

## STAFF REPORT

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**Date:** April 9, 2025

**To:** Mayor and City Council

**Through:** Jackie Bryant, City Manager

**Subject:** Staff Report (For Possible Action): Approval of Service Fee Addendum to Wells Fargo Merchant Services Agreement resulting in 2.7% merchant fee passed on to customers paying with credit cards and authorizing the Finance Director to sign the agreement.

**From:** Matt Taylor, Assistant Finance Director

**Department:** Finance

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**Summary:**

The City of Reno currently absorbs merchant fees associated with processing credit card, debit card, and electronic payments. These fees are charged by payment processors and financial institutions for each transaction. As the volume of electronic payments increases, the financial burden on the City has grown significantly, impacting the General Fund and Building Enterprise Fund and resources available for essential services. Passing these fees on to customers will reduce costs to the City and alternative methods of payment will still allow customers to avoid paying merchant fees as well.

**Alignment with Strategic Plan:**

Fiscal Sustainability

Economic and Community Development

**Previous Council Action:**

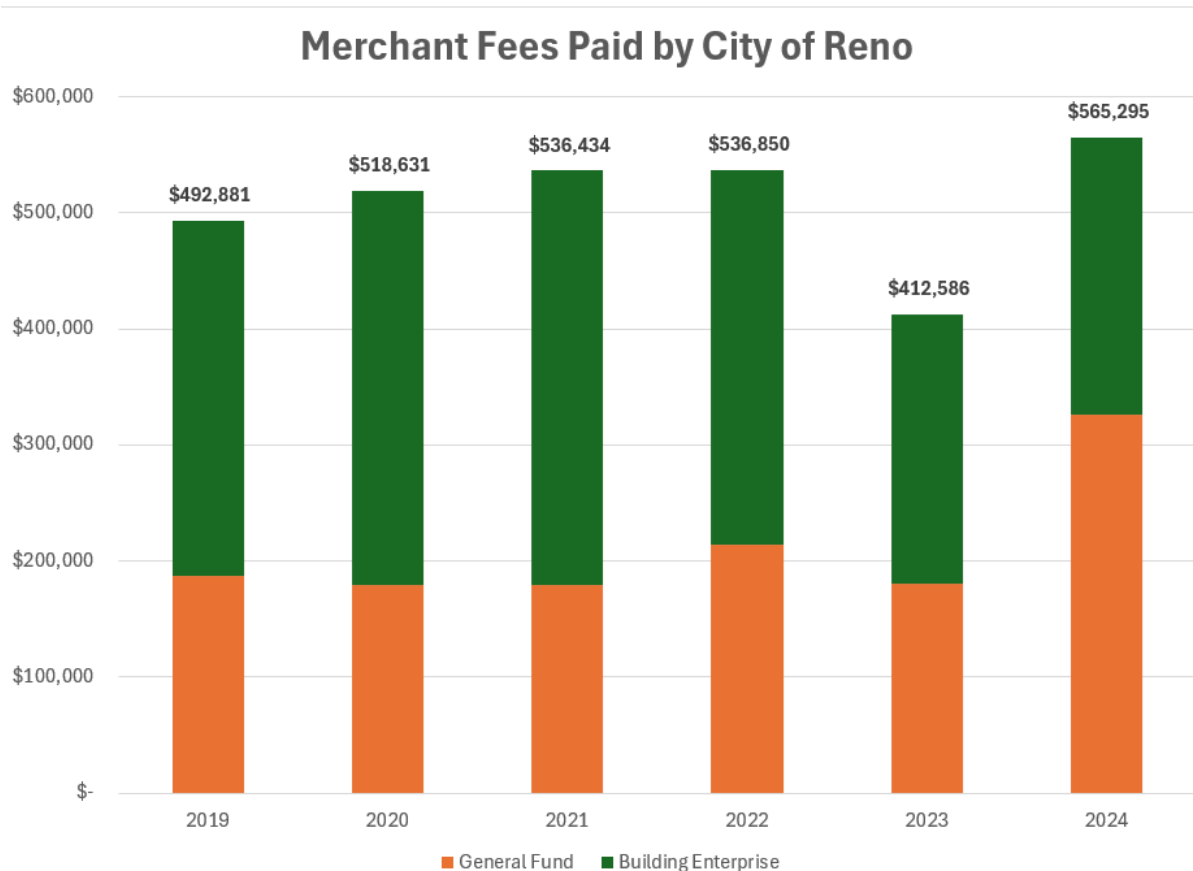
August 11, 2021 - Existing banking contract and merchant services agreement with Wells Fargo was approved by City Council.

