

Innovative Partnership to Accelerate Digital Services with Payments

Date: May 17, 2024

To: General Government Committee

From: Deputy City Manager, Corporate Services

Wards: All

SUMMARY

In December 2023, City staff provided an update to the General Government Committee on the Phase 1 implementation of the MyToronto Pay (MTP) platform, a City-branded and customized version of PayIt, which highlighted achievements and opportunities for improvement. Continued progress has been made in enhancing customer experiences and refining the City's digital payments vision since then.

This report provides an overview of the City's approach for:

- Developing business requirements for digital payment functionalities, which will be informed by:
 - Conducting City-wide future visioning activities with key business divisions.
 - Gathering customer requirements through a public engagement.
 - Researching the approach to digital payments undertaken by other jurisdictions and organizations.
- Conducting a robust, open, and competitive procurement process for the selection of a suitable vendor.
- Extending the current PayIt contract as permitted by the original contract terms to maintain business continuity for the City and its residents using the MTP platform.

RECOMMENDATIONS

The Deputy City Manager, Corporate Services recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

Funding for 2024 costs under the current three-year (3) PayIt contract signed on June 3, 2021 for the term 2021-2024, has already been included within the 2024 Operating Budget for Revenue Services Division (RSD), under the Office of the Controller.

As per the original contract terms, the City may elect to exercise each of the two (2) one-year optional contract extensions with PayIt at the discretion of the Chief Technology Officer. The PayIt costing model is based on transactional usage. The costs for the first and the second one-year extension are forecasted to be approximately \$1.78 million and \$1.93 million, respectively, which includes anticipated growth rates in property tax and utility payments from 2023, as well as static parking adoption rates due to transfer of payment processing fees to the customer for credit and debit transactions in 2023.

Funding for 2024 incremental costs under the first extension term of 2024-2025 is included in the 2024 Operating Budget for RSD, under the Office of the Controller. Funding for 2025 cost portions under the first extension term of 2024-2025, and for 2025-2026 costs in the second extension term of 2025-2026, will be requested in the 2025 and 2026 Operating Budget submissions of RSD, under the Office of the Controller.

Additionally, the upcoming competitive procurement process will necessitate a thorough financial assessment to ensure alignment with the City's digital payments vision. Detailed financial projections and financial impacts including funding will be submitted in subsequent reports for consideration and approval as the competitive procurement progresses.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact statement.

DECISION HISTORY

On December 6, 2023, the General Government Committee (GGC) received Item GG8.23 - Innovative Partnership to Accelerate Digital Services with Payments, which provided updates on Phase 1 of MyToronto Pay (MTP), a City-branded and customized version of PayIt. It included details on the approach taken, key performance metrics and evaluation of various aspects of the PayIt partnership against the contract. City staff indicated a planned update to GGC in Q2 2024 to recommend a go-forward plan with respect to an extension of the PayIt contract, permitted as part of the original contract terms, and a plan to go to market through a competitive procurement process following this period.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.GG8.23>

On May 5, 2021, City Council adopted a report which directed the City Manager, the Deputy City Manager, Corporate Services and the Chief Financial Officer and Treasurer

to report to City Council at the halfway point of the agreement with an evaluation of the success of the agreement and whether the City should begin work on a new procurement. Additional decision history adoptions and amended motions can be found in the below link.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.EX23.2>

On March 10, 2021, a Council report provided an update on the Swiss Challenge Negotiated RFP process and outlined next steps with the successful supplier, PayIt LLC. That report was adopted, with amendments.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.DM30.1>

On July 28, 2020, a Council report requested Corporate Services, in consultation with the Chief Financial Officer and Treasurer, to negotiate and execute an agreement with PayIt to develop and deliver a digital government platform for City. Additionally, the report requested that City Council authorize user fees for online card payments using the PayIt system commencing with online card payments for property taxes, utilities and parking fines and delegate authority to the Chief Financial Officer and Treasurer to establish policies and guidelines regarding payment methods for fees and charges to be accepted by the City.

City Council referred the Item back to the City Manager for further consideration.

<https://secure.toronto.ca/council/agenda-item.do?item=2020.EX15.5>

COMMENTS

Background:

The City of Toronto is committed to modernizing its public services and adapting to evolving customer expectations for digital services. With a growing population of digital customers, the demand for seamless online government interactions has increased, especially amid the pandemic-driven surge in digital transactions. This has accelerated the City's digital transformation, fostering a shift to more agile, contactless government transactions.

