

## **Modernizing Service Delivery through Card Technology**

<b>Date:</b>	June 14, 2011
<b>To:</b>	Government Management Committee
<b>From:</b>	Office of Deputy City Manager, Cluster A; Office of the Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	

### **SUMMARY**

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The City's eService strategy identifies and articulates the ways in which innovative approaches to service planning and delivery will accomplish four related goals: improving customer satisfaction, reducing costs, producing administrative efficiencies and improving service quality. Underpinning this strategy is the commitment to service delivery, where the focus is on customer needs and benefits. This strategy is wholly consistent with broader City priorities promoting effective customer service and smaller, less costly government.

Working with the City Services Benefit Card Steering Committee which includes a range of relevant divisions, Toronto Employment and Social Services (TESS), Shelter Support and Housing Administration (SSHA) and Parks Forestry and Recreation (PFR) have identified potential opportunities to use current card technology including the replacement of paper-based cheque production, in order to modernize the delivery of services and benefits to residents.

A phased approach is proposed. The first phase will focus specifically on the disbursement of financial benefits in TESS, with a second and third phase of implementation in SSHA and PFR respectively. Widely used in other jurisdictions, reloadable cards with chip and pin technology are customer friendly for service users, but also offer significant benefits to service providers, streamlining complex administrative processes and reducing costs. Given the specific business requirements of phase 3, a different card technology may be utilized.

The purpose of this report is to introduce the foundation for a City Services Benefit Card, identify immediate and near term applications for the use of card technology, and outline a business case for proceeding with a Request for Proposal (RFP) to obtain a vendor to

proceed with implementation, subject to Council approval. Depending on the specific vendor proposal, savings to the City of implementing phase 1 are estimated to be between \$2 million to \$5 million gross (\$1 million to \$2.5 million net). For the first phase, start up costs of \$0.300 million are allocated under TESS' approved 2011-2012 capital budget. Implementation of the City Services Benefit Card is contingent on the RFP process confirming that the program will result in efficiencies and cost savings to the City.

Ultimately, the introduction of a City Services Benefit Card will increase access for residents and support the City's continued commitment to improvement and modernization of government services.

## **RECOMMENDATIONS**

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The Acting Deputy City Manager, Cluster A and Treasurer recommend that,

1. Council endorse in principle the strategy for using card technology to develop a City Services Benefit Card capable of supporting transactional business requirements.
2. Council grant authority to the Acting Deputy City Manager, Cluster A to issue a Request for Proposal (RFP) for a City Services Benefit Card, and award a contract contingent on the considerations outlined in the report, including lowering current City costs.

### **Implementation Points**

With Council approval, an RFP will be issued to fulfill the business requirements for the early phases of a City Services Benefit Card. The first phase will focus on the issuance of Ontario Works payments in TESS. A second and third phase will involve applications in SSHA and PFR respectively, as briefly discussed later in the report. The RFP will also request that additional card functionalities be identified in order to facilitate further potential opportunities to use card technology in other City programs and services. These opportunities will be optional in the RFP and will be evaluated separately in terms of fit, costs and implementation. The intention of the RFP is to identify a vendor able to provide a card solution that fulfills the business requirements of the three phases outlined in this report.

The RFP will define the mandatory considerations that must be met for a City Services Benefit Card to proceed. Implementation of the City Services Benefit Card is contingent on whether the proposed solution provides efficiencies and cost savings to the City, and due diligence on privacy considerations has been addressed.

A City steering committee has been established to oversee the development and issuing of an RFP, and subsequent evaluation of proposals. All key divisions are included, as is the critical expertise required to undertake these tasks (attachment 1 lists the members of the City Services Benefit Card Steering Committee). The RFP will also identify selected

additional functionalities that will benefit from card technology (PFR) and seek vendor responses to potential card capacity and cost for these additional services.

With respect to phase 1, and the introduction of a card method of payment for Ontario Works (OW) recipients, it should also be noted that appropriate Provincial officials have been briefed and will be kept apprised of the progress of the City's plans.

Pending the selection of a successful vendor that meets City requirements, the intention is to implement the first phase of the City Services Benefit Card in TESS in fall 2011 focusing exclusively on the issuance of OW benefits. Thereafter, a second (SSHA) and third (PFR) phase of implementation will begin in the other identified Cluster A divisions.

