November 7, 2024

To Mayor Chow and Members of Toronto City Council,

Re: 2024.AU6.2 - Reinforcing the Importance of Openness, Fairness and Transparency in City Procurement: An Audit of the Procurement and Implementation of the PayIt Unsolicited Proposal

Approximately two million transactions have been made by Torontonians on the MyToronto Pay platform since January 2022. This service provides essential modernization for Torontonians in payment services, as well as real and significant savings for the City of Toronto.

The Auditor General has delivered a report to Council about the unsolicited proposal and Swiss challenge process that has brought us to this point. Going forward, Council will need to consider how to carefully ensure that procurements have the openness, fairness and transparency called for by the Auditor General. This process should also ensure seamless continuity for the hundreds of thousands of Torontonians who rely on the MyToronto Pay platform to pay their bills.

We are committed to being a model partner for the City of Toronto in every respect as this process unfolds. Serving the City of Toronto and its residents is a privilege that we want to continue to earn. This submission to Council acknowledges and addresses the findings of the Auditor General, provides further background information about the MyToronto Pay platform, and provides insight about any future transition of the MyToronto Pay platform.

As Council considers the recommendations from the Audit Committee, we want to clarify three important points:

- **MyToronto Pay is massively successful and popular, with more than half a million residents having used it to complete nearly 2M transactions**
- **The City has saved an estimated $9-$11.5M through MyToronto Pay, net of its costs**
- **Transitioning to a new vendor or building a platform risks disruption to City revenue collection, while increasing City costs sevenfold**

We detail these points below, and provide more in-depth analysis as addenda to this letter.

The Report of the Auditor General

We accept without reservation the finding of the Auditor General that the procurement process that the City used was insufficient and imperfect. We caution, however, that this report should not be read selectively. We note and emphasize that the Auditor General also makes it clear that PayIt acted in good faith and **followed the lead of City project staff** throughout the process. It would not be appropriate to punish a vendor for following the direction of staff (and ultimately Council) that the vendor believed in good faith to be compliant.

We note also that the audit report expressly notes that it "*does not comment on the quality and advantages of PayIt*", and so should not be taken as any indication of, or shorthand for, the success or lack thereof of the MyToronto Pay platform. As this submission will demonstrate, while there remains room for future adoption by City departments, the MyToronto Pay platform **has been incredibly successful in a number of respects**, and has resulted in **considerable cost savings** to the City of Toronto. It is incumbent on Council to carefully consider these results before determining its next steps.

We agree with the Auditor General's report that procurements at the City of Toronto should be fair, open, and transparent. To that end, we look forward to participating in **a fair and transparent procurement process for the next phase** in the City's modernization of digital payments. We seek to confirm that the next procurement relating to digital payment services will not end up being complicated by partisanship or pre-judgement of the result, but will instead comprise a fair and independent assessment of the options, with a focus on delivering a seamless digital experience for more than half a million Torontonians who rely on the existing platform to pay their bills.

Torontonians have embraced MyToronto Pay

MyToronto Pay is popular and effective: residents have used the secure, accessible service to complete nearly **two million transactions** to make property tax, utility, and parking citation payments since January 2022. More than 575,000 residents have created accounts on the platform, and hundreds of thousands more have processed a guest transaction.

Adoption of MyToronto Pay has **grown at an average rate of 189% annually (26% every month)** since its launch in January 2022, and resident trial and reuse of the service continues to grow. Fifty-two percent of the transactions on MyToronto Pay come from repeat users, and more than 100,000 Torontonians have set up scheduled or recurring payments on the platform to date.

In the last two weeks, PayIt has commissioned research by Pollara[1] on MyToronto Pay. That research indicates that nearly one in three Torontonians have a specific recollection of using MyToronto Pay, and for this group **82% believe it to be a positive for Torontonians**, while only 5% believe it to be a negative. City residents **overwhelmingly (80%) favour continuing to pay their bills online**, and this support holds in all parts of the city and across all demographics, even amongst seniors. Incredibly, **73% of respondents support the City of Toronto to keep offering the currently available digital payment services.**

MyToronto Pay supports busy City residents in a geographically large municipality. Users of MyToronto Pay include parents with young children, City residents with mobility issues, those who

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[1] Pollara Strategic Insights fielded a mixed methodology survey among eligible voters in Toronto, between October 29th and November 3rd, 2024. In total, n=800 survey responses were completed, including n=400 from a mix of online research panels and n=400 from CATI live interviewer surveys that reached both cellphones and landlines. A margin of error cannot be assigned to online surveys, but for comparison purposes, a probability sample of n=800 would have a margin of error of +/- 3.5%, 19 times out of 20. Pollara Strategic Insights is a member of the Canadian Research Insights Council (CRIC), and this research was conducted in compliance with CRIC standards.

work unusual hours, and many more. For many, making bill payments in person or even attending at a post-office is just another hurdle. The ease of use and benefits of MyToronto Pay are reflected in its high take-up.

