

Credit Card Fee Recovery Options

ISSUE

Currently, users of City of Saskatoon (City) services are able to pay for certain civic services using a credit card; however, the associated fees are absorbed as an operational/program cost by the City. Currently, users of City of Saskatoon (City) services are able to pay for certain civic services using a credit card; however, the associated fees are absorbed as an operational/program cost by the City. This report provides a summary of the services that the City accepts credit card as a payment method, provides the annual costs incurred for credit card processing and presents options to recover those fees.

BACKGROUND

History

At the November 28, 2023 City Council [Budget Deliberations](#) meeting it was resolved, in part:

“That the Administration report back in advance of 2025 budget deliberations on credit card charges and fees at leisure centres and potential options for cost recovery.”

At the [December 20, 2023 City Council](#) meeting it was resolved, in part:

“That the Administration report on back to City Council and/or the appropriate Committee prior to the 2025 Budget adjustment process on (a) the average annual cost to the City for all credit card processing fees and (b) a potential approach to recover those costs.”

In addition, at the November 28, 2023 City Council [Budget Deliberations](#) meeting it was resolved to implement the following option in 2024 for on-line registrations to recreational programs:

“Implement \$1 service fee for online registrations”.

Beginning in October 2022, Visa and Mastercard agreed as part of a class action lawsuit settlement to allow merchants to decide whether they want to pass credit card fees onto their customers. Before this change, merchants were not able to pass along these costs and were responsible to absorb the costs.

There are different types of fees which may be implemented by merchants and payment processors depending on the purpose and nature of the transaction. Payment Card Network Operators (PCNO) like Visa and Mastercard largely define the rules applicable to each type of fee. Appendix 1 provides a Terms of Reference explaining the various fees and the circumstances under which they may be charged. Surcharging is the method intended to recover credit card fees for the acceptance of a credit card and is

Credit Card Fee Recovery Options

applied at the point of sale and is consistent for card is present (in person) or not present (online) transactions.

Current Status

In 2023, the City had approximately \$20.12 million in credit card sales (net of taxes), with the largest volume coming from Recreation and Community Development (\$7.87 million in person and \$1.13 million online), Building Permits, Plumbing Permits and Development Review (\$2.63 million) and Online Parking Tickets (\$2.63 million). A full listing of all City services that accept credit cards can be found in Appendix 2.

In 2023, the total cost to the City for credit card fees (online, in-person and over the phone) was approximately \$415,600 as presented in Appendix 3. The \$415,600 in 2023 credit card fees equates to approximately 2.07% charged on \$20.12 million worth of total credit card transactions and represents the cost to the City for accepting a credit card at checkout. Credit card fees for online, over the phone and in person use specific to services provided by City Leisure Centres and Gordon Howe Campground was approximately \$179,000, which totals 1.88% of the total credit sales for these services.

Due to operational requirements such as the ability to integrate into various online and registration platforms, the City currently has three different vendors for processing credit card payments:

1. Moneris

- Moneris is the City's main payment processor for debit and credit card payments. Moneris accounts for 91.02% of all credit card payments with 57% being in person credit card payments.
 - Moneris payment processing services are used for all City in person payments, public pay parking, and majority of online payments.
 - Moneris only offers a service fee to recover credit card costs for online payments within specific merchant categories. They currently do not offer a surcharge fee service for any payment types including in-person.
 - The Administration's work plan for 2026 includes research into payment processors within the market that can offer more recovery options in addition to service fees.

2. Card Connect

- Card Connect is the payment processor for online leisure program registrations completed through Leisure Online and Gordon Howe Campground which makes up 8.96% of all credit card payments.
- Card Connect is the sole payment processor that is integrated with the Recreation & Community Development Department's point of sale and registration system, RecTrac.
- Payments for building permits, plumbing permits and development permits are taken over the phone and manually processed through Card Connect.

Credit Card Fee Recovery Options

3. Stripe

- Stripe is the payment processor for online Freedom of Information & Privacy (FOIP) application payments, which is .02% of all credit card payments.
- Stripe is the sole payment processor that is integrated with the FOIP System, Jelly Code.
- Due to the low volume of credit card payments, Stripe was not considered for passing along credit card costs.

It should be noted that the City is charged credit card fees from external vendors (i.e. Masabi for Transit app and Parklink for Public Pay Parking app purchases) but does not have any direct control over the payment processors that the external vendor uses. For this reason, credit card sales and fees for Transit app and Public Pay Parking app were not included within Appendix 2 and 3.

