



Report to: General Committee

Meeting Date: February 19th, 2019

SUBJECT: Digital Payment Initiative

PREPARED BY: Shane Manson, Senior Manager, Revenue and Tax

RECOMMENDATION:

1. That the report entitled Digital Payment Initiative dated February 19th, 2019 be received; and,
2. That Council approve the Digital Payment Initiative effective January 1st, 2020; and further,
3. That staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to:

1. Obtain Council approval for discontinuing the acceptance of cash and cheques as a form of payment for transactional services completed through the Cash Management and Contact Centre service counters effective January 1st, 2020.

BACKGROUND:

The City provides a vast array of transactional services that require payment by Markham residents and business owners each year. Many of these transactions are completed at the Civic Centre's five (5) customer service counters. The following summary provides an overview of the payment transactional services that each counter offers.

Civic Centre Service Areas

1. Contact Centre: the City's centralized customer service counter provides the following transactional services: animal licenses, business licences, parking permits, program registration, wedding licences, and blue bin sales.
2. Cash Management: the City's centralized cashiering counter provides the following transactional services: property tax payments, parking ticket payments, YRT / Presto transit sales, and Alectra utility payments.
3. Planning: the City's centralized Development Client Services counter provides a wide variety of development/planning services which include the following transactional services; development review (Planning, Urban Design, and Engineering) fees/services and billable research queries by request.

4. Building Standards: the City's centralized Building counter provides support related to building standards and provides the following transactional services; building permits, sign permits, zoning and property compliance reports, processing of administrative fees in accordance with the Building By-Law.
5. Legislative Services: the City's centralized administrative counter provides a number of transactional services, including the following: access and privacy requests, business licensing, wedding licences, and civil marriage services, commissioner of oath services.

Online eServices

In addition to providing efficient in-person transactional services, the City has continued to develop and expand upon on the service offerings made available on the Markham.ca Web Portal which includes integrated online forms, ecommerce applications and various mobile solutions. The following e-applications represent the major transactional service offerings utilized:

- Ez Reg - Online Recreation Program Registration
- BizPal - Online Business Permits and Licenses
- ePlan - Electronic Plan Review and Approval System
- Parksmart - Online Parking Ticket Payment Service
- ePropertyTax - Online Property Tax Portal

Markham's online service offerings are now essential tools which guide how the City interacts with residents and business owners, ensuring City services are accessible in a secure, convenient self-service format. The ongoing expansion and development of these e-initiatives continue to support the overall Digital Markham Strategy as approved by Council.

The next natural progression of the Digital Markham Strategy is to encourage and transition to digital payments for all transactional services offered. Digital payments can be defined as method of sending and receiving money in digital mode, rather than traditional paper based methods like cash or cheques. Digital payments are also sometimes referred as electronic payments or epayments.

Globally, the types and behaviors of payments are evolving away from paper (cash & cheque) to digital (debit, credit and online). Innovative and strategic corporations and governments, like the City of Markham, continue to challenge and advance the status quo. Markham is widely recognized as Canada's High-Tech Capital and is commended for having well-planned communities, high-quality infrastructure, a thriving business community and technologically advanced residents and business owners.

The Digital Payment Initiative aligns with Council's commitment to the Digital Markham Strategy. This initiative will ensure the City keeps pace with leading organizations while continuing to provide high quality and efficient services to our residents and business owners.

OPTIONS/ DISCUSSION:

Over the last number of years, Staff have monitored the migration of payment types at the five (5) Civic Centre service counters and the correlation to the City's investment in online services available at Markham.ca. Figure 1 below, illustrates the current forms of payments accepted at the five (5) Civic Centre service counters.

Figure 1 - Payment Types Accepted at Civic Centre Counters

Form of Payment		Civic Centre Service Counters				
		1. Contact Centre	2. Cash Management	3. Planning	4. Building	5. Legislative Services
Paper	Cash	✓	✓	✗	✗	✗
	Cheque	✓	✓	✓	✓	✗
Digital	Debit	✓	✓	✓	✓	✓
	Credit Card	✓	✓*	✓	✓	✓

*Excluding property taxes

As illustrated in figure 1 above, four of the five service counters currently provide debit, credit, and cheque payment options for their service transactions. As a result of the successful rollout of the Electronic Plan Review and Approval system (e-Plan) in the Development Services commission in 2018, the Planning and Building counters are in the midst of transitioning to an end-to-end online service provision, which will result in the vast majority of transactions migrating to digital forms (debit and credit card) of payment. The Legislative Services counter has already successfully transitioned to digital forms of payment for all of transactional service offerings.

Therefore, the focus of the Digital Payment Initiative is on the remaining two (2) service counters (Contact Centre and Cash Management), which currently accept all forms of payment types.

1. Contact Centre

The City's centralized customer service group completes the majority of their service requests and/or interactions with residents online or over the phone. However, Contact Centre Staff do provide in-person service for transactions that require payment as described earlier within the report. Figure 2 below, provides details of the allocation of in-person payment types and trend between 2014 vs. 2018.

