



MEMORANDUM

DATE: August 24, 2021
TO: Honorable Mayor and City Councilmembers
VIA: Judie A. Zimomra, City Manager
FROM: Steven C. Chaipel, Finance Director
SUBJECT: Credit Card Acceptance Convenience Fees

Background

The cost of processing payments via a credit card has steadily increased over the last several years. As shown below, fees paid by the City to credit card processors have increased 34.7% between 2016 and July of 2021.

FUND	2016	2017	2018	2019	2020	2021*
BUILDING	8,958.19	11,215.90	11,774.96	13,935.90	19,573.63	16,891.18
RECREATION	12,764.43	13,527.41	14,179.01	14,538.18	12,050.52	7,325.07
SEWER	11,396.32	13,669.50	13,762.51	15,863.81	22,163.01	20,379.46
Grand Total	33,118.94	38,412.81	39,716.48	44,337.89	53,787.16	44,595.71

* Through July 2021

Credit card processing companies charge a fee to businesses and governments who accept credit card payments. The fee is a percentage of the amount charged, thus accepting credit cards is an additional expense that the City has absorbed. These fees can range from 2%-4% of the amount charged to a card.

To offset the cost of credit card usage, many organizations have instituted a convenience fee to be added to those transactions. A convenience fee can be charged by the City as long as an alternative method of payment is available to the consumer (i.e. cash or check).

Several local organizations and government entities currently charge a convenience fee to customers:

- Lee County Electric Cooperation charges \$4.00 per credit card transaction paid by phone and website
- Lee County Tax Collector charges the fee based on service provider rates, which may vary
- Collier County Tax Collector has variable pricing based on the type of service provided
- LeeWay will institute a \$3.00 administrative fee for all transactions that are not paid with a transponder as of October 1, 2021

Additionally, the Beach Parking fund has experienced an increase in credit card charges of 53.4% over the same period indicated above. As described above, the users of the beach parking lot have an option to pay with cash or a credit card.

FUND	2016	2017	2018	2019	2020	2021*
BEACH PARKING	71,060.34	82,474.93	85,304.04	93,106.38	85,278.61	108,997.68

** Through July 2021*

Recommendation

Staff is recommending that a convenience fee of be added to each credit card purchase. If enacted for all funds, based on transaction history this fee would generate approximately:

- \$75,000 at \$1.00 per transaction
- \$150,000 at \$2.00 per transaction
- \$225,000 at \$3.00 per transaction

The above is based on collection of the fee in all funds. The fees would be charged and retained by the credit card processors and would directly reduce the fees paid by the City. No portion of the fee would be collected or retained by the City.

If approved, staff would begin the process of working with each credit card processor to enact the fees as described.