### **Financial Impact**

For the first phase, start up costs of \$0.300 million are allocated under TESS' approved 2011-2012 capital budget. Depending on the specific vendor proposal, savings to the City of implementing phase 1 are estimated to be \$2 million to \$5 million gross (\$1 million to \$2.5 million net), as a result of administrative efficiencies achieved in TESS moving from paper cheques and associated processes to an electronic card based solution. The cost savings to the City will be quantified through the RFP process. The RFP will outline the necessary preconditions for a successful vendor submission, and seek a solution that addresses the City's business requirements. Implementation of the City Services Benefit Card is contingent on the RFP process confirming that the program will result in efficiencies and cost savings to the City.

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

### **DECISION HISTORY**

The City's eService strategy, approved by Council in 2002, provides a long run vision for the modernization of City services and outlines a strategic plan to improve service quality, support administrative efficiencies, improve customer satisfaction and reduce costs. The City Services Benefit Card supports these key objectives and works towards replacing paper cheque processes with technology widely used in other sectors providing direct services to citizens.

<http://www.toronto.ca/legdocs/2002/agendas/council/cc021029/adm13rpt/cl029.pdf>

Consistent with Council priorities the proposed strategy for a City Services Benefit Card will enable the City of Toronto to continue to fulfill customer service objectives.

### **ISSUE BACKGROUND**

The City's eService strategy commits to modernize government services with technological solutions that will achieve the stated customer focused vision and

objectives. Various card technologies have been introduced in governmental organizations in other jurisdictions, to enhance business processes and more importantly modernize the delivery of services to residents. For example, in 2008, the total dollar amount of funds disbursed by federal, state and local governments in the United States through reloadable cards reached \$10.5 billion<sup>1</sup>. Card technology has not yet been exploited to the same degree by Canadian government organizations but is commonly used in other sectors. The implementation of a City Services Benefit Card is a logical extension of the eService strategy and replaces outdated business practices with widely used technology.

Many City divisions continue to rely on outdated business practices such as manual paper based payment processes in the delivery of programs and services. In TESS, which serves as the first phase for implementing a City Services Benefit Card, nearly 65,000 individuals and families (2/3rds of the entire caseload) currently receive monthly OW financial benefits from TESS through direct bank deposit (DBD),<sup>2</sup> a sizable minority of cases, nearly 35,000 (one third of the entire caseload), continue to receive their benefits by cheque. Compared to electronic payment methods, cheques are more expensive to produce, provide inferior customer service, pose greater risks from a program integrity perspective and are costly to administer.

Through focused research and a recent Request for Information (RFI) process, the benefits that can be achieved using card technology have been identified, including improving customer service, reducing costs through greater efficiencies in disbursing funds and enhancing program integrity in the targeted business areas. With 15 respondents to the RFI, research to date indicates the City Services Benefit Card is a viable technology solution and that there is market interest in this area.

The following section briefly outlines how the card will work, the key features of the technology, and the potential benefits that can be achieved for both residents and the City. Finally, next steps for proceeding with a City Services Benefit Card are outlined in terms of the proposed RFP.

## **COMMENTS**

### **A City Services Benefit Card**

The City Services Benefit Card will utilize existing card technology in the market place to modernize delivery of services and benefits in a number of divisions (i.e. TESS, SSHA, PFR). As noted, the first phase focuses on the disbursement of financial assistance to residents on OW, with plans for the second phase in SSHA and third phase in PFR. Additional functionalities will be incorporated at later phases creating

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<sup>1</sup> Mercator Advisory Group, “6<sup>th</sup> Annual Network Branded Prepaid Market Assessment”, August 2009.

<sup>2</sup> DBD is a highly efficient and cost effective payment method, however enrolment has peaked despite concerted efforts to increase the percentage of clients using this method. This is because a sizable number of OW recipients are unable to access or maintain a bank account, either because they have no fixed address, lack of ID and/or liens/garnishments.

opportunities for further expansion of card technology across a number of other program areas.

Taking into consideration TESS' business requirements and current industry standards, the first phase of the proposed City Services Benefit Card will function like a standard debit card, and include the following design features:

- Re-loadable card
- Utilize pin and chip technology
- Can be used at point of sale terminals and ATM machines
- Cardholder does not require a bank account
- The card will not identify the user as a social assistance recipient

It will be a requirement of the RFP that all necessary privacy and security features be built into the card from the outset.

Additional features and functionalities of the card are also available in the card services market. One feature in particular, is the opportunity to analyze non-financial data to gain greater insight into the needs of service users, supporting program planning and management. A recent report on card technology use by local authorities in the United Kingdom highlighted how improved management data has provided additional capacity to identify service delivery improvements<sup>3</sup>. This can both substitute for and augment existing, and often more costly, ways of obtaining information about service needs, notably service user surveys TESS undertakes periodically. With respect to the City Services Benefit Card, data at the individual level will only be used with the individual's consent or for clearly specified OW program purposes, in accordance with relevant legislation.

