

- D.2 Staff Report (For Possible Action): Approval of Service Fee Addendum to Wells Fargo Merchant Services Agreement resulting in 2.7% merchant fee passed on to customers paying with credit cards and authorizing the Finance Director to sign the agreement.

## 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 Wells Fargo Merchant Services 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 General Fund and Building Enterprise 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:**

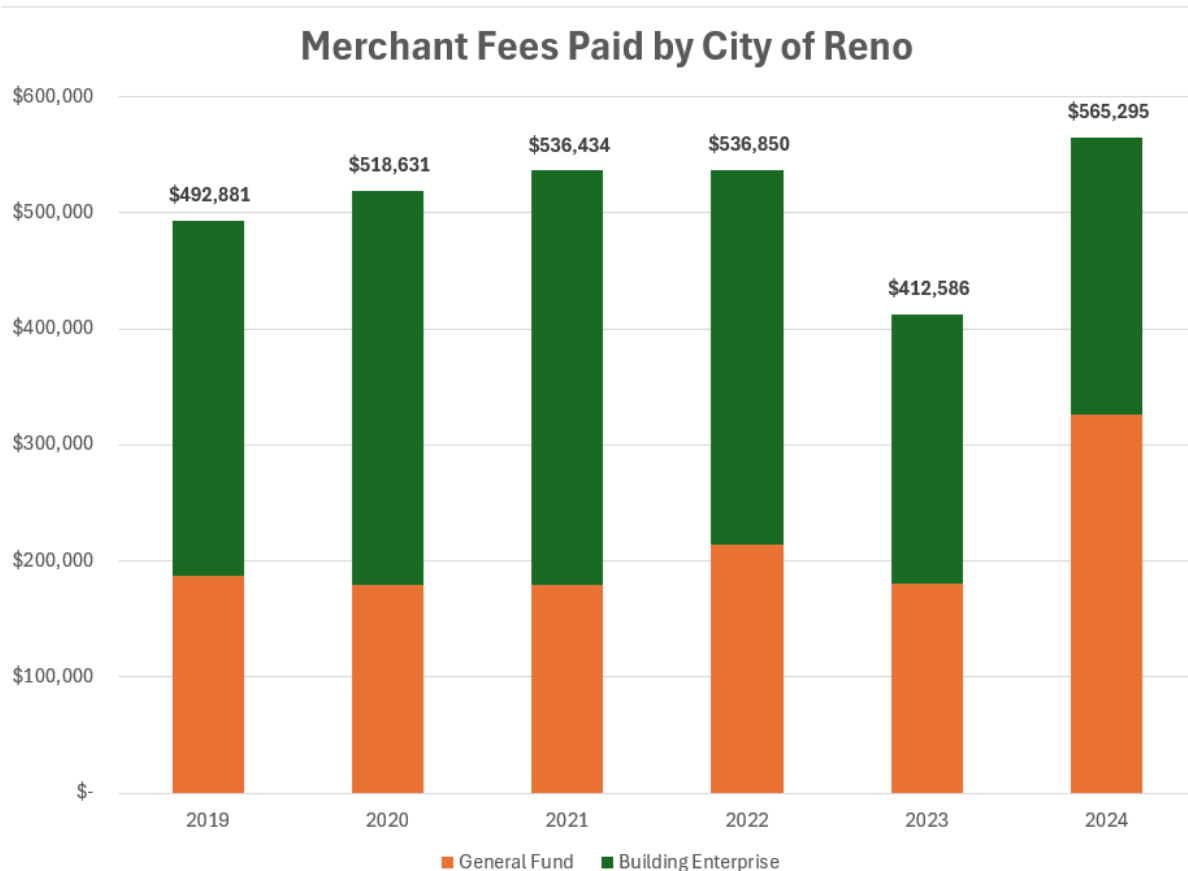
August 11, 2021 - Existing banking contract and merchant services agreement with Wells Fargo was approved by City Council.

**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 General Fund and Building Enterprise Fund has averaged \$510,000 per year for the past 5 fiscal years for both

funds.

