

STAFF REPORT

Date: April 9, 2025

To: Mayor and City Council

Through: Jackie Bryant, City Manager

Subject: Staff Report (For Possible Action): Approval of Service Fee Addendum to Infosend/Pace Service Agreement resulting in 2.7% merchant fee passed on to customers paying with credit cards and authorizing the Finance Director to sign the agreement.

From: Matt Taylor, Assistant Finance Director

Department: Finance

Summary:

The City of Reno currently absorbs merchant fees associated with processing credit card, debit card, and electronic payments. These fees are charged by payment processors and financial institutions for each transaction. As the volume of electronic payments increases, the financial burden on the City has grown significantly, impacting the Sewer fund and resources available for essential services. Passing these fees on to customers will reduce costs to the City and alternative methods of payment will still allow customers to avoid paying merchant fees as well.

Alignment with Strategic Plan:

Fiscal Sustainability

Economic and Community Development

Previous Council Action:

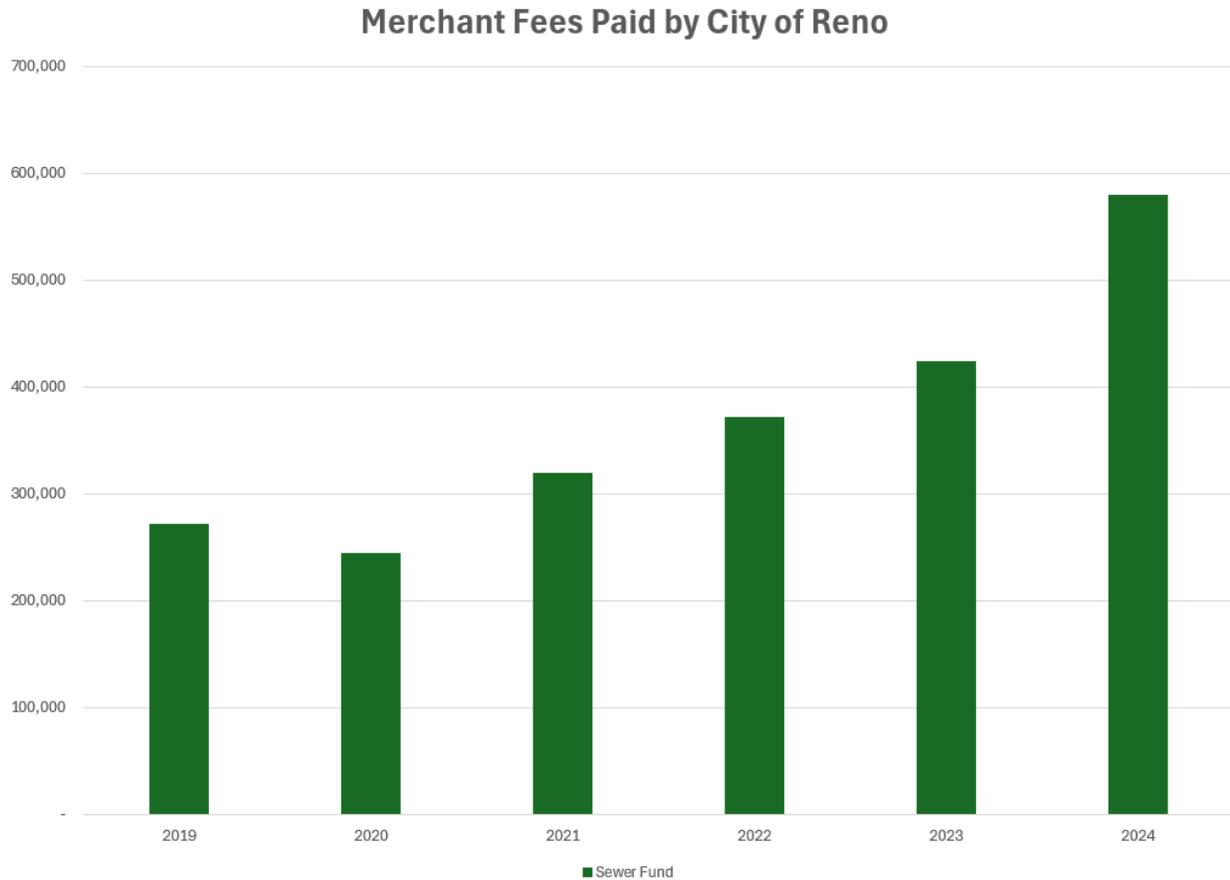
August 22, 2012 - Existing contract and merchant services agreement with Infosend was approved by City Council

Discussion:

The City encourages the use of electronic payment methods for convenience, transparency, and operational efficiency. However, absorbing merchant fees results in a considerable and growing cost to the City. The City currently pays merchant fees as they are incurred to promote the use of online platforms, but in recent years the cost to the City has grown. The cost to the Sewer Fund has averaged \$368,000 per year for the past 5 fiscal years and has grown to \$580,000 in the most

recent fiscal year.

The following points highlight the need to implement a policy to pass these fees on to customers:



Financial Impact:

- In fiscal year 2024, the City incurred approximately \$580,000 in merchant fees to the Sewer Fund.
- Projections indicate these fees will continue to rise due to increased usage of electronic payment methods.

Equity and Cost Recovery:

- Passing merchant fees onto customers ensures that those who utilize electronic payment services bear the associated costs, rather than distributing this expense across all taxpayers.
- Many jurisdictions have adopted similar policies to recover payment processing costs.
- Currently used by Washoe County Treasurer, State of Nevada and being implemented at the Nevada DMV.

Transparency:

- Disclosing merchant fees to customers at the point of payment promotes transparency in

City operations and financial management.

- Merchant fee charged will show as a separate charge that is collected directly by Infosend.
- Customers will have the option to use alternative payment methods, such as checks or cash, to avoid these fees.

If approved, the following steps will be taken to implement the policy:

1. Communicate the change to residents through email lists from customers already signed up for automatic payments.
2. Notify customers in advance of the change with inserts on quarterly utility billing invoices.
3. Update City website to clarify merchant fee will be paid by customer.
4. Provide clear guidance and support to customers regarding alternative payment options.

In January 2025, the proposed change was discussed with the Financial Advisory Board. The Financial Advisory Board agreed the merchant fees related to credit cards should be passed onto customers as long as customers have an alternative method of payment to avoid paying for merchant fees.

The change in passing the merchant fee to customers would take place in January 2026 to allow for 2 full quarter billings to be sent to notify customers of the change in advance. This will allow customers to make necessary changes to automatic payments that are already set up to occur so they may avoid incurring merchant fees if they choose. City staff will also send emails out to existing customers set up for electronic payments to notify them of changes.

This change will have minimal impact to City staff and the processes will remain consistent. Customers will be able to make payments through online systems using bank account information to avoid paying merchant fees directly or pay with cash or check.

Financial Implications:

The City will save approximately 90% of the current cost by passing on merchant fees to customers who choose to pay with credit cards. The City will continue to have some banking charges associated with processing overall transactions and having access to the portal, which is anticipated at approximately 10% of existing fees. Based on this, the City will save approximately \$525,000 in the Sewer Fund.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends Council approve the Service Fee Addendum to Infosend/Pace Agreement and direct the Director of Finance to sign agreement.

Proposed Motion:

I move to approve staff recommendation.

Attachments:

Infosend/Pace Rate Change Agreement

Merchant Fee Presentation 04.09.25