



Agenda Date: 2/15/2017

Agenda Placement: 8B

Napa Sanitation District Board Agenda Letter

TO: Honorable Board of Directors

FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration

REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000

SUBJECT: Approve Policy on Accepting Credit Cards

RECOMMENDATION

Approve policy allowing NapaSan to accept credit cards and eChecks/ACH for payments due to NapaSan, and to pass transaction and processing fees on to the customers.

EXECUTIVE SUMMARY

There are increased requests for NapaSan to accept electronic forms of payment for its customer financial transactions. Staff requested direction from the Board Finance Committee, and has developed a program at its direction.

Processing Fees

Staff has solicited proposals from many different credit card processing companies. Three providers were interested in NapaSan's business and provided fee quotes. The lowest fee proposal included two different fees, depending on whether the processing fee was paid by NapaSan, or whether the fee was paid directly by the customer. If the fee were paid by NapaSan, the credit card processing fee was 1.42% of the sale, plus a \$0.12 per transaction fee. For eChecks/ACH transactions, the fee is \$0.95. If the fee is passed on to the customer by the processor, then the credit card fee is 2.34% of the sale with no transaction fee; for eChecks, the fee is \$1.50 per transaction.

Types of Transactions

There are seven different transaction where credit cards or eChecks could be accepted: recycled water sales, the sale of recycled water signs, monthly sewer service (industrial customers), annual sewer service for customers not charged on property tax roll, waste haulers, development permit & inspection fees, and capacity charges. Given the high dollar amounts associated with capacity charges and the associated credit card fees, staff is recommending that capacity charges only be included if the Board does not follow the staff recommendation and

chooses not to pass on the transaction fees.

Volume of Transactions

Staff has gone through its recurring accounts and estimated the volume of anticipated payment by credit card or eCheck, based primarily on the frequency of requests by customers for this payment option. Of the \$2.3 million in revenue that would be eligible to be paid by electronic means (excluding capacity charges), staff estimates that just over \$550,000 per year could be collected by credit card or eCheck.

Estimated Fees

Based on the proposed transaction fees and the estimated usage by customers, the fees paid to the processing company would be approximately \$8,000 per year if the were paid by NapaSan, or \$13,000 per year if the fees were passed on to the customer.

Legal Issues

California law does not allow a retailer to pass on credit card transaction fees or impose a surcharge on its customers (Cal. Civil Code Section 1748.1). Local governments are exempted from this law, but are bound by other laws not to impose fees that exceed the actual cost of service. Based on this, NapaSan may set up a payment system where a surcharge that equals the processing company's fees may be added and paid by the customer. This is a common practice among governments in California, including electronic payments to Napa County, such as property tax payments.

Policy Questions - Finance Committee Recommendation

Should NapaSan begin to accept electronic forms of payment? If yes, should the transaction and processing fees be paid by the customers or by NapaSan? The Finance Committee recommends that NapaSan accept electronic forms of payment, including capacity charges, and pass the fees on to the customer.

Board Action

Board approval is required if NapaSan is to collect electronic forms of payment and have the transaction fees paid directly by customers.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

None.

SUPPORTING DOCUMENTS

A . Presentation

Napa Sanitation District: Approve

Reviewed By: Jeff Tucker