

A background image of a Toronto city square. In the foreground, there is a large, dark, abstract sculpture on a pedestal. To the left, a large 'TORONTO' sign with a colorful circular logo is visible. In the background, several tall skyscrapers and a historic stone building with many windows are visible under a grey sky. The entire image has a dark, semi-transparent overlay.

Innovative Partnership for Accelerating Digital Services with Payments

April 26, 2021

Our Objectives

- In February 2021, City Staff presented a report for information to City Council that detailed the competitive Swiss Challenge Negotiated Request for Proposals (“SC-nRFP”) and the successful supplier, Paylt LLC (“Paylt”)
- Negotiations between the City and Paylt took place between February and April 2021
- > **We are now seeking authority to:**
 - **enter into the recommended agreement with Paylt Digital Government Inc., a Canadian entity; and**
 - **charge payment processing fees to customers choosing to pay by credit or debit card.**

Context

During the COVID-19 pandemic, the City has demonstrated resilience and moved to a contactless delivery model...

...but this shift has been tactical and out of necessity.

Siloed customer experiences and business processes have been retained.



50% of payments for City licenses/permits are still completed over the phone, via mail, or in-person

Multiple channels for one service

Example: Property Taxes



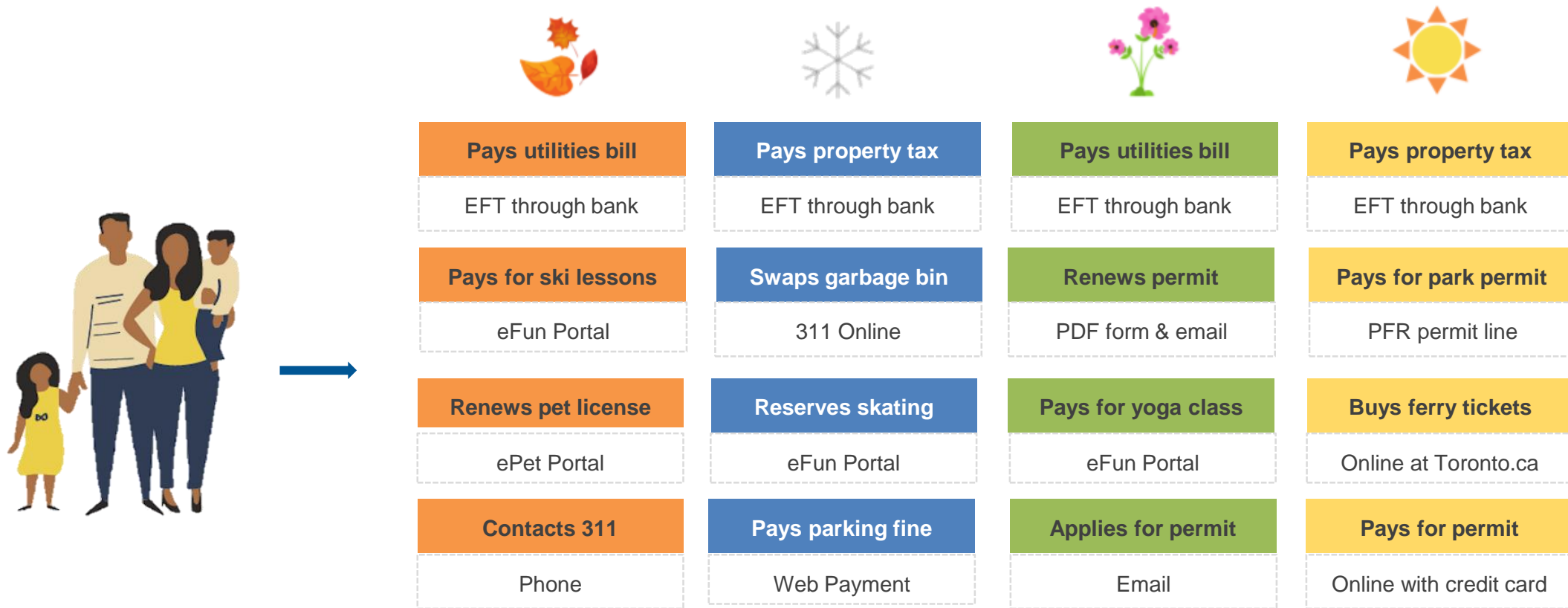
Receive bill
in mail

Pay via Bank

Call with
questions

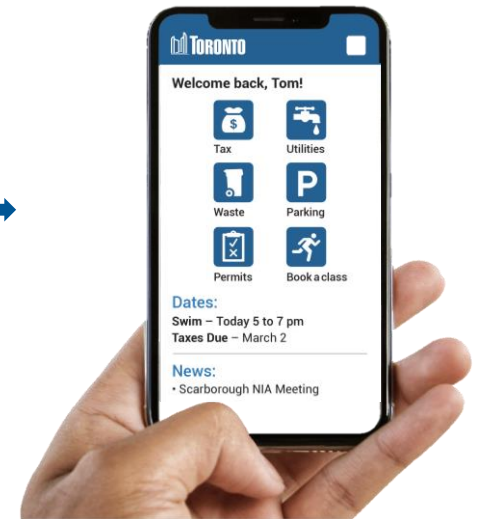
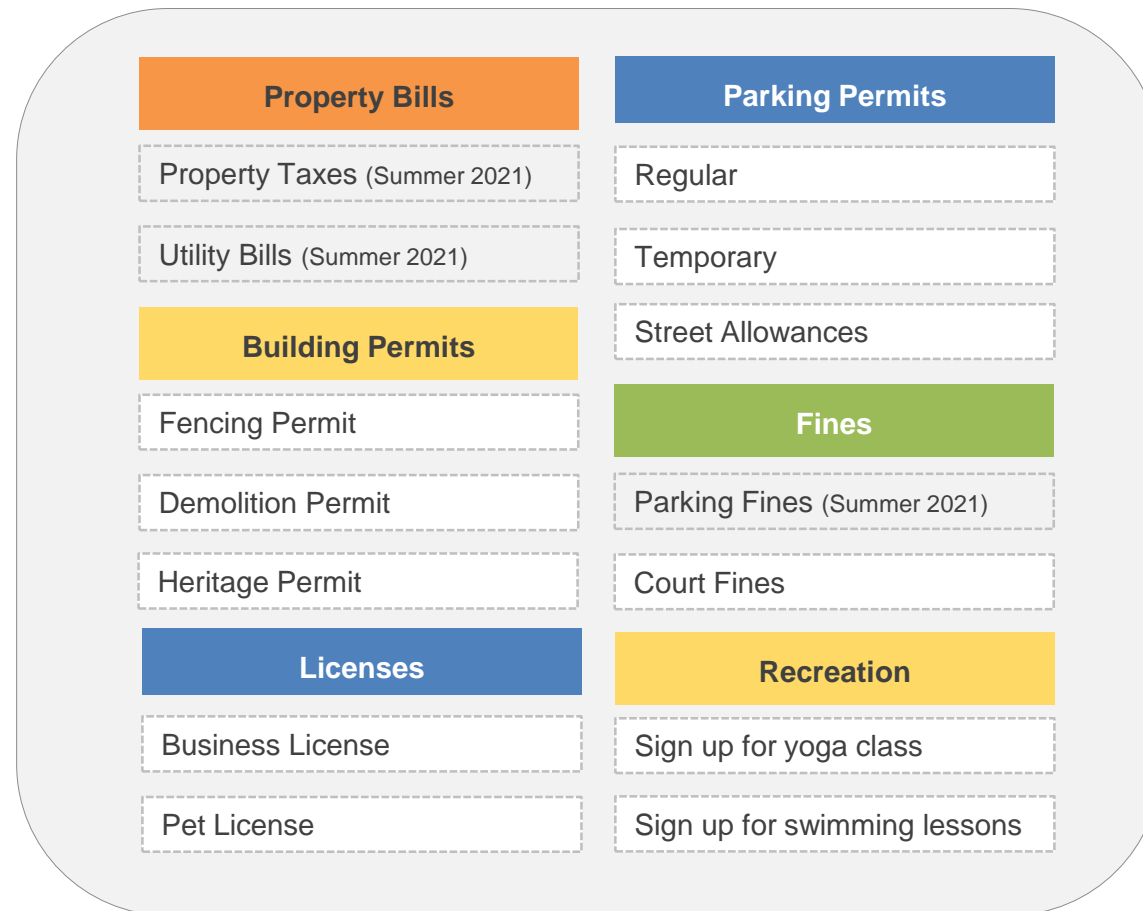
Current Resident Experience

