MEMORANDUM

To:	David Ramsay, City Manager
From:	Tracey Dunlap, Director of Finance and Administration
	Michael Olson, Deputy Director
Date:	September 24, 2008
Subject:	Credit Card Activity, Cost Summary and Payment Card Industry (PCI) Compliance Update

The City of Kirkland expanded accepting payment by credit and debit card in 2008 to include all payments for City services made at City Hall, most notably development services permits and business licenses. Kirkland had already been accepting credit and debit card payments for the following services: parks programs, e-permits, utility bills, cemetery services, and downtown parking. In addition, pay stations for moorage payments which accept credit and debit cards were installed at the Marina Park and 2nd Avenue docks in June 2008. The Municipal Court accepts debit card payments at the Court and credit card payments through a third party vendor which charges substantial transaction fees.

Total payments received, transaction volume and processing fees for 2007 and 2008 year-to-date are detailed in the table below. A breakdown by each area is listed on the last page of this memo. The cost as a percent of receipts is increasing due to increased credit card payment activity at higher cost structures. Each payment type has a different cost structure. The Municipal Court accepts only debit cards on site with the lowest cost at about .5 percent for transactions. Utility payments have a reduced fee structure varying between .6 and .9 percent established by Visa and MasterCard to encourage accepting payment by credit card. Transaction costs for the parking pay stations have the highest cost percentage due the low average payment. The fee charged by the credit companies includes a per item fee ranging from 10 to 25 cents. When the average payment is between 1 and 3 dollars the cost as a percentage of receipts is about 12.5 percent. Over-the-counter payments such as development services that are typically larger dollar amounts average about 2 percent for the transaction fee. Transaction fees are built in as a cost of service to the rates and fees charged for the majority of the services for which we accept credit cards.

	2007	**2008 through August**
Transactions	48,486	40,963
Monthly Average	4,040	5,120
Total Receipts	$2,589,000	$2,932,000
Monthly Average	$215,800	$366,400
Total Cost	$35,880	$47,450
Monthly Average	$2,990	$5,930
Cost as Percent of Receipts	1.39%	1.62%

Card payment approval through third party vendors is an additional credit card related expense. These expenses apply only to online payments through Parks Net, E-Permit and UB Payments which enable customers to pay their utility bill online or through wireless payment accounts which include the two parking pay stations and two moorage pay stations. Annual payments to service these accounts total approximately $3,600.

Payment Card Industry Data Security Standard

The Payment Card Industry (PCI) Data Security Standard (DSS) represents a common set of industry tools and measurements to help ensure the safe handling of sensitive information. PCI DSS was originally introduced in 2004 and applies to every organization that processes credit or debit card information, including merchants and third-party service providers that store, process or transmit credit card/debit card data. PCI DSS is gaining more attention recently as Visa and MasterCard are more aggressively enforcing the PCI standards.

Visa and MasterCard have identified four merchant levels based on transaction volume for the organization. Each level has specific validation requirements for compliance with the standards. Merchant level criteria and validation requirements are outlined below. Currently, under PCI DSS 1.1, the emphasis of compliance is on the Level 1 and Level 2 merchants, service providers, vendors and payment applications.

The City of Kirkland is a Level 3 merchant based on annual card transactions of approximately 50,000 and the fact that the City has not experienced any data compromise or security violations. To date, the only cost incurred to bring Kirkland into compliance has been staff time to address this issue.

Kirkland Finance and Information Technology staff began reviewing PCI DSS requirements, assessing Kirkland's exposure and completing the Self Assessment Questionnaire (SAQ) Version 1.0 earlier this year. The SAQ addresses 12 PCI DSS requirements through a series of yes/no questions. A no answer to any of the questions results in a non-compliance status for the organization. Kirkland was in compliance for 11 out of the 12 requirements. There is a need for additional written documentation and continued policy development of the City's Information Security Policy to be in compliance with requirement 12, which is currently in progress. City staff have identified the systems that are subject to PCI DSS and are now working with the software vendors to verify the software's compliance with the standards.

