




Hamilton

# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 6, 2017
<b>SUBJECT/REPORT NO:</b>	Payment Processing (FCS16077(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Cindy Mercanti (905) 546-2424 Ext. 2654
<b>SUBMITTED BY:</b>	Cindy Mercanti Director, Customer Service Corporate Services Department
<b>SIGNATURE:</b>	

## Council Direction:

At the October 12, 2016 meeting, Council approved Audit, Finance and Administration Committee Report 16-014 which contained the following recommendation:

4. (c) That staff be directed to report back to Audit, Finance & Administration Committee respecting the results of negotiations, prior to the contract being awarded to Moneris.

## Information:

As directed by Council, staff completed negotiations with Moneris and are now reporting the results to Committee.

Pursuant to Report FCS16077, staff assembled a cross-departmental team that comprised key users of the POS merchant terminals within the City. A series of planning meetings identified current and anticipated technology requirements as well as operational and service requirements. To ensure a common understanding of the City's needs, both current and in the future, Moneris representatives conducted a detailed review. The review consisted of examining how the City was utilizing the POS merchant terminals. This allowed staff to determine areas for future equipment consolidation and enhanced merchant terminal functionality. A technology road map, to guide the process, was created along with a framework for negotiations.

Several negotiation meetings were held and as a result, Moneris presented the City with a proposal that consolidates all existing individual contracts into one umbrella contract. It also provides a favourable fee and equipment model that will result in a 20% reduction in total payment processing fees in relation to existing fees. When factoring in the historical annual growth trend in payment processing volumes, the average estimated annual savings is \$110,000 per year (assuming a comparable mix in credit card types) for a total of \$440,000 in savings for the term of the contract. Staff will monitor 2017 actuals and through the 2018 budget process will reflect savings through the departmental budgets.

The negotiations produced the establishment of a new service framework that incorporates the following:

- consolidates all existing individual contracts into one umbrella contract thereby simplifying the management and tracking of POS merchant terminals;
- introduces a fee structure that will result in projected annual cost savings over the contract term;
- adopts the use of payment Apps for identified services;
- enhances on-line payment options;
- enhances merchant terminal features improving the citizen experience and providing payment convenience;
- introduces a seasonal equipment model for operations that do not operate year round;
- facilitates a flexible equipment model that supports the pilot and introduction of new payment technologies without incurring cancellation costs;
- introduces a graduated fee structure that reduces our total payment processing fee rates as credit card volumes increase; and
- introduces access to customized back-office reports.

Current terms for all contracts are predicated on an automatic renewal, with a 90-day cancellation period and a deactivation fee per merchant contract. This equates to a one-time cancellation cost of approximately \$35,000. Moneris has agreed to waive this cancellation fee, resulting in a potential cost avoidance of \$35,000. As well, cancellation fees are not required in the new contract if notice of cancellation is given.

In addition, there is an option available to allow the introduction of a service fee program which allows the City to recoup credit card processing charges directly from customers for specific services such as property taxes. Currently, credit cards are not accepted for tax payments. Staff will be examining this service as an option by 2018.

#### **APPENDICES AND SCHEDULES ATTACHED**

None.

CM/dt