A typical Toronto family must access **11 separate channels and portals to manage 20+ residential services and payments throughout the year**. This does not align with evolving customer expectations of simple and seamless experiences.



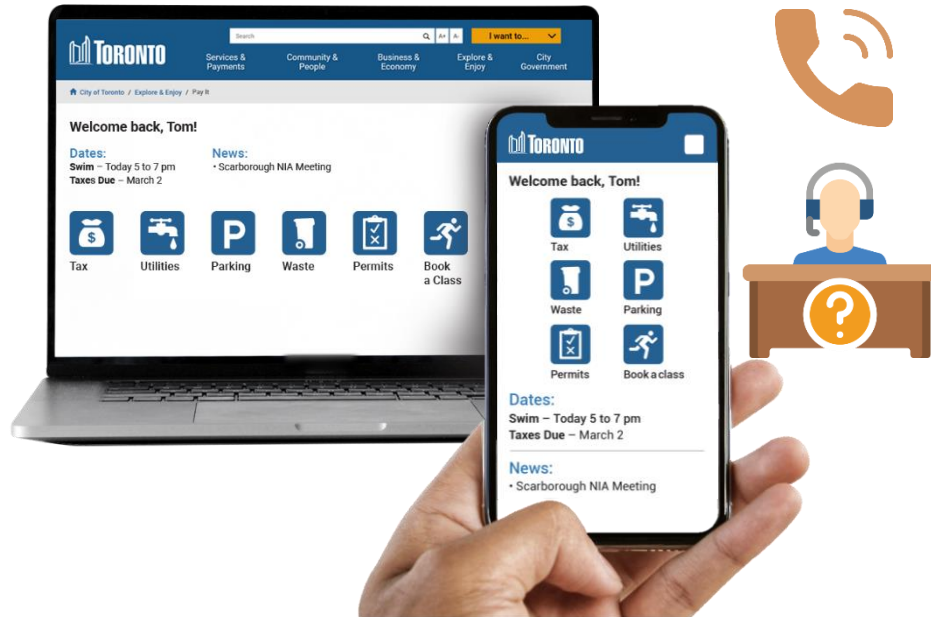
Towards a One TO Experience

The relationship with Paylt could merge those **11 channels and portals** into **1 experience**, similar to the customer experiences in other industries (banks, commerce, healthcare).



Value for Residents

Satisfied customers are 8x more likely to trust government*



*RBC Capital Markets, Perspectives on Government Software Industry, 2020.



Makes my life easy with one convenient digital experience (web or app)



Create a profile and sign in using guest or authenticated mode



Multiple payment options (credit, debit, EFT), with ability to set preferred payment methods



Receive notifications, bill, and payment reminders



Access all payment history and receipts in one place

Key Contract Terms

Negotiations between the City and Paylt took place between February and April 2021. Negotiations addressed concerns raised at previous Council sessions related to technology lock-in, protection of customer data, ability to terminate the contract, and rent-seeking.



CONTRACT TERM

3 +1 +1, City will evaluate whether to continue with year 4/5 of contract, mitigating lock-in.



TERMINATION

Contract can be terminated by the City at any time with 30 days notice.



SECURITY STANDARDS

Per-service threat risk assessments and annual Service Organization Control (SOC) 2 audits.



DATA AND PRIVACY STANDARDS

Aligned with MFIPPA, minimal User data will be shared with Paylt, and it must be stored in Canada. Data can't be modified or sold, and can only be used to enable payments with the City.



