

16. USE OF CREDIT CARDS FOR PAYMENT OF RATES AND OTHER CHARGES

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The purpose of this report is to establish a policy as to whether the Council should accept credit card transactions for the payment of basic services, e.g. rates, water accounts, dog registration, licence fees etc.

BACKGROUND

From time to time requests are received by ratepayers for the acceptance of credit card payments in respect of standing accounts such as rates, water accounts, dog registration and licence fees. These requests are not numerous but some are persistent and the Chairman has requested the matter be reviewed and reported to the Committee.

CURRENT POSITION

The Council currently accepts credit card payments for tourist/commercial services at Botanic Gardens Shop, QEII Pools, Art Gallery sales and compost sales.

All other services/payments are settled by cash, cheques, direct debit/credit, EFTPOS, telephone transfers or automatic payments.

DISCUSSION

Acceptance of credit cards would incur additional costs to the Council. In the case of payments for rates and other compulsory levies, the costs would need to be included in the budget and would effectively be met by all ratepayers whether they have utilised the facility or not. This is different to the normal business situation where the cost comes off the bottom line of the owner(s) of the business.

Rates, water, dog registration and other licence fees have generally been billed to the debtor and the Council has already extended a period of credit. To then allow payment by credit card is effectively giving a second round of credit at the expense of all ratepayers.

Use of credit cards for the payment for directly delivered services such as the Botanic Gardens shop and compost sales has been approved by management on the basis that such use is akin to retail sales and there is a general expectation on the part of the community to be able to utilise credit cards. The availability of credit card payments also facilitates business transactions and this is likely to enhance Council revenues. This is consistent with the usual commercial reasons that a business will accept credit cards.

It has been noted by staff that the few enquiries from ratepayers requesting credit card facilities are usually motivated by either air points earned for credit card usage or people with rotating/flexible mortgages who use every available means to delay payments so as to minimise interest payments. Particularly in the case of the latter it could be said that they were seeking to maximise their advantages at the cost of other ratepayers.

CREDIT CARD PROPOSAL

In the process of investigating the issues relating to the acceptance of credit cards a proposition has been received from a trading bank offering to charge 1.1% commission for credit card payments. This 'low' commission is being offered because the Council is a utility rather than a commercial operation and presumably because of the anticipated level of throughput.

We have surveyed a number of other local authorities in New Zealand and none of these accepts credit cards in payment of its major accounts and so there is no statistical basis for assessing how many ratepayers would avail themselves of the facility and the consequential cost by way of commission payable by the Council. However, if say 25% of the Council rates and user charges were collected by way of credit cards at the 1.1% commission offered, the cost would be \$618,750.

COMPARISON WITH OTHER BANK FEES

The bank fees which the Council currently pays on inwards cash are as follows:

Cheques	Clearance Fees per cheque	18.75 cents
EFTPOS	Machine Rental	\$5.00 per month
Cash	0.25%	\$2.50 per \$1,000
Direct Debits	Transaction Charge	18 cents each

In addition to the above mentioned fees on inwards transactions, an activity fee of 17 cents per item is charged on each entry on the bank statement. This relates principally to outwards payments and accounts for the bulk of \$195,000 of bank fees per annum.

Clearly the most economic method of receiving payment is by direct debit or EFTPOS, but all these methods are significantly cheaper than the cost of credit cards unless the payments are very small (i.e. less than \$20.00). This is because banks charge credit cards on a percentage of turnover rather than by individual transaction.

CONCLUSION

The Council offers an extensive range of payment options (except credit card) for the payment of rates, etc and the collection achieved is around 96% annually.

It is highly unlikely that accepting credit cards will increase that percentage so the additional costs (commission) incurred will have a negative affect on the Council's overall net financial position.

- Recommendation:**
1. That the Council continue to offer the option(s) of cash, cheque, EFTPOS and direct debiting for the payment of basic amounts, i.e. rates, water billing, debtors, etc.
 2. That the Council continue to accept credit card transactions for selected tourism/commercial type payments.

**Chairman's
Recommendation:** That the above recommendation be adopted.