



STAFF REPORT ACTION REQUIRED

Voluntary Contribution Option on Property Tax Bills

Date:	October 25, 2011
To:	Government Management Committee
From:	Treasurer
Wards:	All Wards
Reference Number:	P:\2011\Internal Services\rev\gm11018rev (AFS 14621)

SUMMARY

This report responds to a Council request to provide options that would allow a voluntary contribution option to be included on future property tax bills, and that would allow Toronto residents to make donations to specific services rather than donations being directed solely to general revenues. This report recommends that a voluntary contribution option be provided in future tax bill mailings that will allow voluntary contributions to initially be made by including a cheque with tax bill payments and in-person at the City's tax and utility counters. Additional payment options (including internet payments via the City's website, and on-line or telephone payments through a resident's bank or financial institution) will be offered once these services become available, provided that these options can be provided at reasonable cost.

RECOMMENDATIONS

The Treasurer recommends that:

1. A voluntary contribution option be offered on property tax bills and authority be granted to accept and spend donations received through the voluntary contribution option in accordance with the City's donation policy.
2. Council approve the list of contribution options (i.e., programs and/or services) that will be made available to accept voluntary contributions under this program, as set out in Attachment 1 to this report, that will be identified on the City's property tax bills and/or accompanying inserts.

3. Information on total donations received through the voluntary contribution program be reported as part of the Toronto Office of Partnerships' annual report on the City's donation activity.
4. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Implementation Points

Provided that Council approves this initiative at its meeting being held on November 29 and 30, 2011, staff will make best efforts to identify the voluntary contribution option (for cheque and in-person payments) on the 2012 Interim Tax Bills, which will be mailed beginning in mid-January 2012 to over 700,000 households and businesses. To include this in the 2012 interim billing will require that all messaging and materials, including Council's approval of the available contribution options set out in Attachment 1, be finalized no later than December 9, 2011, to ensure sufficient time is available to print the tax bills and accompanying inserts/brochures for the January mailing.

The web-payment option will most likely not be available until later in 2012 as it is currently under development. The ability to make a contribution using on-line banking or telephone banking services will not be available until later in 2012, or may not be feasible, as these options need to be investigated with the City's banking provider and other financial institutions.

Financial Impact

A voluntary contribution option on property tax bills will provide additional revenues to the City in the nature of donations. The amount of revenue to be raised from this initiative cannot be predicted in advance, given that this is a new program, and donation levels will depend entirely on donor generosity. All donations received through the voluntary contribution option will be collected in a non-program account, and subsequently allocated to the specific division, program or service to which the donation was directed, or for donations received for grouped services, allocated on an appropriate basis as determined by the Treasurer. General or unspecified donations will be allocated to general revenues.

Gross revenues from voluntary contributions will be reduced by the amount of any directly associated operating costs that arise from collecting donations (e.g., per-transaction banking fees, or per-transaction costs associated with providing internet payment options, etc.), provided that these costs are modest and reasonable in relation to the total revenues from contributions. Operating costs associated with existing processes (e.g., processing cheque payments and accepting payments made at customer service counters, and issuing tax receipts), are anticipated to be absorbed under existing divisional operating budgets.

Information on the total donations received through the voluntary contribution program will be reported to Executive Committee (including the costs, if any, charged against total

contributions) as part of the Toronto Office of Partnerships' annual report on the City's donation activity.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of September 26 and 27, 2011, City Council, in considering Item EX10.1: *Core Service Review – Final Report to Executive Committee*, adopted Recommendation 14 which reads as follows:

14. City Council request the City Manager to report on options to add a voluntary contribution option to future property tax bills so taxpayers who are willing to make a larger contribution to fund City programs can easily do so, and the City Manager, in his consideration of voluntary donations by taxpayers, allow taxpayers to make donations to specific services rather than donations being directed solely to general revenue.

