



## Staff Report

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**Report To:** General Government Committee

**Date of Meeting:** April 17, 2023

**Report Number:** CAO-010-23

**Reviewed By:** Mary-Anne Dempster, CAO

**Resolution#:** GG-097-23

**File Number:**

**By-law Number:**

**Report Subject:** Payment Modernization Initiative

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### Recommendations:

1. That Report CAO-010-23 and any related delegations or communication items, be received; and
2. That the discontinuation of the acceptance of cash as a form of payment for services (except at all Recreational Facilities) be implemented effective August 1, 2023; and
3. That the discontinuation of the acceptance of cash as a form of payment for services at all Recreational Facilities be implemented during the first quarter of 2024; and
4. That Resolution #C-471-09 (Appendix 3 – Item 6) be repealed to allow for credit card payments; and
5. That transaction fees be passed along where possible; and
6. That all interested parties listed in Report CAO-010-23 and any delegations be advised of Council's decision.

## Report Overview

This Report sets out a recommended approach to move towards a cashless payment system. It is expected that both financial and productivity efficiencies will be realized due to the implementation of the recommendations. Significant planning and effort will be undertaken to ensure a robust communications and engagement strategy is undertaken to inform the public and promote alternate payment options.

### 1. Background

- 1.1 The Municipality of Clarington (the Municipality) provides a vast array of transactional services that require payment by residents and business owners each year.
- 1.2 Historically, the Municipality has not limited the amount of cash accepted as a form of payment.
- 1.3 Globally, payment methods and behaviours are evolving away from paper (cash & cheque) to digital (debit, credit and online).
- 1.4 Cash transactions at the Municipality account for approximately 26 percent of our total transactions and only 0.4 percent of the total revenue processed on an annual basis.
- 1.5 Of the 0.4 percent of total cash revenue, over 75 percent is from Tax payments.
- 1.6 Community Services accounts for eight percent of the total cash revenue though a majority of small value charges less than \$5.00.

### 2. Payment Modernization Initiative

- 2.1 The Municipality continuously explores opportunities to enhance processes and provide services that are more efficient.
- 2.2 Cashless payments offer a modernized, convenient, and safe way to complete transactions.
- 2.3 The benefits and challenges of not accepting cash are as follows:

Benefits:

- a. Eliminates cash on premises and associated health and security risks
- b. Eliminates risk of accepting counterfeit bills
- c. Reduces processing time
- d. Reduces reconciliation efforts associated with cash transactions
- e. Cost Savings \$53,000 annually

Challenges:

- a. May be perceived as an inconvenience by a small percentage of the public
  - b. Requires significant Municipal wide communication and lag time to implement
- 2.4 Effective August 1, 2023, the acceptance of cash will be discontinued at the following locations:
- a. Municipal Administrative Center
  - b. Animal Shelter
  - c. By-law Office
  - d. All Fire Stations
- 2.5 If property owners still prefer to use cash, they can pay their taxes through their financial institution.
- 2.6 During the first quarter of 2024, the acceptance of cash will be discontinued at all Recreational Facilities.

**Municipal Comparators**

- 2.8 Municipalities such as Vaughan and Leamington are cashless. Mississauga only accepts cash at Community Centers and Municipalities like Brampton, and Markham have a limited scope of services that accept cash. A scan of other municipalities indicates that there is growing interest in moving towards digital payment options and away from cash. The City of Pickering does not accept cash for most of its services, including several programs at recreation facilities, but still accepts cash for some smaller value programs (e.g., drop-in skating, shinny hockey).

**3. Transaction Fees and Digital Solutions**

- 3.1 In 2009, as part of [Report CAO-004-09](#) Clarington Council passed Resolution #C-471-09, eliminating credit card payments with the exception of Community Services and online payment making it a Council policy. The policy was one of many initiatives to balance the 2009 budget shortfall and actions to bring in the 2010 budget with minimal impact on the taxpayers.
- 3.2 Municipalities have been able to avoid transaction fees through a pass-along method, by allowing the user to pay through a 3<sup>rd</sup> party provider, who charges the transaction fee directly to the user.
- 3.3 There is an immediate opportunity to utilize a third-party provider, which can facilitate tax payments by credit card online. This is utilized in other municipalities such as, Ajax and Mississauga. The transaction fee is covered by the user through the third-party provider. Leaving no financial impact on the Municipality.

