

Item No. 9.1.3
Audit and Finance Committee
March 5, 2014

TO: Councillor Bill Karsten, Chair and Members of Audit and Finance Committee

Original Signed

SUBMITTED BY: _____
Greg Keefe, Director of FICT, CFO

DATE: January 21, 2014

SUBJECT: E-Delivery Investment

ORIGIN

The Property Innovation Council is responsible for addressing challenges or opportunities that affect the delivery of property related services. The key actions of the property Innovation Council are to:

- assess the issue or opportunity presented
- determine solution direction
- approve solution approach
- facilitate solution funding
- provide sponsorship and guidance to solution implementation

LEGISLATIVE AUTHORITY

HRM Charter Section 129 Tax Bills states:

129 (1) Every person liable to pay taxes shall be served with a tax bill showing the amount of taxes for the current year, the due date and all arrears of taxes by that person or in respect of the property

(2) The tax bill must be served personally or mailed to the address shown on the assessment roll or any more current address known to the Treasurer.

Canada Post has federally legislated authority to deliver electronic mail per the Canada Post Act.

Recommendation on page 2

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee forward a recommendation to Halifax Regional Council to:

1. Approve the payment of the E-Delivery project investment costs of \$405,828 for HRM to Property Valuation Services Corporation (PVSC), to replenish the Technology Advancement Fund. And;
2. Direct staff to approach Halifax Water to cost-share the E-Delivery investment.

BACKGROUND

Recognizing the importance of delivery of quality customer services, the Board Chair of the Property Valuation Services Corporation (PVSC), the President of the Union of Nova Scotia Municipalities (UNSM) and the Minister of Service Nova Scotia and Municipal Relations (SNSMR) agreed to establish the Property Innovation Council (PIC). The Property Innovation Council serves as the central authority for addressing cross organizational opportunities and challenges relating to the delivery of property services. The Single Address Initiative was a project recently delivered by the PIC and its partners.

Partners of the Property Innovation Council (PIC) are:

- Municipalities
- UNSM
- PVSC
- Service Nova Scotia and Municipal Relations

E-delivery of tax bills is the delivery of tax bills through an alternative electronic means such as e-mail. The Property Innovation Council provided direction to develop a Business Case to outline the potential benefits and costs of developing and operating a common billing, payment and/or mailing service(s) and procurement of a Municipal vendor through an RFP.

DISCUSSION

A cross functional working team of subject matter experts was formed from the participating partners of the PIC in December of 2012. Through a series of workshops and requirements gathering sessions the working group recommended to the PIC that the project team proceed with the development of an E-Delivery vision for the following:

- E-delivery solution for of tax bills, water bills and assessment notices
- On-line access to tax account information

The above recommendations were accepted by the Property Innovation Council. The project team and working group were given approval to proceed with an “E-delivery Service.” The first delivery in this project is a solution for the E-delivery of tax bills, water bills and assessment notices. **The high level E-Delivery project scope is comprised of the following phases:**

- Phase I: Business Case
- Phase II: Design & Procure Solution
- Phase III: Build & Implement
- Phase IV: Rollout/Benefits Realization

Once the business case was approved by the PIC, A Request for Proposal (RFP) was issued for an outsourced E-delivery Solution for tax bills, water bills and assessment notices, and closed on August 31st. After presentations, and scoring of proposals Canada Post’s **epost** solution was selected as the successful proponent in October 2013 (see Schedule 1 for scoring results). Epost proved to be a solution that the evaluation team deemed to be:

- Citizen focused with many municipal clients
- Significant experience in generating adoption and time to market
- High standards for security over personal information
- Legislated to deliver electronic mail
- Aligned and well branded with Canadian Banks and Credit Unions
- 24/7 end-user support, including bi-lingual end-user support

The delivery of tax bills, water bills and assessment notices electronically has benefits for both the municipalities and residents:

- **Improvements in efficiency** - fewer bills need to be printed and stuffed in envelopes
- **Reduced costs** – the transactional cost of sending electronic mail through epost is less expensive than regular mail
- **Increased level of customer service** – epost provides a simple and user friendly way for residents to sign-up and receive tax bills, water bills and assessment notices electronically, view their bills and account information as well as pay the bills electronically. Very convenient for non-residents or residents that travel.
- **Promotes a progressive/modern image** – best practice organizations use electronic delivery such as epost as an alternative to traditional mail.
- **Environmentally friendly** – epost will reduce HRM’s paper, ink and toner consumption
- **A catalyst to on-board other municipal services** – other municipal documents such as tax certificates, licences and permitting may be a fit for electronic transmittal to other municipal clients (law firms, developers, contractors, residents)

The transactional e-delivery cost of the epost service is \$0.40/bill. The cost of sending a bill through regular mail service is estimated at \$1.30/bill and includes the costs of postage, pre-printed forms, envelopes. Moving to the epost solution represents significant savings of \$0.90/bill.

Next steps are to move the project along to phases III and IV. An E-Delivery Business Working Group comprised of municipal finance officers, project managers and IT professionals have been selected to achieve this goal. An E-Delivery Adoption Team comprised of municipal communication and marketing specialists, PVSC and Canada Post have been tasked with developing strategies for citizen adoption. Once the epost solution has been implemented and piloted through selected municipalities, all Nova Scotia municipalities will have the option to on-board to this service and offer to their respective citizens. PVSC will be the data aggregator for E-delivery. In this role municipalities will submit their billing data to PVSC and PVSC will in turn convert the billing data to the PDF standard as provided by Canada Post.

With respect to HRM, we want to be a leader in launching the epost service. We are planning to have this service available to our residents in June/July 2014, prior to the issuance of the final tax bill in September. Canada Post understands the challenges of migrating customers to electronic and e-delivery solutions and have asserted the below adoption targets are feasible but to achieve year 4 and 5 targets require a strong commitment of all stakeholders to market, educate and incentivize user conversion.

Year	E-delivery Adoption Target Rate	Est Annual Reduction in HRM Tax Bills at Lower range	Est Annual Cost at Lower Range Adoption Target	Est Annual Reduction in HRM Tax Bills at higher range	Est Annual Cost at Higher Range Adoption Target
1	3% - 5%	9,600	\$8,640	16,000	\$14,400
2	5% - 10%	16,000	\$14,440	32,000	\$28,800
3	10% - 15%	32,000	\$28,800	48,000	\$43,200
4	15% -18%	48,000	\$43,200	57,600	\$51,840
5	18% - 25%	57,600	\$51,840	80,000	\$72,000
5 Year Totals		163,200	\$118,120	233,600	\$210,240

HRM's estimated reduction in bills is based on 320,000/bills per year (160,000 bills bi-annually)

A recent survey conducted by PSCV had 24% of respondents indicating an interest in this service.

Project Costs:

Initial upfront investment and operating costs for the e-delivery project has been funded from the PVSC Technology Advancement Fund. This fund was established to finance major system development projects that expand opportunities for PVSC and its municipal partners. The policy governing the fund requires that a replenishment plan to be established if the fund drops below \$1.5M.

PVSC Technology Fund – Initial Balance March 31, 2013	\$2,072,066
E-Delivery Draws from Fund	
Phase II	-\$160,000
Phase II Bridge	-\$50,000
Unused Phase II	\$11,560
Phase III to-date	-\$445,500
Phase IV	-\$40,000
Contingency	-\$68,394
Total	-\$752,334
Ending Balance	\$1,319,732

A possible source of replenishment funding is from the stakeholders that will use the e-delivery service.

Model for Cost Recovery:

The proposed model for cost recovery is to allocate the costs of phase II and III among 3 stakeholder groups most vested in the project, the critical mass, comprised of HRM, HW CBRM and PVSC. Cost will be allocated in terms projected use of the service based on volume of accounts and estimated uptake rates, resulting in the following allocation (HRM/HW – 60%, PVSC – 30%, CBRM – 10%). Costs of Phase IV will be allocated among the remaining municipalities, and PVSC will assume responsibility for any remaining or unallocated contingency.

