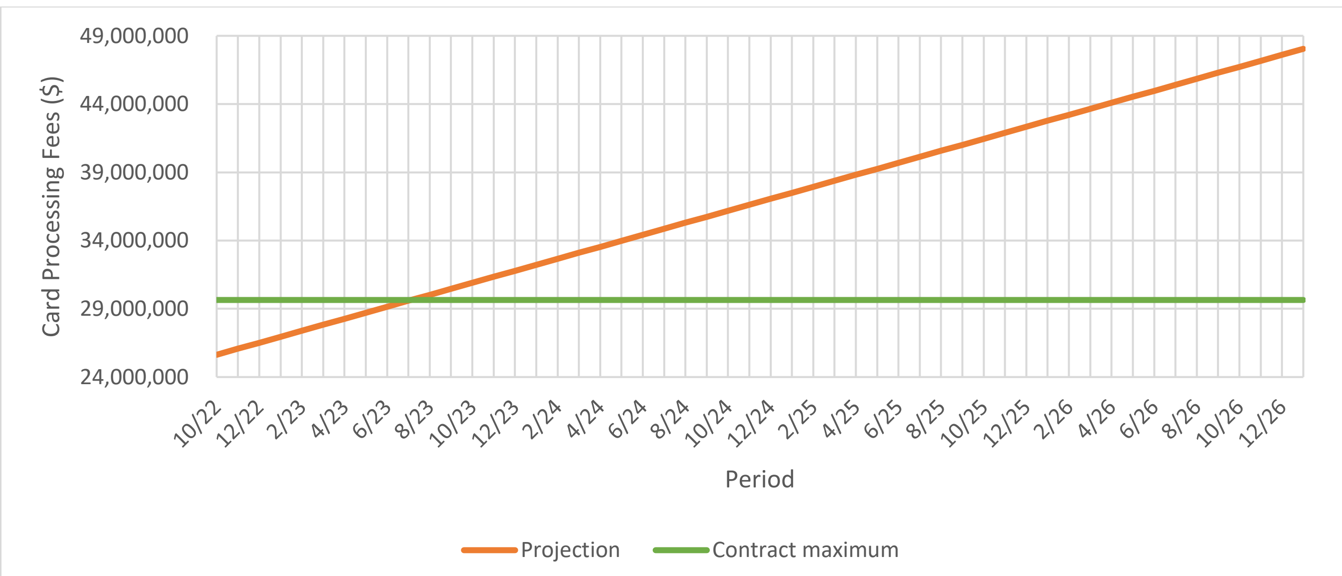
Appendix A: Card processing fee projection

In order to project card processing fees to the end of the maximum ten-year term for Moneris' services (January 2027), service usage since the start of the contract was considered. The historical compounded annual growth rate was applied, resulting in a projected $49M card processing fee total for card processing activity between 2017 and 2027. It is important to note that based on this growth, the City is expected to reach the contract maximum between May and June, 2023. This is during year 7 of the ten-year maximum term. It is also important to remember that, had the arrangement been interpreted correctly, the majority of these fees, which are withheld for third parties, would not have been included in the contract maximum.

Figure A.1: The City's fee projection to the end of the ten-year maximum contract term

Current Contract Value for all Card Processing Fees	$29,647,193 (without tax)
Current Cumulative Fees (October 2022)	$26,309,649



Assumptions:

- Forecasting was determined using linear average growth patterns with a constant fee amount applied to future projections.
- The City's growth in payment activity will follow the 12 month growth trajectory that the City is currently on. Per discussion with the City's Moneris Account Executive, 12 months is indicative of the payment trend in the card industry. This period reflects the increased adoption of cards as a preferred payment method in the City, as evidenced by the growth of cashless transactions during the COVID-19 pandemic period and modernization efforts within the City.

- Anticipated growth is based on a point in time but can change due to factors identified in this report

Considerations:
- Each fee could be projected separately as they are driven by different rates, however the activity variables that impact the fees are related to one another (number of transactions and dollar volume of payments processed). Independent assumptions would have to be made for each type of fee which is not practical given the connected nature of the fees.

Sensitivity Analysis
A sensitivity analysis was performed to determine how different fee growth rates would affect the expected contract exhaustion. Contract exhaustion was still expected to occur during Year 7 and total card processing fees, based on historical rates, up to the end of the contract are expected to be between $47M and $50M.

Figure A.2: Projection of Cumulated Fees

Contract Year (End of Year)	Cumulated fees expected at the end of the contract year		
	City's Current Projection (Per Figure A.1)	Sensitivity Analysis-Scenario 1	Sensitivity Analysis-Scenario 2
Year 6 Feb '22-Jan '23	27.0M	27.6M	26.9M – 27M
Year 7 Feb '23-Jan '24	32.2M	32.5M	31.7M – 31.9M
Year 8 Feb '24-Jan '25	37.5M	37.5M	36.6M – 37.1M
Year 9 Feb '25-Jan '26	42.8M	42.5M	41.6M – 42.6M
Year 10 Feb '26-Jan '27	48.0M	47.5M	47M – 48.4M
Expected Contract Exhaustion	Year 7: Between May and June 2023	Year 7: Between May and June 2023	During Year 7

Scenario 1: The monthly fee growth rate was determined for the 12 months prior to the emergence of COVID-19. The period prior to COVID-19 was used as it is representative of the City at full operations. However, it is important to note that since

the City is dynamic, this period does not reflect the digital modernization that the City has since undertaken and possible future changes in the payment industry.

Scenario 2: In consultation with Moneris, the regression from Figure A.1 was determined to be the most appropriate model for the forecast. However, per Moneris' experience, most growth models show between 3% and 5% increase each year. This is driven by consumer behavior and general economic conditions. The range in the table above shows the 3% and 5% projected increases and the result is that the contract value is exhausted before the end of Year 7 of the contract.

It is important to note that these are projections, actual fees that are incurred are dependent on the City's card payment activity and card brand rates. It is for this reason that the card processing fees retained for third parties should be included from the contract maximum with Moneris.