City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 1, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF COUNCIL

FROM: JAMES K. HARTMAN, CITY MANAGER

SUBJECT: BUDGET MEMO #__67_: THE INCREASED USE OF CREDIT CARDS FOR ONLINE CITY TRANSACTIONS

This budget memo responds to Councilman Krupicka's questions: (1) *What will it cost the City if all online transactions could be paid with credit cards?* (2) *What savings could be achieved by eliminating some weekday hours for collecting payments from citizens?*

(1) *What will it cost the City if all online transactions could be paid with credit cards?*

Residents and businesses currently can use credit cards to pay for some taxes, museum item purchases, impound fees, permit fees, recreation fees and marina fees. Future expansion opportunities include more recreation fees charged by the City. The use of credit cards is not limited by the amount budgeted for credit card fees. Rather the amount budgeted is matched to projected credit card use. As departments request expenses of credit care use, Finance arranges the credit card process.

During FY 2007, 6,269, or 2.4%, of 258,426 total tax transactions in the City, were made by credit card through the City's contractor, Official Payments Corporation's telephone and internet payment systems. These payments incurred a convenience fee of 7% per transaction. Of the payments paid by telephone and on line, 600 property owners paid their real estate taxes using credit cards and 1,228 property owners paid their real estate taxes using the e-check system. If all real estate tax transactions were paid online using just credit cards, the estimated costs to the City will be $588,603.

Credit card transactions in the City are steadily increasing as more services become accessible and payable online, and more citizens become comfortable with the safety and security of online financial transactions. Actual credit card fee expenditures for the City were approximately $24,000 in FY 2006 and $32,000 in FY 2007. The volume of credit card transactions was about $1.0 million in FY 2007. With the advent of recreation fees (including the use of the Marina and other City recreational facilities) being payable online as well as planned increased use of parking pay boxes in Carlyle and other existing services, the Finance Department expects credit card fees to increase in FY 2009 to $44,000.

(2) ***What savings could be achieved by eliminating some weekday hours for collecting payments from citizens?***

The Finance Department does not recommend eliminating some weekday hours for collecting payments from citizens. All other City operations are open to the public during these hours and many transactions need to be processed through the Treasury Division (the window closest to North Fairfax Street) and the Property Tax Branch (the window closest to North Royal Street), respectively. Many of these transactions are related to interactions with other City departments where some sort of payment is required. Moreover, residents and businesses have come to expect customer service and the availability of City services during the work week.

When not providing service to taxpayers in person or by phone, employees in both the Personal Property Tax Branch (the window closest to North Royal Street) and the Treasury Division (the window closest to North Fairfax Street) although still stationed at windows, complete a variety of tasks vital to the functioning of the Finance Department. When not serving customers at the counter or on the phone, Personal Property Tax staff responds to taxpayer correspondence sent by mail, e-mail or fax; processes returned mail; processes online registrations; conducts daily maintenance of the online system; processes checks received from taxpayers; processes the monthly file from the Virginia Department of Motor Vehicles (DMV); processes DMV and Leasing Company renditions; conducts the required annual tax certification process; manually assesses the approximately 200 vehicles per month that cannot be assessed automatically; and conducts the annual assessment cycle.

When Treasury cashiers are not assisting walk-in customers, they process mail payments and perform many support functions, such as updating financial spreadsheets for the many automated payment systems, reconciling parking ticket payments and processing refunds. Treasury staff also responds to an increasing volume of e-mail requests from taxpayers for information on their accounts.