In May 2021, City Council approved a three-year (3) contract with PayIt Inc., signed on June 3, 2021, to enhance citizen payment experiences and support the transition to digital options. The approval included two (2) one-year contract extensions for the PayIt contract, with the option to exercise each extension at the discretion of the Chief Technology Officer. The core objectives included accelerating digital services, offering integrated payment features, driving internal efficiencies, and leveraging a new business model that enabled revenue-sharing opportunities.

Benefits from the Adoption of MyToronto Pay (MTP):

MTP launched in January 2022 with two services: property tax and utility bill payments. Features included single sign on and account management, payment options included credit, debit, and Electronic Fund Transfers (EFT), the ability to save payment preferences in a wallet, schedule payments and receive email notifications and confirmations, and 24*7 customer support.

Since then, additional services have been added:

- Paying a parking violation.
- Signing up, receiving, and managing electronic property and utility bills (e-billing).
- Signing up for and managing pre-authorized payments for utility payments and property taxes.

As of April 2024, over 500,000 resident accounts have been created through MTP, of which approximately 200,000 residents are engaging regularly with MTP for recurring transactions. Residents have completed approximately 1.4 million transactions, representing \$556,618,097 in revenue collection for the City.

See Table 1 below which summarizes the key trends and performance indicators for MTP.

Additionally, MTP has resulted in operational benefits for the City which include:

- Reduction of misapplied payments by reducing keying errors for MTP users and promoting automation and elimination of manual data entry by City staff.
- Reduction in staff effort and time to process customer refunds in 2 days instead of 30 days.
- Reduction in mailing, print and paper costs attributed to e-billing.
- Improved reporting and reconciliation of funds helping the City save time, receive reports, and transfer accountability of PCI compliance in part to Paylt.
- Increased timeliness of payments with features such as proactive notification and reminders, pre-authorized payments, and e-billing.

Table 1: MyToronto Pay (MTP) Key Performance Indicators (*up to April 30, 2024)

Key Performance Indicator	2023	2024 YTD*	All Time⁶
Total Number of Transactions	758,812	316,898	1,408,175
Total Number of Accounts Created	226,441	80,901	502,109
Adoption Property Tax ¹ (%)	5.49%	8.8%	4.9%

Key Performance Indicator	2023	2024 YTD*	All Time⁶
Adoption Utility Bills ² (%)	4.14%	6.3%	3.4%
Adoption Parking Violations ³ (%)	30.59%	29.6%	28%
Total City of Toronto Revenue Collected ⁴ (\$)	\$262,362,481	\$160,042,647	\$556,618,097
City Fees as a Percentage of Total Revenue Collected (%)	0.78%	0.34% ⁵	0.63%

(1) “Adoption Property Tax” is defined as the percentage of overall Property Tax transactions for the City of Toronto that occur through the MTP channel (as opposed to other traditional channels such as financial institutions, mail in payments, counters, etc.).

(2) “Adoption Utility Bills” is defined as the percentage of overall Utility Bill transactions for the City of Toronto that occur through the MTP channel (as opposed to other traditional channels such as financial institutions, mail in payments, counters, etc.).

(3) “Adoption Parking Violations” is defined as the percentage of overall Parking Violation transactions for the City of Toronto that occur through the MTP channel (as opposed to other channels such as mail, in person, or other online channels).

(4) “Total City of Toronto Revenue Collected” is defined as the total monetary volume of payments that flow to the City of Toronto via the MTP platform.

(5) 0.34% is an estimate based on the financial projection for 2024 listed in the “Financial Impact” section in the staff report.

(6) “All Time” estimates are based on values derived between January 2022 to April 2024.

**Preparing for the Future of Digital Payments:
Developing the City’s Digital Payments Capability**

Digital Payments Assessment Overview

Given the evolving digital payments landscape and customer needs, staff are working to develop the City's digital payments go-forward approach, with the objective of supporting the City's vision to provide a modernized customer experience which anticipates and aligns with changing customer needs. This will include an enterprise-wide assessment to establish and enhance common standards, outline customer-service principles, and identify business requirements and platform features.

The City’s vision is grounded in its commitment to provide residents with a well-run city, where residents are offered a customer-centric digital payments system that prioritizes

simplicity, equity, flexibility, and security, while providing modern and enhanced customer experiences which include, but are not limited to:

- **Customer-centric communications** – such as payment reminders, alerts, and notifications.
- **Security and Compliance** – modern technology to provide an improved, secure, and reliable user experience through payments security, fraud detection, data privacy and protection.
- **Digital Convenience** – standardized features such as the ability to manage payment options, view bills, review payments history and receive receipts.

In support of developing the digital payments capability and requirements, the Customer Experience Division (CXD) is driving a comprehensive and common approach for the City's digital payments strategy. This work is being led by CXD, in collaboration with the Technology Services Division (TSD) and key business divisions with payment services across the City.