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 \$326,000 in merchant fees to the General Fund and \$239,000 in merchant fees to the Building Enterprise Fund for a total of \$565,000 paid for merchant fees.
- 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 Wells Fargo.
- 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. Update the City's payment systems to new terminals at a total cost to the City of approximately \$6,000.
2. Communicate the change to residents through the City's website, and signs placed at customer service counters.
3. Provide clear guidance and support to customers regarding alternative payment options.

In January 2025, the updated merchant agreement with Wells Fargo was discussed with the Financial Advisory Board and Building Enterprise Fund Advisory Committee. The Building Enterprise Fund Advisory Committee noted the benefits to the City outweigh the cost to customers if the City provides an alternative payment method to avoid incurring fees and this is consistent with what other jurisdictions have implemented. The Financial Advisory Board agreed the merchant fees related to credit cards should be passed onto customers but did not want fees assessed on debit cards. This program does not allow for a separation between credit and debit card charges so the fee would be passed onto all customers equally. But customers will still have the option to pay with cash or check at the counter to avoid additional fees.

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 \$300,000 in the General Fund and \$200,000 in the Building Enterprise Fund annually.

### **Legal Implications:**

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

### **Recommendation:**

Staff recommends Council approve the Service Fee Addendum to Wells Fargo Merchant Services Agreement and direct the Director of Finance to sign agreement.

### **Proposed Motion:**

I move to approve staff recommendation.

**Attachments:**

Wells Fargo Merchant Fee Addendum

Merchant Fee Presentation 04.09.25



# Service Fee Addendum To Wells Fargo Merchant Services Agreement

This addendum (the "Addendum") to the Merchant Services Agreement, which includes the Program Guide, the Merchant Application, and all Schedules and Attachments thereto or incorporated therein (the "Agreement") is entered into on the last date signed below (the "Effective Date") between **Wells Fargo Merchant Services, L.L.C.** and **Wells Fargo Bank, N.A.** (collectively, "Wells Fargo") and **City of Reno** ("Client").

## WITNESSETH:

WHEREAS, Client, as a merchant accepting certain electronic payments, would like to receive the Service Fee Services (as described below) from Wells Fargo; and

WHEREAS, Wells Fargo desires to provide the Service Fee Services subject to the certain terms and conditions set forth herein;

NOW THEREFORE, in consideration of the mutual promises and covenants hereinafter contained in this Addendum, the parties hereby agree as follows:

1. **Definitions.** All capitalized terms not otherwise defined in this Addendum shall have the meaning ascribed to such term in the Agreement.
2. **Service Fee.** As such term is used herein, Service Fee shall mean the fee charged by Wells Fargo, on behalf of Client, to Customers conducting Eligible Transactions (as described herein, as applicable) with Client and operating in certain designated merchant category codes ("MCCs"). For the avoidance of doubt, fees referred to as a "service fee" or "convenience fee" (in the context of the MCCs described herein) as used in the applicable Card Organization Rules, where the fee is processed as a separate Transaction from the underlying purchase or payment Transaction, are included within the definition of, and are referred to herein, as a "Service Fee."
3. **Service Fee Services.**
  - 3.1 If Client uses a platform/gateway provided by Wells Fargo Bank N.A. under a separate agreement to accept cardholder payments, Wells Fargo agrees to charge Service Fees as outlined in the Schedule A, Cardholder Service Fee Schedule, attached to this Addendum, on behalf of Client to Client Customers for Eligible Transactions (the "Service Fee Services"), in each case provided that Client is in compliance with the Card Organization Rules and any applicable laws, including the Electronic Fund Transfer Act and Regulation E. If Client uses a platform/gateway not provided by Wells Fargo Bank N.A. to accept cardholder payments, Client is responsible for calculating and submitting Service Fees amount (as outlined in the Schedule A) to Client Customers for Eligible Transactions. Client will be provided with a Wells Fargo Merchant Services owned merchant identification number ("MID") to be used for Service Fee processing. Client may only use the Wells Fargo Merchant Services owned MID for cardholder transactions related to the Service Fee Services.
  - 3.2 The Service Fees outlined in Schedule A, are based upon assumptions associated with the anticipated annual volume by card types, average transaction size, Client's method of doing business and the Card Organization fees and other pass-through type fees as of the Effective Date of this Addendum. If the actual volume by card types or

the actual transaction size is not as expected or if Client significantly alters its method of doing business, subject to Client's right to terminate as described in Section 9.2, Wells Fargo may adjust the Service Fees upon 30 days' notice to Client.

