

RESOLUTION 2012-57

A RESOLUTION ADOPTING AN ALTERNATIVE PAYMENTS ACCEPTANCE POLICY AND PROCEDURES FOR THE CITY OF FRANKLIN, TENNESSEE

WHEREAS, the City of Franklin receives payments by various methods for taxes, City Court, utility service bills, or other user fees, assessments, permits and licenses; and

WHEREAS, the City of Franklin currently receives payments by cash, check, money order, cashier's check, certified check, automatic bank draft, credit/debit card, and ACH; and

WHEREAS, the City of Franklin incurs expenses for accepting payments including staff time/expenses and financial transaction fees; and

WHEREAS, the City of Franklin desires to accept payments using electronic methods and channels that require the payment of certain financial transaction fees; and

WHEREAS, the City of Franklin desires to ensure that the cost of processing receipts is recognized and does not unduly burden customers based on payment method or channel; and

WHEREAS, the Board of Mayor and Aldermen desires to provide staff with guidance necessary to pursue contracts for processing receipts from customers using emerging technologies; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to adopt this Policy.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, TENNESSEE, AS FOLLOWS:

Section 1. The Board of Mayor and Alderman hereby adopt the Payment Receipt Policy, attached as Exhibit A.

Section 2. Changes or revisions to the Policy hereby adopted may be made by the City Administrator.

Section 3. The Policy shall be effective upon the passage of this Resolution.

Adopted this ____ day of _____, 2013.

ATTEST:

CITY OF FRANKLIN, TENNESSEE

BY: _____
ERIC S. STUCKEY
CITY ADMINISTRATOR/RECORDER

BY: _____
DR. KEN MOORE
MAYOR

APPROVED AS TO FORM BY:

Kristen L. Corn, Staff Attorney



ALTERNATIVE PAYMENTS POLICY

Resolution 2012-57 Exhibit A

Credit Card Transaction Fee

The City of Franklin receipts monies for taxes, utility services, development fees, user services, permits, licenses and court obligations. It is the policy of the City to accept funds and process transactions in the most efficient, least costly and customer-centric methods available.

Monies received by the City are deposited into the city's bank account and result in financial depository fees charged which are included in operational expenses of the city. In addition, certain financial transaction fees are required by third party processors for processing alternative payments for the City. The purpose of this document is to define those fees which are to be absorbed by the City as part of its business operations costs.

Alternative payment fees – These alternative payments include, but are not limited to, credit cards, debit cards, eChecks, PayPal, mobile payments or other methods as be deployed to meet emerging customer needs. The fees charged to process alternative payments are based on risk associated with the payment transaction and will vary based the payment method. These fees may be called interchange, processing or convenience fees but will be considered “transaction fees” for the purpose of this policy.

Transaction fees will be paid as follows and subject to a payment cap of \$1,000 per transaction when the City is absorbing the transaction fee. This payment cap will be periodically evaluated by the City Administrator and he/she may change the cap as business conditions or fees charged by the processors may dictate. Transactions may be split resulting in the City absorbing part of the transaction fee and the customer paying the remainder. All payments may be paid by a credit card and the transaction fee will be absorbed by the City unless specified otherwise. This includes those paid face to face and payments made online or by phone. In cases specified, the transaction fee shall be added to the total amount due and the cardholder will pay the transaction fee subject to provisions and limitations of the cardholder provider network.

1. **Taxes** – The cardholder shall pay the transaction fee on any payments classified as taxes whether paid at the counter or remotely via the internet (online using the web) or by phone. This includes, but is not limited to: property, business, hotel, alcohol, impact fees and facilities taxes and is in addition to the taxes due.
2. **Utility services** – Utility bills are issued for routine recurring service and payment is due monthly. The transaction fee will be absorbed by the City for face to face transactions subject to the dollar limit specified above. For remote payments (online or by phone), the customer shall pay the transaction fee in addition to the fee for services provided.
3. **Nonrecurring utility service fees** – These are one-time payments and alternative payments are acceptable for payments. The transaction fee will be absorbed by the City for face to face transactions subject to the dollar limit specified above. For remote payments (online or by phone), the customer shall pay the transaction fee in addition to the fee for services provided. Services in this category include:
 - i. Solid Waste Tipping Fees