Council's decision on Item EX10.1 is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX10.1>

ISSUE BACKGROUND

The City has existing processes in place to accept voluntary contributions or donations. Corporately, donations are administered by the Toronto Office of Partnerships. In 2010, the City received over 10,400 donations with a total value of over \$1.2 million, benefitting more than 40 individual programs. Other agencies, boards and commissions (ABCs) of the City, including the Toronto Public Library and the Toronto Zoo, also have active donation programs not included in these totals. The City's current donations policy allows divisions to accept unsolicited donations without prior Council approval where the value of the contribution does not exceed \$50,000. Donations can be made either through the Office of Partnerships, or directly to the division or program. Income tax receipts for donations are primarily issued by Accounting Services Division.

COMMENTS

As identified in City Council's recommendations arising from the 2011 Core Service Review, voluntary contributions can be used as a means to allow Toronto's residents to make contributions towards City programs and services. Offering a voluntary contribution option on property tax bills and permitting a range of payment options will facilitate opportunities for residents to make these contributions. The voluntary contribution option on property tax bills is intended to provide additional methods to receive donations, and will augment the City's current donation opportunities already available to residents.

To implement a voluntary contribution option on property tax bills requires that such contributions be treated as donations made to the City. The collection and administration

of contributions must conform to the City's policy surrounding donations: *Policy on Donations to the City for Community Benefits*, available at:
http://www.toronto.ca/top/pdf/donation_policy.pdf

and other internal policies administered by Accounting Services Division. These documents identify eligible types of donations and the circumstances in which donations may be accepted, accounting and reporting requirements, and associated requirements for issuing tax receipts for donations received.

General Requirements

The following general rules apply to voluntary contributions (donations) that could be received by making a voluntary contribution option on the property tax bill. All donations must conform to the *Policy on Donations to the City for Community Benefits* (see link above).

- i) Voluntary contributions (donations) can be made in any amount from \$1.00 up to \$50,000.
- ii) A receipt for tax purposes in the donor's name will be issued for any donation amount of \$20.00 or greater, unless specifically requested by the donor.
- iii) For donations of \$500.00 or greater, a donor declaration form must be signed by the donor, declaring that they are making the donation voluntarily and unconditionally.

Voluntary Contribution Option on Property Tax Bills

A voluntary contribution option on property tax bills can be implemented in 2012. As identified under the "Implementation Points" section of this report, provided Council approves this initiative in November 2011, staff will make best efforts to include the voluntary contribution option (for cheque and in-person payments) on the 2012 Interim Tax Bills, which will be mailed beginning in mid-January 2012 to over 700,000 households and businesses. Additional payment options for donations (internet payments and payments made via on-line banking or telephone banking) will be identified on future tax bills should these options become available in future. The voluntary contribution option will be offered in all future interim and final tax bill mailings.

It is proposed that a voluntary donation option be implemented as follows:

Future property tax bills will identify the option for residents to make a voluntary contribution. A printed message, under the heading "Did you know?" will appear on the flap of the tax bill (a fold-out section attached to the bill for messaging), identifying the available voluntary contribution options and payment options. The City of Toronto uses the fold-out flap on the tax bill for key messages, (e.g., notification of overdue amounts, explanation of tax bill amounts), because the format of the tax bill is prescribed by regulation under the *City of Toronto Act* which does not allow for wording other than that prescribed to appear on the actual tax bill.

Tax bill mailings will also include a separate insert for making voluntary contributions. The insert, or bucksliip, is a single piece of paper, printed on both sides, measuring 3¾ by 7 inches (the size of a business reply envelope). One side of the bucksliip will be printed with messaging identifying the voluntary contribution options (i.e. available programs / services to which donations can be made) and instructions for making payments. The reverse side of the bucksliip will serve as a payment stub, to allow for cheque payments received to be processed by the City's automated payment processing equipment. This side of the bucksliip will also provide space for donors to include their name and mailing address information (required for tax receipts for any amounts over \$20.00), the amount of their donation, the program or service for which the donation is intended (from the list of available contribution options set out in Attachment 1), and space for a signature attesting that the donation is being made voluntarily and unconditionally.

