

**HIGH POINT CITY COUNCIL
SPECIAL MEETING
October 1, 2018 – 4:00 P.M.
3RD FLOOR LOBBY CONFERENCE ROOM**

MINUTES

Present (9):

Mayor Jay Wagner, and Council Members Don Scarborough (At Large), Jeffrey Golden (Ward 1), Monica Peters (Ward 3), Wesley Hudson (Ward 4), Victor Jones (Ward 5) [arrived at 4:17 p.m.], and Jason Ewing (Ward 6)

Absent (2):

Mayor Pro Tem Chris Williams (Ward 2) and Britt Moore (At Large)

Staff Present:

Randy McCaslin, Deputy City Manager; Randy Hemann, Assistant City Manager; JoAnne Carlyle, City Attorney; Bob Martin, Director of Customer Service; Annette Smith, Customer Service Analyst; Jeron Hollis, Director of Communications & Public Engagement; Ryan Ferguson, Marketing Manager; Eric Olmedo, Budget & Administrative Director; Laura Altizer, Senior Budget Analyst; Sandra Keeney, Deputy City Clerk; and Lisa Vierling, City Clerk

Others Present:

*Chad Essick, Attorney with Poyner & Spruill
David Woodard, Attorney with Poyner & Spruill*

News Media:

None present

Note: The PowerPoint presentation by the Customer Service Department regarding Paymentus- Electronic Payments will be attached as a permanent part of these proceedings.

Call to Order

Mayor Wagner called the meeting to order at 4:00 p.m. and turned the meeting over to Deputy City Manager Randy McCaslin. Mr. McCaslin advised that an issue has arisen regarding electronic payments and noted that out of 40,000-45,000 customers, there are small handful of customers that could end up costing the city one-half million dollars due to their choice of payment methods. He then referred to Bob Martin to address the situation and a possible solution to the dilemma.

Presentation by Customer Service- Paymentus (Electronic Payments)

Bob Martin, Director of Customer Service, introduced Annette Smith, Customer Service Analyst. He explained earlier this year, staff embarked on a search for a new electronic payment processor due to poor service with the one that was being used at that time. After receiving and reviewing the proposals, the new vendor selected was Paymentus. He advised there was one key piece of information that was not available as a result of

the agreement with Paymentus regarding the size/amount of a transaction and the rewards card component, which resulted in additional charges in the amount of \$47,000 the first month of using Paymentus as compared to what was anticipated as a normal monthly billing of \$30,000. If a customer pays with a rewards card, the city is charged \$1.55 for the transaction, plus an additional 3.5% of the payment amount.

Mr. Martin noted that even the small transactions make a big difference. He explained an extreme case for one of the city's largest utility customers for a \$400,000 utility bill and the model was built on a \$4,000 transaction, so this could result in 100 payments with a card because of the way that some of the larger customers like to break up the payments in an effort to take advantage of the system to get under the limit.

He further explained if a customer pays a utility bill with an Echeck, an Echeck is based on \$25,000 components, so \$25,000 divided into \$400,000 is 16 times at .45 per transaction for a total of \$7.20. A normal credit card (not a rewards card) would result in 100 fees (\$4,000 times \$1.55, to get a \$400,000 payment).

Mr. Martin noted in order to eliminate the additional fees and get the total charge on reward cards below 10% or in the \$500,000 a month threshold, staff has been working with Paymentus to develop the following steps to minimize the impact of these rewards/commercial cards that should drive it below that threshold.

- 1. Amend the Paymentus contract to reduce the non-qualified charge from 3.5% to 2.65%.*
- 2. Reduce the maximum credit card transaction amount to \$800 (from \$4,000); Echeck maximum amount remains at \$450,000.*
- 3. Add velocity rule to allow no more than two (2) credit card and Echeck transactions per customer (account) per thirty (30) days.*
- 4. Block all accounts using a third (3rd) party payment provider as specified in Terms & Conditions (the Paymentus agreement does not allow this).*

Staff explained that if no action is taken, the annual budget expense will increase by \$500,000 and pointed out the recommended actions identified above are both legal and compliant to credit card standards. Mr. Martin reiterated that the large commercial customers that are taking advantage of the system are very minimal (about 25).

Because the city is responsible for absorbing these additional costs, Mr. Martin pointed out that staff is looking to make these changes quickly with required change orders that have been signed by Deputy City Manager Randy McCaslin. He further explained that the city's model is built on absorbing the fee, and not charging a convenience fee to our customers because it allows access to the lowest cost of utility rate on the charge cards. Additionally, the city chose not to pass along this fee to the utility rate customers due to the adoption rate. If the city starts charging a fee, it would drive down the adoption rate which means more people would start walking in to pay their payments or more people would start mailing in checks and this would drive internal costs up.

Council Member Peters suggested offering some kind of incentive such as a discount or credit to the large commercial customers to pay the city directly with a check. Mr. McCaslin advised this would still result in a cost that would have to be passed on and the utility rate customers would have to make up the difference. He strongly urged that the city should move forward quickly with the change order to the contract, or it would raise the city's cost by \$1.5 million a year.

In response to a question posed by Council Member Ewing about whether or not the City Council would have to approve the change order to the contract, Mr. Martin replied that it could be handled administratively by staff.

Council Member Ewing asked what would happen if these recommended changes are made and the city is still over the 10% threshold. Mr. Martin suggested the next step would be to do some investigation as to whether or not to differentiate between commercial, industrial, and residential and possibly only offer the service to residential customers, but he hoped that we would not have to go to that step. He noted that staff should know if these steps are working after one billing cycle.

Council Member Peters asked if staff could explain the changes. Annette Smith explained that the maximum \$4,000 credit card allowance would be reduced to \$800, then only two payments would be allowed per month. She further explained that this prevents a customer from making multiple \$800 payments because this behavior has been observed as well.

Council Member Hudson questioned why the Echeck transfers would be limited as this is the least expensive method. Mr. Martin replied that the process is convoluted, and he was told from a best practice standpoint and a system standpoint, it would be much easier to do it this way. He clarified that the walk-in traffic customers are not part of this model.

Mr. McCaslin again expressed the urgent need to go ahead and do the change order to the Paymentus contract. He then entertained questions.

Several Council Members asked staff what explanation they should give to customers that call them and they were informed to refer all inquiries to Mr. Martin in Customer Service.

Council Member Jones suggested adding a 3% processing fee to the utility bill for payments over the \$800. Mr. McCaslin explained that the utility rate on the merchant card side would not allow the city to select who is charged a fee and who is not.

There being no further discussion, Mayor Wagner announced the need to go into Closed Session for attorney-client privilege.

Prior to the Closed Session, the following staff members departed the meeting: Bob Martin, Annette Smith, Jeron Hollis, Eric Olmedo, Laura Altizer, and Ryan Ferguson.

2018-402 Closed Session

At 4:27 p.m. Council Member Golden moved to enter into Closed Session pursuant to N.C. General Statute 143-318(a)(3) for attorney-client privilege. Council Member Ewing made a second, which carried by a 7-0 unanimous vote.

Council reconvened into Open Session at 5:10 p.m. upon motion duly made by Council Member Ewing and second by Council Member Golden.

Mayor Wagner announced there would be no action taken as a result of the Closed Session.

Adjournment

There being no further business to come before Council, the meeting adjourned at 5:10 p.m. upon motion duly made and seconded.

Respectfully Submitted,

Jay W. Wagner, Mayor

Attest:

*Lisa B. Vierling, MMC
City Clerk*