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Date June 15, 2022 **Report No.** 2022-352

To Chair and Members
Finance Committee

From Joelle Daniels
Director of Finance/City Treasurer

1.0 Type of Report

Consent Item []
Item For Consideration [X]

2.0 Topic **Municipal Property Tax Software Replacement** **[Financial Impact \$98,300]**

3.0 Recommendation

- A. THAT Report 2022-352 regarding Municipal Property Tax Software Replacement BE RECEIVED; and
- B. THAT the non-competitive award of a property tax billing and collection system to CentralSquare Canada Software Inc. BE APPROVED to an upset limit of \$1,700,000 (inclusive of HST) for a five-year term and
- C. THAT the Director of Finance and the Manager of Purchasing BE AUTHORIZED to execute a contract and any amendments, renewals, or other documents as required with CentralSquare Canada Software Inc., and
- D. THAT additional capital funding to support the software implementation in the amount of \$98,300 BE FUNDED from the Capital Funding Envelope Reserve (RF0556).

4.0 Executive Summary

Property tax revenue is the main source of the City's annual revenues, and the accurate billing and efficient collection of these revenues is critical to the functioning of the municipality. The City has been using its current vendor for this purpose for almost 20 years and this program has now reached the end of its useful life. Additionally, the developer of this software has stopped providing support for this product making it imperative that the City acquire a new property tax solution. The property tax software market in Ontario is extremely limited, and following the issuance of an Expression of Interest, only one qualified property tax software solution was received. Therefore, Finance and IT Services staff are recommending the non-competitive procurement option for CentralSquare Canada Software Inc. (CentralSquare)

5.0 Purpose and Overview

The purpose of this report is to obtain approval for a non-competitive award of a new property tax billing and collection solution with CentralSquare Canada Software Inc.

6.0 Background

The City's current property tax software has been in use for approximately 20 years. This tax software is used to bill approximately 37,000 property tax accounts resulting in over \$212 million (municipal, education, BIA) in revenues for 2022. Property taxes are the largest revenue source for the City.

The current system is used extensively at the City of Brantford by the Building Department, including Property Standards as well as property tax billing and collection. The most recent module was not included in the latest software upgrade by the provider, requiring the system to run on a separate database in a different environment. The current software has reached the end of its useful life and is no longer supported by the software provider. The City must replace the current tax module as the vendor has terminated product development and support for the software. The current unsupported software creates a significant risk to the City if new legislation were to be announced requiring updates to the software, which will not occur with the current vendor. Product changes or advancements are halted with the current system, and the development of a customer portal or e-billing will not be available. The municipalities of Burlington, Oakville and Windsor also use the City's current vendor's software platform and all three of these municipalities have reached agreement with CentralSquare and will be implementing their property tax software solution.

7.0 Corporate Policy Context

The implementation of a new property tax system for the first time in twenty years supports Desired Outcome number four in Council Priorities, 2021-2022:

There is high trust in the City through demonstrated progress in taxpayer affordability and value for money.

A new property tax software solution will provide more functionality for both staff and the constituents of Brantford. As the City experiences tremendous growth in the residential sector, more property owners will be able to access their own property tax information through an on-line self-service portal. Additionally, with new legislation approved a couple of years ago, interim and final tax bills are allowed to be emailed to property owners. This is functionality that does not exist with our current system.

8.0 Input From Other Sources

Staff from Finance (including the Purchasing Division) and IT Services have been involved in the review, analysis and recommendation for a new property tax software solution. Staff from the Legal Department have been involved in the review of the CentralSquare Agreement.

9.0 Analysis

Property tax billing, collections and programs are regulated through the Municipal Act. There are very limited options available for property tax software products in the Ontario market. Staff from IT Services and Finance have reviewed other software options and have concluded that CentralSquare property tax software is the only viable product for the City. Recognizing limited available options in the Ontario market, an Expression of Interest (EOI) was issued with the assistance of the Purchasing Division. There were only two responses to the EOI. CentralSquare was one respondent; the other respondent was a software developer with no knowledge of property tax systems within Canada.

The municipalities of Burlington, Windsor, Hamilton, Chatham-Kent and Caledon have been participating in an Early Advisors program with CentralSquare helping them develop a new software solution for the Ontario market. CentralSquare has legacy property tax systems in more than 500 municipalities in Canada including more than 200 municipalities in Ontario. CentralSquare has been delivering property tax solutions to customers for over twenty-five years.

The CentralSquare property tax software system is a cloud-based system and software as a service (SAAS) solution hosted by the vendor as a subscription service and maintained off-site. The base functionality of the product is complete with a commitment to on-going product enhancements. An on-line portal is expected to be phased in during 2022 and further developments to streamline business process will continue throughout 2022.

Two municipalities, Chatham-Kent and Halton Hills, have successfully implemented the CentralSquare software as their new property tax software solution. Additionally, six more municipalities have selected the CentralSquare product and are currently implementing as their property tax software solution. These municipalities are Burlington, Windsor, Caledon, Guelph, St. Catharines, and Oakville.

Included with the proposed solution from CentralSquare will be a complete business process review, which has not been undertaken in many years. This business review will be fully customized and documented for the City of Brantford.

IT Services and Finance staff participated in a demonstration of the CentralSquare property tax software and were impressed by its functionality, additional features within the system, and the vendor's commitment to continue developing enhancements to the product. While CentralSquare has developed and demonstrated they can deliver a stable tax system with all required core functionalities, they are also expected to enable various self-service/online features for taxpayers as part of their future solution enhancements.

10.0 Financial Implications

City Council previously approved \$825,000 for a new property tax solution. Capital Project FN1903 was established and presently the entire \$825,000 is still available for the implementation of a new property tax solution.

The total cost to the City for the implementation and five year service subscription is \$1,700,000 including a 10% contingency of \$66,395 on the implementation component of the project. The required capital costs are \$907,330, and include the implementation costs plus the first year of the annual service subscription. This results in a funding shortfall of \$98,300, which is being recommended to be funded from the Capital Envelope Reserve. The second year of the service subscription cost is \$182,295, which will increase by an inflationary component each year, will be included in the IT Services annual operating budget beginning in 2023.

11.0 Climate and Environmental Implications

The implementation of a new property tax software solution will have positive climate and environmental implications in that property owners will be able to receive their tax bills by email if desired. This will reduce paper and delivery costs. The availability of a self-service citizen portal allows property owners to log in to the system, manage their property tax accounts and potentially reduces the need for in-person visits to City Hall.

12.0 Conclusion

Finance and IT Services staff have researched the market with respect to property tax software and have determined that CentralSquare continues to develop a robust, hosted system using the latest programming technology and is the only viable solution in the Ontario market. CentralSquare property tax software will be a long-term solution to replace the City's current system.



Joelle Daniels
Director of Finance/City Treasurer

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Attachments (if applicable)

Copy to:

In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required ☐ yes ☒ no

Agreement(s) or other documents to be signed by Mayor and/or City Clerk ☐ yes ☒ no

Is the necessary by-law or agreement being sent concurrently to Council? ☐ yes ☒ no