- 3.4 It is expected that user adoption of online service offerings and digital payments will continue to trend upward into the future. For example, in 2022 11 % of revenue came in through the eServices Online Portal.
- 3.5 To provide quicker service at customer service counters, reduce lineups, and offer an alternate ability for payment this policy should be repealed to allow acceptance of credit card payments (with the exception of tax payments).

## **4. Financial Considerations**

### **Budget savings**

- 4.1 Savings from the armoured car contract are expected to be \$20,000 annually. This will be reduced in 2023 and eliminated by 2024.
- 4.2 When transaction fees are incurred due to the use of a 3<sup>rd</sup> party provider, the Municipality incurs the cost. This financial impact is sizable. For example, the Municipality paid approximately \$33,000 in transaction fees to facilitate online payments through our web portal in 2022.
- 4.3 Staff in the Community Services Department will be exploring the feasibility to pass along processing fees that are currently incurred in the use of the ActiveNet software, which facilitates the booking of programs and other services. It is expected that savings could begin to be captured in the first quarter of 2024 as the department moves towards a cashless approach.

### **Productivity Savings**

- 4.4 Eliminating cash will reduce time spent on administrative functions for cash balancing, preparing cash deposits, coin exchange, and other related tasks. It is assumed that Revenue Clerks, who accept tax payments (accounting for roughly 75% of cash transactions), currently spend 5 minutes on average per cash transaction. This would account for roughly 65 hours spent on this process in 2022. There is additional time spent on counting totals in the tills, which accounts for roughly 1 hour per week, accounting for an additional 52 hours per year. This totals an approximate productivity savings of \$4,062, which could be redirected to other service delivery.
- 4.5 The total amount of cash transactions across other departments, not including Community Services, is comparable to above, with lower average transaction accounts. Staff responsible for payment collection, inclusive of balancing their tills, spend roughly 30 minutes per week on these cash related activities. Based on cash intake locations (Planning and Development, Clerk's, Animal Services, By-law, Emergency and Fire Services), this would account for a minimum productivity savings of \$6,425 per year.

- 4.6 There is also savings by way of the Finance Clerk II supporting departments with coin exchange accounting for roughly one hour per week and an additional hour on preparing cash deposits. On an annual basis this would account for 104 hours per year, with a productivity savings of \$3,403.

## **5. Communications and Engagement Considerations**

### **Implementation Timeline**

- 5.1 Staff have developed a communication plan which will be utilized to generate awareness of the modification to payment services commencing in May 2023.
- 5.2 Staff recommend no change prior to the first installment due date of the Final Tax Bill to ensure that taxpayers are given the ability to make a payment and receive ample notification in advance of the firm September date. Tax staff at the MAC counters will be able to provide in-person education about pre-authorized payment plans and other alternatives to cash payments when interacting with residents during the first due date cycle.
- 5.3 Staff will include communication in the May 2023 mail-out notification to taxpayers of the pending change in payment options, including alternatives to cash such as preauthorized payment plans, online banking, in-branch banking, and others.
- 5.4 Staff will connect with local bank branches to communicate the changes in advance to ensure they are educated on our process and the options available.
- 5.5 The current communications budget will be sufficient to implement the communication plan for the changes.
- 5.6 Standard responses will be provided to counter staff for inquiries through all communication channels, including in person at the Counter.

## **6. Concurrence**

This report has been reviewed by the Deputy CAO/Treasurer who concurs with the recommendations.

## **7. Conclusion**

It is respectfully recommended that Council discontinue the acceptance of cash for municipal service with staggered implementation dates.

As part of the implementation, staff will rely on a comprehensive communications plan, inclusive of public education components, to be rolled out through the remainder of the year.

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Attachments:

Attachment 1: Shortfall Remediation Policy and Appendix 3 to Report CAO-004-09 (Program Cancellation)

Interested Parties:



## Council-Approved Policy

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<b>Policy Title:</b>	<b>Shortfall Remediation Policy</b>
<b>Policy #:</b>	
<b>Report #:</b>	<a href="#"><u>CAO-004-09</u></a>
<b>Resolution:</b>	<b>C-471-09</b>
<b>Effective Date:</b>	<b>August 31, 2009</b>
<b>Note:</b>	Only applied to 2009 Budget

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### 1. Purpose:

In order to avoid a budget shortfall which municipal government is prohibited from doing, this policy provides remedial measures.

