



CITY COUNCIL AGENDA ITEM

DATE: October 18, 2013

TO: Brian M. Kischnick, City Manager

FROM: Thomas Darling, Financial Services Director
Sandra Kasperek, Treasurer
Gert Paraskevin, Information Technology Director
Lisa Burnham, Accounting Manager

SUBJECT: On-Line Credit Card Services

History

It has long been a requested service approach from the City's residents, businesses and City staff to have the ability to not only accept credit cards on location for payment but also develop the ability to pay for services on line through the City's website.

Purchasing

A committee was formed to analyze options that would allow online payments via a credit card or e-check on the City's website. Committee members included Director of Financial Services Tom Darling, Director of Information Technology Gert Paraskevin, Treasurer Sandra Kasperek and Accounting Manager Lisa Burnham. The committee evaluated three providers of this service: Comerica, Point & Pay/BS&A, and G2G (Oakland County).

It should be noted that credit card and online payment options for the Library was performed as a separate engagement due to specialized needs of the Library's billing system.

Services and fees to be paid via the website would include those for tax bills, water bills, building permits, planning fees and miscellaneous invoices. The City's current application programs for these services are as follows:

<u>City Service</u>	<u>Application</u>
Tax Payments	BS&A
Water Payments	BS&A
Building Permits	BS&A
Planning Fees	New World
Miscellaneous Invoices	New World



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The chart below provides a comparison of the three providers based on the list of criteria developed by the committee:

	Comerica	Point & Pay/BS&A	G2G
<i>Criteria</i>			
Integration with ledgers	No	Yes	No
Ability to download payment information	Yes*	Yes	Yes*
Ability to issue credits/adjustments	Yes	Yes	Yes
Proven Performance	Yes	One of the Largest	Yes
Security	Yes	Yes	Yes
Revenue Sharing	No	Yes	Yes
Troy Based	No	Yes	No
City costs for BSA web interface	Yes	No	Yes
Portable Credit Card Readers	No	Yes	Yes
Kiosk Potential	No	Yes	Yes
Phone:			
IBR	No	Yes	Yes
Live	No	Yes	No
<i>*No assurance of accurate account or amount information.</i>			

The committee evaluated all potential solutions as outlined above. The criteria was further characterized by:

1. Customer ease of use
2. Accurate account posting
3. History information for customer
4. Error reduction
5. Integration, efficiency and effectiveness
6. Audit trail and transaction history
7. Cost for value of service



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All potential solutions have the ability to take credit card payments online, however, only Point & Pay can be integrated with all of the BS&A applications in use by the City. There are several reasons why this is a great advantage to the City:

1. It means less chance for error. If the payment system is integrated with the billing system, then there is no question as to which account to apply the payment to and how much the payment should be. If the payment system is outside of the billing system, then the account and payment information has to be manually entered. Therefore this method is prone to error. Whenever the City Treasurer receives a miss identified payment or incorrect amount the payment doesn't flow easily into the billing system.

Some manual intervention has to occur and it could result in additional costs to the payer:

- a. The account information could be completely invalid. In this case someone has to research to try and determine if that amount matches any outstanding bill, if it does there could be multiple accounts with that amount assuming that amount is correct. Which one should it be applied to. If the amount is also incorrect then it is a guessing game as to where it should go. You may then have to look at the name on the credit card to see if it matches a name on an account, although it is possible someone else may be paying the bill for example a parent for a child or conversely a son or daughter for an elderly person. If a determination cannot be made then the amount would have to be credited back to the credit card. In that case a person would then be held responsible for any penalty or interest that might then accrue to the account they thought they had paid. Clearly a customer satisfaction issue.
 - b. The account could be valid, but the amount may be wrong. In this case the amount would be applied to the account. If it was an underpayment again the person would be responsible for any penalty or interest. It is possible that in fact the account number is actually wrong so the payment would be completely misapplied. Again the dissatisfaction from our residents would be adverted using an integrated solutions approach.
2. It reduces the amount of programming and maintenance needed to maintain this information on the City's website. Currently tax and water billing information is available on the website. This was done through custom programming to present data from the BS&A databases. One of the drawbacks of providing this system is that we are trying to emulate what BS&A has programmed. We can't just present a balance stored in their systems, we have to calculate balances and account for many different factors, especially in the tax system. We are constantly learning about little nuances in their software that we weren't accounting for. A recent example was tax deferments. We weren't calculating interest and penalty on deferred parcels the same way BS&A calculates them. As a result we were



