

RESOLUTION NO. 2012

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BONNEY LAKE, PIERCE COUNTY, WASHINGTON, AUTHORIZING CITY ADMINISTRATION TO DEVELOP AND ADMINISTER INTERNAL PROCEDURES COVERING THE ACCEPTANCE OF CREDIT/DEBIT CARD PAYMENT SOLUTIONS PURSUANT TO RCW 39.58.750 AND TO ENTER INTO ENHANCED MERCHANT BANKCARD SERVICES WITH BANK OF AMERICA.

WHEREAS, local governments use a wide variety of banking services for the deposit, disbursement, and safekeeping of public monies; and

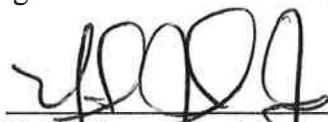
WHEREAS, the City Council acknowledges that changes in technology, cash management practices, and banking industry structure necessitates periodic evaluation of treasury functions in order to serve our customers in the most efficient way possible; and

WHEREAS, accepting credit/debit cards for such payments as utility bills, business licenses, and development fees would be consistent with the practices of many government agencies, as well as with the contract that the Office of the State Treasurer currently administers with Bank of America for all state agencies; and

WHEREAS, Bank of America is currently the holder of the City's banking services contract, thus able to best understand the City's daily treasury needs and provide service improvement solutions; and


WHEREAS, it is the recommendation of the Chief Financial Officer of the City of Bonney Lake that Bank of America be retained to provide enhanced merchant bankcard services;

NOW THEREFORE, the City Council of the City of Bonney Lake, Washington does hereby resolve that authorization is hereby granted for Administration to develop and administer internal procedures covering the acceptance of credit/debit card payments and to administer said payment solutions through the current banking services contract holder.



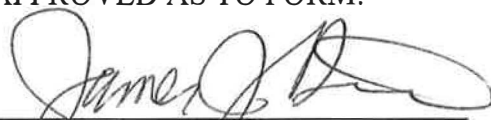
Neil Johnson, Jr., Mayor

ATTEST:



Harwood T. Edvalson, City Clerk

APPROVED AS TO FORM:



James J. Dionne, City Attorney



Memo

Date : February 23, 2010
To : Don Morrison, City Administrator
Neil Johnson, Mayor
Finance Committee Members
From : Al Juarez, Chief Financial Officer
Topic : Enhancing the City's payment processing ability -
Implementing a Bank of America merchant services (credit card) solution

Within the past decade multiple cities have adopted electronic payment processing solutions, i.e. accepting credit cards for various payment types (utilities, permits, etc.). This innovative payment capability has created significant opportunity for cities by providing enhanced in-person customer service. Customer choice, speed, accuracy and data security all add up to measurable benefits for any business. Fast, secure, intelligent processing solutions allow staff to focus on what they do best – serving our customers in the most efficient way possible.

Bank of America (B of A), who we currently contract with for daily banking services, offers a robust and comprehensive merchant services solution that would provide the technology, innovative products and industry track record to serve our existing and future needs. By subscribing with B of A for a merchant services solution we would be providing a one stop approach for all our customer needs. Following are substantial reasons why choosing B of A to process our credit card transactions makes good sense:

- Next business day access to funds. Credit card funds could be accessed the next business day through our business checking account.
- Safety and security. B of A assists us in protecting our customer's information by supporting our enhanced security and regulatory compliance with payment network rules and regulations.
- Innovative reporting tools. Web based and paper reporting solutions that assists in managing our payment processing activity.
- Reliability. Proven system uptime that exceeds 99.999%. This equates to dependable support and service during even the busiest times.
- Speed. Transaction speed is increased with rapid response times of 2 to 3 seconds and often as little as 1 second.
- Possible increased cash flow. This ties to bullet number one. Payment options attract more customers taking advantage of the service thus providing a more rapid availability of cash.

