



## *City Council Memorandum*

**To:** Mayor Hicks & City Council Members  
**From:** Rebecca Petersen – Finance Manager  
**Date:** 3/14/2016  
**Item:** Application of fees for declined payment transactions

**Council Action Requested:**

Approval of updated declined payment policy and fee application procedures.

**Background Information:**

The City fee schedule includes a fee of \$30 for NSF checks. This fee has been historically applied to returned checks, returned ACH transactions and declined credit cards on City's auto-pay option for utility bills. The City incurs bank charges for declined ACH transactions and returned checks, but not for declined auto-pay credit cards.

It is becoming increasingly common for credit card holders to unexpectedly receive new cards due to changing technology, data breaches and identity theft.

The City currently offers a one-time late-fee waiver for utility bills, if the account signs up for auto-pay. Staff recommends waiving the NSF charge and extending the late-fee waiver to auto-pay credit card holders who experience a decline and promptly make payment and update their auto-pay when notified of the decline.

**Financial Impact:**

Declined credit cards account for approximately 10 auto-pay transactions a month. Eliminating NSF charges for these declines will decrease fee revenue by approximately \$3,600 annually. This decrease in revenue will not have a material effect on fund operations. Because the City does not currently incur any bank charges in relation to declined card transactions, staff does not have concerns in regards to the financial impact of the fee elimination.

**Advisory Commission Discussion:** N/A

**Council Committee Discussion:** N/A

**Attachments:**

- Proposed Declined Payment Policy



## **DECLINED PAYMENT SERVICE CHARGE POLICY**

### **General Receipts**

Upon notice to the City that an ACH auto-pay or check received for payment has been returned, the amount of said check will be set-up as a receivable.

A non-sufficient funds (NSF) invoice will be mailed to the issuer of the check, including an appropriate NSF charge per the adopted fee schedule. (See MN Statutes 604.113)

NSF invoices will follow the City's standard procedures for collection.

### **Utility Billing**

Upon notice to the City that an ACH auto-pay or check received for payment of utility bills has been returned, the amount of said payment will be reversed on the applicable utility account.

A non-sufficient funds (NSF) invoice will be mailed to the issuer of the check, including an appropriate NSF charge per the adopted fee schedule. (See MN Statutes 604.113)

Upon notice to the City that an auto-pay credit card has been declined, the City will attempt to contact the account holder for a same-day update to the billing information.

If a phone number for the account holder is not readily available, staff will notify the account holder by mail that their auto-pay credit card was declined. The account holder shall have 7 business days to make payment and update their auto-pay information. If payment is made and auto-pay information is updated within 7 days, late fees will be waived. No NSF charge will be assessed for declined credit card transactions.

The standard utility billing policies and procedures will then be followed for further penalties, water shut-off and/or assessment to the owner's property if the bill remains unpaid.

Adopted: 4/15/1996

Proposed Revisions: 3/2016