Credit Card Fees are currently built into the rates and fees to support some existing services. For self-balancing service lines such as Gordon Howe Campground, Golf Courses, Building Standards, etc. this relationship is more readily apparent as the rates and fees are designed to cover 100% of related costs, including credit card transaction fees (approximately \$100,000 or 24% of all credit card fees). For programs that rely on a combination of user fees and mill rate support such as Leisure Services, Animal Licenses, and Landfill, credit card transaction fees are still built into the cost to deliver the program, however, the funding of these would be split between mill rate and user fees based on the specific programs targeted cost recovery model.

The City charges administrative fees on certain services. As per the approved 2024-2025 Budget, leisure program on-line registrations processed through Leisure Online are charged a \$1 (plus GST) administrative fee on each program registration. For example, if a patron registers in two different programs in the same transaction the patron is charged the fee twice (i.e. \$2 plus GST). The administrative fee charged on online leisure program registrations (i.e., swimming lessons, fitness classes, etc.) is budgeted to generate \$11,500. Parking services also passes along a \$0.13 + tax administrative fee on each public pay parking app transaction.

Currently, the City does not accept credit card for in person payments at City Hall. This is mainly due to the significant cost to the City. To put into context, in 2023, \$1.1 billion in payments, primarily property taxes, were processed through Corporate Revenue. If credit cards were an accepted payment method for all civic services, this would mean for every \$10M of payments made by credit card, the City would pay \$180K in associated credit card fees. At this time, Moneris is the City's sole payment processor for in person payments at City Hall and as previously described, is unable to pass credit card fees through a surcharge onto the customer.

Credit Card Fee Recovery Options

Credit Card Acceptance in Other Jurisdictions

Administration surveyed seven municipalities across Western Canada to determine the services credit cards are accepted for, the method(s) used for accepting credit card payments, and if/how credit card fees are recovered.

The cities surveyed included Regina, Calgary, Edmonton, Winnipeg, Lethbridge, Lloydminster, and Windsor. The chart below details the percentage of municipalities that accept credit card payments for specific services:

Service	In Person	Online	Unattended	Phone
Animal Services	43%	57%	0%	0%
Assessment/ Appeals	57%	29%	0%	14%
Building Permits & Other Permits	71%	86%	0%	43%
Fire & Protective Services	29%	29%	0%	0%
Freedom of Information Requests	14%	29%	0%	14%
Impound Lot	14%	0%	0%	14%
Licenses	57%	71%	0%	43%
Public Pay Parking	43%	57%	71%	14%
Parking and Other Bylaw Tickets	57%	57%	0%	0%
Parks/ Cemeteries	57%	0%	0%	14%
Property Tax	0%	14%	0%	0%
Leisure Services	71%	86%	0%	57%
Sundry Accounts Receivable	29%	43%	0%	43%
Tax Searches/ Certificates	14%	29%	0%	14%
Transit Fares	71%	71%	14%	29%
Utilities	14%	14%	0%	14%
Waste/Landfill	57%	0%	0%	14%

The majority of the surveyed cities absorb the cost of credit card fees within the budget and consider credit card fees a cost of doing business, the same as the City's current approach. There is one exception, Lethbridge has implemented a fee for using credit cards for online Property Tax payments. The passing on of credit card fees to the customer appears to be applied on a service-by-service basis. This is likely due to the cost of absorbing the fees for such high-volume/cost services. In addition, Regina and Lethbridge are in the process of implementing a fee for online credit card Utility payments and Windsor is exploring implementing surcharges on credit card transactions for the 2025 budget year but no decision has been made on which services/fees this will be applied to.

OPTIONS

Option 1 – Maintain the Status Quo and in 2026 Explore Alternative Payment Processors that Offer Surcharging

Under this option, the City would continue to budget for and absorb credit card fees within each applicable program. Credit card fees would continue to be funded by revenues in 100% cost recovery service lines, Utility charges, and/or mill rate. As part

Credit Card Fee Recovery Options

of the 2026 work plan, the City was planning on completing a payment processor procurement. As the current provider for most credit card payments at the City (Moneris) currently does not support a surcharge fee service this procurement would explore the options available for a payment processor to provide a surcharge fee option. Following this procurement, a report would be brought back to Committee/City Council outlining new options available if the payment processors provide a surcharge fee option.

Pros:

- Consistent with most cities included in the City's survey.
- At this point in time no additional cost to patrons who pay for services using a credit card.
- If implemented, surcharging would provide the City with a cost neutral approach to recover credit card fees where possible.
- Consistent approach for in person and online payments across City services.
- Exploring alternate payment processors would provide opportunity for the City to consider the expansion of services for which credit cards may be accepted.

Cons:

- Costs will continue to be absorbed by City programs.