There has been debate over the years centered on how the State Auditors Office would perceive a government entity establishing a real time credit card solution and in turn accepting the transaction fees as an entity cost of doing business. Within the past decade several municipal governments have established this very credit card solution in-house through their banking services contract as prescribed via Revised Code of WA (RCW) 39.58.750, which provides the following guidance: *Notwithstanding*

any provision of law to the contrary, the City may receive public funds by means of wire or other electronic communication in accordance with accounting standards established by the state auditor under RCW 43.09.200.

Currently we do not offer a walk-up credit card payment solution at our City Hall utility counter or any other payment location within the City. Individual customers are familiar with our limited acceptance of credit card payments that are actually handled through a third party payment solution. In essence our customers are not paying us directly with a credit card but rather they are paying a third party who accepts their credit card plus a transaction fee. The third party then electronically passes the customer's payment on to us accompanied by a detailed transaction file. We then in turn enter these credit card transactions into our utility billing software. This entire process is lengthy, time consuming and laboriously cumbersome viewed in a reconciling perspective. Additionally access to received funds can be days in coming to fruition.

Implementing a B of A merchant services point of sale solution at our utility counter would replace the above described current process and provide a wide range of benefits as identified within the first page of this memo. I personally believe that the single most important benefit lies with providing our valued customers an enhanced service that they have been requesting for years.

Of course we also need to understand that there would be a cost to providing this enhanced benefit to our customers. In recent communication with our Client Services Manager at B of A we discussed a transaction rate ranging from 2.5% to 3.0% for the bank to provide a real time credit card solution for the city. The bank would conduct an assessment on an annual basis to determine our rate for the subsequent year. The basis for the analysis would be total value of credit card sales. As of the date of this memo our Bank has not concluded their evaluation of a firm rate to begin the program with.

During 2009, utilizing our current arrangement with a third party credit card processing agent, our total credit card volume amounted to \$520,214 dollars. Multiplying this volume by the lower rate of 2.5% our fees to absorb as a cost of doing business would be \$13,005. Multiplying our 2009 volume by the higher rate of 3.0% our fees to absorb as a cost of doing business would be \$15,606. Thus, in general, we can say that to provide a real time, on-line credit card solution for our customers at our utility counter would cost the city between \$13,000 and \$15,606 per year.

Numerous benefits to utilizing a real time credit card solution have been articulated on page one of this document. Another significant benefit to consider with a real time credit card solution would simply be adding an additional option for customers who may be struggling during this economic recession that people nation wide are experiencing. Consider a customer coming to our utility counter to share their hardship. They cannot pay their utility bill because they have been laid off and they have no income what so ever. Having the option to pay with a credit card at our counter could mean the difference of not having their water shut off. Not having their water shut off would also save that particular customer a \$100 reconnect fee as well. So you see - the economical benefit for our customers is great.

If this initiative is approved, our Finance staff would work collaboratively with our in-house IT staff and B of A staff to establish credit card payment capabilities at our utility counter. We ask that Finance Committee also consider extending this same functionality at our permitting operation as well. Staff would offer that we establish a ceiling on a per transaction permit application however, to mitigate exorbitant bank credit card fees. Further discussion should be devoted to the topic of accepting credit cards specifically for permit applications.

Thank you for your consideration of this initiative.

**City of Bonney Lake, Washington
City Council Agenda Bill (C.A.B.) Approval Form**

<u>Department / Staff Contact:</u> Fin / Al Juarez	<u>Workshop / Meeting Date:</u> 09 Mar 2010	<u>Agenda Bill Number:</u> AB10-34
<u>Ordinance Number:</u>	<u>Resolution Number:</u> 2012	<u>Councilmember Sponsor:</u>

Agenda Subject: Authorize acceptance of credit cards for various city payments

Proposed Motion: A resolution of the City Council of the City of Bonney Lake, Pierce County, WA authorizing city administration to develop and administer interanal procedures covering the acceptance of credit/debit card payment solutions purusnat to RCW 39.58.750 and to enter into enhanced merchant bank card services with Bank of America.

