



City of Richmond

Report to Committee

To: Finance Committee

Date: March 25, 2019

From: Jerry Chong
Director, Finance




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Re: Acceptance of Cash at City Hall

Staff Recommendation

That the maximum cash amount accepted at City Hall be limited to less than \$10K per transaction (Option 3).

Jerry Chong
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REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Corporate Business Service Solutions Law	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	 FOR A NAZARETH
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Staff Report

Origin

At the Finance Committee Meeting held on Monday, March 4, 2019, discussion ensued regarding large cash transactions accepted at City Hall. As a result of the discussion, the following referral was passed: *That staff examine the maximum cash amount that can be used for payments to the City.* This report responds to the referral.

Analysis

“Legal tender” is defined in the *Currency Act* as a tender of payment of money in coins and notes. Legal tender is only limited if the payments in coins are not within a specific denomination (i.e. if a customer would like to pay in nickels, the maximum amount accepted would be five dollars). The Act does not, however, expressly prohibit the implementation of a policy that cash will not be accepted in excess of a stipulated amount. This being the case, the City of Richmond (the “City”) may take the position that it is not required to accept cash and the method of payment must be mutually acceptable to both parties conducting the transaction. Therefore, the City may refuse or limit the amount of cash for payment, without contravening the law. Historically local governments in British Columbia did not limit the amount of cash accepted. In 2019, the City of Vancouver implemented measures to address money laundering through the adoption of a \$10K cash limit per transaction acceptance policy. The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* established the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) as the independent agency responsible for collecting, analyzing and disclosing information to law enforcement agencies. While there is no legal requirement for local governments to report suspicious large cash transactions, the City is in support of FINTRAC by voluntarily reporting cash payments greater than \$10K. Entities that must report suspicious transactions to FINTRAC include:

- banks and credit unions;
- trust and life insurance companies;
- securities dealers;
- money service businesses;
- agents of the Crown that sell money orders;
- accountants and accounting firms (accountants are exempt when engaging in stipulated activities on behalf of an employer);
- real estate brokers, sales representatives and developers (when carrying out certain activities);
- casinos;
- dealers in precious metals and stones;
- public notaries and notary corporations of British Columbia (when carrying out certain activities on behalf of their clients); and
- for the purposes of suspicious transactions, employees of these reporting entities.

With regards to the maximum cash amount acceptable at City Hall, the following options are available and each has benefits and challenges.

Option 1: Status Quo (No Cash Limit):

The Finance Department's business practices ensures the best customer service available, while maintaining internal controls to identify suspicious large cash transactions. In 2018, \$10.8 million or 2.2% of total property tax and utility fees were paid in cash. Currently, a listing of names, addresses and respective cash payment amounts greater than \$10K is recorded and voluntarily provided to FINTRAC on an annual basis.

Benefits:

1. possibility of deterring customers from making large cash payments when staff request payers to provide government issued photo identification;
2. ability to identify payers and voluntarily report cash payments greater than \$10K to FINTRAC;
3. reduces account adjustments and corrections for any online banking payment errors made by customers and non-sufficient fund ("NSF") cheque payments; and
4. provides the widest range of customer service payment options. Customers who prefer to pay in cash are generally individuals with:
 - difficulty memorizing personal identification numbers (most often elderly who are accustomed to paying in cash);
 - limited English proficiency and not accustomed to writing cheques;
 - preference not to pay the bank service fees associated with cheques;
 - preference not to own a debit or credit card;
 - preference to not incur the 1.75% credit card service fee;
 - preference to pay their remaining property tax balances with cash as the majority of property tax bills exceed debit card daily limits; and
 - bank accounts with financial institutions that do not accept over the counter bill payments and require their customers to pay via online banking. Some customers who are not computer proficient will often withdraw cash from their bank accounts and pay in person at City Hall.

Challenges:

1. risk of theft and robbery;
2. additional insurance premiums required of the City for the volume of cash transactions;
3. risk of accepting counterfeit bills;
4. costs to secure and transport cash deposits via an armoured car service; and
5. since the City is not required to report to FINTRAC, there is no guarantee that the voluntarily reported information will be reviewed on a timely basis.

Option 2: No Cash Acceptance Policy

A no cash acceptance policy may reduce risks associated with accepting cash; however, any policy adopted by Council should be applied consistently throughout City Hall.

The benefits and challenges of not accepting cash are as follows:

Benefits:

1. eliminates the risk of money laundering;
2. reduce risk of theft and robbery;
3. reduce insurance premiums;
4. eliminates risk of accepting counterfeit bills; and
5. may reduce line ups at the tax counters.

Challenges:

1. taxpayers will view this as a reduction of customer service by taking away the cash payment option since not all customers use online banking, cheques, debit and credit cards (this may cause frustration to some customers);
2. a no cash acceptance policy requires advance City wide advertisement (with additional communication costs) to ensure customers are provided with sufficient notification time before due dates;
3. large cultural groups may require additional English translation and transactional services at tax counters;
4. individuals may come into City Hall on the due date with cash and will be at risk of tax penalties, tax sale or lost utility discounts;
5. possible increases of NSF cheque payments or customers making online banking payment errors, whereby additional staff time is required to correct and adjust customer accounts; and
6. may result in increases in debit card fees to the City and credit card fees of 1.75% to the customer.

Option 3: Less than \$10K Cash Limit Per Transaction (Recommended)

A less than \$10K cash limit per transaction policy may strengthen the deterrence of money laundering and maintain customer service as mentioned in Option 1. However, some of the challenges noted in Option 1 may continue.

The benefits and challenges of a less than \$10K cash limit policy are as follows:

Benefits:

1. continues to provide a wide range of customer service payment options with the exception of cash payments equal to \$10K or greater;
2. may reduce cash processing time and line ups at the tax counters;
3. will reduce the amount of cash on premises and associated security risks with large sums of money;
4. reduce risk of money laundering by deterring payers with a restricted cash acceptance level; and
5. no longer need to voluntarily report to FINTRAC as cash transactions accepted will not exceed the \$10K threshold.

Challenges:

1. risk of theft and robbery is not eliminated;
2. risk of accepting counterfeit bills remain for amounts less than \$10K;
3. may reduce the ability to identify possible money laundering; and
4. may result in possible increases in the number of separate cash transactions as some payers may make multiple payments in amounts under the \$10K threshold.

Recommended Option

Since the City is not required to report to FINTRAC or to accept cash, staff recommend Option 3, with implementing a less than \$10K cash limit per transaction. Option 3 allows the City to continue to provide a wide range of customer payment services while continuing to respect customer's cash payment preferences under the \$10K limit. This option will require advance City wide advertisement to ensure customers are provided with sufficient notification time before due dates.

Financial Impact

None.

Conclusion

That that the maximum cash amount accepted at City Hall be limited to less than \$10K per transaction (Option 3) as outlined in this report.



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