

**COUNCIL QUESTIONS/COMMENTS AND STAFF RESPONSES  
RECEIVED AS OF JANUARY 10, 2011 AT 10:35 AM  
REGARDING JANUARY 10, 2011 COUNCIL AGENDA ITEMS**

**Councilperson:** Judy Stearns

Item: 7C-Procurement Provider

Question/Comment: What is the dollar limit for P cards, how many are out there, have we allowed other local or locally owned banks to bid, how are we monitoring the usage—is it an open document?

**Staff Response:** The maximum amount on a Pcard is \$10,000. More commonly used cards range in the amount of \$1,000 to \$5,000. The requested amount is determined at the department level with the approval of the Finance Director and City Manager. There are currently 206 Pcards. Initially the City bid RFP's were mailed to all local banks. Commerce Bank was chosen among these bids. Staff is requesting to renew the contract for a three year period. The Pcard is a real time system. Departments have the ability to monitor charges on a daily basis. Department Supervisors approve each transaction and sign off on each statement. All documents, receipts, statements, etc. are forwarded to Finance. The statements in Finance are reviewed for completeness and accuracy. If the Finance Staff has any questions/concerns, the departments are contacted.

**Councilperson:** Judy Stearns

Item: 7G- Analysis of Request for RFP for Lockbox Services for Water Department

Questions/Comment: We have talked about charging for credit card fees for anyone charging water bills? Have we determined that there is no way to recoup the \$100,000.00 plus in credit card fees.

**Staff Response:** There have been several changes in regards to the City's credit card system to minimize and lower the fees by:

- Instituting an online credit card system where the merchant fees for customers using credit cards to pay water bills is significantly less than prior merchant fees processed over the counter. In fact, the fees have been reduced 1 to 1.5% and automatically post all payments to the customers water bill account. This has reduced manual labor in processing payments.
- On January 1, 2011, the City discontinued accepting the American Express Credit Card. This credit card incurred the highest fees among all credit cards accepted. The City will discontinue taking the Discover Credit Card in the upcoming months.
- The City has begun to consolidate and close department credit card machines in several city facilities. For example, the Facility Management machines have been closed out. In the upcoming weeks the Engineering and Building Safety machines will be closed. This will limit the credit card machines to City Hall cashiers, Parks and Recreation facilities and the Water Department Office on Division Street.
- Attached please find the memo that Tim Ervin, Finance Director, sent to the City Manager and distributed to the Elected Officials last fall.
- Once these changes are enacted the City will issue a formal RFP for credit card services, as part of this service, the City will explore the inclusion of convenience fees in applicable areas.

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In regards to the Lockbox Service, the annual savings by keeping the service outsourced is approximately \$20,000. The RFP for the current contractor was issued in 2004. RFP's can be issued as frequently as every two years. This is an option for the City, but the City would incur additional cost for some services by changing service providers, not to mention the amount of staff time involved and the City's limited resources.

**Councilmen:** Bernie Anderson, Karen Schmidt and Jim Fruin  
Items 7H and 7I-New World Systems

**Questions/Comments:** Why are we being charged travel of \$3,000 for both 7H and 7I? Why can't the travel be done during a visit for 7H and 7I? Would like to have more information about what kind of work is being done on 7I?

**Staff Response:** Each of these activities is carried out by a different part of the business. One of the software installation that will be done by a software specialist and the other is a review of how we use the software and our business practices related to the software use and this is done by an analyst. They will be doing a review of all of the software that we currently license from New World Systems. They are looking at how we have it installed, how it is configured and how our business practices are designed to work with the software. By doing this, they can help us to find areas where we can make better use of the software and find added benefit. It is possible that we are not using some aspects of the software that could make our operation more efficient or effective. They will also help us to make sure that our policies and procedures are up to date so that we get the best value for the money that we have invested in the system. There are no specific concerns that have caused us to request this review. We simply think that it is prudent to make sure that we are getting the most out of the substantial investment that we have already made.

**Councilperson:** Judy Stearns

Item: 7H- New World Systems Additional Software License Agreement

**Question/Comment:** What is an example of someone being denied use of the CAD system due to cost? Who would that be? What is the cost analysis of paying one time fees, vs. the new agreement?

