Council Direction:

At the September 3, 2008, Audit and Administration Committee, Report FCS08083 (Appendix “A” to report FCS08083(a)), was approved for a request to spend $32,500 partnering with Canada Post for the electronic presentment of City of Hamilton Tax Bills. Committee asked that an update be given in three years on the cost/benefit analysis to ensure that the E-post mailing service is producing the intended payback of the City’s initial investment.

Information:

Report FCS08083 (Appendix “A” to report FCS08083(a)) estimated that the E-post electronic presentment of tax bills would take 5 years to recover our initial investment of $32,500. This was based on an assumption of 10% (15,000) of our taxpayers, at the time of signing up for the electronic version of the bill, versus the mailed paper version. As we currently have 30% of our taxpayers who pay via pre-authorized payments and another approximately 30% who pay via on-line banking, we felt our estimate of 10% signing up for an electronic billing option was a conservative guess. It is clear that our 5 year projection of a payback period was far too aggressive, given the current numbers who have signed up.
With our 2011 tax billing recently completed, the take-up rate for taxpayers receiving their tax bills electronically is a little over 1% (1,739 of 165,000 taxpayers). While the system was operating in 2009, the majority of the taxpayers were made aware of this service when they received their 2009 final tax bills. Consequently, 2010 would be the correct base year to start measuring the results.

The increase in taxpayers signing up for the service in 2011 versus 2010 showed an increase of 675 taxpayers which represented a 63% increase. Even with the recent disruption in the postal services, this year, we have not yet seen a large spike in take-up for the electronic delivery of tax bills. Our current numbers, since the postal disruption, are 1,881 (an 8% increase over two months). The service is advertised in both our interim and final tax brochures, as well as, on our website. In 2010, Canada Post also ran a contest for new customers, for which they paid for the advertising to be forwarded with the final tax bills.

While it currently looks like it will take longer to realize any significant payback, we do strongly believe that having an electronic solution for bill delivery is positive for the image of the City and something that more of our taxpayers will eventually gravitate towards. The cost was relatively minor and was funded from savings in the Taxation Division in 2008. The actual cost was the $32,500 requested. The infrastructure is the ongoing responsibility of Canada Post (versus our Information Services Division) and, as the take-up increases, it will assist in maintaining the taxation postage budget at or near zero percentage increases.

APPENDICES
Appendix “A” to Report FCS08083(a) – Report FCS08083
SUBJECT: Implementation of E-post Mailing for Tax Bills (FCS08083) (City Wide)

RECOMMENDATION:

That the City of Hamilton, partner with Canada Post, in offering their E-post mailing service for the delivery of City of Hamilton Tax Bills at a cost of $32,500.00.

EXECUTIVE SUMMARY:

Canada Post has an electronic mail delivery system called E-post. E-post allows tax bills to be sent electronically to a taxpayer’s e-mail account, whereby the taxpayer is connected to a Canada Post website to view an electronic copy of their tax bill. In coordination with their financial institution, the taxpayer can then pay their tax bill on-line, at which time, the funds would be electronically sent to the City. The tax bill would be presented in a pdf format, along with the back of the tax bill and any brochures normally sent, along with the tax billings, as set out in Appendix “A” to report FCS08083.

BACKGROUND:

Property taxes are sent twice yearly, with an interim mailing in early February and a final mailing in early June. A third mailing for those on one of the monthly pre-authorized plans is sent in early December. The City sends approximately 285,000 bills and notices
out in these three main mailings. In early February, 80,000 interim tax bills are sent out to every taxpayer not on a monthly pre-authorized payment plan or that pay via their mortgage company. In early June, 160,000 tax bills are sent out to every taxpayer once the budget and tax levy have been set by City Council. In early December, 45,000 monthly pre-authorized letters are sent advising the taxpayers of their monthly withdrawals for the next tax year.

In order to meet the requests of our taxpayers and to cut costs, while helping to preserve the environment, it is recommended that the City partner with Canada Post in offering this service to our taxpayers. By estimating that 10% of our current non-government taxpayers (15,000) will opt to receive their tax bills electronically, we can save on printing approximately 60,000.00 pieces of paper per year. We can also expect to save $6,600.00 per year, per the cost/benefit analysis, as set out in Appendix “B” to report FCS08083. The initial set-up costs to Canada Post, our tax software company and our printer will be $32,500.00, which would produce a five-year payback of the initial investment.

Canada Post will be responsible for all the set-up with the taxpayers, receiving the electronic files from the City and delivering them to each taxpayer who signs up. Our tax software vendor will have to adjust our current software, in order that e-post customers can be flagged on the system so they fall into a different print stream. Our print vendor will have to make some adjustments to our current 11 x 17 tax bill, to produce it in two 8.5 x 11 pieces so the taxpayers can better view the bill electronically. Canada Post will electronically store the taxpayer’s bill for seven years, will answer all calls relating to the e-post process and will actively advertise that City of Hamilton tax bills can be delivered electronically by e-post.

**ANALYSIS/RATIONALE:**

Electronic bill presentment provides an option to our taxpayers who prefer not to receive paper bills. The Tax Office has automated the receipt of tax payments substantially over the last ten years. We currently e-mail to mortgage companies spreadsheet data files of their clients’ tax amounts twice a year. There are currently approximately 42,000 such taxpayers paying through forty-two mortgage companies. Payment is automatically deposited into our account by the mortgage companies and the spreadsheet file returned electronically by the bank, which is loaded into our tax system, and payments posted automatically against the taxpayer’s account. This has resulted in paper savings of approximately 5,000 sheets of paper per year and postage costs of $500.00 per year.

We have also encoded our tax stubs with MICR ink to the specifications of our bank (Royal Bank of Canada) and every stub that is paid at a financial institution is sent to us electronically, with all payments uploaded into our tax system and posted in a matter of minutes. Along with these payments, and in the same bank file, we are sent all payments paid at financial institutions via telephone and personal computers.
Through the use of electronic bill presentment, we will be helping the environment by using less paper and per Appendix “B” to report FCS08083 we expect to save $6,600.00 per year. Canada Post already has the technology and capacity to add the City of Hamilton to their system and would be fully responsible for the electronic delivery of the tax bills.

**ALTERNATIVES FOR CONSIDERATION:**

Continue with the regular mail process.

Develop our own electronic bill presentment system which we would have to design, upkeep and staff.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

An initial cost of $32,500.00 to be funded out of surplus funds in the Taxation Division’s 2008 budget. This initial funding will be recovered in approximately five years by the savings identified in the cost/benefit analysis as set out in Appendix “B” to report FCS08083. As most of the process is electronic, current staffing levels are sufficient. There are no legal implications having Canada Post deliver our tax bills electronically.

**POLICIES AFFECTING PROPOSAL:**

None.

**RELEVANT CONSULTATION:**

Canada Post, Vailtech (Tax System Vendor), Doculink (Print Vendor), Information Systems. The Legal Services Division will be consulted before any contracts are signed.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No

Environmental Well-Being is enhanced. ☑ Yes ☐ No

Less paper is required to produce the City Tax Bills
Economic Well-Being is enhanced.  

☐ Yes  ☐ No

Depending on tax payer take up, the costs of producing tax bills will go down.

Does the option you are recommending create value across all three bottom lines? 

☐ Yes  ☐ No

The community has more options in how they receive their tax bills, less paper is produced, it will cost less to produce and mail the tax bills.

Do the options you are recommending make Hamilton a City of choice for high performance public servants? 

☐ Yes  ☐ No

Hamilton will continue to be an innovator in the delivery and processing of tax bills and tax payments.