

CITY COUNCIL MEMORANDUM

FROM: The Office of the City Manager **DATE:** August 24, 2026

SUBJECT: Consider Resolution 2026-051, authorizing the recovery of credit and debit card processing costs through fees; establishing a maximum recovery amount of 5% of the transaction amount; authorizing the City Manager or designee to establish and implement the appropriate recovery method and amount for different departments, payment processors, and transaction types; providing for compliance with applicable laws; and providing an effective date.

PRESENTER: Trudy Lewis, Assistant City Manager

SUMMARY:

Staff recommends City Council approve Resolution 2026-051, authorizing the City to recover credit and debit card processing costs from customers through a fee not to exceed 5% of the transaction amount.

GENERAL DESCRIPTION:

As part of the City's ongoing efforts to ensure sound financial stewardship, staff is reviewing existing expenditures that may be eligible for cost recovery. The City processes payment card transactions across many departments and business operations, including utility billing, parks and recreation, municipal court, permitting and other services. These transactions are processed through multiple credit card processors and payment platforms. The City currently absorbs card processing fees associated with these payments. During the current fiscal year, the City incurred approximately \$666,200 in credit card processing fees.

Because each processor and department has different processing arrangements, transaction types, and system capabilities, there is not a single recovery method that can be applied uniformly to all transactions. Additionally, the amount necessary to recover the City's processing costs also varies among departments and payment processors. Accordingly, staff does not recommend establishing a single fee that must be charged on every transaction. Depending on the payment platform, the recovery may be implemented through either a convenience fee or a service fee.

Staff recommends establishing a cost recovery fee for all credit and debit card transactions with a maximum recovery amount of 5%. The 5% maximum provides



sufficient flexibility to recover the City's actual processing costs while recognizing that the cost of processing varies among payment processors and transaction types. The proposed policy would not require the City to charge 5% on every transaction. Rather, the applicable recovery amount would be established based on the actual cost of processing.

The City Manager or designee would be authorized to establish and implement the appropriate recovery method and amount for each department, payment processor, and transaction type, provided that the amount charged does not exceed the maximum authorized by City Council and complies with applicable federal and state law. Because payment processing arrangements and technology may change over time, staff will periodically review processing costs and recovery amounts and make adjustments as necessary, provided that the recovery amount remains within the maximum authorized by City Council. It is anticipated that the recovery program will be fully implemented by September 30, 2026.

Customers can avoid the payment of credit card processing fees by using other payment methods including Electronic Funds Transfers (EFTs), check, and cash.

RECOMMENDATION:

Approve Resolution 2026-051, authorizing the implementation of a debit and credit card payment processing cost recovery program and establishing a maximum recovery amount of 5% for each transaction.