**Staff Response:** Because of the \$1,000.00 per licensee we have numerous people and units without access to the CAD for example the Police Chief, Assistant Chiefs, Street Crimes Unit and the Criminal Investigations Divisions. The Patrol Division has access to one computer license to have CAD on it. With this proposal we can literally access any computer in the City or on our network to our CAD system. This will be of great benefit to the Fire Department and all of its stations and to our Command and Special Divisions Staff. We currently have 8 full licenses (Dispatch Center) and 20 view only licenses and the City paid \$1,000.00 each over four years ago. These view only licenses are now more expensive. We do not have enough of these to operate efficiently. With this new Web Monitor Program, we never have to relook at this again and for this price, we can control how many view only monitors we need at anytime.

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**Councilperson:** Judy Stearns

Item: 7I- New World Systems Additional Services Agreement

Question/Comment: How did we determine the need for this review? What will be the cost in City Staff time?

**Staff Response:** There are no specific concerns that have caused us to request this review. We simply think that it is prudent to make sure that we are getting the most out of the substantial investment that the City has already made. Staff did discuss this with New World and through those discussions, it is highly recommended that we perform an occasional audit and review. Again the staff wants to make sure that we are getting full functionality of this vital software. The cost in Staff time is very minimal as this is work done with on duty Staff. New World will do most of the work and provide suggested improvements for efficiency and effectiveness. This was a very expensive and complicated software system and we as Staff need to be sure that it is fully utilized.

**Councilperson:** Judy Stearns

Item: 7J- Extension of Arthur J. Gallagher, Insurance Broker for Worker's Compensation and Property Casualty

Question/Comment: What criteria were used in determining performance? What is the actual reduction in city premiums?

**Staff Response:** As stated in Staff's Council Memo, Gallagher has performed well for the City, they are responsive to any issues that have been raised; negotiated insurance prices on additional City property as needed and more importantly, greatly reduced the City's insurance premiums by (\$153,559) less than Mid America the previous year). Gallagher is not the City's Insurance Provider, in order for the City to purchase this type of Insurance, we have to use an Insurance Broker and Gallagher serves as our resource to purchase insurance on the City's behalf. Insurance Brokers look for long term relationships with the Companies they serve, since they were new to the City, Staff as stated in our Council Memo, indicated that we wanted to observe Gallagher's performance; therefore we signed a one year agreement.

Refer to the below table:

<b>Insurance Broker</b>	<b>Year</b>	<b>Premiums/Commissions/Fees</b>	<b>Notes</b>
Mid America	2009-2010	\$788,962	Includes Premium and Commissions
Arthur J. Gallagher	2010-2011	\$635,403	\$597,903 for Insurance Premiums and \$37,500 for services.

**Councilperson:** David Sage

Item: 7J- Extension of Arthur J. Gallagher, Insurance Broker for Worker's Compensation and Property Casualty

Question/Comment: As premium reductions were cited in staff report what are approximate savings?

**Staff Response:** \$153,559

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**Councilperson:** Bernie Anderson

Item: 7K- Professional Services Contract for the Bloomington Center for the Performing Arts

Question/Comment: As is standard industry practice, some artist contracts require additional expenses for items such as travel, meals and lodging. This varies from artist to artist. Travel expenses and local lodging fees occur less often, however virtually all artists are provided with meals and non-alcoholic beverages.

Second Question: Why can't a standard cost be set for the above expenses? It seems like this would add somewhat of a control on these expenses.

**Staff Response:** Touring professionals and their agents will not agree to a standard cost for expenses because each location they perform in is unique. If we set a cost that was deemed low by the agent, they would simply raise their contract price accordingly. Cost control measures are done through negotiating with our local vendors (hotels, food and beverage, etc.). We do this to control costs as much as possible

**Councilperson:** David Sage

Item: 7M- Applebee's Liquor License-Owner Change

Question/Comment: Ownership change only, no change in what's served and when-correct?

**Staff Response:** The only change is the ownership. There is no change in what is served and when.

**Councilperson:** Bernie Anderson

Item: 7M- Applebee's Liquor License

Question/Comment: Just clarification; this action is needed because a change in name? Also, is this a change in ownership?

**Staff Response:** A Liquor License is issued to a holder, not the business. The parent company is Heartland Apple, Inc. Original applicant: T.S.S.O North, Inc., (subsidiary company). The former license holder/corporation formed a new company, Heartland Apple Bloomington, LLC. The Corporate Officers will remain the same. The formation of a new corporation necessitated the creation of a new license.