As defined by the program areas, there will be variations with respect to the required features of the cards. The RFP will seek options for customizing cards and the unique divisional supporting systems so that the individual business requirements of different divisions can be met. As noted previously, responses to phase 2 and 3 business requirements in the RFP will be optional, and vendor responses will be evaluated separately in terms of fit, costs and implementation.

### **A Phased Approach to Implementation**

The implementation of a City Services Benefit Card will take place in phases, with the first phase focusing on modernizing the issuance of OW benefits delivered by TESS through the introduction of an electronic funds transfer card. In the near term, a second phase of card technology will be implemented in SSHA and a third phase in PFR.

#### *Phase 1: OW Financial Assistance Funds Disbursement*

As noted above, Phase 1 involves the issuance of OW benefits to service users who

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<sup>3</sup> <http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep738.pdf>

currently receive their benefits via cheques. Wherever possible, cheques will be replaced by an electronic funds transfer card that will function like a standard debit card.

Card holders, after entering their PIN, will be able to access the funds issued on the card wherever debit cards are accepted. Cash funds can be obtained by using the card at any ATM or at a branch location of any financial institution without the need for a bank account. The cards are reloadable and therefore, if the resident continues to be eligible for Ontario Works, the card will be reloaded monthly in the same way as funds are issued to bank accounts for eligible residents receiving funds through direct bank deposit.

Approximately 35,000 families and individuals (one third of the entire caseload) in receipt of OW in Toronto receive their monthly benefits in the form of a cheque. This number exceeds the entire caseload of any other Ontario municipality and in fact is larger than the caseloads in several provinces.

Indeed, for a large number of OW program recipients, the way in which they receive their benefits, by cheque, has not changed in 50 years. Meanwhile, in the last decade, the banking sector, the majority of individuals and businesses, have widely embraced electronic forms of funds disbursement. Cheques no longer represent a desirable nor optimal payment method for service users. Further, cheques are neither an efficient or cost effective alternative for TESS or the City. Certainly, if one were devising a means of disbursing funds today under the OW program, no one would recommend cheques as a viable mainstream option.

Table 1 below summarizes the benefits and efficiencies for both the resident and the City. Within TESS, each of these efficiencies will directly support efforts to focus on the delivery of employment services and supports to residents, as opposed to time consuming manual paper based processes.

Table 1: Phase 1 Implementation: Benefits to Residents and the City

<b>Resident Benefits</b>	<b>City Benefits</b>
<ul style="list-style-type: none"> <li>• Ease of use of electronic funds transfer card at ATM's and Point of Sale (POS)</li> <li>• Instant availability of funds on a reloadable card</li> <li>• Safety increased over carrying cash</li> <li>• Improve privacy and security of resident information</li> <li>• 24 hour customer service and replacement card service</li> <li>• Reduced costs associated with cashing cheques</li> <li>• Eliminate stigmas and social isolation associated with the 'welfare cheque'. (e.g. no photo on card)</li> </ul>	<ul style="list-style-type: none"> <li>• Streamlined business processes</li> <li>• Reduced cost of administration</li> <li>• Reduced cost of producing and distributing paper cheques</li> <li>• Increased program integrity, enhanced audit controls</li> <li>• Reduced fraudulent activity associated with forged, replicated, and stolen cheques</li> <li>• Lost or stolen payment cards can be deactivated as soon as they are reported missing.</li> </ul>

## Benefits to Residents (Phase 1)

- *Ease of use of electronic funds transfer cards at ATM's and Point of Sale (POS) terminals*—provides modernized tool that facilitates multiple points of access to financial benefits, which is increasingly the normal way that most individuals and businesses carry out day to day financial transactions.
- *Immediate availability of funds on a reloadable card*— a significant percentage of OW recipients travel every month to their local office to pick up a paper cheque. The process requires prolonged time and effort for the service users each month, and requires staff to undertake a lengthy process to verify and issue the cheque. A reloadable card will reduce OW recipients lining up at TESS offices to collect cheques (average of 3300 visits per month), yielding improved client service and more productive use of staff time.
- *Safety increased over carrying cash*—there is heightened security for residents carrying their funds on a benefit card and obtaining cash funds only as required. Currently many OW recipients without bank accounts cash their cheques and carry their funds.
- *Improved privacy and security of resident information*— the funds can only be accessed with the use of a PIN created and managed by the card holder and the card has enhanced security using current state of the art chip technology. With respect to the City Services Benefit Card, data at the individual level will only be used with the individual's consent or for clearly specified OW program purposes, in accordance with relevant legislation.
- *24 hour customer service and replacement card service*—through the selected financial services vendor, service users will have access to 24 hour customer support similar to other debit cardholders.
- *Reduced costs associated with cashing cheques*—In order to cash their cheques, clients without banking services rely on cheque cashing services incurring large fees, which can add up to hundreds of dollars annually.<sup>4</sup> For individuals already on a limited budget, these fees represent an extremely high premium (see attachment 2). Similarly, cards will reduce people's reliance on third parties to cash cheques, often for a fee or a percentage of the cheque.
- *Eliminate stigma and social isolation associated with the 'welfare cheque'*— Residents who receive Ontario Works Assistance (OWA) are currently readily identifiable when cashing their cheque. There is a stigma attached to receiving OWA that is magnified when having to publicly cash an OW cheque. A standard debit type bank card with no name or photo will provide OW service users with a convenient