**Discussion:**

The City encourages the use of electronic payment methods for convenience, transparency, and operational efficiency. However, absorbing merchant fees results in a considerable and growing cost to the City. The City currently pays merchant fees as they are incurred to promote the use of online platforms, but in recent years the cost to the City has grown. The cost to the General Fund and Building Enterprise Fund has averaged \$510,000 per year for the past 5 fiscal years for both

funds.

The following points highlight the need to implement a policy to pass these fees on to customers:



**Financial Impact:**

- In fiscal year 2024, the City incurred approximately \$326,000 in merchant fees to the General Fund and \$239,000 in merchant fees to the Building Enterprise Fund for a total of \$565,000 paid for merchant fees.
- Projections indicate these fees will continue to rise due to increased usage of electronic payment methods.

**Equity and Cost Recovery:**

- Passing merchant fees onto customers ensures that those who utilize electronic payment services bear the associated costs, rather than distributing this expense across all taxpayers.
- Many jurisdictions have adopted similar policies to recover payment processing costs.
- Currently used by Washoe County Treasurer, State of Nevada and being implemented at the Nevada DMV.

**Transparency:**

- Disclosing merchant fees to customers at the point of payment promotes transparency in City operations and financial management.

- Merchant fee charged will show as a separate charge that is collected directly by Wells Fargo.
- Customers will have the option to use alternative payment methods, such as checks or cash, to avoid these fees.

If approved, the following steps will be taken to implement the policy:

1. Update the City's payment systems to new terminals at a total cost to the City of approximately \$6,000.
2. Communicate the change to residents through the City's website, and signs placed at customer service counters.
3. Provide clear guidance and support to customers regarding alternative payment options.

In January 2025, the updated merchant agreement with Wells Fargo was discussed with the Financial Advisory Board and Building Enterprise Fund Advisory Committee. The Building Enterprise Fund Advisory Committee noted the benefits to the City outweigh the cost to customers if the City provides an alternative payment method to avoid incurring fees and this is consistent with what other jurisdictions have implemented. The Financial Advisory Board agreed the merchant fees related to credit cards should be passed onto customers but did not want fees assessed on debit cards. This program does not allow for a separation between credit and debit card charges so the fee would be passed onto all customers equally. But customers will still have the option to pay with cash or check at the counter to avoid additional fees.

This change will have minimal impact to City staff and the processes will remain consistent. Customers will be able to make payments through online systems using bank account information to avoid paying merchant fees directly or pay with cash or check.

### **Financial Implications:**

The City will save approximately 90% of the current cost by passing on merchant fees to customers who choose to pay with credit cards. The City will continue to have some banking charges associated with processing overall transactions and having access to the portal which is anticipated at approximately 10% of existing fees. Based on this, the City will save approximately \$300,000 in the General Fund and \$200,000 in the Building Enterprise Fund annually.

### **Legal Implications:**

Legal review completed for compliance with City procedures and Nevada law.

### **Recommendation:**

Staff recommends Council approve the Service Fee Addendum to Wells Fargo Merchant Services Agreement and direct the Director of Finance to sign agreement.

### **Proposed Motion:**

I move to approve staff recommendation.

**Attachments:**

Wells Fargo Merchant Fee Addendum

Merchant Fee Presentation 04.09.25