



The Corporation of the Town of Milton

Report To: Council

From: Aaron Smit, Director, Information Technology
Glen Cowan, Chief Financial Officer / Treasurer

Date: July 17, 2023

Report No: CORS-035-23

Subject: Property Tax Management System

Recommendation: That a single source award for a property tax billing and collection system to CentralSquare Canada Software Inc. be approved to an estimated amount of \$1,531,577 (exclusive of HST) for the initial implementation along with a five-year term, and that staff be delegated the authority to renew up to two (2) additional years.

THAT capital project C24110219 (Property Tax System Replacement) be increased by \$700,000 from \$164,088 to \$864,088 with funding provided from the Project Variance Account.

THAT in the preparation of the Proposed 2024 Capital Budget and Forecast staff include in 2024 a funding request for the project team resources required to implement the new property tax system, and remove from the forecast the portion of the estimated cost that was accelerated to 2023 in the recommendations above (previously forecasted in 2024).

THAT the Manager, Purchasing and Supply Chain Management be authorized to execute the contract(s), as outlined by the purchasing bylaw, and the Mayor and the Town Clerk be authorized to sign any required paperwork.

EXECUTIVE SUMMARY

- Replacement of the property tax system has been identified as a priority in the Town's service delivery review process (phase 2), and aligns with the digital first focus within the Town's strategic plan.
- Funding of \$1.9 million was previously approved in 2019 to replace the Town's property tax software, however based on an assessment of the market at the time, a decision was made to return funding to the reserve until such time as a suitable solution was available to meet the needs of the Town.

EXECUTIVE SUMMARY

- A single source award to CentralSquare is recommended given the limited market for this product, the alignment that it will create with the other municipalities in Halton with which Milton shares tax policy, the modernization and robustness offered by the solution, as well as the ability to secure the timing of the project implementation.
- In addition to strengthening of the Town's billing and collection processes, the new software will allow for the introduction of a self-service portal for property owners to more actively manage their accounts.
- If the recommendations herein are approved, and subject to successful negotiations, the project is expected to launch in late 2024 with a go-live date as early as late 2025.

REPORT

Background

The Town's current property tax software is responsible for the billing and collection of more than 45,000 tax accounts representing over \$240 Million in revenue for the Town, Region, School Boards and the Business Improvement Area (BIA). In Halton's two-tiered system, the billing of property taxation rests with the lower tier. With property taxes accounting for the largest revenue source for the Town, a secure, modernized and evolving property tax billing software solution is essential in safeguarding these revenues.

The Town has been utilizing the current property tax software platform since January of 1998. There have been periodic version updates over the past 25 years (with the most recent update in November 2021), however a number of features that are required to support a modern and growing municipality remain outstanding:

- Automation to upload ownership and mailing address changes, auto-pay plan or ebilling enrollment does not exist, therefore all are completed via manual entry
- Distribution of non-residential education tax dollars, resulting from assessment adjustments are not automated, requiring manual journal calculation and allocation by finance staff
- Mortgage company additions, deletions, edits are entered manually without auto-upload capability
- System cannot assign due date(s) or notify ratepayer of status for land apportionments, post-roll advisory notices and Assessment Review Board increases resulting in manual tracking, penalty and fee reversals
- Inability to extract table data or create custom reports, forms and analytics

Background

It is estimated that from just these few system limitations alone, tax staff devote over 1,500 hours annually on manual processes, resulting in staff seeking alternative means of achieving results through less than ideal methods. Tax staff rely on Information Technology (I.T.) staff to run a minimum of 60 independent processes, reports and queries annually. This additional workload equates to over 100 hours annually of I.T. staff time addressing functions that should be built-in functionality to a modern property tax management system. Further, product changes or advancements and an ability for an on-line self-serve customer tax portal are either difficult to implement, not sufficiently supported or not available.

Since early 2018, Finance and I.T. staff have actively been exploring potential replacement tax software systems. Additionally, Milton has continuously remained connected with other municipalities across the Province who are also exploring a migration to a new platform. Based on these discussions, along with the low vendor response rates to the requests for proposals (RFP) and expression of interests (EOI) issued by other municipalities, the market for property tax software is limited to only a few vendors who are able to provide a suitable solution, complete with the functionality that the Town requires.

Until recently, the Town of Halton Hills was also using the same software as Milton for its tax billing and collection activities. In 2021 they migrated to a new provider (CentralSquare). The Municipalities of Oakville and Burlington previously utilized Amanda Open Tax for over 20 years, however, in June 2018 the software provider CSDC (now Granicus) permanently discontinued development and support of its property tax module. Subsequently, both Oakville and Burlington are in the process of converting onto the CentralSquare solution with an anticipated go-live by end of 2023. CentralSquare is a company with over 25 years of property tax experience. They are currently shifting their focus away from the smaller, legacy products to their go-forward cloud-based property tax management system.