Toronto's Cost Savings[2]

The MyToronto Pay partnership is uniquely cost-efficient for Toronto, and **has already saved the City an estimated $9 - $11.5M** through savings in information technology, customer support, security, and as a result of channel shift away from analog payment channels.

COSTS OF THE PAYIT MODEL

We have delivered a secure, accessible platform that makes it easy for residents from all walks of life, and with all mobility levels, to access City services, while at the same time enabling the City to conserve its budget for other priorities. The City pays for the platform on a per-transaction basis, as it would for any payment processing platform. However, the City's costs for the MyToronto Pay platform average CAD $1.46 per transaction, amounting to only **0.35% of the revenue the City collects** through MyToronto Pay.

The City does not incur implementation, upgrade, maintenance or hosting costs for MyToronto Pay. This is in contrast to the typical practice of most vendors serving municipalities like Toronto, and in contrast to the significant costs the City would incur with any self-built solution. The cost efficiency and feature richness of MyToronto Pay would be very difficult to replicate via a self-built solution or one provided by another vendor.

Since the MyToronto Pay service launched, PayIt has continued to maintain a secure, compliant, and accessible platform. We continually add features and improvements without seeking additional compensation under the existing contract, most recently adding Apple Pay and streamlining the user experience for parking citation payments. Continuous feature enhancements, optimizations, and change requests are all delivered at no cost.

COSTS OF ALTERNATIVES

The costs of the MyToronto Pay platform compares incredibly favourably to the alternatives, in which the City might buy or build a software and payments platform. A self-built platform would cost the City at least $2.4M to build and $12.3M to operate, collecting $500M in revenue each year. Similarly, cities like Toronto have paid more than $10M for vendor-supplied software providing comparable functionality. Whether a platform is built or bought, the City will still pay credit card processing fees. A self-built platform or software provided by an alternative vendor accordingly would represent, at a minimum, **2.46% of the revenue the City would collect from such a platform.** Put more starkly, a self-built platform or an alternative vendor-supplied platform could reasonably be expected to result in a **seven fold increase in costs**. This should be an unacceptable result to City Council and provides context for why City staff pursued the PayIt solution in 2021.

DIGITAL TRANSACTIONS ARE MORE EFFICIENT

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[2] The Addenda to this letter provides additional detail of our analysis.

Digital transactions through MyToronto Pay are more cost-efficient than in-person or mail-in payments. In North American cities like Toronto, in-person payments typically cost government organisations about $10 per transaction and mail-in payments cost about $5 per transaction. PayIt's active engagement approach drives adoption, which is reflected in the more than half a million Torontonians using the service. Because of these excellent initial adoption rates, MyToronto Pay has diverted a blend of in-person and mail-in payments, and the City has accordingly **saved between $9 million and $11 million** as a result of successfully shifting transaction volumes to digital channels and away from analog payment channels. There is considerably more opportunity for adoption across the City, particularly in getting some departments that have not fully engaged with the existing platform to do so. Such engagement will create significant additional savings.

THE CITY HAS CONSERVED 311 BUDGET

Our continued investment in the MyToronto Pay platform has delivered an easy to use, intuitive service for Toronto residents. Even as MyToronto Pay usage continues to increase more than 25% each month, fewer than 1% of transactions on the platform have required a support call.

The MyToronto Pay team handles all customer support inquiries for the platform, and since January 2022, has diverted 38,000 hours of support inquiry volume from 311 that would have taken away capacity to provide core 311 services. Based on publicly-available 311 costs, we estimate this at **$2.3M in savings at 311 alone** since the platform launched.

MyTORONTO PAY IMPROVES SECURITY

As City staff is highly aware, government systems are frequent targets of bad actors, so the security protections provided via MyToronto Pay are essential to protect the City and its residents. We understand that breaches to systems in the City of Hamilton and the Toronto Public Library have cost $7.4M and at least $1M, respectively, and the City continues to incur costs associated with the 2021 cyberattack on the TTC. Those costs include software security remediation and credit monitoring for impacted residents.

Our security expertise helps prevent the kind of data breaches that can cost millions of dollars in unplanned expenses and undermine the City's ability to serve Torontonians. We maintain numerous security certifications[3] and follow stringent processes for the protection of City and resident data – often exceeding worldwide standards. These would be difficult or impossible to replicate with constrained City IT resources.