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<sup>4</sup> Currently Money Mart charges a service fee of \$2.99 plus 3% of the amount for each item.

way of receiving and managing their benefits that is ordinary, in that it doesn't distinguish or single people out, promoting greater autonomy and independence.

Given the advantages associated with a City Services Benefit Card, it is anticipated that a sizable majority of recipients will readily adopt this new form of payment. However, it is recognized that the City Services Benefit Card may not be the best option for every resident. In limited situations, cheques may provide the best payment method for selected service users.

### **Benefits to the City (Phase 1)**

- *Reduced cost of administration, producing and distributing paper cheques*— Cheques are also a costly method of benefit payment, factoring in staff and administrative time and related costs. TESS currently produces approximately 570,000 cheques annually. This translates into annual cheque production costs for TESS of approximately \$2.4 million net. The proposed card obviously reduces costs associated with cheque production, signing and mailing costs. As can be expected, the cost savings to the City will be quantified through the RFP process and selection of a successful vendor.
- *Streamlined business processes*—the use of card technology will eliminate time consuming but necessary cheque administration and allow TESS to focus efforts on supporting residents finding and sustaining employment.
- *Increased program integrity, enhanced audit controls*— Phase 1 of the City Services Benefit Card will also support increased program integrity within TESS. The proposed card is a more secure payment method than issuing paper cheques, for both recipients and the City. Risk mitigation currently involves cheque handling procedures that are complex and time consuming. For example, the continued use of cheques increases the likelihood of lost, stolen or delayed payment by sending cheques via mail. A reduction in paper cheques will reduce time and effort required for tracking cheques, completing signature comparison processes and creating replacement cheques. Increased program integrity will be possible while streamlining current administrative processes.
- *Reduced fraudulent activity, associated with forged, replicated, and stolen cheques*— in addition to reducing opportunities for fraud through the elimination of most cheques, the card will support enhanced audit functions, and support the Division's current robust processes for preventing and investigating potential fraud and abuse related to the payment of OW benefits.
- *Lost or stolen payment cards can be deactivated as soon as they are reported missing*— missing or stolen cards can be deactivated and a new card issued in a timely and efficient process as compared to missing or stolen cheques that require several City staff with different authority levels to stop payment and re-issue a second cheque.

## **City Services Benefit Card: Next Phases**

While the first phase of the City Services Benefit card will focus on delivery of financial benefits to OW recipients, a number of other related applications are being explored. These include:

- Phase 2 includes applications in SSHA to streamline the issuance of personal needs allowances to residents residing in eligible City hostels. Another potential SSHA (Emergency Services) application is to automate the management and issuance of public donations to residents affected by emergencies.
- Phase 3 includes applications within PFR to support streamlined delivery of programs and services, including payments and issuance of refunds for program and class registrations.

In each case, the goal is to reduce costs, improve customer service, and strengthen audit controls and program integrity. Based on best practice research and the RFI process the anticipated benefits included in the table in the previous section are expected to also apply to a more widely implemented City Services Benefit Card solution.

### **Moving forward: Expediting the Introduction of a City Services Benefit Card**

The preceding sections outlined the need to modernize the way in which the City currently disburses funds and provides access to City services and benefits. With Council approval, an RFP will be issued to identify a vendor capable of supporting the City's business needs and requirements, specifically with respect to meeting phase 1 (TESS) requirements related to the delivery of financial benefits to OW recipients. However as noted, the RFP will also request the successful vendor to propose options and potential costs for additional card functionalities that will support phase 2 (SSHA) and phase 3 (PFR) of the City Services Benefit Card.