Through the 2019 Capital Budget process, \$1.9 million had been previously approved by Council for the replacement of the tax software system. At the time, although funds were available to proceed with the purchase of a replacement system, it was determined that the in-market tax solutions available to the Town required further advancement and development in order to satisfy the current and future needs of the organization. The unspent funding was returned by end of year 2019, aside from \$100,000 that was retained to optimize the current system or prepare for a future replacement.

Discussion

Any property tax billing solution must adhere to Provincial legislation and Town of Milton policies, primarily but not limited to the Municipal Act, Assessment Act and Education Act, as well as municipal by-laws, which stipulate the means utilized in the billing and collection

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of property taxes. It must also have the ability to load assessment information each year received from the Municipal Property Assessment Corporation (MPAC).

A number of other Ontario municipalities are in a similar situation with respect to needing to move to a more modern solution that adequately supports the needs of their respective organization. As such, these municipalities have been or are currently in the market for an improved solution. A scan of southern Ontario municipalities that are currently or have recently replaced their tax solution indicate that four have issued RFP's which have been met with very limited response. CentralSquare was a respondent to each, along with either one or two other internationally based software developers who hold little-to-no presence in the property tax systems market within Ontario.

Municipality	Procurement Method	Contracted with/Awarded to	Anticipated Go-Live
Caledon	Single Source	CentralSquare Canada Software Inc	estimated - July 2023
Burlington	Single Source	CentralSquare Canada Software Inc	estimated - Oct 2023
Oakville	RFP	CentralSquare Canada Software Inc	estimated - Nov 2023
Brantford	EOI - Single Source	CentralSquare Canada Software Inc	estimated - Dec 2023
Windsor	RFP	CentralSquare Canada Software Inc	estimated - TBD
Chatham-Kent	RFP	CentralSquare Canada Software Inc	Live - Jan 2021
Halton Hills	Single Source	CentralSquare Canada Software Inc	Live - Jan 2021
Guelph	Single Source	CentralSquare Canada Software Inc	Live - Jan 2023
St. Catherines	Single Source	CentralSquare Canada Software Inc	Live - Jan 2023
Barrie	RFI	CLOSED - results being evaluated	
Peterborough	RFP	CLOSED- did not award	
Hamilton	RFI	CLOSED - results being evaluated	

CentralSquare Property Tax

CentralSquare has legacy property tax systems in more than 500 municipalities within Canada including over 200 in Ontario. These legacy systems include Vadim, Diamond and a desktop version of Tempest (used in B.C. and Alberta) that fall under the CentralSquare suite of products. This vendor recognized the need for robust, modern and sustainable taxation software within the Ontario market and have been actively enhancing their product line since 2018. CentralSquare offers a robust, cloud-based application hosted via secure data centers within Canada. The CentralSquare system meets all Provincial property tax legislative requirements for billing and collection. Their tax solution is designed to be flexible in its operation thereby minimizing the need for Milton-specific customization. It offers functionality such as role/group defined permissions, flexible pre-authorized plans, unlimited user-defined attributes, variable school rates and revenue configurations, and

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robust data exports which are important to the present and future needs of the Town. CentralSquare's tax system also offers an online portal that provides self-serve capabilities, accessible through a secure login from the Town's website, available 24/7 to ratepayers. Customers will be able to enroll for ebilling or pre-authorized payment, change their mailing address, view pertinent account details (historical billings, payments, assessments and other transactional attributes), and generate a statement of their account that they can use for mortgage refinancing, property sale or income tax purposes.

Alternatives for Consideration

The Town can continue to maintain the current taxation system recognizing that manual workarounds for required functionality will persist along with dedicated I.T. staff resources to assist in maintaining and improving various report generation requirements and conducting a growing volume of data extractions, external manipulations and uploads back into the system annually. Future system limitations can be expected to persist with this alternative as product development plans have not shown the desired functionality as part of upcoming version releases.

Staff have also considered the potential for moving to a neighbouring municipality's developed in-house tax system. This solution is currently utilized by eight different municipalities within the GTA. Town staff have seen product demonstrations in 2018 and 2019 but have concerns about this solution's ability to serve the long-term needs of Milton.

The Town could alternatively enter into a competitive bid process (RFP) for a property tax software system. It is expected that the RFP process would take a minimum of six months to complete.

