



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Christine Taylor

DATE: April 7, 2026

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding online card processing fees and cost recovery options.

BACKGROUND

The purpose of this work session is to provide the City Council with an update regarding online card processing fees and cost recovery options.

The City has processed credit card payments for more than twenty-five years and annually budgets for related processing costs. In 2014, Customer Service's online credit card expenses began increasing faster than budget allocations could support. This rise was driven primarily by the growing use of commercial cards, which carry higher interchange rates due to their cardholder rewards. To offset these costs, City Council approved a 2.7% convenience fee on commercial utility accounts paid online or by phone.

Card brand rules changed in 2019, allowing convenience fees to be assessed only as a flat amount rather than a percentage. Due to the complexity of these evolving rules, and the limitation to a flat fee, both the Public Utilities Board (PUB) and City Council directed staff to discontinue the convenience fee.

On July 14, 2025, staff presented PUB work session item #25-008 outlining rising card processing costs and options for recovering those expenditures. A subsequent presentation to City Council on July 15, 2025, resulted in direction to continue exploring additional fee structures, including tiered fees, fees based on customer account type, and percentage-based fees.

In October 2025, card brand rules were updated again, introducing a new service fee option. This option may be applied as either a flat or percentage-based fee, may be charged on recurring transactions, and excludes eChecks (ACH bank drafts). To recover online card processing costs, the required service fee rate is estimated at 1.55% if applied to all card payments. If applied only to commercial accounts, the estimated rate is 2.60%.

Card processing costs are currently absorbed by department operating budgets and funded through City revenues. Customer Service (Utility Billing) represents approximately 70% of the City's annual credit card processing costs, primarily from online transactions, totaling about \$1.57 million annually. Costs continue to escalate, increasing 20% from \$1.31 million in FY 2024 to \$1.57 million in FY 2025. The \$264,175 year-over-year processing expense increase is attributed to an annual trend of higher transaction volumes across all customer types. Consumer cards represent roughly 32% of the total processing costs and 70% of the

total dollar amount processed. Commercial cards represent roughly 68% of the total processing costs and 30% of the total dollar amount processed.

If direction is provided to implement a fee, staff will develop and launch a customer education campaign highlighting the fee and promoting no-fee payment alternatives such as eChecks.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Staff presented the Public Utilities Board (PUB) work session item #25-008 on July 14, 2025, and City Council work session item #24-2618 regarding credit card fees and cost recovery options. Direction was provided to staff to continue seeking additional card processing fee options and provide a future update. Staff then presented PUB work session item #26-029 on March 9, 2026. Following the PUB discussion of card credit fee recovery options, the implementation of a service fee of approximately 1.55% on all residential and commercial card transactions was recommended by the PUB 5-0.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Presentation

Respectfully submitted:
Matt Hamilton
Chief Financial Officer
(940) 349-8127