Processing resident transactions through MyToronto Pay ensures that Torontonians' personal and financial data is stored separately from other City systems, which means that it is protected in the event that a City system is breached. PayIt bears the significant costs of meeting these standards and maintaining certifications, **saving the City an estimated $677,200 each year,** plus the much more substantial costs that would arise from any breach.

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[3] MyToronto Pay is hosted on Amazon Canada Region Cloud, which brings the most stringent security protections available. The platform is SOC 1 and 2 compliant, PCI Level 1+ certified, and ISO 27001 & 27018 Certified.

Transition Considerations

We encourage City leadership to consider how **an abrupt decommissioning of MyToronto Pay will negatively impact residents and the City.** Amongst other things, such an abrupt decommissioning in June would:

1. Interrupt and delay the collection of essential revenue for the City
2. Create significant resident aggravation, not dissimilar to that experienced with the Vacant Home Tax
3. Re-introduce mobility or accessibility hurdles for some residents
4. Increase costs to the City, including as staff revert to mail and face-to-face transactions and contend with a spike in 311 inquiries
5. Impose on the City significant costs associated with the development, administration servicing, upgrading and support of a new platform
6. Expose the City to increased security risk

As Council and City staff consider how to structure a procurement process, we encourage you to ensure continuity of service during any transition to minimise the negative impacts to Torontonians and to the City's revenue.

Our Only Request

Serving the City of Toronto and its residents is a privilege that we want to continue to earn.

We want to ensure that MyToronto Pay is above even a perception of unfairness. To that end, **we look forward to participating in a future procurement for digital payment services and call on City Council to ensure its fairness and transparency.** We are confident in the solution that we provide, the model that we offer, and that we continue to be the best option for Torontonians. All we ask is a fair and independent process to allow us to demonstrate that.

We would be happy to discuss this further with any member of Council or staff who wishes to speak with us.

Thank you,

Thomas Nieto
President, PayIt

Addendum 1

Detailed Cost and ROI Analysis[4]

An analysis, detailed below, of the City of Toronto's expenditures and savings related to MyToronto Pay indicates that the City has already saved between $9M and $11.5M after its costs, and would save between $17M and $22M if the Council-approved contract term were fully completed with only the existing property tax, utilities, and parking violation services in place (ending June 2, 2026).

SUMMARY OF COST SAVINGS	
Area	**Savings since launch**
Channel shift away from mail-in and in-person payments	$9 - $11M
Customer support diversion	$2.3M
Security and compliance	$.971M
Total cost savings	**$12.3 - $14.3M**

What has the City paid for MyToronto Pay?

From January 2022 through September 2024, MyToronto Pay has processed 1,867,536 digital transactions for property tax, utilities payments, and parking citations.

Area	Amount
Total software fees	$2,734,446
Total transactions	1,867,536
Cost per transaction	**$1.46**
Total City revenue collected	$787,932,217
Costs as a percentage of revenue collected	**0.35%**

In order to implement MyToronto Pay, the City also has invested staff time. The City estimates that 1200 staff hours were used to implement the original proof of concept[5] for MyToronto Pay. We can make some estimates of the pay rates for these staff based on publicly-available data[6]:

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[4] All cost estimates in CAD

[5] October 2024 Auditor General Report

[6] Salary estimates in this analysis are Glassdoor averages in the Toronto metro; where possible, we have aligned to published City salaries

Role	Annual salary	Hourly rate
IT manager	$90,000	$43
IT specialist	$70,000	$34
Engineering technologist	$76,000	$37
Average hourly rate		**$38**
Total proof of concept costs		**$45,600**

Combining software fees and proof-of-concept costs
brings the City's **total costs** to $2,780,046.

This is 0.35% of the total revenue it has collected through MyToronto Pay.

Costs avoided from channel shift to digital

We can reasonably estimate the per-transaction costs of face-to-face and mail-in payments based on what we have seen in jurisdictions across North America:

Channel	Cost to City	Primary cost drivers
In-person counter payments	$10/transaction	Real estate, staffing, POS devices
Mail-in payments	$5/transaction	Staff time to open mail and process checks
MyToronto Pay payments	$1.46/transaction	Platform costs, per contract
Total savings from shifting a blend of in-person and mailed payments		**$9M - $11M**

Costs avoided by diverting customer support traffic

In addition to the costs associated with managing offline transactions, the City has avoided significant costs associated with customer support. PayIt manages all end-user support inquiries for the City, which would otherwise be handled by its 311 program. The MyToronto Pay platform has a 1% contact ratio, compared with the industry benchmark of 8%.

