# FIN 2.10 Cost/benefit analysis guidelines

Prior to proceeding with electronic payment card options, bureaus will perform and submit a cost/benefit analysis that will provide a financial and operational impact assessment, as well as an alternatives analysis.

# Financial impacts assessment:

The primary components of electronic payment card fees are a discount charge (for example, 10 cents per transaction) and an interchange assessment fee (dependent on risk factors such as how the card is being used – in person, via internet, etc. – and typically a percentage of the transaction amount). Depending on the complexity of the operation, there are costs for required hardware such as payment card terminals or other processing equipment, as well as the cost of dedicated or shared phone lines.

# Operational cost assessment:

The operational costs are a function of the transaction activity, the average transaction amount and the nature of the transaction. Certain transactions may be eligible for flat transaction fees while others may qualify only for a percentage of the sales charges. The discount charge is assessed by the merchant bank and is typically negotiated with the Treasury Division as part of the contract. The interchange assessment fees are set by Visa/MasterCard and are subject to change at their discretion. All of these charges are assessed monthly and typically offset revenue generated from monthly electronic payment card sales.

### Potential expenditures include:

- Payment card transaction fees.
- Equipment rental or acquisition.
- Existing system upgrades, if necessary.
- Personnel training for transaction processing, system usage and chargeback.
- Personnel expenses for increased responsibilities for transaction processing and chargeback processing.

#### Potential offsetting revenues include:

- Payment card cost recovery fees, if applicable.
- Marginal increases in overall fees and charges generated.
- Additional revenue attributable to collection certainty.
- Marginal increases in interest income.

#### Operational impact assessment:

# Potential operational impacts include:

- Personnel impacts due to additional responsibilities for transaction processing and chargeback processing.
- Personnel impacts due to decreased responsibilities for check processing and return check processing.
- Personnel impacts due to reduced cashiering requirements.
- Personnel impacts due to equipment training.
- Bureau procedural controls and security measures.
- Bureau productivity due to providing more efficient customer service.

# Alternatives analysis:

The cost/benefit analysis should also include an assessment of payment card alternatives such as an automated clearinghouse (ACH) payment and check scanning/conversion.