWN MANAGER, ICMA-CM**

**FROM: SCOTT MCCARTY, FINANCE DIRECTOR**

**RE: Consideration and possible approval of a 60-day Notice of Intention to establish a service fee on Development Services credit and debit card transactions.**

**DATE: October 6, 2021**

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**Staff Recommendation:**

Staff recommends the approval of the Notice of Intention setting the time (6:30 p.m.) and the date (December 15, 2021) for the public hearing to establish a service fee on Development Services credit and debit card transactions.

**Relevant Council Goal(s):**



Effective Government: KRA Financial Management, Financial Sustainability

**Proposed Motion:**

Move to approve the Notice of Intention as presented.

**Discussion:**

In recent years the Town has seen a significant increase in the cost of processing credit and debit card transactions for Development Services activity. Our current practice is to absorb these fees in the Operating Budget. Staff is proposing a new program where the customer will pay an additional fee if he or she chooses to use a credit or debit card to pay for permits, applications, and plan reviews through Development Services.

Following is a history of Development Services credit card activity and fees:

	<b>Development Services</b>		
	Credit Card Volume	Credit Card Fees	Fees as % of Charges
FY 2017	\$ 3,888,600	\$106,301	2.73%
FY 2018	\$ 4,895,328	\$139,084	2.84%
FY 2019	\$11,623,014	\$347,057	2.99%
FY 2020	\$18,892,229	\$592,891	3.14%
FY 2021	\$19,214,626	\$434,725	2.26%

Costs have increased for two main reasons. First, in May 2018 the Town migrated all Development Services activity to an online portal. This change was intended to leverage technology to make our processes more efficient and convenient to our customers in the development community. The change to a paperless process has been well-received but also requires customers to use a credit card to pay for services through the online portal. Developers and other customers can no longer bring in paper checks to pay for their building permits, plan reviews, and other services.

Second, the last three years have brought tremendous growth in new development to Queen Creek. For example, the last two fiscal years have seen record numbers of single-family building permits issued, with 1,750 and 2,223 in fiscal years 19/20 and 20/21, respectively. The Town has also issued permits for over \$64 million in commercial construction in the last year alone. Notably, home builders make up the majority of credit card charges through the Development Services online portal, accounting for 65% of the credit card fees paid in fiscal year 2020/21 and nearly 80% of the credit card fees paid over the last three years.

Staff has taken steps to reduce credit card fees in Development Services. In August 2020, the Town switched to a new payment processing vendor who provided a much lower rate for processing credit cards. In one year, the Town's all-in rate dropped from 3.14% to 2.26%, resulting in about \$170,000 in savings.

The new vendor also gave customers the option to use an ACH or "electronic check" payment option instead of a credit card. ACH payments are much less expensive for the Town to process because funds are taken directly from the customer's bank account. The Town's current cost of ACH payments is 50 cents per transaction, regardless of the dollar amount.

Outreach efforts to the Town's customers to encourage use of the ACH option has realized some savings. From August 2020 through July 2021, over \$14 million in transactions were processed through ACH instead of credit cards, savings about \$300,000 that would have otherwise been paid in credit card fees.

However, the volume and cost of accepting credit cards remains significant. As long as a credit card is a no-cost option for customers, the Town remains exposed to substantial credit card fees from both residential and commercial development.

To reduce these costs, staff recommends the Town adopt a service fee for accepting credit and debit cards on Development Services transactions effective January 17, 2022. The service fee will be charged to the customer at the time of payment, but will only be charged to those customers who choose to use a credit or debit card. Customers who choose an ACH payment by using a checking account will not be charged the fee.

The proposed service fee will be 2.4% of the transaction amount. This rate is set by the Town's payment processing vendor (Wells Fargo) based on the Town's current volume and types of transactions. This fee could go up or down over time, but any change in the fee will require approval by the Town Council.

For example, a customer who chooses to use a credit card to pay for a pool permit that costs \$265 will pay an additional \$6.36 service fee. A customer who chooses to use a credit card to pay for a single-family building permit that costs \$11,984 will pay an additional \$287.62.

Staff is also developing a Trust Account program as another payment option for major developers. With this option, the customer can pay a lump sum to the Town through a bank transfer or wire of funds and then draw down the balance as permits are issued. The Trust Account program will be available on or before the effective date of the new service fee and will be targeted towards customers who have high-volume and high-dollar transactions.

In order to charge the new service fee to customers, the Town must follow a two-step process outlined in ARS §9-499.15. First, the Town must provide a public notice for 60 days regarding the intent to charge the 2.4% service fee. Second, after the 60-day notice period, the Town must hold a public hearing on the new service fee.

The attached Notice of Intention sets the date and time for a public hearing to be December 15, 2021 at 6:30 p.m. After the public hearing, the Town Council will consider adoption of the service fee. If approved, the service fee will become effective January 17, 2022.

### **Fiscal Impact**

The cost of credit and debit card processing is currently borne by all customers and taxpayers as a separate line item in the Operating Budget. Charging a service fee for Development Services transactions will shift these costs from all customers to those who specifically choose to use a credit or debit card. Based on current volume, the Town expects to save about \$435,000 per year by implementing the new service fee program.

### **Attachments:**

1. Notice of Intention to Establish a Service Fee on Development Services credit card transactions.