3.3 The Service Fees may also be adjusted upon 30 days' notice to Client to reflect changes in fees imposed by the Card Organization, the Card Issuer, or other pass-through costs.

3.4 Additionally, Wells Fargo may immediately terminate the Services and the Service Fee Services if Client's Chargeback rates in any monthly period equal or exceed one percent (1%) of the total dollar value of incoming items to Wells Fargo. Pursuant to this Addendum, Wells Fargo will receive and retain the Service Fee collected, on behalf of Client, in connection with Eligible Transactions and will use the Service Fee to pay regular per transaction fees and fees and/or costs for the Processing Services provided by Wells Fargo with respect to such Transactions among other expenses.

4. **Eligible Transactions.** The parties agree that the Service Fee shall only apply in connection with the following "Eligible Transactions" as defined by the assigned Merchant Category Code (MCC).

[9311—Tax Payments - Government Agencies]  
[9222—Fines - Government Administrative Entities]  
[9211—Court Costs, Including Alimony and Child Support - Courts of Law]  
[9399—Misc. Government Services]  
[8220—College Tuition]  
[8211—Elementary and Secondary Schools]  
[8244—Business]  
[8249—Trade Schools]

Requires Approval prior to Implementation.

[6513—(Apartment Rental Services)- AMEX Only]  
[8050—(Long Term Care) – Mastercard/VISA/Discover]

Some Acquirers classify LTC (Nursing Homes) under Apartment Rental Services. WFMS requires the MCC of 8050 on Visa, Mastercard and Discover even if AMEX is registered as 6513.

5. **Required Documentation.** Client must provide Wells Fargo with the necessary documentation to facilitate Wells Fargo's registration of Client in the service fee programs of the applicable Card Organizations. In addition, and subject to Wells Fargo's approval (such approval not to be unreasonably withheld), Client agrees to provide full and accurate disclosure of the Service Fee to Cardholders (the "Fee Disclosure"). Without limiting the foregoing, the Fee Disclosure by Client shall at a minimum (i) disclose the Service Fee to the Cardholder prior to the completion of the Transaction, (ii) disclose that the Service Fee will be collected by a third party (iii) give the Cardholder the option to cancel the Transaction if the Cardholder does not wish to pay the Service Fee, (iv) comply with all applicable law, rules and/or regulations, and (v) the service fee MID will (a) be registered as "WF4\_CLIENT NAME\*SERVICE FEE"<sup>1</sup>, (b) comply with Card Organization Rules for character length and naming convention, and (c) be used as the descriptor on the cardholder statement and include the Client customer support phone number for inquiries related to the principal and service fee transaction. Any changes to the Fee Disclosure or other processes of Client pertaining to Service Fees shall be subject to the approval of Wells Fargo, provided that such approval shall not be withheld or delayed. Client assumes all responsibility for the Fee Disclosure.

1. Wells Fargo is limited to 9 characters for CLIENT NAME and may abbreviate or truncate.

6. **Application.** The Service Fee shall apply in the same amount regardless of the Credit Card or signature Debit Card type accepted for payment of a given Eligible Transaction within a particular payment channel. This requirement does not apply to payments made by ACH, cash, or check. The Service Fee must not be advertised or otherwise communicated by Client as an offset to the merchant discount rate.

7. **Voided Transactions.** If Client voids an underlying Eligible Transaction, the associated Service Fee must be voided as well. If Client processes a refund for an underlying Eligible Transaction, Client must disclose to Customers that

Service Fees are non-refundable. Merchants that desire to charge Service Fees will be assigned separate Merchant IDs ("MIDs") for use in connection with Eligible Transactions and related Service Fees. MIDs assigned for use with Eligible Transactions and/or Service Fees may not be used to process Transactions that are not Eligible Transactions.