Payments for voluntary contributions must be made via a separate cheque for the donation amount, and accompanied by a completed bucksliip that identifies the payment amount and the donor's name and mailing address information. The cheque and bucksliip can be returned in the same envelope that is provided for tax bill payments.

A separate cheque is required for voluntary contribution amounts (i.e., a voluntary contribution amount cannot be added to the amount of a property tax instalment amount and submitted by a single cheque) because of the process used by the City to process cheque payments. Each tax bill contains three separate payment stubs for each of the three regular instalment payment amounts, and each stub contains a machine-readable line of characters that identifies the property tax account number and the amount of the instalment. This allows incoming cheques and payment stubs to be imaged and processed at high speed by the Revenue Services' automated cheque processing equipment, recording payments made to individual accounts and generating batch totals for bank deposit. Therefore, the inclusion of any amount in a cheque that does not match the instalment payment amount requires that such cheques be extracted from the automated processing feed and processed manually.

By requiring that voluntary contribution amounts be made via a separate cheque and accompanied by a separate payment stub which identifies the payment as a voluntary contribution, these payments can be separated more easily and batched for manual processing. Manual processing is required because each voluntary contribution would require an operator to key in the amount of the cheque (given that a contribution may be made in any amount), the contribution option selected, and the donor's name and mailing address for receipting purposes. The separate processing of voluntary contributions will ensure that the processing of regular property tax payments is not slowed by the need to manually process voluntary contributions.

Donation receipts for tax purposes for mailed in cheque payments will be issued by Accounting Services Division, given that these processes are already in place. An electronic file, containing donor name, mailing address information, and the amount of the donation will be prepared by Revenue Services' cheque processing operation to allow this information to be uploaded to Accounting Services' automated receipting system.

Additional Payment Options for Voluntary Contributions

To facilitate opportunities for residents to make voluntary contributions, the following additional payment options will be made available.

In-person Payments at Customer Service Counters

Voluntary contributions will be accepted at all of Revenue Services' Property Tax and Utility Customer Service Counters located at Toronto City Hall and Civic Centres in North York, York, Etobicoke, East York and Scarborough once Council has approved this initiative. Payments for voluntary contributions may be made by cheque, cash or debit card (similar to property tax payment methods). Donors will be asked to complete a form identifying the amount of their contribution, name and mailing address information, and the program or service for which the donation is intended (from a list of available contribution options). For any donations received at the counter in amounts of \$500.00 or more, donors will also be asked to complete a donor declaration form stating that they are making the donation unconditionally, as required by the City's donation policy. Tax receipts for donations will be mailed to donors (on confirmation of deposit) by Accounting Services Division under existing processes, to ensure that all donations are recorded and accounted for.

Internet Payment Site

Internet payments for voluntary contributions are planned to be offered through the City's e-donation website. The City's e-Service strategy includes the development of an official E-Volunteer/E-Donation website. This site, planned to be launched in 2012, will allow residents to make on-line donations to any number of City services and programs and obtain on-line tax receipts, and will also facilitate registrations for volunteer opportunities for Toronto citizens. Once launched, messaging on the property tax bill regarding voluntary contributions will direct residents to the City's official e-donation site. Web-based contributions will allow for a wider range of contribution options (i.e. beyond those set out in Attachment 1) to be made available, allowing residents to target donations to specific programs or services that are important to them.

Depending on the launch date of the corporate e-donation website, and in order to provide an interim solution to make internet donations possible sooner, staff will investigate the possibility of utilizing existing software and/or existing contracts for hosted internet services that could allow for voluntary contributions to be made towards City services and programs until such time as the city's e-donation site is launched. Should this be feasible, the link to a voluntary contribution website will be published as part of the messaging on the property tax bill.

