



Agenda Date: 1/9/2017
Agenda Placement: 4B

Napa Sanitation District Finance Committee Board Agenda Letter

TO: Finance Committee
FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration
REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000
SUBJECT: Provide Direction on Policy Regarding Accepting Credit Cards

RECOMMENDATION

Provide direction to staff on policy regarding accepting credit cards and eCheck/ACH payments.

EXECUTIVE SUMMARY

There are increased requests for the District to accept electronic forms of payment for its customer financial transactions. Staff is asking for direction whether NapaSan should begin to accept electronic payments for certain types of transactions.

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 not be included at this time.

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, 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 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

Should NapaSan begin to accept electronic forms of payment? If yes, does the committee agree with staff assessment of the types of fees for which electronic payment should be accepted? Does the committee concur with staff recommendation that the fees should be passed on to its customers, and not paid by NapaSan?

Potential Board Action

Board action 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?	Yes
Is it currently budgeted?	No
What is the revenue source?	If the fees are not passed on to the customer, then they would be paid out of the Operating Fund from sewer service charge revenues. These fees would then be included as a cost to be recovered in the next SSC Fee Study.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	It is the Board's policy choice whether to accept credit cards and eChecks, and to determine who should pay the fees.
Is the general fund affected?	Yes
Future fiscal impact:	Potentially \$13,000 annually, or more, depending on activity levels.
Consequences if not approved:	The District will continue to accept cash and check as the only forms of payment.
Additional Information:	None.

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 Finance Committee: Approve

Reviewed By: Jeff Tucker