ALTERNATIVE PAYMENTS POLICY

Resolution 2012-57 Exhibit A

Credit Card Transaction Fee

- ii. Stormwater fees/fines
 - iii. Round-Up Fee contribution
 - iv. Trash container rental or purchase
 - v. Tests & Inspections (e.g. backflow or fire protection devices)
 - vi. Connection and other application fees
 - vii. Fines and fees for violations of utility rules (e.g. meter violations)
 - viii. Mallory Valley Utility District cut-off fee
 - ix. Others as may arise
4. **Utility Service billed for others** – This includes sanitary sewer service billed for Berry’s Chapel Utility District and billed as a line item on the City water bill as part of a utility service bill presented by the City. The transaction fee will be absorbed by the City for face to face transactions subject to the dollar limit specified above. For remote payments (online or by phone), the customer shall pay the transaction fee in addition to the fee for services provided.
 5. **Development Fees** – Fees are paid by developers for building and/or modifying structures in Franklin include, but are not limited to: water/sewer tap & installation fees, building permits, plan submittal fees, inspections, rezoning fees, site plan reviews, and other fees. The transaction fee will be absorbed by the City for face to face transactions subject to the dollar limit specified above. For remote payments (online or by phone), the customer shall pay the transaction fee in addition to the fee for services provided.
 6. **Permits and licenses** – The City requires permits and licenses for certain activities (e.g. alarm permits, craft licenses, yard sale permits. These are for a particular period of time and or activity. The transaction fee will be absorbed by the City for face to face transactions subject to the dollar limit specified above. For remote payments (online or by phone), the customer shall pay the transaction fee in addition to the fee for services provided.
 7. **User Service Fees** – The City provides certain services and charges fees for those services. These fees are typically paid prior to receipt of the service (e.g. compost, accident reports or property rental fees). The transaction fee will be absorbed by the City for face to face transactions subject to the dollar limit specified above. For remote payments (online or by phone), the customer shall pay the transaction fee in addition to the fee for services provided.
 8. **Court fees, fines and costs** – The City will accept credit card payments for fines/fees and absorb the transaction fees in the court costs for payments made in the office. For remote payments (online or by phone), the cardholder will pay the fee.



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TENNESSEE

ITEM #13
WRKS 12/11/2012

MEMORANDUM

November 28, 2012

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator *Eric*
Russell B. Truell, ACA/Chief Financial Officer-Finance and Administration
Steve Sims, Asst. Recorder and Court Clerk

SUBJECT: Alternative Payments

Purpose

The purpose of this memorandum is to transmit to the Board of Mayor and Aldermen (BOMA) and Budget and Finance Committee a proposed policy for acceptance of alternative payments including, but not limited to: credit cards (card present in a face-to-face transaction or card not present in a remote transaction), debit cards, eChecks, ACH, mobile payments and other methods as may be developed in the payments landscape.

Background

The City currently accepts various methods for payment of monies owed, including cash, checks, money order, cashier's check, certified check, credit card, debit card, ACH, automatic bank draft, and online bank payments. These payments are made to various offices in City Hall, the Police HQ, Solid Waste facility, and at Jim Warren Park. These payments are made in person, by mail, by a drop box, or thru various electronic methods, including remote online payments. All methods incur some cost to process the transaction, including staff and customer time as well as depository and interchange transaction fees charged by financial institutions.

The most expensive method is for a face to face transaction due to the time involved. Our banking partner charges fees for depository transactions. Those fees are currently charged as operating expenses of Revenue Management. In FY 2012 those fees exceeded \$25,000. In addition, we accept credit/debit card payments remotely for utility bills, court fees/fines, property taxes and yard sales where the customer pays a convenience fee directly to the payment processor. We also accept credit/debit cards and absorb in our court operating budget the interchange transaction fees for court fees/fines paid in person at the counter. That has been most successful and has resulted in a reduction of bad checks and instances where customers agree to pay later. Many of those that said they would pay later did not and resulted in extra time/expenses to pursue. Last year those fees absorbed by the Court were about \$5,000.

Our customers are requesting additional options to pay, especially by credit/debit card. In addition, they want the ability to pay fees remotely (online via the web or by phone). Acceptance of credit/debit cards are essential to expanding payment options to allow for remote payments.

In accordance with T.C.A. 9-1-108 municipalities are allowed to accept credit/debit cards for payment and "...shall set a processing fee in an amount that is equal to the amount paid the third party processor..." This also provides that the "...fee may be waived by the approval of the governing body."



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MEMORANDUM

Alternatives

There are several alternatives for accepting payments by the City.

1. Continue business as usual.
2. Do not accept alternative payments.
3. Accept alternative payments for face to face transactions with the customer paying all the fees charged in the interchange transaction.
4. Accept alternative payments for online transactions with the customer paying all the fees charged in the interchange transaction.
5. Accept alternative payments for transactions with the customer paying some the fees charged in the interchange transaction.

Financial Impact

There is some direct, immediate financial impact of this proposal as some interchange transaction fees would be added to the City's operating costs.

Recommendation

City staff recommends approval of Resolution 2012-57 which provides for provisions of Alternative 5 and allows some fees to be absorbed in operating expenses as allowed by T.C.A. 9-1-108.