Figure 2 – Contact Centre Payment Trend

Payment Form	2014 Payment Transactions		2018 Payment Transactions		2018 vs. 2014 Total Change	
	#	%	#	%	Incr./Dec. #	Incr./Dec. %
Paper (Cash/Cheque)	2,948	62.3%	1,458	41.3%	-1,490	-50.5%
Digital (Debit/Credit)	1,781	37.7%	2,072	58.7%	291	16.3%
Total	4,729	100%	3,530	100.0%	-1,199	-25.4%

As illustrated in figure 2 above, the total number of in-person transactions completed at the Contact Centre has decreased by 25.4% between 2014 and 2018 as more residents complete their transactions online. However, in-person payment transactions completed

in digital form have increased by 16.3%, whereas paper based payments (cash/cheque) have decreased by 50.5%.

2. Cash Management

The City's centralized cashiering group administers online and in-person payment transactions for property taxes, parking tickets, YRT tickets, Presto cards, and Alectra utility payments. Credit cards are not accepted for property tax payments. Figure 3 below, provides details of the allocation of payment form utilized between 2014 and 2018 for in-person payments at cash management only.

Figure 3 – Cash Management – In-person Payment Trend

Payment Form	2014 Payment Transactions		2018 Payment Transactions		2018 vs. 2014 Total Change	
	#	%	#	%	Incr./Dec.#	Incr./Dec.%
Paper (Cash/Cheque)	25,515	59.4%	15,478	50.5%	-10,037	-39.3%
Digital (Debit/Credit)	17,411	40.6%	15,194	49.5%	-2,217	-12.7%
Total	42,926	100%	30,672	100%	-12,254	-28.5%

As illustrated in figure 3 above, the total number of in-person transactions completed at the Cash Management counter has decreased by 28.5% between 2014 and 2018 as more residents and business owners are now completing their transactions online. In-person payment transactions completed in paper form (cash/cheque) have decreased by 39.3%.

Figure 4 below, provides details of the payment form utilized between 2014 and 2018 for the total transactions administered by cash management (both online and in-person).

Figure 4 – Cash Management – Online & In-person Payment Trend

Form of Payment		2014 Payment Transactions		2018 Payment Transactions		2018 vs. 2014 Total Change	
		#	%	#	%	Incr./Dec.#	Incr./Dec.%
Paper	Cash / Cheque	79,414	13.2%	40,802	6.5%	-38,612	-48.6%
Digital	Debit, Credit, Online Banking, Pre-Authorized Payments	524,395	86.8%	589,029	93.5%	64,634	12.3%
Total		603,809	100%	629,831	100%	26,022	4.3%

As illustrated in figure 4 above, there has been a significant decline in the amount of transactions that are completed utilizing paper forms (cash/cheque) of payment since 2014. The total number of cash/cheque transactions have decreased by 48.6%, whereas digital forms of payment have increased by 12.3% during the same period.

At the end of 2018, 93.5% of all payment transactions were completed in digital form.

Alectra Utilities

To further understand the payment behaviours of Markham residents and business owners, City Staff contacted Alectra Utilities to obtain information on the payment methods utilized by their Markham customers. Figure 5 below, provides the details of the 2018 allocation of both digital and paper forms of payment received by Alectra's customers.

Figure 5 – Alectra Utilities - Payment Method Totals

Form of Payment		% of Markham Payments Received in 2018	
Paper	Cash / Cheque	4.2%	4.2%
Digital	On-Line Banking	77.7%	95.8%
	Pre-Authorized	16.9%	
	Credit Card	0.8%	
	Electronic Funds Transfer (EFT)	0.4%	

As illustrated in figure 5 above, approximately 96% of Alectra's customers in the City of Markham pay their utility bill utilizing a digital form of payment. The remaining 4% are completed utilizing paper forms (cash/cheque) of payment in 2018.

As a result of the declining volume of payments received in paper form and due to operational and security requirements, Alectra decided that in-person payments services at all Alectra office locations would be discontinued effective September 2018. Alectra advised customers of the change in service and provided approximately two billing cycles for customers to adopt the service modification. Alectra Utilities advised its customers of the convenient digital payment options available which include; on-line banking, pre-authorized payments, and the recently developed Alectra mobile app which enable customer to pay their bill digitally on their mobile device.

Markham's Digital Journey

As a result of Markham Council's investment and commitment to the Digital Markham Strategy, e-Services are now widely utilized, resulting in a significant amount of City services being transacted and paid for electronically. City Staff are committed to providing customers with simple ways to complete and pay for their transactions and to answering all of their questions from the convenience of their home or business.

The growth of digital payment forms in our daily transactions has provided additional levels of convenience, flexibility and provides both sides the ability to monitor payment activities and control risks. Digital payments reduce manual intervention and offer better protection from fraud and theft than do cash or cheques, which results in safer, more efficient, and convenient real-time transaction.

