

ITEM 9.D.

MOORPARK CITY COUNCIL AGENDA REPORT

TO: Honorable City Council

FROM: Ron Ahlers, Finance Director *RA*
Deborah Burdorf, Accountant I *DB*

DATE: June 25, 2012 (City Council Meeting of July 18, 2012)

SUBJECT: Consider Adopting Credit Card Acceptance and Processing Policy

BACKGROUND

The City of Moorpark currently accepts credit cards at both Arroyo Vista Recreation Center (AVRC) and previously accepted such at the High Street Arts Center (HSAC). The City would like to expand its payment capabilities and accept credit cards at the City Hall front counter.

For ease of reconciliation and to separate out the two processing centers, we will open an additional merchant account with Bank of America for City Hall. We will not need an additional Paypal account, which is currently used and will continue to be used at AVRC because of the requirement of the software system used for class registration.

If we add this payment location for the City, the most important issues are the costs to the City and customer credit card information security and safety.

DISCUSSION

The purpose of this policy is to establish standards for accepting and processing credit card payments and maintaining the security of confidential credit card data. Compliance with this policy will provide reasonable assurance that all credit card transactions are properly authorized, timely settled, and accurately and completely recorded. All transactions will be processed as credit even if a debit card is used. This information will be provided to the user prior to the transaction.

The policy is intended to ensure compliance with Payment Card Industry (PCI) Standards, as required by Visa and Mastercard. The policy lists the types of payments that will be accepted, the authorized personnel, and their authorization dollar limits. It

also goes into detail about how to process a transaction. The policy as proposed does not allow for use to pay development impact fees and limits the transaction to \$5,000 without prior City Manager written approval.

The City currently uses Bank of America merchant services accounts to process the AVRC credit card receipts. We pay 1.42% of the transaction plus 10 cents per transaction, or a minimum \$32.00 per month. At this rate, the cost of processing a parking citation will be under a dollar, the cost of processing a business license will be under two dollars, and the cost of processing a \$5,000 transaction will be about \$75. A new merchant agreement account setup takes between 5-7 business days after signature of the contract. The cost to purchase a credit card machine is \$518.

FISCAL IMPACT

The minimum annual costs associated with an additional merchant account and acceptance of credit cards at City Hall will be an additional \$32/month x 12 months = \$384. Given 20% of all transactions will be paid by credit card, and based on estimated revenue of \$750,000 in the most common over-the-counter transaction categories, multiplied by credit card fees of 1.5%, the estimated annual credit card fees will be \$2,250.

STAFF RECOMMENDATION

Approve the Credit Card Acceptance and Processing policy to accept credit cards over-the-counter in the Community Development Department; and direct staff to include this policy in the next update of the City Council Policies Resolution.

Attachment: City of Moorpark Credit Card Acceptance and Processing Policy

POLICIES ADMINISTERED BY FINANCE DEPARTMENT

Policy 5.9: Credit Card Acceptance & Processing

The purpose of this policy is to establish standards for accepting and processing credit card payments and maintaining the security of confidential credit card data. The method is to implement reasonable policies and procedures that will prevent the improper use or disclosure of Customer Credit Card Information.

Compliance with this policy will:

- Provide reasonable assurance that all credit card transactions are properly authorized, timely settled, and accurately and completely recorded;
- Monitor for errors, both unintentional and intentional, including fraud; and
- Protect the security, confidentiality and integrity of cardholder information.

This policy is further intended to ensure compliance with Payment Card Industry (PCI) Standards, as required by Visa and Mastercard. Failure to comply with PCI standards may result in unnecessary costs to the City and/or revocation of merchant status allowing for the acceptance of credit cards.

1. Authorized Transactions

The following revenue transaction types are authorized as credit card payments.

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|---|---|
| A. Parking Citations | J. SMIP Fees |
| B. Business Registrations/Permits | K. NPDES Fees |
| C. Zoning Clearances | L. SB473 Building Standards Fees |
| D. Encroachment Permits | M. Imaging Fees |
| E. Residential Building Permits | N. Fines & Penalties (e.g. Social Host) |
| F. Home Occupation Permits | O. Class Registration |
| G. Sign/Banner Permits | P. Security Deposits & Room Rentals |
| H. Non-Residential Plan Checks | Q. Recreation League Fees |
| I. Non-Residential Building Permits (tenant improvements, commercial equipment, high pile storage and MEP mechanical, electrical and plumbing | R. Temporary Use Permits |

2. Authorized City Staff

The following personnel are authorized to accept credit card transactions: Administrative Assistants, Receptionist, Community Development Department personnel, Recreation Assistant, Recreation Superintendent, Recreation Supervisor, Recreation Coordinator 1 & 2, Recreation Leader 2, Finance Department personnel and other staff authorized in writing by the City Manager.