It was reported in early 2024 that calls to the City's 311 service cost between $11 and 16 per inquiry, while inquiries coming through the 311 app cost only $.11 per interaction. However, the City reports that only 20% of inquiries come via the 311 app[7].

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[7] Global News report, January 2024.

Customer support costs	
Total inquiries to PayIt Support Jan 2022 - Sep 2024	26,823
Inquiries at City benchmark (8X inquiry rate)	214,584
Number of inquiries expected to come via phone (80%)	171,667
Estimated cost for 311 phone inquiries ($13.50/inquiry)	$2.3M
Number of inquiries that would come via 311 app (20%)	42,916
Estimated cost for 311 app inquiries ($0.11/inquiry)	$4,300
Total 311 costs saved since launch	**$2,321,804**

Security and compliance costs avoided

PayIt — not the City — manages security and payments compliance for the MyToronto Pay platform. There are significant costs associated with achieving and maintaining the required certifications and validating that the security infrastructure in place is robust.

Alongside the third-party costs, we estimate that the City has saved the equivalent of two full-time application security engineers. The average salary for an application security engineer in the Toronto metro is between $77 - $120K per year, excluding benefits.

Line item[8]	Estimated annual cost
PCI DSS Onsite Assessment & Vulnerability Scanning	$44,500
AWS Cardholder Data Environment	$46,700
CloudFlare Web Application Firewall	$25,000
Qualys vulnerability scanning	$4,000
External penetration testing (third-party vendor)	$41,000
Security engineering staff (2)	$192,000
Secure hosting in AWS Canada Region Cloud	$334,000
Security and compliance costs saved in one year	**$677,200**
Security and compliance costs saved since launch	**$971,300**

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[8] MyToronto Pay is SOC 1 and 2 compliant, PCI Level 1+ certified, and ISO 27001 & 27018 Certified.

Addendum 2

Costs to Replace MyToronto Pay with a City-Built Platform

Building and maintaining a customer experience and payments platform like MyToronto Pay would come at significant cost to the City and take one year (or more) to complete. Numerous types of expertise are required to design, build, test, and integrate a platform, and the platform must be hosted in a secure cloud.

Our analysis indicates that the City would incur $2.4M in upfront costs to design and implement a platform like MyToronto Pay, and $11.5M per year to operate the platform and process $500M in collections.

A detailed analysis follows:

Staff costs for initial platform buildout (assumes completion in 12 months)			
Role	**Number required**	**Annual salary**	**Build cost**
Software designers	2	$80,000	$80,000
Front-end software engineers	6	$115,000	$690,000
Back-end engineers	8	$95,000	$760,000
QA engineer	3	$73,000	$219,000
Security engineers	2	$96,000	$192,000
Product manager	3	$102,000	$306,000
Senior project manager	1	$113,000	$113,000
Accessibility engineer	.5	$98,000	$49,000
Total staff costs to build platform (assumes 12-month project)	**23.5**	**–**	**$2,409,000**

Staff costs to maintain a self-built platform			
Role	Number required	Average salary	Annual spend
Software designer	1	$80,000	$80,00
Front-end software engineers	3	$115,000	$345,000
Back-end engineers	4	$95,000	$380,000
QA engineer	1	$73,000	$73,000
Security engineers	2	$96,000	$192,000
Product manager	1	$102,000	$102,000
Accessibility engineer	.5	$98,000	$49,000
Total staff costs to maintain a self-built platform for 1 year	10.5	–	$1,029,000

Alongside the staff costs to build and maintain a platform, the City will need to securely host it, maintain security and compliance certifications, establish a secure data storage environment, and pay transaction interchange fees. It will also incur 311 costs associated with supporting customers.

Non staff costs to operate a platform for 1 year[9]	Annual cost
AWS Cardholder Data Environment	$46,700
Security validations, audits, and scanning (summarised above)	$114,500
Secure hosting in AWS Canada Region Cloud	$334,000
311 support costs (assumes 1M annual transactions and 8% support interaction rate, 80-20% phone / app ratio)	$865,760
Processing fees (Industry average 2% processing fee on $500M in annual collections)	$10,000,000
Total non-staff costs to operate a self-built platform for 1 year	$11,360,960

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[9] MyToronto Pay is SOC 1 and 2 compliant, PCI Level 1+ certified, and ISO 27001 & 27018 Certified.

Supplemental data: Industry transaction and processing fees

	PayIt	Typical industry range
Transaction fees	$1.35 – $1.75	$1.20 – $4.00
EFT processing	$1.00 – $1.25	2% – 5%
Credit processing	2.35%	2.5% – 4%
Debit processing	1.5%	1.5% – 4%