8. **Customer Support and Transaction Management.** The Client will provide customer phone support for all inquiries related to the Eligible Transaction and the Service Fee transaction. Chargeback management and defense shall be facilitated and managed by the Client including for the service fee account. Notwithstanding the foregoing, however, Client shall cooperate with Wells Fargo in the management of Chargebacks, and for any other necessary management of Service Fee transactions as requested by Wells Fargo. Such cooperation shall include, without limitation, providing supporting documentation related to Eligible Transactions and/or Service Fee transactions.

9. **Termination.**

9.1 Wells Fargo may terminate this Addendum and the Service Fee Services immediately upon (i) termination of the Agreement, (ii) a material breach of this Addendum, (iii) failure to comply with Sections 3 and 4 of this Addendum or (iv) where such termination is required by an applicable Card Organization. In addition, Wells Fargo may terminate this addendum and the Client Service Fee Services for its convenience with 30 days written notice.

9.2 Client may, by providing at least 30 days prior written notice, terminate this Addendum without penalty in the event Wells Fargo provides Client with a notice of any new or increases in the existing Service Fees as proved in Section 3.2.

9.3 Upon termination of this Addendum, Client agrees to pay any remaining fees or expenses related to Wells Fargo's provision of the Service Fee Services.

10. Client **Representations and Warranties.** Client represents and warrants that under Nevada law, Bank is permitted to collect a Service Fee for Eligible Transactions on behalf of Client as set forth in this Addendum during the term of this Addendum. Client further represents that under Nevada law the Service Fee under this Addendum may be applied to any type of Card transaction, including without limitation Credit Card and Debit Card transactions at all times during the term of this Addendum.

11. Except as otherwise amended hereby, all other terms and conditions in the Agreement remain unchanged, are hereby ratified and shall apply in all respects to the parties and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Addendum as of the \_\_\_\_ day of \_\_\_\_ 202\_ ("Effective Date").

**City of Reno**

**By:** \_\_\_\_\_

**Title:**\_\_\_\_\_

**Print Name:**\_\_\_\_\_

**Date:**\_\_\_\_\_



**Schedule A**  
**Cardholder Service Fee Schedule**  
**Date: 03/17/2025**

Service Fees <sup>1</sup>	Rate
Credit Card Service Fee	2.70%
Non-PIN Debit Service Fee	2.70%

<sup>1</sup> *Service Fees will be charged as a percentage of the applicable transaction amount*

Without a signed Service Fee Addendum, this Fee Schedule expires 60 days from the date stated above.