3. Transaction Control Requirements

The City accepts Visa and Mastercard credit cards as a form of payment of amounts due to the City. Debit cards with Visa or Mastercard logos are also accepted and processed only as credit cards. The City will accept transactions through the credit card machine at the front counter of the Community Development Building. It is important that staff adhere to the processes to ensure the accurate processing and recording of transactions and guard against erroneous or fraudulent transactions.

4. City Hall Front Counter Credit Card Machine

- A. One Credit card swipe machine shall be placed at the front counter for use by authorized City Staff. However, a customer's credit card should be visible to the customer at all times during the transaction.
- B. Prior to swiping the credit card:
 - 1) Verify that the card is not visibly altered or mutilated.
 - 2) Verify that the credit card expiration date has not passed. Expired credit cards are not accepted for payment.
 - 3) Verify that the credit card has been signed by the cardholder.
 - 4) Confirm that the transaction amount is not less than the minimum limit of \$10.00 and that the transaction type is within policy.
 - 5) Transactions less than \$5,000 can be processed without City Manager written approval. Transactions greater than \$5,000 must have prior City Manager written approval.
- C. A signature must be obtained on the credit card payment slip and compared to the signed credit card and a Photo I.D. In the event of unmatched signatures, the credit card transaction must be voided and the credit card returned to the customer.
- D. If the credit card's magnetic strip cannot be read, the card number should be keyed into the credit card terminal. To reduce the risk of access to confidential credit card data, manual imprints of the card should not be made.
- E. Obtain an Approval Code / Authorization number and enter the code on the receipt paperwork. If the authorization network (via the credit card machine) sends a "decline" or "no match" response, the credit card must not be accepted.
- F. In all circumstances of declined or unaccepted transactions, return the credit card to the customer and offer to accept another method of payment. Customers

disputing the decline or non-acceptance of the credit card should be referred to their bank which issued the credit card.

- G. Credit/Refund Transactions: Per the merchant card processing agreement, the City will not make a cash refund, but will deliver a credit for a refund (or adjustment to the cardholder account) within three (3) days of the refund (or adjustment). The Cardholder will receive a copy/notification of the credit transaction at the time the refund (or adjustment) is made. In certain cases, a refund may be processed as a check and will be refunded within thirty (30) days.
- H. Confirm that the amount charged to the credit card matches the transaction.
- I. Cash back transactions are not authorized.
- J. Attach the signed credit card slip to the supporting documentation. Give an unsigned copy to the cardholder.

5. Telephone and Mail Transactions

The City shall accept credit card information by telephone and U.S. Mail for AVRC customers only. In order to protect the Cardholder from unauthorized disclosure of credit card information, credit card numbers should not be written down on City applications or registration forms. Confirm the 3 digit verification code on the back of the credit card for phone orders.

6. Settlement and Deposit of Credit Card Payments

- A. The transaction history report from the credit card machine will be printed daily and be reconciled to the total receipts.
- B. The settlement batch, transaction history and reconciliation reports and supporting documentation will be reconciled by the Finance Department on the following business day.
- C. Deposits are generally settled within 3 business days, depending upon the credit card type. If a report indicates a settlement was declined it shall be researched by Finance and the customer contacted to obtain an alternate form of payment.

7. Merchant Fees and Other Credit Card Charges

Merchant fees for all Community Development credit card transactions are paid by the City.

Other credit card charges, such as disputed items related to a specific transaction will be researched by the Finance Department and appropriate action taken with prior written approval by the Finance Director or Budget & Finance Manager. This will ensure proper reconciliation for the merchant account.

8. Safeguarding of Confidential Data

- To the extent that the City may have possession of credit card records, including but not limited to, receipts, credit card numbers, expiration date,

card type and bank information, such credit card records are exempt from public disclosure, and shall not be disclosed by the City unless required via Court subpoena or in writing by the City Attorney.

- Any credit card documents not remitted to Finance before the close of the business day must be secured to prevent against loss and/or theft of confidential customer data, provided the documents shall be remitted to Finance in the morning on the next business day.
- Full credit card numbers are not to be recorded, maintained or viewable in any computer systems, receipts, or reports.
- To the extent required by law and/or service agreements, the City will notify credit card customers of any breach of security which has placed the confidential credit card information at risk.
- Credit card transactions shall not be accepted in the event of a power outage or other processing service interruption, so as to prevent the loss and/or theft of confidential customer data. In the event of a service interruption, notification should be made to the Finance Director to determine the cause and restoration of the service.
- The City will maintain a secure firewall configuration to protect cardholder data.
- The City will not use vendor-supplied defaults for system passwords and other security parameters.
- The City will regularly test security systems and processes.

9. Payment Card Industry (PCI) Compliance

- The City will annually renew and update PCI Self-Assessment Questionnaire (SAQ) as required.