Ensuring card technology complies with legislated privacy requirements as set out in Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) and Personal Health Information Protection Act (PHIPA) is critical. The proposed card technology solution must adhere to a mandatory privacy impact assessment by the City and where appropriate the Province, in order to ensure legislated requirements are met<sup>5</sup>. To that end, a comprehensive privacy impact and risk assessment for phase 1 of the City Services Benefit Card will be conducted as part of the RFP, ensuring that the successful proponent's solution meets all privacy requirements. Prior to proceeding with any other applications, similar privacy impact and risk assessments will be administered.

Finally, implementation of the City Services Benefit Card will not proceed unless the proposed solution is economically advantageous to the City. Pending the selection of a

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<sup>5</sup> A preliminary privacy impact assessment has been conducted for the first phase of the City Services Benefit Card.

successful vendor, TESS will engage with service users and appropriate stakeholders in order to inform and consult on the City Services Benefit Card initiative.

It is anticipated that pending Council approval of this report, an RFP will be issued in July 2011, with the first phase of the City Services Benefit Card commencing in the fall of 2011, contingent on obtaining a successful solution through the process itself.

A progress report will be submitted to City Council in 2012 highlighting Phase 1 implementation benefits and any emerging considerations related to ongoing implementation of phases 2 and 3 of the City Services Benefit Card.

## **Conclusion**

New technologies offer opportunities for modernization of service delivery to Torontonians. Many City divisions continue to rely on outdated business practices such as cheque payment processes in the delivery of programs and services. For example, TESS continues to issue a significant percentage of financial assistance payments via cheque. The introduction of a City Services Benefit Card leverages current card technologies widely used in other sectors and jurisdictions, and coincides with broader efforts at the City and province to modernize the delivery of social assistance and other critical services.

This report outlines a business case for the introduction of a City Services Benefit Card, and identifies immediate and near term applications for the use of card technology. Consistent with the objectives of the City's eService strategy and current priorities on improving customer service and reducing costs, research to date indicates a City Services Benefit Card will provide greater accessibility and security for residents among other benefits, while producing administrative efficiencies, streamlining paper cheque processes and enhancing program integrity for the City. The report requests Council endorsement for a City Services Benefit Card, and approval to move forward with a RFP. The introduction of a City Services Benefit Card will increase access for residents and support the City's continued commitment to improvement and modernization of government services.

## **CONTACT**

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## **SIGNATURES**

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Heather MacVicar, Acting Deputy City Manager, Cluster A

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Giuliana Carbone, Treasurer, Office of the Treasurer

**ATTACHMENTS**

Attachment 1- City of Toronto Steering Committee

Attachment 2- Cheque Cashing Service Fees

**Attachment 1: City Services Benefit Card Steering Committee**

Heather MacVicar—Acting Deputy City Manager, Cluster A

Giuliana Carbone—Treasurer, Office of the Treasurer

Dave Wallace—Chief Information Officer, Information & Technology

Judy Kane—Director, Employment & Social Services

Mike St. Amant – Director, Accounting Services

Huw Morgan—Head Architect, Information & Technology

Victor Tryl—Manager, Purchasing, Purchasing & Materials Management

Sunny Wong—Manager Information Technology, Employment & Social Services

James Addy—Manager Program Support, Employment & Social Services

Maria Panaro—Manager Program Support, Employment & Social Services

Eric Lawton – Senior Privacy Specialist, Risk Management and Information Security

## Attachment 2: Cheque Cashing Service Fees

Alternative financial institutions or cheque cashing services (i.e. Money Mart) are an expensive way for individuals to access financial services. Individuals who rely on these services are often low income, marginalized and excluded from access to mainstream financial institutions (for reason such as lacking proper identification, homelessness, overdrafts or garnishments etc). As a result they become reliant on these alternative financial services providers to access financial services such as cashing their social assistance or other government cheques. Currently Money Mart charges a service fee of \$2.99 plus 3% of the amount for each item.

The following chart gives an idea of what this means for a cross section of our clients:

Family Size	OWA Entitlement	Money Mart Service Fee	Monthly Amount of Entitlement Received	Annual Fees paid to Money Mart
Single NFA	\$224.00	$\$2.99 + \$6.72 = \$9.71$	\$214.29	\$116.52
Single with Address	\$592.00	$\$2.99 + \$17.76 = \$20.75$	\$571.25	\$249.00
Sole Support - 1 child (0 – 17)	\$922.00	$\$2.99 + 27.66 = \$30.65$	\$891.35	\$367.80
Couple no children	\$1,021.00	$\$2.99 + \$30.63 = \$33.62$	\$987.38	\$403.44
Couple 2 Dep. >18	\$1,416.00	$\$2.99 + \$42.48 = \$45.47$	\$1,370.53	\$545.64

For individuals already on a limited budget, these fees represent an extremely high premium.