**Merchant Initials:** \_\_\_\_\_

**For Internal Use Only: BTD File # 3405707 & 3405708**

# Merchant Service Fees Addendum

## April 9, 2025



# Alignment with Strategic Plan



Fiscal Sustainability

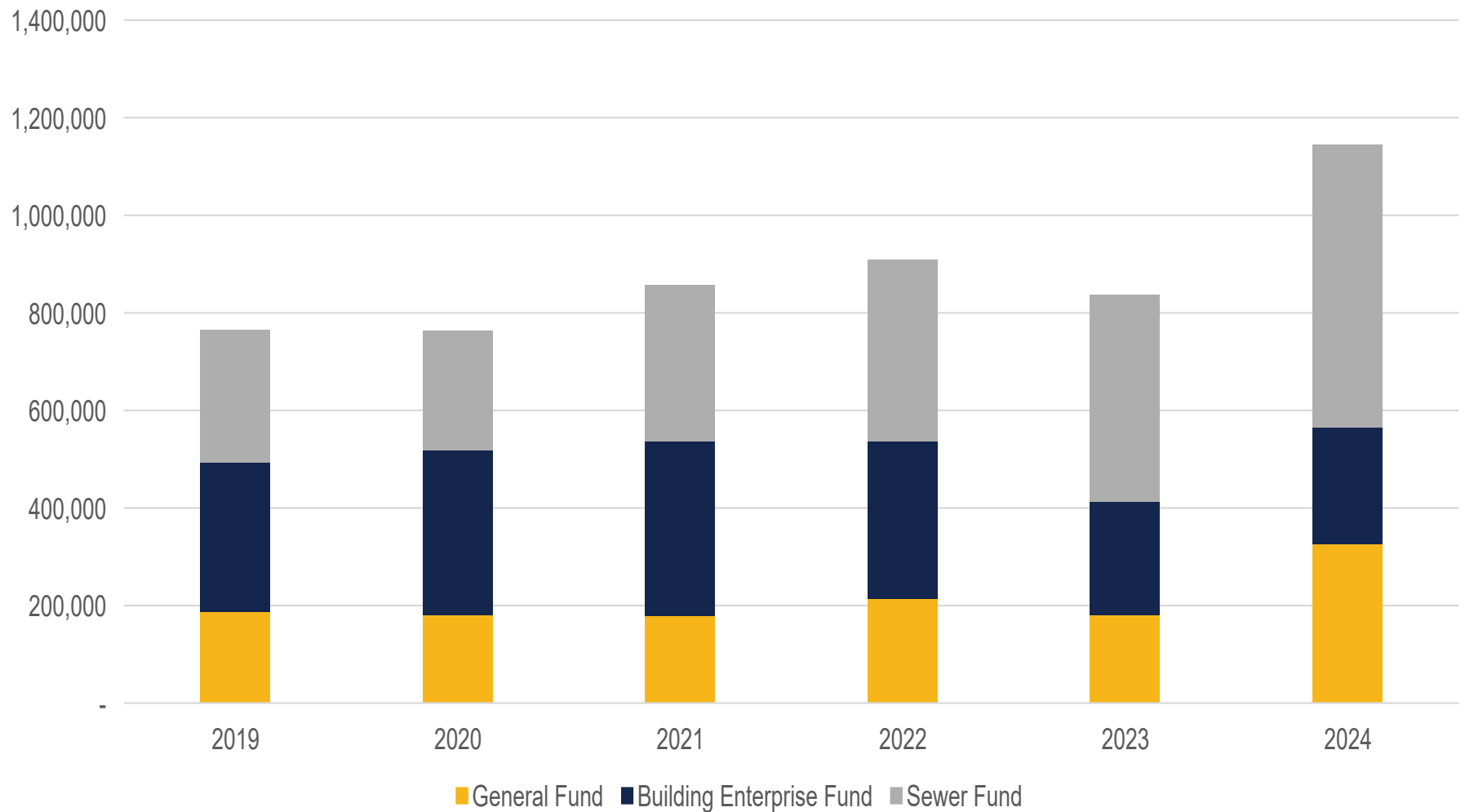


Economic & Community  
Development

# Merchant Fees

- Charges paid by the City to process electronic payments
- How does it impact the City?
  - Fee Absorption – City pays the fee (current process)
  - Pass Through – Customer pays the fee

# Merchant Fees Paid by City



# Pass Through Fee

- Fee to customer would be 2.7%
- Customer would pay Merchant Fee directly
  - Show as separate charge on statement
- Customer has ability to avoid fee
  - Pay Online with bank account (ACH)
  - Cash
  - Check

# New Agreements and Estimated Budget Savings

- Wells Fargo
  - General Fund ~ \$300,000
  - Building Enterprise Fund ~ \$200,000
- Infosend/Pace
  - Sewer Fund ~ \$525,000)



# Messaging to Customers

- Front Counter – Additional Signage
- Websites – Notification of Merchant Processing Fee
- Sewer Bill Insert (July and October Bills)
- Email outreach to existing sewer customers registered online (November, early December, middle December)



# Recommended Motion

I move to approve service fee addendum with Wells Fargo.

I move to approve service fee addendum with Inforsend/Pace.

