



Sedgwick County...
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Sedgwick County

525 North Main Street 3rd
Floor
Wichita, KS 67203

Legislation Text

File #: 17-567, **Version:** 1

RESOLUTION ADJUSTING THE CONVENIENCE FEE CHARGED FOR PAYMENTS MADE WITH CREDIT AND DEBIT CARDS.

Presented by: Rick Durham, Deputy Chief Financial Officer.

Recommended Action: Adopt the resolution.

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In 2001, the Board of County Commissioners approved a resolution that would allow credit or debit cards to be used for property tax payments. Providing this payment option gives citizens flexibility and convenience to make tax payments and may result in fewer delinquencies. For these transactions, Sedgwick County is charged merchant service fees by the vendors who process the credit card transactions (Visa, MasterCard, and Discover). Over the years, Sedgwick County paid the fees as "the cost of doing business."

In 2012, the Board of County Commissioners approved a resolution that established a 2% convenience fee on all tax payments made with a credit card and a flat fee of \$3.95 convenience fee on all tax transactions using debit cards. These fees were established based on information at the time that the County incurred a flat merchant service fee for debit cards and a percentage of the total transaction for credit card transactions.

In reality every payment card transaction the County processes is processed as a credit card transaction and the County pays the percentage fee. This is due to the fact that the County does not accept PIN debit transaction. Debit cards can be processed two ways, PIN debit or signature debit. PIN debit transactions charge the merchant a flat fee, while signature debit charges a percentage of the total transactions like credit card transactions.

In 2016, Sedgwick County processed 35,512 card transactions at 28 locations, collecting \$14,270,684. This represents taxes and fees collected in person and online by various agencies across the County organization. As stated, every card transaction processed by Sedgwick County is processed as a credit card transaction and costs the County approximately 1.7% per transaction. The percentage varies based on the card and if the card is a rewards card, pre-paid card, gift card etc. Sedgwick County incurred \$241,676 in merchant service fees in 2016 for the processing of payment cards and collected \$188,466 in convenience fees based on the formula adopted in 2012.

Through the end of April 2017 the County has processed 12,897 card transactions. The total sales, or amount collected is \$4,111,438.

The County has been charged \$165,714 in Merchant Service Fees, while collecting only \$27,887 in Convenience Fees.

This represents a 2% rate increase of the Merchant Service Fee charged to the County from the 2016 rate of 2.0% to the current rate of 4.0% on all payment card transactions.

The attached resolution imposes a convenience fee of 4.0% upon any property tax payment made to Sedgwick County by credit card and debit card where the user of the debit card does not enter a PIN number. If adopted, the fees will be imposed upon passage.

Alternatives: The Board of County Commissioners could decline to adopt the resolution and stay with the current model.

Financial Considerations: The proposed 4.0% fee will recoup merchant service fees incurred by the county.

Legal Considerations: This is a home-rule resolution which requires three votes for approval and becomes effective upon passage. Additionally, K.S.A. 19-122 and Payment Card Industry regulation allow the collection of a convenience fee for all transactions using a payment card.