**Councilperson:** Bernie Anderson

Item: 7P- Amendment to Chapter 6. Alcoholic Beverages, Section 1. Definitions, Tasting

Question/Comment: Is there a limit on how much can be consumed by an individual. I support the idea, but could it be abused by consuming a significant number of servings? Not a major concern.

**Staff Response:** The License Holder controls the number of tastings. Generally, there is one tasting per product offered at the tasting. Limited number of products offered. City Ordinance limits the number of tastings per week (3); size amount of tasting, (beer-2oz or less, wine-1 oz or less, sprits-1/2 oz or less); and duration of tasting (3 hours).

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**Councilperson:** David Sage

Item: 9B-Resurfacing Bid

Question/Comment: Thank you for continued improvement in our annual street bid process.

**Staff Response:** Staff will continue to provide the most cost effective and quality bid to the City Council.

**Councilperson:** David Sage

Follow-up: In referring to notes from our last meeting, the Neighborhood Quality Group was going to forward their research for sharing across the Council. Has that been sent and perhaps I've missed it?

**Councilperson Stearn's Response:** I am continuing to hear from cities in our survey as well as having conversations with our local renovators/restoration experts, real estate professionals, bankers, and those residents who actually live next door to a vacant property to see what outcome we would like and how to get there. Our list will be based not just on what we don't want (vacant or derelict properties), but what we do want and how cities are getting there.

**Councilperson:** Judy Stearns

Item: 9E- I am pleased to see the increase in the resurfacing budget. Please explain what will be the process for adding any streets that any Council Member may wish to submit for consideration? In Ward 4, Kenyon Court is badly in need of resurfacing and there are several others. Could I please have an update on the Lafayette Street plans—I understand it is not in the resurfacing list. Will any alleys be paved?

**Staff Response:** The City Manager will address any additional streets on the resurfacing list, during the Budget Work Session at 6:00 pm. Lafayette Street will be shown in the Capital Budget for 2011-1012. Dollars are also being allocated in the Capital Budget for the upcoming fiscal year for alley work.

# MEMO

**To: David A. Hales, City Manager**  
**To: Barbara J. Adkins, Deputy City Manager**  
**From: Tim Ervin, Director of Finance**  
**Pam Reel, Chief Accountant**

**Date: September 8, 2010**

**Subject: Payment Methods - Credit Card Services and Issues**

## Background

The City of Bloomington operates multiple types of businesses from retail to utility operations. Each type of operation depends upon the cash flow generated from the ongoing daily activity. In essence, residents receive a benefit and compensate the City through cash, check, or credit card payments. The City has established payment centers within these departments to accommodate the growing number of residents who choose to use credit card payments rather than cash and/or check.

The current City structure allows residents to make payments with Visa, Mastercard, Discover, and American Express. Resident possess the ability to make payments either over the counter with the assistance of a City staff position or on-line through a credit card module specific to each type of software. The City has integrated credit card modules within the utility system, parks and recreation module, and Cultural District ticketing system. This integration allows a resident to directly pay for services with a credit card rather than through a third party billing provider. The benefit to the City is the residents account within the software module is automatically updated to reflect the payment with minimal staff interaction (staff typing in each payment). This reduces staffs time spent to manually transact items and increases the accuracy of the payment postings.

Each credit card provider charges the City a merchant fee. The fees are based upon the transaction volume multiplied by a specific percentage established by each credit card company. This percentage can change in accordance with the type of credit card (ex. rewards card vs. business card) plus a per transaction charge may be applied to some type of card. Bear in mind, these fees can change in accordance with the type of card being used by the resident.

As mentioned before, the City accepts credit cards for multiple types of transactions. The City's current credit card software modules do not have the capacity to charge a convenience fee to residents. The City would be required to switch the on-line credit card systems to a third party payment provider. This separation would require residents to use two points of contact to pay a utility bill or register for a parks program which differentiates from the current status where

customers can use on point of contact. The City does not accept credit cards for Food and Beverage Tax.

Another way to deal with the credit card fees is to follow a similar approach where the Parks and Recreation program has incorporated credit card fees into the cost of the programs offered by the department. For example, credit card fees could be factored into water rates.

### **Current Law**

According to the Illinois State Statute (50 ILCS 345/) Local Governmental Acceptance of Credit Cards Act, a government entity may not charge a fee in excess of the amount paid in connection with the credit card transaction. A local government entity may impose a convenience fee on the cardholder to offset the fees the government is charged by the credit card company.

Retail Businesses, like the Golf Course and the Zoo, are not allowed to charge convenience fees.

On July 21, President Obama signed the *Wall Street Reform and Consumer Protection Act* (known as the *Dodd-Frank Act*). The law brings sweeping changes to the nation's financial services industry, including new financial product consumer protection laws, new requirements for financial institutions. This Act imposes a limit on interchange fees for *debit* cards.

### **What Are Other Municipalities Doing?**

Normal does not charge a fee and they do not accept American Express or Discover. Mclean County and Peoria County use a third party payment processor (Official Payments). The processor charges a fee to the customer. The County avoids paying credit card merchant fees by not processing credit cards themselves. Use of a third party payment processor seems to be more common in counties (for real estate tax collection) and in Circuit Clerk offices. It does present the problem of how to handle in-person payments if you are not going to accept credit cards.

Nicor has the following options: Auto Payment EFT-Free; Online Check ACH-Free; Credit and Debit cards-Online or by Phone - \$1.65; Mail payment-Free; In person at a payment center, check or cash - \$1.00. Fees are charged by the payment vendors. Nicor does not profit from the fees. Ameren has similar payment methods. No fee for electronic checks; \$2.75 for credit or debit card online or by phone.

State and local governments are continually looking for new ways to cut the cost of collecting and processing payments from citizens and to expedite deposit of these payments. In addition, many citizens are requesting the convenience and flexibility provided by credit cards. But who should pay the cost?

### **Factors to Consider**

Charging a convenience fee will not produce any real revenue as these fees would only go to offset the credit card fee expense that the city has to pay. Besides 80%-90% of credit card use occurs in the Water Department and at the Golf Courses, so any money generated would not even go to the General Fund.

When looking at credit card convenience fees, you really need to look at all methods of payment (Online, electronic check, by phone, in person) in order to analyze the most cost effective and convenient methods.

With our current setup, going a third party payment processor would require an interface to upload payment information into the various software applications. But if you moved to all online, kiosk, phone, and mail payments, you could eliminate cashier duties and the staff time involved in taking payments in person. Because of the many different areas of the City, this could work in some areas, but not others.

Jessica Frances, Glencoe's Assistant Finance Director had these comments regarding convenience fees: "Previously we offered credit card payments via mail (providing their card information on the stub), phone, at the counter and online. We have since eliminated the mail and phone option for the most part. Obviously we still receive a random request, but we are no longer spending an hour processing these payments. Several years ago we had a convenience charge applied when individuals paid online, we have since eliminated this charge. Residents rarely paid online when the convenience charge was in place. We have since eliminated the convenience charge and updated our epay site to provide the current balance due on utility billing accounts. Approximately 10-15% of our payments are online. We utilize Illinois Funds Epay for online payment." However, Epay does charge a fee for paying online, but it goes to the State. Epay does not accept Visa.

Jon Kindseth from Westchester had these comments: "Westchester has offered the option of paying utility (water/sewer and trash) bills on the Village website. [www.westchester-il.org](http://www.westchester-il.org). We just recently removed the convenience fee, which was about 2 percent. With the fee, the percentage of residents using this service was extremely low, less than 1 percent. Last month we removed the fees, also added the capability of taking Visas, and paying parking and traffic tickets. We have not seen if this will encourage more resident usage yet. Our service is provided through E-pay which is run by the State of Illinois Treasurer Giannoulis."

### **Recommendations**

- Eliminate low volume credit card machines, where the volume does not justify the cost. Facility Management has already closed their machine.
- The City should issue an independent Request for Proposal (RFP) for credit card services and possibly broaden the scope to include all payment methods. This RFP will ensure the City can achieve the lowest rate through a competitive bid process. It would also provide for volume discounting if the City accounts were presented as a whole, instead of piecemeal. Normal may be interested in going in with us for this RFP, increasing the volume discount. The City can work with the awarded bidder to determine the framework of the City charging convenience charges to residents.