Option 2 – Implement a Surcharge Fee for online payments that use Card Connect as the Payment Processor. This would include Leisure Program Registrations and Gordon Howe Campground Reservations

As the City's current payment provider for most credit card transactions (Moneris) does not have the ability to utilize a surcharge fee, under this option, the City would pass credit card fees to customers who use services that have Card Connect as the payment provider and the ability to surcharge. The City would introduce a surcharge fee (maximum of 2.4%) at the time of the credit card transaction for online leisure program registrations and only the online portion of the Gordon Howe Campground reservations. The City could expect to cost recover approximately \$31,300 based on 2023 actuals.

Pros:

- Credit card fees for online leisure program registrations and Gordon Howe Campground would be cost recovered, which would have a positive impact on the City's operating budgets.

Cons:

- Patrons would incur additional costs for on-line services and registrations, for example leisure programs and campground reservations as compared to in-person payments.

Credit Card Fee Recovery Options

- An inconsistency in total price charged. The same services would not see a surcharge if payment were completed over the phone or in person because Moneris administers those payments and does not have the ability to surcharge.
- This option would add new fees to the City's online process, which is a more efficient method of registration and payment. If significant changes in consumer behaviour were experienced with more in person and phone registrations because of this fee, it may have impacts on City resources or increase customer wait times.
- Alternative payment methods not subject to surcharge may not be as convenient. For example, for leisure programs and registrations, the alternative would be via phone or in-person.
- GST is to be collected on surcharge fees and remitted to the CRA which would increase the cost to the customer.
- Additional fees could be counter-productive to program objectives and could result in barriers to participation.
- Public perception for adding another fee to Leisure Online registrations and bookings. The \$1 administrative fee was introduced less than a year ago (March 1, 2024).

Option 3- Further Explore a Service Fee for Online Payment of Parking Tickets that use Moneris as the Payment Provider. This would only apply to card not present payments.

While the City's current payment provider for most credit card transactions (Moneris) cannot support a surcharge fee, they can utilize a service fee for card not present (online) payments. Administration has completed a preliminary investigation into this option and although it appears to be a possible option, Administration found that there are still several nuances such as differing rules between credit card providers as it relates to service fees that would need to be further explored prior to implementation. Under this option, the City would further investigate the ability to pass fees to the customer at the time of the credit card transaction through a service fee of 2.5% for the payment of online parking tickets. The City could expect to cost recover approximately \$51,000 based on 2023 actuals.

Pros:

- Fees in the amount of \$51,000 would have a positive impact on the City's operating budgets.
- Patrons could choose alternative payment methods where applicable to avoid being charged a service fee which would also provide a lower cost to the City.

Cons:

- Inconsistent approach. Currently, Moneris is only capable of passing fees for card not present payments in specific merchant categories including fines, property tax and utilities. For the City, this would only be an option for online parking ticket payments (approximately 12% of all credit card fees).
- Alternative payment methods not subject to the service fee may not be as convenient. For example, patrons would have to attend to City Hall to pay in person.
- This option would add new fees to the City's online process, which is more efficient method of payment. If significant changes in consumer behaviour were experienced with more in person and phone registrations because of this fee, it may have impacts on City resources and citizen wait times.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that the City of Saskatoon proceed with Option 1– Continue Status Quo and in 2026 Explore Alternative Payment Processors that Offer Surcharging.

RATIONALE

The recommended option, to maintain status quo and in 2026 explore alternative payment processors that offer surcharging provides the following benefits:

- Allows the City to have a consistent approach for recovering credit card costs across services through different channels (i.e. in person and online). Other options would create inconsistencies as at this time, given current technologies and limitations.
- Provides the City with the opportunity to consider passing on credit card costs for in person and online all at once. The City's sole payment processor (Moneris) for in person payments currently doesn't have the capability to recover credit card costs and approximately 57% of credit card payments are in person.
- This recommendation also aligns with other cities across Canada.

FINANCIAL IMPLICATIONS

The financial implications are dependent on which option is chosen as well as what service(s) become eligible for credit card payment. The recommended option has no financial implications at this time. Financial implications will be outlined in future reporting.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

Depending on the option selected, amendments to the relevant service bylaws may be required, as well as changes to the City's system configurations and processes.

COMMUNICATION ACTIVITIES

If changes to the City's current surcharge or service fee programs are directed this will be communicated through the appropriate City channels; including but not limited to a news release, the City of Saskatoon website, and social media. A comprehensive communications plan will be developed to support the recommended option.

APPENDICES

1. Terms of Reference
2. Payment Streams and Credit Card Acceptance
3. 2023 Credit Card Sales and Fees by Division and Payment Types

REPORT APPROVAL

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