# Merchant Service Fees Addendum

## April 9, 2025



# Alignment with Strategic Plan



Fiscal Sustainability

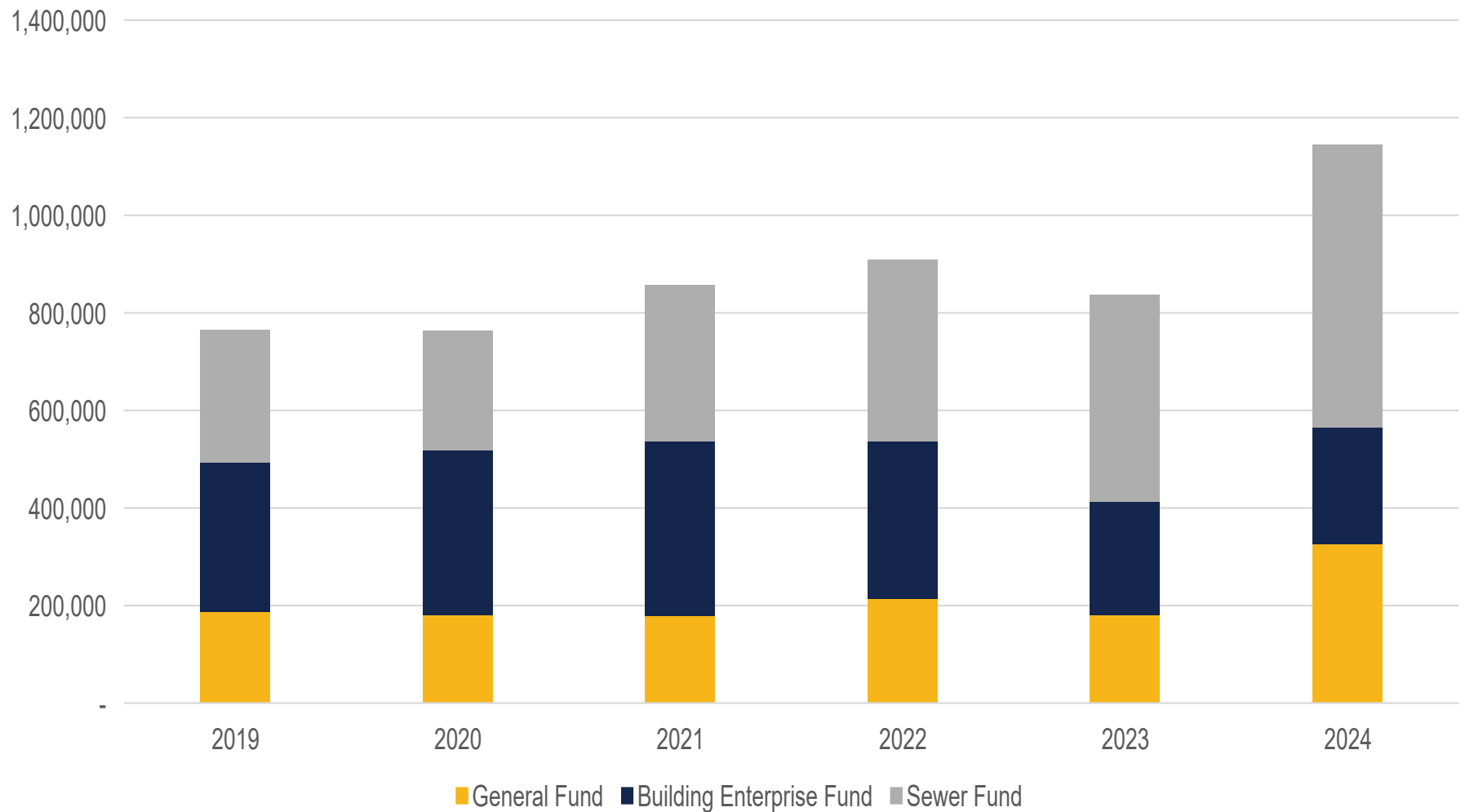


Economic & Community  
Development

# Merchant Fees

- Charges paid by the City to process electronic payments
- How does it impact the City?
  - Fee Absorption – City pays the fee (current process)
  - Pass Through – Customer pays the fee

# Merchant Fees Paid by City



# Pass Through Fee

- Fee to customer would be 2.7%
- Customer would pay Merchant Fee directly
  - Show as separate charge on statement
- Customer has ability to avoid fee
  - Pay Online with bank account (ACH)
  - Cash
  - Check

# New Agreements and Estimated Budget Savings

- Wells Fargo
  - General Fund ~ \$300,000
  - Building Enterprise Fund ~ \$200,000
- Infosend/Pace
  - Sewer Fund ~ \$525,000



# Messaging to Customers

- Front Counter – Additional Signage
- Websites – Notification of Merchant Processing Fee
- Sewer Bill Insert (July and October Bills)
- Email outreach to existing sewer customers registered online (November, early December, middle December)



# Recommended Motion

I move to approve service fee addendum with Wells Fargo.

I move to approve service fee addendum with Inforsend/Pace.