Principles of this model are:

- Cost should be shared amongst those who will use the service
- Cost should be proportionate to the stakeholders use of the service
- Costs should reflect the stakeholders ability to pay
- Cost structure should encourage adoption
- E-delivery recovery fees will be used to replenish the PVSC technology fund in order to support additional shared service opportunities and long term sustainment of the e-delivery service.

This cost recovery model would see HRM contributing \$405,828.

Phase II cost: \$198,440 x 60% = \$119,064

Phase III Budget: \$477,940 x 60% = \$286,764

Alternatively, if HRM did not partner on the e-delivery project with the Property Innovation Council and its Partners, and choose to fund e-delivery alone, the investment using the same project model would be in the \$750,000 range. Thus, HRM is essentially saving \$344,000 on its E-delivery investment through this partnership.

If this cost recovery model is approved by Council, staff will be approaching Halifax Water to cost share the e-delivery investment. Based on transaction volumes and uptake rates the investment would be cost shared approximately 50/50.

Set Up Cost	\$405,828
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Account Type	# accounts	# bill/yr	5 year total	% share	\$ share
Tax bills (HRM)	160,000	2	1,600,000	50%	\$202,914
Water (HW)	80,000	4	1,600,000	50%	\$202,914
Total	240,000		3,200,000		

Projected Savings by 5 Year Adoption Average

5 Year Break Even Projection	Transaction
Per Account mail	\$1.30
Per Account electronic	\$0.40
Projected savings per e-account	\$0.90
# transactions to break even	450,920
% transactions to break even	14%

Level of Adoption	Mail	eDelivery	Investment	Total	Savings
10%	\$3,744,000	\$128,000	\$405,828	\$4,277,828	-\$117,828
12%	\$3,660,800	\$153,600	\$405,828	\$4,220,228	-\$60,228
14%	\$3,577,600	\$179,200	\$405,828	\$4,162,628	-\$2,628
16%	\$3,494,400	\$204,800	\$405,828	\$4,105,028	\$54,972
18%	\$3,411,200	\$230,400	\$405,828	\$4,047,428	\$112,572
20%	\$3,328,000	\$256,000	\$405,828	\$3,989,828	\$170,172

A 5 year adoption average of 14% or 451,000 transactions is the breakeven point for the e-delivery investment.

FINANCIAL IMPLICATIONS

The e-delivery investment is an unfunded initiative per the 2013-14 operating budget. Staff is recommending that the funding source for this initiative come from the current projected operating surplus.

COMMUNITY ENGAGEMENT

N/A

ENVIRONMENTAL IMPLICATIONS

E-Delivery of tax bills will decrease HRM's paper consumption as well as printer ink and toner.

ALTERNATIVES

- Council could reject the report recommendation and request that staff, submit e-delivery cost sharing as part of the 2014-15 operating budget. This is not recommended as staff feel HRM should be a leader in this initiative and launch e-delivery of tax bills in 2014-15 to realize benefits as outlined in the report.

ATTACHMENTS

Schedule 1: RFP Scoring Results

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Financial Approval by: _____
Greg Keefe, Director of Finance & ICT/CFO, 490-6308

SCHEDULE 1: RFP Evaluation Results Summary

Scoring Summary				
RFP Scoring Area	Weight	ePost	KUBRA	StJosephs
Vendor Profile	10	7.0	7.6	4.4
Requirements	20	16.1	14.4	7.9
User Experience	15	10.2	10.4	3.9
Implementation	10	8.0	6.1	4.0
Operating Plan	10	9.0	5.3	3.8
Vendor References	10	9.8	5.0	4.6
Cost	25	23.8	23.9	0.0
TOTAL SCORE		83.8	72.7	28.6