Non-Competitive Sourcing

The Town's Procurement By-law 061-2018, Section 10.1, requires Council approval to award a non-competitive (single source) procurement where the total cost of the contract exceeds \$25,000. Although a formal procurement process could occur in this instance;

- It is recognized that there is limited competition as there is an extremely limited presence of established property tax software vendors in the Canadian marketplace.
- The City of Burlington and the Towns of Halton Hills and Oakville are or will be utilizing CentralSquare for property taxation. Tax policy is set at the Provincial and Regional level, and is therefore consistently applied to all four municipalities within Halton. Utilizing the same property tax software would enable efficiency in the design and implementation of various programs and fosters uniformity in both messaging and visualization for the ratepayers in Halton.
- The utilization of CentralSquare would also provide an opportunity to modernize and automate processes that are currently completed manually, thereby enhancing and

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improving the customer experience, standardizing policy processes and providing efficiencies for the Town.

- Should the Town be in a position to execute a contract with CentralSquare in 2023 (for project initiation in late 2024), the timing of the initiative could be firmly secured and sufficient time for project planning and resourcing would be provided for.

The balance of this section outlines what next steps could entail on the basis that the authority for a single source award to CentralSquare is provided as recommended in this report.

Third Party Costs

CentralSquare prices their product according to the number of active property billing accounts within the Town's assessment base. Based on the 45,000 active billing accounts currently, the vendor has indicated a \$609,480 one-time capital cost for implementation and an ongoing operational cost of \$213,938 starting in 2026. This is an approximate incremental operating cost of \$194,354 over and above what the Town currently pays for the current tax management solution annually. This cost increase reflects a consistent trend related to an industry shift from self-hosted (on-premise) software systems to cloud-based systems, as well as being a reflection of the enhanced functionality this new solution would bring to the organization. In moving from an on-premises solution to a cloud-based solution, there may be savings realized in other operating budget line items that will partially mitigate this increase. This annual subscription would be subject to annual increases over the life of the established contract period. The Town would optimally opt for a minimum contract length of 5 years with the ability to execute 2 subsequent 1-year extensions for a total contract length of 7 years. This would provide the Town an opportunity to seek the most advantageous pricing by securing a long-term commitment and relationship with the vendor. The full project costs, including annual subscription rate increases and full implementation costs will be further refined during contract negotiations and implementation scoping exercises with the vendor.

Staff Resources Required for Implementation

In consultation with other municipalities that have completed their conversion onto the CentralSquare platform, as well as Milton's own experience with new software implementations, the establishment of a project team during the design and implementation phase will be central to the success of the project. Through the 2024 Budget process, additional capital funding for the resources that will be required for the project implementation will be requested. This timing will allow the project team needs to be further defined through discussion with CentralSquare, and will better match the timing of when the funding will be utilized. This project is expected to utilize subject matter experts and

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resources primarily from the Taxation & Assessment and I.T. teams, including project management competencies and oversight.

Timeline for Implementation

Due to age and limitations of a number of existing tax software solutions, a growing number of Ontario municipalities are considering or have committed to a shift onto the CentralSquare's property tax system. To secure Milton's targeted timeframe, staff are seeking Council's authority to establish a contract ahead of the 2024 budget process with a formal project launch expected in late 2024.

With consideration of the data conversion and validation requirements, a project launch no later than October 2024 is expected to offer a potential a go-live date as early as the fourth quarter of 2025. This could be followed by a post go-live period for data cleanup and further integrity checks ahead of the 2026 billing cycle.

The project timeline will be further assessed and revised as is required through the next steps in the process.

Relationship to Strategic Priorities

Migration to new property tax software is directly aligned with the opportunities detailed through the Service Delivery Review Phase 2 for the Corporate Services Department [CORS-063-20](#) as summarized below.

- Continue to investigate new tax software due to significant limitations with current provider (letter generation, manual recalculation for journal entries, process limitations) (FIN10).
- Create a self-service web-based portal for tax activity that includes account status and transactions, download of tax statement or receipt, join Auto-pay programs or update bank information, enroll in ebilling, update mailing address and purchase a Tax Certificate (FIN12).

This initiative also aligns with key elements of the Town's strategic planning process by modernizing and providing a digital first solution.

Digital technology has empowered consumers to demand more from the organizations they do business with and more than ever, this is being manifested in real-time availability. Putting this into perspective, approximately 65% of the 35,000 inquiries received last year by property tax staff (via phone call, email, in-person) relate directly to queries the public could have self-served via an on-line tax portal.



Attachments

None

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.