

## Legislation Text

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File #: 21-1, Version: 1

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Presenter/Contact

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**SUBJECT:**

Approval of the second and final reading of an ordinance establishing a credit card processing reimbursement fee for the use of credit and debit cards as a form of payment for fees, fines, court costs and other charges; repealing all ordinances in conflict, containing a savings clause; and declaring an effective date.

**BACKGROUND / RATIONALE:**

At the November 2019 City Council retreat, staff was directed to develop various cost control strategies in response to Senate Bill 2. Senate Bill 2 passed during the 86<sup>th</sup> and impacts the rate of General Fund property tax growth on existing properties. One of the strategies presented at the retreat was the implementation of a credit card reimbursement fee.

The use of credit/debit cards has increased significantly over the past several years. In fact, from FY 2017 to FY 2020, merchant service fees paid by the City have increased by approximately \$145,000 or 117%. Many cities/governmental entities assess a credit card reimbursement fee on some or all of the services they provide. If approved by City Council, the fee is anticipated to result in approximately \$220,000 in annual savings.

At the November 2019 retreat, staff was directed to develop a plan for implementation of the fee and bring forward to City Council once complete. An update was provided to City Council at their July 2020 virtual retreat. The full implementation plan was presented to city council at the November 9<sup>th</sup> council meeting. City Council then gave direction to move forward with the implementation of the fee.

At the November 23<sup>rd</sup> City Council meeting, the item was presented for first reading. The City Council had several questions as well as considerations for an additional exemption. As a result, the item was postponed for action until the December 14<sup>th</sup> regular meeting. At the December 14<sup>th</sup> regular meeting, staff presented the information requested as well as an amendment to the ordinance to include an additional exemption for the remittance of regulatory fees collected by a third party on the City's behalf. The consensus from Council was to include the proposed amendment for the additional exemption. City Council approved unanimously 5-0.

*Below is a list of highlights of the proposed reimbursement fee:*

- Set at 2.75% (intended only to cover costs currently being paid by the City)
- Enterprise Funds, Das Rec memberships and Library Services are currently excluded from assessment of the fee. **As mentioned above, the attached ordinance includes an additional exemption for the remittance of regulatory fees collected by a third party on the City's behalf.**

- Free e-check option will be offered at every location the reimbursement fee is charged

*If approved by City Council, the implementation of the fee will adhere to the schedule below:*

- First reading of ordinance establishing fee: December 14
- Second reading of ordinance establishing fee: January 11
- Education/marketing for existing/new customers: January - April
- Activation of reimbursement fee: May 1, 2021

**ADDRESSES A NEED/ISSUE IN A CITY PLAN OR COUNCIL PRIORITY:**

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**FISCAL IMPACT:**

As mentioned above, credit/debit card usage has increased significantly over the past several years. This has resulted in a corresponding increase to the merchant service fees paid by the City of New Braunfels. The proposed fee is projected to generate approximately \$220,000 in annual savings once implemented.

**COMMITTEE RECOMMENDATION:**

N/A

**STAFF RECOMMENDATION:**

Staff recommends approval