### 2. Resolution:

Resolution #C-471-09 (August 31, 2009)

That Report CAO-004-09 be received;

That the budget shortfall remedial measures as contained in Appendix 2, 3, 4, 5, 6 And 7 to Report CAO-004-09 be approved and be deemed to be the policy direction of Council superseding all previous Council policies related thereto;

That the projected cash flow shortfall from 2009 Development Charges collection Applied to debenture debt repayments pertaining to Indoor Recreation facilities be Interim financed with:

- A. \$200,000 from Municipal Capital Works Reserve Fund, and
- B. Approximately \$250,000 from interest payments from Veridian Promissory Notes to be adjusted proportionately based on the actual shortfall at year End 2009.

That the projected cash flow shortfall from 2009 Development Charges collections Applied to debenture debt repayments pertaining to Library facilities be interim Financed with \$200,000 from the Municipal Capital Works Reserve Fund and Approximately \$225,000 from the Library Capital Reserve Fund to be adjusted Proportionately based on the actual shortfall at year end 2009;

That appropriate interest be applied and charged to the Development Charges Reserve Funds requiring interim financing;

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That any projected shortfalls in the Development Charges for both Indoor Recreation And Library Reserve Funds for 2010 requiring debenture debt repayment be interim;

Financed from the balances in the other Development Charges Reserve Funds with Appropriate interest applied; and

That, to the extent possible, it is the express intent of Council to recover interim Financing of development charges debenture debt repayments from future Development charges collections.

That Appendix # 2 to Report CAO-004-09 be amended by deleting Item #7 and Replacing it with the following:

“That the Chief Administrative Officer be directed to negotiate with the Board Of Directors of the Clarington Board of Trade to investigate staffing the tourism Office and keeping the centre open”.

That Appendix # 2 to Report CAO-004-09 be amended by deleting Item #4 - Service Category of Animal Services.

That Item #1 of Appendix # 3 to Report CAO-004-09 – Program Specifics – Staff Recognition/Long Term Service Program and Staff Appreciation be amended as Follows:

“Whereas the Mayor and Council wish to continue to recognize the Employee Service Award Program;

Therefore Be It Resolved That the Chief Administrative Officer and Directors be directed to create a proper and special presentation event prior to November 1, 2009, for Council’s approval, at a maximum cost of \$5000.”

That Appendix # 4 to Report CAO-004-09 - Staffing Adjustments be amended as Follows:

“Whereas the President of CUPE Union has approached the Mayor and Councillors expressing concerns with respect to three full-time employees to be Laid off;



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Now Therefore Be It Resolved That the Chief Administrative Officer Be authorized to meet with the CUPE and Fire Association Presidents to Explore the opportunities that the employees are prepared to assist in the cost Cutting exercise;

That the Chief Administrative Officer review with the department Directors, the Proposed non-bargaining staffing as outlined in Report CAO-004-09;

That the Chief Administrative Officer report back to Council the results of the Staffing position review;

That the working notice provided to all part-time employees be extended; and

That the Chief Administrative Officer report back at the next regular Council Meeting.”

**APPENDIX 3 TO REPORT CAO-004-09**

**PROGRAM CANCELLATION**

ITEM NO.	DEPARTMENT	PROGRAM SPECIFICS	EXPLANATION	2009 SAVINGS
1	Corporate Wide	Staff Recognition/Long Term Service Program and Staff Appreciation	Programs suspended	25,000
2	Operations	Senior Sidewalk Clearing	Program cancelled. Partial saving of \$20,000. out of a total program cost of approximately \$85,000.	20,000
3	Operations	Special Events service to Community Groups	Eliminate after hours and weekend service to save overtime. The Municipality currently subsidizes various community groups by providing free service to setup and clean up mostly on weekends. Annual cost of approximately \$45,000.	5,000
4	Corporate Services	Holiday Train	Cancel	4,000
5	Corporate Services	Clarington Blooms	Hold presentation at Council or in chambers instead of a separate venue	1,000
6	Finance	Credit Card Payments	Save bank charges by eliminating credit card payment method with the exception of Community Services Department and online payment	5,000
7	Community Services	Aquatic Programs	Reduce aquatic programs at CCC, NDRC and CFC	20,500
8	Community Services	Child Supervision service at CCC	Cancel	6,700
9	Community Services	Group Fitness Classes at CCC	Reduce/condense classes	1,200
10	Community Services	Hall of Fame	Scale back Hall of Fame evening event	5,000