

## CONFIDENTIAL ATTACHMENT 1

### CONFIDENTIAL INFORMATION OR ADVICE

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#### **Contract Negotiation Considerations —**

#### **Amended Services Agreement between the City of Toronto and Teranet Inc.**

The typical options relating to a long term arrangement for the collection of tax could be a competitive tender or in-house software development. In the case of the Municipal Land Transfer Tax (MLTT), which is integrated with the Provincial Electronic Land Registration System (ELRS), Teranet is the only purveyor of the software that administers the tax, is engaged in a 50-year arrangement with the Province of Ontario to do so, and markets its capacity around the world. It has spent years developing the systems, and more recently preparing to convert to an internet based approach. There are limited practical market alternatives for the City.

Development of a customized alternative system by the City would involve considerable risk related to cost, completion timing, and performance. If Council wished to pursue this option it would forego the certainty associated with the recommended agreement with Teranet.

The Teranet fees have been a relatively small and declining percentage of the revenue since inception (from 2.0% of the net MLTT revenue in 2008 to 0.5% in 2017). Given the current cost effectiveness and administrative efficiency in using Teranet's service and Teranet's position as the exclusive provider for the ELRS, this report recommends that the City continue to use Teranet's services, and that the new fees as contained in Confidential Attachment 2, upon extension of the agreement, will be based on the previous contract with some price adjustments so as to continue to mirror the provincial fees. The fees will continue to remain a comparatively low percentage of the revenue versus costs for other taxes imposed by the City.

The current agreement, effective February 1, 2008, will expire on January 31, 2023. Renewing the agreement now, and adjusting rates in 2019 for the remaining term of the contract, will increase total fee costs over the remaining four years from approximately \$16.3 million to \$17.7 million<sup>1</sup>. For the additional total cost of \$1.4 million, the City obtains certainty with respect to fees for an additional 26 years, and avoids the potential for Teranet to demand higher fees as the contract draws to a close and the limited alternatives open to the City are no longer feasible.

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1. Estimates are based on 2017 MLTT transaction volumes and Conference Board of Canada's CPI forecast