City staff are now in the process of completing SAQ Version 1.1, released in February 2008 and preparing a work plan to bring the City into compliance including securing a proposal to contract for a quarterly network security scan with an Approved Scanning Vendor (ASV). A full range of services for PCI compliance are available ranging from compliance validation services to preparing the policies and procedures for a fee. At a minimum, the City has received an estimate of $80 per year for the quarterly scan by an Approved Scanning Vendor.

PCI DSS 1.1 Visa and MasterCard merchant levels

Level 1   Merchants with more than six million transactions per year and any merchants who experienced a data breach.

Level 2   Merchants with one million to six million transactions per year.

Level 3   Merchants with twenty thousand to one million transactions per year.

Level 4   Merchants with less than twenty thousand transactions per year

Current Visa and MasterCard PCI DSS Validation Requirements

Level 1   Annual onsite review by merchant's internal auditor or a Qualified Security Assessor (QSA) or Internal Audit if signed by Officer of the company, and a quarterly network security scan with an Approved Scanning Vendor (ASV).

Level 2   Completion of PCI DSS Self Assessment Questionnaire annually and quarterly network security scan with an approved ASV.

Level 3   Completion of PCI DSS Self Assessment Questionnaire annually and quarterly network security scan with an approved ASV.

Level 4   Completion of PCI DSS Self Assessment Questionnaire annually and quarterly network security scan with an approved ASV.

2007

	Transactions	Monthly Average	Total Receipts	Monthly Average	Total Cost	Monthly Average	Cost as a Percentage of Receipts
E-Permit	1,048	87	$ 88,854	$ 7,405	$ 2,133	$ 178	2.4%
Parks Net	3,379	282	$ 391,148	$ 32,596	$ 6,633	$ 553	1.7%
Utility Online	4,057	338	$ 815,430	$ 67,953	$ 5,642	$ 470	0.7%
Cemetery/Licensing	80	7	$ 104,294	$ 8,691	$ 1,663	$ 139	1.6%
Parks	4,724	394	$ 445,270	$ 37,106	$ 7,614	$ 635	1.7%
Utilities	1,374	115	$ 354,724	$ 29,560	$ 2,380	$ 198	0.7%
Municipal Court	1,883	157	$ 321,833	$ 26,819	$ 1,271	$ 106	0.4%
Parking	31,941	2,662	$ 67,604	$ 5,634	$ 8,544	$ 712	12.6%
Total	48,486	4,041	$ 2,589,158	$ 215,763	$ 35,880	$ 2,990	1.4%

2008 Through August 30

	Transactions	Monthly Average	Total Receipts	Monthly Average	Total Cost	Monthly Average	Cost as a Percentage of Receipts
E-Permit	707	88	$ 67,010	$ 8,376	$ 1,677	$ 210	2.5%
Parks Net	3,011	376	$ 388,699	$ 48,587	$ 7,464	$ 933	1.9%
Utility Online	3,591	449	$ 815,349	$ 101,919	$ 7,421	$ 928	0.9%
Cemetery/Licensing	214	27	$ 71,935	$ 8,992	$ 1,362	$ 170	1.9%
City Hall Cashier (7 mo)	37	5	$ 25,477	$ 3,640	$ 617	$ 88	2.4%
Development Services (7 mo)	453	65	$ 531,043	$ 75,863	$ 11,214	$ 1,602	2.1%
Parks	3,559	445	$ 383,767	$ 47,971	$ 6,978	$ 872	1.8%
Utilities	1,219	152	$ 347,464	$ 43,433	$ 1,951	$ 244	0.6%
Municipal Court	1,373	172	$ 218,370	$ 27,296	$ 1,164	$ 146	0.5%
Parking	24,807	3,101	$ 52,564	$ 6,571	$ 6,740	$ 843	12.8%
Moorage (2 mo)	1,992	996	$ 29,911	$ 14,956	$ 864	$ 432	2.9%
Total	40,963	5,120	$ 2,931,589	$ 366,449	$ 47,452	$ 5,932	1.6%