CUSTOMIZED FOR THE CITY OF TORONTO

City of Toronto is the primary brand, and platform is tuned for the Canadian market.

Additional Contract Terms

The terms of the agreement with Paylt were negotiated to uphold and align with City standards.



PERFORMANCE AND QUALITY GATES

Regular quality checks against the City's experience, technology, and financial standards.



PCI COMPLIANCE

Level 1 merchant certified. Can reduce major compliance challenges for the City over time.



LETTER OF CREDIT

Protects the City financially for funds collected by Paylt.



TECHNOLOGY APPROACH

API gateway will connect City and Paylt systems – re-usable, inter-operable interfaces.



INTELLECTUAL PROPERTY

City owns any newly developed IP, such as requirements, wireframes, APIs, etc.

About PayIt *payit*

PayIt was founded in 2013 with a mission to simplify government:

- They offer a proven cloud-based platform with innovative features, enabling payment through a personalized, digital experience for citizens—at scale.
- The PayIt Platform is broad and simplifies interaction with government, not individual portals or siloes.
- PayIt is only compensated for generating value for their client's customers, i.e. adoption.

16+

Active engagements with state and local governments in the United States.

80M

Serving over 80 million citizens annually in the United States.

\$100M

Venture capital received from a large institutional investor in 2019.

90 days

Or less for deployment of services on their Platform.

TOR

Canadian headquarters opened in 2020, with plans to invest in Canadian operations and workforce.

40%

Growth in digital service adoption as a result of COVID 19 restrictions (Q4 2020).

Value to the City of Toronto

Beyond improvements to the customer experience, the Paylt relationship drives financial and operational value for the City.

Estimated total value of Paylt Contract (variable as it is based on adoption)

\$20.5-25.1M

\$8.1B

Estimated total City Revenue to be collected via the Platform

=

Fees to Paylt are estimated to be **0.49%** of total City revenue to be collected

Phase 1: Revenue Services

Revenue to be collected: ~708 million

City pays to Paylt: ~4 million

Customer pays for payment processing: ~1.1 million

\$11 million.

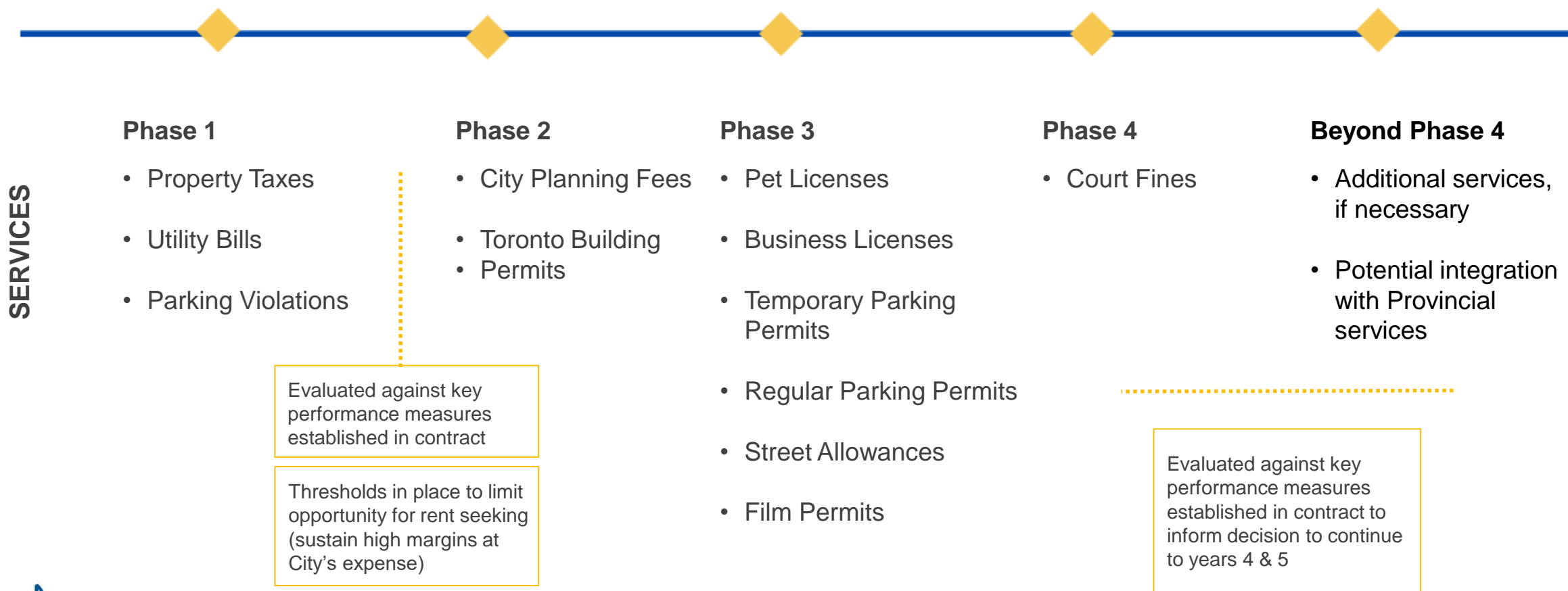
The Net Present Value of all costs and savings over the 5 year contract

