

MEMORANDUM

TO: Claire Powell, City Manager

FROM: David O. Erb, Director of Finance

DATE: March 2, 2026

SUBJECT: **Consideration of an Ordinance of the City Council of the City of Lewisville, Texas, Amending the Fee Schedule to Add Credit Card Convenience Fees to Electronically Processed Credit Card Payments Made for City Water, Sewer, Stormwater, and Refuse Collection Services; Providing for a Repealer, a Savings Clause, Severability, and an Effective Date.**

BACKGROUND

The City contracts with Paymentus and Pace Merchant Services to process electronic payments for utility and other City services. Paymentus currently serves as the electronic payment processor for Lewisville utility customers who were served by the City prior to the annexation of Castle Hills. As part of the annexation, the City assumed responsibility for utility accounts previously managed by the Denton County Fresh Water Supply District, which used Pace Merchant Services as its electronic payment processor. As a result, the City is currently operating with two separate payment processing platforms.

Historically, the City has absorbed credit card processing fees for most transactions, with the exception of Municipal Court payments. However, the significant growth in electronic payments, particularly for utility services, has made it financially unsustainable for the City to continue covering these fees. City staff presented this proposed change to the City Council during the FY2025–26 Budget Workshop, and Council authorized staff to move forward with implementation as part of the FY2026 budget. In anticipation of a mid-year implementation, the budget for credit card fees was reduced by one-half.

The City intends to transition to a single electronic payment processor once the new software implementation consolidating the two utility systems is complete. This transition is expected to occur in the first quarter of 2027.

ANALYSIS

Currently, credit card processing costs are built into utility rates and paid by all customers, regardless of how they choose to pay their bill. As a result, all ratepayers subsidize the cost of credit and debit card transactions, even if they do not use those payment methods. To address this inequity, as well as the rising expense of card processing and increasing capital costs associated with maintaining utility infrastructure, the City can no longer continue absorbing these fees. The proposed convenience fee is a pass-through charge imposed by the credit card companies and payment processors. The City does not retain any portion of this fee. The charge would apply only to payments made electronically online using a credit or debit card. Over-the-counter transactions conducted in person using a debit or credit card will not be assessed a convenience fee.

Under the updated fee schedule, utility customers who pay online by credit or debit card will be charged the 2.75% convenience fee required by the credit card companies. Customers who use ACH/eCheck payments through Paymentus will continue to be assessed a \$0.45 convenience fee, which is also a pass-through charge. ACH/eCheck payments are not accepted through Pace merchant processing. Customers may avoid convenience fees by paying with cash, check, or automatic bank draft, which remain available at no cost. In addition, utility customers sending an electronic payment through their own bank's bill pay service typically avoid paying a processing fee.

If approved by Council, staff will conduct a utility customer education campaign throughout March to allow customers adequate time to adjust their preferred payment method, if desired. The new convenience fees will apply to payments made on or after April 1, 2026. Once implemented, this change is projected to save approximately \$600,000 annually and \$300,000 in the current fiscal year.

CITY STAFF'S RECOMMENDATION

That the City Council approve the ordinance as set forth in the caption above.