The next natural progression in Markham's goal of being a connected and frictionless City, includes migrating all payment transactions completed through the Contact Centre and Cash Management counters to digital form of payments. The acceptance of cash and cheque payments at these two counters will be discontinued.

Recommendation

Staff recommend that the Digital Payment Initiative be implemented effective January 1st, 2020. The acceptance of cash and cheque payments for transactional services at the Civic Centre's Contact Centre and Cash Management service counters will be discontinued. City Staff will roll-out a detailed communication plan over the course of 2019 to effectively inform residents and business owners of the modification being made to in-person payment services accepted at the Markham Civic Centre service counters noted above.

Digital Payment Initiative: Awareness & Outreach

Staff have developed the following communication tactics which will be utilized to generate awareness of the modification to payment services commencing in 2020 including;

- In-person outreach at the Civic Centre throughout 2019
- 2019 Tax Office mailings - inclusion of digital payment messaging
- Markham Life - inclusion of digital payment messaging
- 2019 Final Tax Bill Package - inclusion of digital payment messaging
- Monthly Ads - Markham Economist & Sun and Thornhill Liberal
- Contact Centre On-hold messaging - inclusion of digital payment messaging
- Social media - inclusion of digital payment messaging
- Civic Centre Service Counters Signage - inclusion of digital payment messaging
- Electronic Information Boards (EIB) - inclusion of digital payment messaging
- Outreach to Seniors Advisory Committee, Business Associations and the Markham Board of Trade (MBOT)
- Mayor and Council newsletters - inclusion of digital payment messaging

Transition and Grace Period

As noted above, Staff will implement a comprehensive communication plan throughout 2019 to effectively inform residents and business owners that the acceptance of payments made by cash and cheque for transactional services will be discontinued. However, to ensure there is awareness and a smooth adoption of the digital payment initiative, Staff propose to implement a one (1) year grace period.

Within the first year (2020) of the initiative, both the Contact Centre and Cash Management will facilitate the acceptance of paper form (cash/cheque) payments, on a one-time only basis. This will also apply to all payments (cheques) which are received by mail or in the Civic Centre drop box. Staff will utilize this transition period, as an opportunity to support and educate our residents and business owners who have yet to effectively migrate to digital forms of payment.

Staff anticipate there will be marginal costs associated with the transition period, with respect to communicating back to residents and business owners on the modification of payment services. However, these costs will be absorbed by the savings and efficiencies attributed to the discontinuation of paper form payment services.

Upon completion of the transition/grace period and effective January 1st 2021, the contact centre and cash management service counters will only accept the following forms of payment in-person:

- Debit Card – all transaction types
- Credit Card – all transaction types (excluding property taxes)

Residents and business owners will continue to have the ability to utilize the following online payment methods to complete their service transactions:

- Pre-authorized payments – for property tax payments
- Online Banking – all invoice based transaction types

FINANCIAL CONSIDERATIONS

The City of Markham currently accepts customer payments in a variety of ways, which requires the City to utilize three (3) service providers to facilitate payment services. The 2018 actual costs for these services are as follows; TD banking services \$55,000, TD merchant services (debit and credit card processing) \$466,000, armoured courier service \$27,000.

It is anticipated that the implementation of the Digital Payment Initiative will result in an estimated annual savings of \$18,000, which is attributed to the following two payment services the City utilizes;

- Retail Lockbox Service: TD Commercial Banking provides this service for the collection of cheque payments from the designated lockbox where cheques are processed and deposited directly into the City's General Bank Account. This service would no longer be required and would result in annual savings of approximately \$13,500.
- Armoured Courier Service: The City utilizes the services of a professional armoured courier service for the transportation of deposits (cash) between the Civic Centre and the bank. This service would no longer be required at this location and would result in annual savings of approximately \$4,500.

As a result of this initiative, it is projected that there will be an uplift in the costs associated with merchant services due to an increase number of customers completing in-person debit card payments for property taxes. Staff estimate the increase in merchant service costs of this initiative to be less than \$5,000.

Each year, staff review the actual cost of merchant services to ensure the associated fees which are charged by the applicable department cover off the cost and are included within the annual operating budget.

Staff will report back after the completion of the one year transition period with results of the initiative, including any additional efficiencies/savings generated, and further information on the anticipated increase/uptake in the utilization of Markham's e-services.

HUMAN RESOURCES CONSIDERATIONS

None

ALIGNMENT WITH STRATEGIC PRIORITIES:

Engaged, Diverse, and Thriving City
Stewardship of Money and Resources

BUSINESS UNITS CONSULTED AND AFFECTED:

Legal Services Department
Legislative Services and Communications Department
Building Standards Department
Planning & Urban Design Department

RECOMMENDED BY:

2019-02-11

X 

Joel Lustig
Treasurer
Signed by: cxa

2019-02-11

X 

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa