

Payments Modernization Framework

Date: May 1, 2025

To: General Government Committee

From: Chief Financial Officer and Treasurer and Deputy City Manager, Corporate Services

Wards: All

SUMMARY

Torontonians expect convenience and choice when making payments to the City of Toronto. While many customers find paying bills, fees, permits, and fines using digital payment methods easier and more convenient, some prefer making payments by cash or cheques, or through their own financial institutions. As technology and payment trends continue to evolve, the City is comprehensively assessing the different payment solutions offered and considering how to improve the customer experience to serve Toronto's diverse and multi-generational population.

The purpose of this report is firstly to summarize the research conducted and provide an overview of the City's payments landscape. This report also identifies the following policy objectives that form the proposed Payments Modernization Framework, that will guide the City's approach to developing, designing, and implementing its payment strategy:

1. Provide customers choice and convenience through multi-channel options;
2. Provide a consistent and modern payment experience with minimum standards that can be adapted to Divisional needs; and,
3. Ensure a transparent approach for establishing and managing transaction fees.

If adopted, the objectives will guide the evaluation of existing payment options offered by the City, and a strategy for future payment options and processes. Staff will report back to the General Government Committee by the fourth quarter of 2025 with a Payments Modernization Strategy, including a recommended implementation approach, and whether a procurement is needed to enable implementation.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer and Deputy City Manager, Corporate Services recommend that:

1. City Council adopt the City's Payments Modernization Framework, comprising of the following strategic policy objectives, aligned with the Digital Infrastructure Strategic Framework, to guide the City's approach to delivering flexible, accessible, and modern payment options:

A. Providing customers choice and convenience through multi-channel options.

B. Providing a consistent and modern payments experience with minimum standards that can be adapted based on Divisional needs.

C. Ensuring a transparent approach for establishing and managing transaction fees.

2. City Council direct the Chief Technology Officer, in consultation with the Executive Director, Customer Experience, and Executive Director, Finance Shared Services, to develop a Payments Modernization Strategy and implementation approach, and report back to the General Government Committee by the fourth quarter of 2025.

3. City Council direct that, the Chief Technology Officer, in consultation with the Executive Director, Customer Experience, and Executive Director, Finance Shared Services, and relevant divisions continue to ensure that City digital payment systems are in alignment with the Digital Infrastructure Strategic Framework to maintain flexibility, strong data privacy and security standards, and protection and ownership of City data.

FINANCIAL IMPACT

Funding to develop the Payments Modernization Strategy and implementation approach is available within the 2025 Operating and Capital budgets of the Customer Experience Division and Technology Services Division.

Future costs related to implementation referred to in this report will be discussed in the report back to the General Government Committee in the fourth quarter of 2025 and included in future years' budget impacts of relevant divisions for consideration and approval.

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

DECISION HISTORY

On October 15, 2024, City Council received Item AU6.2 by the Auditor General - An Audit of the Procurement and Implementation of the PayIt Unsolicited Proposal which examined the procurement process and implementation of the PayIt Platform. City Council directed the platform be decommissioned by the date the City's current contract term with PayIt LLC expires, on June 2, 2025. Staff indicated an update to the General Government Committee will be provided in the second quarter of 2025 to describe a renewed Digital Payments Strategy.

[Agenda Item History 2024.AU6.2](#)

On June 26, 2024, City Council received Item GG13.16 - Innovative Partnership to Accelerate Digital Services with Payments where staff provided an update on the 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.

[Agenda Item History 2024.GGC13.16](#)

COMMENTS

Background

Providing accessible, flexible, and modern payment options is required to support the public in accessing services and making payments. The City collects upwards of \$10 billion in revenue for various services, such as registering for recreational programs, and for fees and fines, such as paying a parking violation, making property tax payments, or registering for a pet licence. These payments are made by various individuals, ranging from homeowners and renters to tourists, or businesses, all of whom may benefit from different payment options and features.

Currently, the City's approach to managing payments has been largely developed separately by individual City divisions or for distinct City services. In addition, the City has contracts with two different payment suppliers that will be ending within the next two years, which may require the City to complete a competitive procurement process for the provision of digital payment services. This is a key opportunity for the City to evaluate and assess its payment landscape to strategically determine what is required in order to meet the needs of different City divisions and the public.

Research & Key Insights

To understand and assess the City's current payments landscape and to inform future needs, staff conducted industry and jurisdictional research, consulted with key City divisions with a high value and/or volume of digital payments, and with digital payment providers.

Additionally, in May 2024 the City issued a publicly available 'City of Toronto Digital Payments Survey' to collect data on digital payment preferences. The City leveraged the City's public website and City social media accounts to post the survey online. Over 1,200 respondents opted to complete the survey, with respondents ranging from ages 16 to over 65. The majority of respondents were over 25 years of age, with over 50% of respondents over 45 years of age.

The research and consultations provided the following key insights:

1. Consumer trends show an increase in use and preference for electronic and card services and modern payment options.

City payment data demonstrates that Toronto residents and businesses have been largely using self-serve and electronic payment options. For example, in 2024, 92% of all property tax payments were fully or partially made electronically using online banking and pre-authorized programs. In contrast, cheque and cash payments for 2024 property taxes accounted for less than 5% of payments.

Customer feedback from the City of Toronto Digital Payments Survey underscores public interest in modern features and convenience. When asked to rank preferred features, respondents were most interested in features that enhance online self-service, with 56% of respondents expressing interest in viewing payment history on demand, 48% expressing interest in receiving email bill reminders, and 38% expressing interest in downloading bills.

These trends are also reflected across Canada. There has been a steady increase in the volume of payments made by card (credit, debit, prepaid) and electronically (electronic fund transfer and online transfer), with these methods accounting for 85% of all payments by volume in 2023. Conversely, the use of paper (cash and cheque) payments in Canada accounts for only 15% of all payment volumes in 2023¹.

For larger and recurring payments, such as mortgage payments, property taxes and utilities, and business expenses, Canadians rely on electronic funds transfers (EFTs) and to a lesser extent cheques, which accounted for 61% and 24%, respectively, of total payment value in 2023. The remaining 15% of payment value was made using credit and debit cards (10%) and other methods (5%)¹.

2. One size does not fit all.

Consultations with City divisions highlighted that the City provides a wide range of services that require payments. These differ in amounts, frequency of payment, and complexity. A flexible implementation approach is necessary to support a range of payment types and customer needs, as well as manage costs to the City by ensuring payment options and processes are designed to suit City requirements. Other major Cities are taking a similar, flexible approach to designing payment solutions that best meet the needs of the customers for a particular payment service.

¹ Canadian Payment Methods and Trends Report 2024, Payments Canada

3. Convenience and automation drive efficiency for both customers and the City.

Data from the City of Toronto Digital Payments Survey indicated that ease-of-use was the biggest factor influencing a customer's decision to make an online payment. The ability to self-manage payments makes it easy for customers to make payments on time and for the required amount, while also allowing the City to benefit from more automated processes and automated reconciliation, resulting in reduced error handling and customer inquiries and complaints.

4. Data security and trust are foundational

Data from the City of Toronto's Digital Payments indicated that trust and security are also drivers impacting the decision when making payments electronically. The protection of personal data and payment information is a standard expectation of those using digital payment options, as well as those making in person payments.

5. Inconsistencies across the City impact the customer experience.

Consultations with City Divisions demonstrated a lack of consistency regarding payment options, features, systems, and policies. In some cases, this has led to a lack of choice and flexibility for customers, who for some services are required to pay by phone or in-person, while other services require use of a specific payment type like credit card. In addition, some City services rely on manual processing of payments, which can impact timely access to services. Lastly, the absence of a City-wide policy around transaction fees results in some programs absorbing fees while others pass them along to customers, which can lead to inequities.

Overview of the City's Payments Landscape

Staff have reviewed the payment types and options available to the public by the City of Toronto. In addition to in-person support via customer service counters where the public can make payment using cash or cheque, the City also has several different online payment types. Table 1 outlines the three key payment types and their associated features:

Table 1: Segmentation of City of Toronto Payments: One-time, Periodic and Recurring

Type	One-Time Payments	Periodic or Intermittent Payments	Recurring Payments
Description	Payment is made for an as-needed service, once or infrequently.	Payment is made for an as-needed service used periodically or intermittently.	Payment is made for ongoing services that are typically part of a continuous and regular billing cycle.

Type	One-Time Payments	Periodic or Intermittent Payments	Recurring Payments
Examples of payments services	- Parking Violations - Provincial Offences Fine - Water & Sewer Installation - Occasional tickets - Ferry tickets - Red Light Camera - Automated Speed enforcement	- Parking Permits & Renewal - Municipal Licenses & Renewals - Event and Film Permits - Space Rentals - Building Permits - Development Charges	- Property Taxes - Utility Bills
Number of Transactions and Revenue Collected (annual)	Number of transactions: 1.9 million transactions Revenue: \$210 million	Number of transactions: 3.2 million transactions Revenue: \$1.02 billion	Number of transactions: 6.4 million transactions Revenue: \$8.33 billion
Commonly expected features for all payments	- Guest mode, no account needed - Multiple payment methods relevant to the service - Payment methods supported by staff as required including at counters and over the phone - Confirmation page with email and print options - Receipt - Mobile friendly		
Additional features unique to Periodic and Recurring payments		- Account mode - Save payment method(s) - View payment history - Invoice integration - Payment reminders and other notifications - Automated renewals - Notification for planned payment (email/SMS) - Partial payments, if relevant to the service	
Additional features unique to Recurring payments			- Pre-authorized payment - Instalment options, if relevant to the service - Schedule payments - Manage multiple properties in one account

City-Wide Revenue Collections

As the City considers its current and future payment landscape, it is important to note ongoing efforts to improve City-wide revenue collection. The use of online payment options is beneficial to the City, as it encourages more reliable, consistent, and timely

payments from customers, resulting in consistent revenue collection, revenue certainty, improved controllership and financial information.

Staff in Financial and Treasury Services and the Revenue Services Division will work with relevant City divisions to consider how the development and implementation of the Payments Modernization Strategy could support efforts to improve internal efficiencies. The Payments Modernization Strategy should ensure back-end integration of payments with forms/application systems and reconciliation systems to reduce duplicate efforts across services, as well as decrease errors and manual processing.

Policy Objectives to Inform the City of Toronto Payments Modernization Strategy

Findings from research and an evaluation of the City's current payment landscape have resulted in the development of policy objectives that will inform the City's Payments Modernization Strategy. Given the variety of payment types across the City and the desire to provide greater choice for customers, staff have engaged divisions to explore how the City can reduce financial and operational risk, and develop an approach that considers impact, readiness, and feasibility. The Strategy will be used to guide the City in its approach to delivering flexible, accessible, and modern payment options that are responsive to City and customer needs.

The policy objectives outlined below also align with other City and corporate priorities, specifically supporting the development of a well-run City, which seeks to understand and meet residents' needs. Additionally, the objectives align with the principles of the Digital Infrastructure Strategic Framework, by providing flexibility and supporting the provision of high quality, resilient, and innovative public services.

1. Provide customers choice and convenience through multi-channel options

The City will continue to offer both in person and online payment options and accept a range of payment types, including cash, cheque, credit and EFT. Given consumer preferences for online payment methods and modern features, the City will explore opportunities to enhance and improve online self serve options.

2. Provide customers a consistent and modern payment experience with minimum standards that can be adapted based on divisional needs.

As demonstrated through research, City payment services vary widely, with different payment options and features available to customers. Nevertheless, the City will continue to be guided by key principles, in line with public sector best practices and City policies, related to security, accessibility, the collection of customer feedback, reporting, and communication. Specific minimum standards will be determined through the gathering of business requirements and may include actions such as providing customers with access to customer support, as well as the provision of receipts and payment confirmation.

3. Ensure a transparent approach for establishing and managing transaction fees.

Currently, the City does not have a consistent approach regarding the application of transaction fees for credit and debit payments; in some instances, City divisions absorb and pay these fees on behalf of customers, and in other cases, payments include an administration or transaction fee that the customer pays. For example, online payments for parking violations are subject to a 2.35% credit card processing fee.

Going forward, a consistent approach to debit and credit card transaction fees will be based on the City's User Fee Policy Guidelines and Procedures. It is the City's policy that user fees be set to recover the full cost from those who receive a direct benefit from the service, or where the service is performed at the request of, or for the convenience of the recipient.

The transaction fee passed along to a customer will be equivalent to the applicable merchant fees set by the financial institution for the use of debit or credit card payments for that transaction. Customers will be made aware of any added transaction cost ahead of a payment. To provide equitable access, the City will ensure a fee-free option is always available to allow customers the choice to avoid any additional charges. This may include the option to also make payments in person at service counters, or the City may absorb the merchant fees where necessary, if unable to offer any alternative payment options.

Proposed Timeline and Next Steps

Additional work is required to understand the needs of City divisions, including which features are needed, from a customer, operational and technical perspective, will require detailed analysis of each service.

Given the large number and variety of payment types across the City and the desire to provide greater choice for customers, staff will continue to work with divisions to explore how the City can reduce financial and operational risk, and develop a roadmap that considers impact, readiness, and feasibility.

Staff will report back to the General Government Committee by the fourth quarter of 2025 with a Payments Modernization Strategy, including a recommended implementation approach, and whether a procurement is needed to enable implementation.

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