Administrative Recommendation: Approve proposed resolution

Background Summary: Accepting credit cards will greatly enhance our customer service providing an additional option to customers who have actually requested this service for some time. This fast, secure, intelligent processing solution will allow staff to focus on what they do best - serving our customers in the most efficient way possible.

Bank of America (B of A) offers a robust and comprehensive merchant services solution that would provide the technology, innovative products and industry track record to serve our existing and future needs. Advantages to utilizing B of A include: They currently provide our banking services contract thus they are able to best understand the City's daily treasury needs and provide service improvement solutions; Next business day access to funds; Safety and security; Innovative reporting tools; Reliability; and, Speed in processing transactions.

BUDGET INFORMATION:

Budget Amount	Required Expenditure	Budget Impact	Budget Balance
Not budgeted	low =\$ 13,005; high = \$15,606	same as expenditure	Not budgeted
Budget Explanation:			
Actual service fees charged by the bank are based on total credit card volume. Our 2009 experienced volume using a thrid party vendor that processed credit card transactions at an alternative location was \$520,214.			
Low estimate @ 2.5% = \$13,005			
High estimate @ 3% = \$15,606			

COMMITTEE/BOARD REVIEW:

Subcommittee Review Date: Finance Committee - 23 Feb 2010
Commission/Board Review Date: -
Hearing Examiner Date:

COUNCIL ACTION:

Workshop Date(s): _____ **Public Hearing Date(s):** _____
Meeting Date(s): _____ **Tabled To Date:** _____

Signatures:

Director Authorization Al Juarez	Mayor	Date City Attorney Reviewed
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FINANCE COMMITTEE

DATE: February 23, 2010

ORIGINATOR: Al Juarez

TITLE: Chief Financial Officer

SUBJECT/DISCUSSION: A resolution of the City Council of the City of Bonney Lake, Pierce County, WA authorizing the expanded use of merchant bankcard services through Bank of America (B of A), who holds our current contract for banking services. Authorization is to cover acceptance of credit/debit card payment solutions which is consistent with the contract that the Office of the State Treasurer currently administers with Bank of America for all state agencies, pursuant to RCW 39.58.750.

Accepting credit cards will greatly enhance our customer service providing an additional option to customers who have actually requested this service for years. This fast, secure, intelligent processing solution will allow staff to focus on what they do best – serving our customers in the most efficient way possible.

B of A offers a robust and comprehensive merchant services solution that would provide the technology, innovative products and industry track record to serve our existing and future needs. Advantages to utilizing B of A include: Next business day access to funds; Safety and security; Innovative reporting tools; Reliability; and, Speed in processing transactions.

ORDINANCE/RESOLUTION: 2012 (AB10-34)

REQUEST OR RECOMMENDATION BY ORIGINATOR: Approve Proposed Resolution

ISSUE AND DOCUMENTS HAVE BEEN REVIEWED AND APPROVED BY THE MAYOR

FINANCE DIRECTOR Yes
CITY ATTORNEY

BUDGET INFORMATION

Table with 3 columns: 2010 Expenditure Budget Amount, Required Expenditure, Remaining Balance. Includes values like 'Not budgeted', 'Range: Low @ 2.5 % = \$13,005', 'High @ 3.0% = \$15,606'.

Explanation: Actual service fees charged by the bank are based on total credit card volume. Our 2009 experienced volume using a third party vendor to process credit cards at an alternative location was \$520,214.

Table for COMMITTEE ACTION: RECOMMEND APPROVAL TO COUNCIL. Columns include NAME, DATE, APPROVED, DISAPPROVED. Rows for Dan Swatman, Mark Hamilton, James Rackley.

COMMITTEE'S RECOMMENDATION TO FORWARD TO: CITY CLERK, FINANCE DIRECTOR, CITY ATTORNEY

Please schedule for Council Meeting date of: March 9, 2010
Consent Agenda: No