

Payment Options for the 21st Century

NCAWWA-WEA **Billing and Collections Systems Seminar**

Presented by
Chad Cowan and Gary Sanders
February 27, 2013

Presenter Backgrounds

➤ Chad Cowan

- ❖ Treasury Manager at City of Durham
- ❖ Worked with local governments since 1997 as an investment banker, financial advisor and issuer
- ❖ Member of NCGLIA, GFOA and APTUS&C

➤ Gary Sanders

- ❖ Senior Consultant at Logics, LLC
- ❖ Worked with local government software since 1979
- ❖ Publishes a blog and bi-weekly e-mail newsletter – garysanders.wordpress.com

How Can Your Customers Pay?

Does your utility still accept only cash and checks?

If so, are the only two ways to pay in your office or through the mail?

Then this session is for you!



Cash

➤ Pros

- ❖ Won't bounce!
- ❖ No fees

➤ Cons

- ❖ Accountability and security
- ❖ Time consuming to balance
- ❖ Bank deposit required



ACH Bank Drafts

➤ Pros

- ❖ Easiest way to accept payments!
- ❖ Totally electronic
- ❖ No bank deposit
- ❖ Most billing software creates payment transactions

➤ Cons

- ❖ Occasionally drafts will be returned for insufficient funds

A sample ACH bank draft form. At the top left, it says 'ABC BUSINESS' with address '1234 Park Avenue Anytown, CA'. At the top right is the number '1044'. Below this is a line for the date ending in '20__'. The 'PAY TO THE ORDER OF' field is followed by a dollar amount '\$ XXX.XX' and 'DOLLARS'. The bank name is 'Anywhere Bank U.S.A.' and it is marked 'Not Negotiable'. At the bottom, there are MICR lines: '1 33404567 1234561304 III* 1044'. Below the MICR lines are the numbers '1' and '2'.

Checks

- Over the Counter
- Mail
- Bank Lockbox
- Remittance Processing System
- Remote Deposit Capture (Check 21)
- Electronically Receive Online Banking Checks



Bank Lockbox

➤ Pros

- ❖ No handling of mail payments
- ❖ No bank deposit
- ❖ Ease of importing payments

➤ Cons

- ❖ Cost
- ❖ Handling of payments with no bill stub enclosed



Remittance Processing System

➤ Pros

- ❖ No data entry required
- ❖ Remote Deposit Capture eliminates depositing checks
- ❖ Check and bill stub are imaged



➤ Cons

- ❖ Mail must be opened and checks and bill stubs collated



Remote Deposit Capture (Check 21)

➤ Pros

- ❖ Eliminates depositing checks
- ❖ Checks are imaged

➤ Cons

- ❖ No payment import file produced, payments must still be entered



Electronically Receive On-line Banking Checks

➤ Pros

- ❖ No handling of mail payments
- ❖ Payments posted two days after being scheduled by customer
- ❖ Auto correction of invalid account numbers
- ❖ Avoid irate customers

➤ Cons

- ❖ Billing software interface required
- ❖ Nominal fee per transaction



Credit Cards

- In the Office - Standalone
- In the Office – Integrated
- Third Party Processors
- Over the Phone
- Interactive Voice Response (IVR)
- On-line Bill Pay
- Recurring Credit Cards



Standalone Credit Cards

➤ Pros

- ❖ Funds are verified at time of payment
- ❖ Card swipe transaction qualifies for lowest merchant rates

➤ Cons

- ❖ Merchant fee is incurred
- ❖ Separate machine required and two receipts are generated



Integrated Credit Cards

➤ Pros

- ❖ Funds are verified at time of payment
- ❖ Card swipe transaction qualifies for lowest merchant rates
- ❖ No separate machine required and only one receipt is generated

➤ Cons

- ❖ Merchant fee is incurred



Third Party Processors

➤ Pros

- ❖ Provides a way to pay by credit card for entities that don't accept credit cards
- ❖ No fees are incurred by the utility
- ❖ Phone or on-line payments accepted

➤ Cons

- ❖ Payment must be entered
- ❖ Delay in verifying and entering payments



Credit Cards Over the Phone

➤ Pros

- ❖ Can charge a convenience fee

➤ Cons

- ❖ Time consuming for staff
- ❖ Higher merchant fees for card not present transaction



Interactive Voice Response (IVR)

➤ Pros

- ❖ Available 24/7
- ❖ No staff involvement
- ❖ Can charge a convenience fee

➤ Cons

- ❖ Cost of implementing IVR system
- ❖ Higher merchant fees for card not present transaction



On-line Bill Pay

➤ Pros

- ❖ Available 24/7
- ❖ No staff involvement
- ❖ Customer can inquire balance and view history
- ❖ Can charge a convenience fee

➤ Cons

- ❖ Cost of implementing on-line bill pay system
- ❖ Higher merchant fees for card not present transaction



Pay Your
Water Bill
ONLINE!

Recurring Credit Cards

➤ Pros

- ❖ No customer contact required
- ❖ Can charge a convenience fee

➤ Cons

- ❖ Security risk because customer's credit card information is maintained
- ❖ Higher merchant fees for card not present transaction



Kiosks

➤ Pros

- ❖ Availability
- ❖ No staff time involved to service walk-in customers
- ❖ Can be located away from your office in heavy traffic areas
- ❖ Cashier of the future?

➤ Cons

- ❖ Cost of purchasing and maintaining kiosk



Remote Pay Stations

➤ Pros

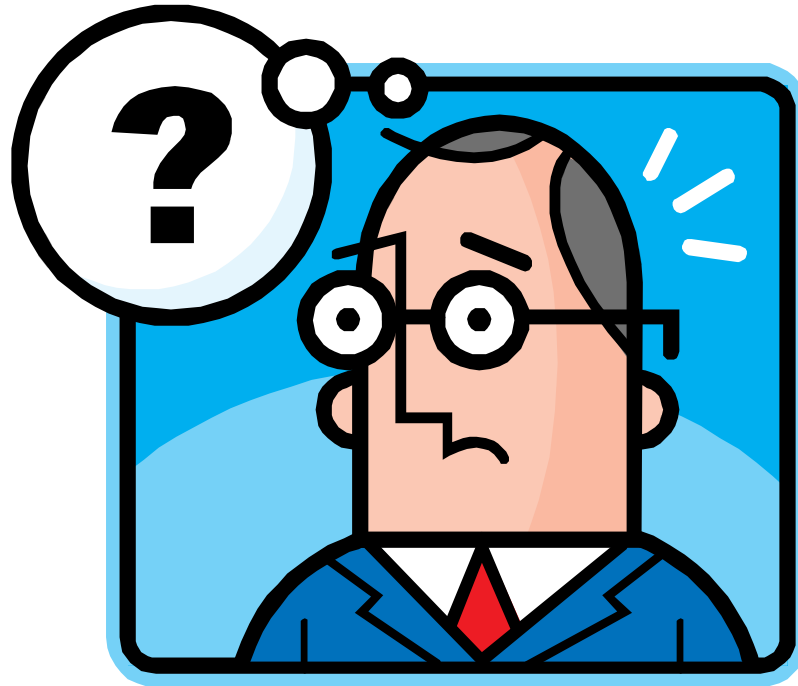
- ❖ Availability
- ❖ Customers can pay by cash, check or credit card

➤ Cons

- ❖ Not available in all areas
- ❖ Payment must be entered
- ❖ Delay in verifying and entering payments



Questions?



For more information...

Chad Cowan



919-560-4511 ext 18238



chad.cowan@durhamnc.gov

Gary Sanders



919-232-2320



gsanders@logicssolutions.com



garysanders.wordpress.com