Payments via On-line Banking and Telephone Banking Services

At present, Toronto residents can make payments towards property taxes and utility bills using on-line or telephone banking services offered through their bank or financial institution. Staff are exploring the feasibility of accepting payments for voluntary contributions through on-line banking and telephone banking.

While property tax and utility payments are made against an individual's account number and therefore allow a straightforward transaction once the owner has set up a payee account, a payment for a voluntary contribution would require an intermediate step, or additional screen to collect the donor's name and mailing address information such that a tax receipt could be generated, and to identify the program or service for which the donation is intended (from the list of available contribution options set out in Attachment 1). The per-transaction costs of providing this additional service (if such a service is possible) are not yet known, and may vary from bank to bank. Additionally, the City would be required to process tax receipts using information received from the banks. Given that donation amounts tend to be small on average, the costs of receiving donations via on-line or telephone banking may make this method of accepting payments uneconomical. This option will only be made available if it can be provided at a reasonable cost.

Staff will also investigate the possibility and costs associated with providing a single general option for voluntary contributions to allow for web-banking or telephone-banking donations of \$20.00 or less, where only a single contribution option is offered (i.e., a contribution to general revenues). As the donation is less than \$20.00, a tax receipt would not have to be issued, and therefore the intermediate step of having to collect donor name and mailing address information would be unnecessary. The costs of implementing this option may well be more feasible than the option described above.

Allowing Donations to be Directed to Specific Services

As previously identified in this report, the City's existing donation mechanisms allow for donations to be received for any City division, program or service for which an account exists, while a number of the City's ABCs have their own active donation programs. These donation opportunities will continue to be made available through existing means.

However, in an effort to promote the message on the City's property tax bills that an additional contribution towards property taxes will help to pay for the costs of providing and maintaining city services, it is proposed that a number of voluntary contribution options be provided to allow residents to direct their contribution towards programs and services that are important to them. In order to make the voluntary contribution program simple and easily understood for residents, and for practical purposes (i.e., automated processing of cheque payments and administration of donations received), it is recommended that a limited list of ten (10) to twelve (12) available contribution options be identified on the property tax bill. These could include grouped services that the public tend to easily identify, e.g., parks and recreation programs, children's services, homes for the aged, social services, emergency services (police, fire, ambulance), roads and transportation, etc, as well as a general contribution option that will go towards property taxes (general revenues). Attachment 1 to this report sets out the recommended voluntary contribution options (programs/services) that will be made available on the property tax bill. The contribution options identified in Attachment 1 reflect the programs and services which currently receive the largest amount of donations, according to the 2010 report on the City's donation activity prepared by the Toronto Office of Partnerships. The total amount of donations collected would be distributed to the various

programs as received, or to general revenues where a specific program or service is not identified.

Communications and Messaging

Communication materials surrounding voluntary contribution options, including messages that will appear on tax bills, tax bill inserts, websites and other materials, will be developed in consultation with Strategic Communications, and Finance and Administration Communications.

CONTACT

Casey Brendon, Director, Revenue Services

Phone: (416) 392-8065, Fax: (416) 696-3778, E-mail: cbrendo@toronto.ca

SIGNATURE

Giuliana Carbone
Treasurer

ATTACHMENTS

Attachment 1: Recommended List of Voluntary Contribution Options to be made available on property tax bills

Attachment 1

Recommended List of Voluntary Contribution Options to be made available on property tax bills

It is recommended that the following available contribution options (programs and/or services) be identified on property tax bills to accept voluntary contributions:

1. Children's Services
2. Cultural Services and Museums
3. Emergency Services (Police, Fire and Emergency Medical Services)
4. Employment and Social Services
5. Long Term Care Homes and Services
6. Parks, Forestry and Recreation
7. Roads and Transportation services
8. Shelter, Support and Housing
9. Toronto Animal Services
10. Toronto Public Libraries
11. Transit
12. General Revenues (property tax contribution)