Cost savings and efficiencies come from reduced:

- counter volumes
- printing and postage
- payment processing & reconciliation
- Payment Card Industry (PCI) compliance costs
- managing of multiple payment systems

Phased Approach

Integration of the Platform will be undertaken in 4 phases over the course of 2021 and 2022. For Phase 1, thresholds have been put in place to decrease the average cost of fees, as volume grows.



Costs to City & Card Brand Fees

Fees to PayIt are a combination of **(1) transaction fees** and **(2) payment processing fees**. The only time PayIt receives a fee is when a customer makes a payment to the City via the Platform.

1. The transaction fee is a fixed fee: the amount depends on the City service and is paid by the City of Toronto to PayIt.
2. The payment processing fee charged by PayIt is used to settle financial transactions with credit, debit, and financial institutions.

It is paid by the City or customers depending on the method of payment, and where permitted by Card Brand Rules (see below).

Payment	Fee	Rate	Paid by
Electronic Fund Transfer	Flat	\$1.50	City of Toronto
Credit Card	Percentage	2.35%	Customer
Debit Card	Percentage	1.50%	Customer

Card brand fees

- The City currently pays the payment processing fees charged by card brands for the processing of credit and debit card payments for certain city services. In 2019, fees resulted in total costs to the City of \$5 million.
- As part of better financial management, and a policy of fairness and transparency, the City will no longer be covering these costs through taxpayer revenue
- Customers will always have an equally convenient payment option **with no additional fee for the customer.**

Payment Options

Customers will always have a payment option **with no fee for the customer**



CITY OF
TORONTO
PAYMENT
PLATFORM

→
\$812 Property
Tax Bill

→
\$45 Parking
Ticket

→
\$25 Pet
License

PAYMENT METHOD

Electronic Fund
Transfer

Credit Card

Debit

CUSTOMER PAYS

\$0

\$46.06
(2.35% = \$1.06)

\$25.38
(1.50% = \$0.38)

CITY PAYS






\$1.35 *Transaction fee*
+ \$1.50 *Payment processing fee*
\$2.85

\$1.75 *Transaction fee*
+ \$0.00 *Payment processing fee*
\$1.75

\$0.50 *Transaction fee*
+ \$0.00 *Payment processing fee*
\$0.50

Conclusion & Next Steps

The agreement with PayIt Digital Government Inc. provides a forward-looking business model that establishes the City as a leader in government:

-  Unified digital, end-to-end customer experience
-  Certainty of scale and speed / time-to-market
-  City is not responsible for upfront capital, technology build, sustainment, and licensing costs
-  City only pays for value created, i.e. customer adoption, which is less than what it costs us today
-  Revenue generation: ability for broader public sector to leverage City agreement, leading to future revenue generation for the City

May 5th City Council Meeting: we will seek authority to enter into the recommended agreement with PayIt, and charge payment processing fees to customers choosing to pay by credit or debit card.