The current focus of this work is to understand digital payment systems, objectives, and opportunities across the organization to develop and scale a digital payments capability that delivers on customer, operational and technological needs. Staff are evaluating the current state of payments made to the City by residents, with a focus on elements such as:

- Types of digital payment services.
- Channels through which digital payments occur (e.g., online/web and mobile).
- Frequency of payments (e.g., recurring, single payments).
- Category of payments (e.g., renewal, fee, violation).
- Volume and value of the types of transactions.
- Payment methods utilized (e.g., Debit Card, Credit Card, Electronic Fund Transfer (EFT)).
- Use of digital wallets (e.g., ApplePay, GooglePay).
- Overall user experience.
- Security and compliance considerations.
- Integration with other City systems.

Jurisdictional Scans

CXD is conducting research to understand how other organizations have implemented digital payment services, gain insights about industry best practices, leverage lessons learned and develop a view of the latest technology trends and available supplementary features. This research will include discussions with other jurisdictions and organizations which may span local, provincial, and federal levels across Canada, United States, other international jurisdictions, as well as private and non-governmental agencies.

Public Engagement

CXD will solicit public feedback through targeted public engagement. An online survey will seek resident and small business perspectives, validate insights about desired digital payment functionalities and help to inform customer experience requirements for future procurement. More specifically, the survey will capture key customer needs, preferences and barriers experienced in relation to digital payments, explore interests in centralized payment platforms, preferred services and features as well as payment methods. Promotional efforts to highlight the survey are expected to span the Toronto.ca website, social media platforms and include targeted outreach initiatives to ensure broad participation and an equitable representation of customer voices.

Technical Market Research

Technical market research will be conducted to develop a further understanding of available digital payment solutions. The evaluation of payment solution options will consider implementation approaches, required architectures to implement the digital payments features, outcomes of the upcoming market sounding and ensure overall adherence to City and technology standards. As part of this work and in alignment with the City's Digital Infrastructure Strategic Framework (adopted by City Council in April 2022), City staff will articulate principles to guide engagements with the technology sector, including ensuring the City's data and intellectual property are owned, protected and that any partnership prioritizes the City's needs and benefits its residents.

The Digital Payments Capability - In Summary

The ongoing capability assessment and research will build upon experiences and learnings of past payment services implementations and is expected to surface enterprise-wide business requirements. The enterprise-wide business requirements will inform the future selection of payment types to be offered by the City, the prioritization of payment features, and potential cost-benefits assessments for the City.

These requirements will also inform a scan of potential payment solution options and ultimately will support the upcoming competitive procurement.

Procurement Strategy:

The City is committed to ensuring a robust, open and competitive procurement process for the selection of its longer-term digital payments services provider. The procurement strategy will involve a holistic review and consideration of business and technical requirements identified through the capability assessment, comprehensive market scans, peer benchmarking and hosting of a vendor day to ensure an open and transparent process to maximize reach with relevant vendors. Additionally, foundational to the strategy, will be forthcoming recommendations from an upcoming Auditor General Office's audit in June 2024, in relation to the PayIt platform.

The competitive procurement proposal is forecasted to be issued to the market in Q1 2025, which will mark the commencement of a procurement cycle for digital payment

services. The City plans to finalize negotiations and establish a new digital payments service agreement by Q2 2026.

Contract Extension:

As highlighted above in Table 1: MyToronto Pay (MTP) Key Performance Indicators, by the end of April 2024, \$556,618,097 of revenue was collected through MTP and 502,109 residents had created accounts. Notably, approximately 200,000 of these residents regularly engage with MTP for recurring transactions. Therefore, as the assessment activities and procurement process progress, ensuring business continuity and revenue collection for the City and continued access to services for current customers of MTP will be necessary.

For this reason, and in alignment with the original contract terms, the City will pursue each of the two (2) one-year contract extensions for the PayIt contract, with the option to exercise each extension at the discretion of the Chief Technology Officer. During the extension period, the City will not be expanding payment service offerings through the MTP platform.

Conclusion and Next Steps:

The City of Toronto is committed to advancing its digital payments services transformation. This involves a comprehensive approach consisting of:

1. Developing the digital payments approach.
2. Undertaking a technical solutions assessment.
3. Developing requirements and planning for a competitive procurement process.
4. Exercising the option to pursue each of the two (2) one-year contract extensions with PayIt, as per the original contract terms and at the discretion of the Chief of Technology Officer.

There is a continued City-wide focus on improving customer experiences, security, and privacy in relation to digital payment services. CXD, in collaboration with TSD and other key divisions, will be working to understand and align the digital payment services needs across the City and will continue to gather and validate business and technical requirements.

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SIGNATURE

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