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presenting slightly different balances on the website versus what was actually due in BS&A. This results in two issues:

- a. When someone uses that balance to pay in a system that is not integrated, when the payment comes across to BS&A the account now has a credit or small balance remaining. This requires manual intervention to make an adjustment and either refund or bill the balance. From a customer perspective, if they believe they paid their balance in full and were subsequently charged a late fee and penalty on a small balance, they would be very dissatisfied, even if the penalty and interest is subsequently waived, their time is valuable.
 - b. The City has to invest considerable man hours on an annual basis trying to keep the two systems in sync. Any upgrades or changes to BS&A require maintenance of the web interface. If an integrated payment system was implemented this would no longer be necessary and would further our continued efficiency goals.
2. Provides additional information. The current web interface has limited tax and water billing history and account information. The Point & Pay option would expand the amount of available information to residents, real estate and title companies. For example Special Assessments, Delinquent Personal Property, and Building Department information can be presented as well as a tool to search for comparable sales.



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Financial

It was assumed that any credit card convenience fees would be passed on to the resident/business owner at the time of the payment. The chart below outlines fees charged by the three providers.

	Comerica	Point & Pay/BS&A	G2G
Pay per hit	No	Only for non-property owners	No
Convenience Fee - Property Tax	Approx. 2.4% based on \$100 transaction	3%	Flat Rate (see Schedule B below) Typically 2.75%
Convenience Fee - Other	Approx. 2.4% based on \$100 transaction	Flat Rate (see Schedule A below) (3% based on average \$100 transaction)	Flat Rate (see Schedule B below) (5.5% based on \$100 transaction)
e-check	Info Not Provided	\$3.00 (for < \$10,000) \$10.00 (for ≥ \$10,000)	\$2.50 Flat Rate
Setup Fee	\$2,500	None	None
Monthly Fee	\$100	None	None
Income Sharing	None	20% of pay per hit fees	28.5% after \$900 annual fee to County

<i>Schedule A</i>	<i>Schedule B</i>
\$1-\$50 \$1.50	\$1-\$49.99 \$2.50
\$51-\$100 \$3.00	50-\$99.99 \$4.00
\$101-\$200 \$6.00	\$100-\$199.99 . . . \$5.50
\$201-\$300 \$9.00	\$200-\$299.99 . . . \$8.25
\$301-\$400 \$12.00	\$300-\$399.99 . . . \$11.00
\$401-\$500 \$15.00	\$400-\$499.99 . . . \$13.75
	\$500-\$599.99 . . . \$16.50
	\$600-\$699.99 . . . \$19.25
	\$700-\$799.99 . . . \$22.00
	\$800-\$899.99 . . . \$24.75
	\$900-\$999.99 . . . \$27.50
	≥\$1000 \$2.75%



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Recommendation

The committee recommends the City contract with Point & Pay/BS&A for online payment processing. Point & Pay meets all of the criteria and offers competitive pricing. Point & Pay, a Troy based company, is the only provider of the three who integrates with the BS&A applications used at the City. As outlined above, this is a great advantage for the City, its residents and business owners. They also provide service to many Michigan local government clients and are proven in their field. A sampling of those government clients is noted below.

The committee believes that Point & Pay would provide the best value for the services required.

Point & Pay - Sample of Michigan Local Government Clients

54A District Court	City of Hudsonville	Hartland Township
89th District Court	City of Inkster	Higgins Township
Beecher Metropolitan District	City of Jackson	IRA Township
Cheboygan County	City of Lansing	Lapeer Township
City of Allegan	City of Marine City	Leoni Township
City of Alma	City of Morenci	Lodi Township
City of Clare	City of Novi	Monroe County Treasurer
City of Dearborn	City of Walled Lake	Park Township
City of Dearborn Heights	City of Zeeland	Redford Township
City of Detroit	Coldwater Township	Salem Township
City of Dowagiac	Columbia Township	Scio Township
City of East Grand Rapids	Deerfield Township	Village of Birch Run
City of Flushing	Delhi Township	Village of Blissfield
City of Grandville	Erie Township	Village of Cass City
City of Grosse Pointe Woods	Fruitport Township	Village of Roscommon
City of Harper Woods	Georgetown Township	
City of Hazel Park	Grass Lake Charter Township	
City of Houghton	Green Oak Charter Township	