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Procurement Services, IT & Financial Services 2018-07 Award of Single Source Contract Staff Report

Report Number: 2018-07

Department(s): Procurement, IT & Financial Services

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Meeting Date: April 19, 2018

Recommendations

1. That the report entitled Procurement Services, IT & Financial Services 2018-07, regarding the awarding of a single source contract for property tax software, known as Tax Manager (TXM) be received; and,
2. That Council approve a single source/partnership process to award a contract for a new property tax system to the Corporation of the City of Mississauga, on terms satisfactory to the Treasurer, the Manager of Procurement Services and the A/Director of IT.

Executive Summary

See Below

Purpose

Council approval of a single source/partnership to purchase a new property tax system. A budget for this purchase was previously approved.

Background

Staff has reviewed the functionality and support services of the current property tax system (Vailtech).

The current system has been in use since approximately 1992 and unfortunately, over the years, enhancement has not kept up with updated legislative requirements, or new technology that could improve both the taxpayer and staff experience.

Some of the key shortcomings of the Vailtech system are:

1. Not legislatively compliant with the current Municipal Act and its regulations in many areas.
2. Technology designed in the 1990's has not been updated, for example, it is not a web-based application.
3. There is no option to allow taxpayer interaction in the future.
4. There are very few useful reports and no taxpayer communication tools available.
5. The support services of Vailtech have declined to the point where internal IT resources are being stretched to fill in the gaps.

The Supervisor of Property Tax & Assessment and the Application Systems Specialist from IT reviewed a number of other systems available on the open market and visited other municipalities to view and evaluate available property tax systems on the open market. The following steps were taken:

- Software survey was initiated through various professional organizations.
- Visits were made to other municipalities to view their systems and functionality.
- Discussions were undertaken over the telephone and in person with staff from other municipalities for their opinions.
- Systems reviewed included Open Tax (Amanda), Vadim I-City, Diamond Property Tax, MuniSoft Property Tax and Tax Manager (TXM).

The results of the review are summarized as follows:

- Size of the municipality – some of the available systems were designed for much smaller municipalities and would not be appropriate for Newmarket.
- User experience – staff colleagues were quite open about the shortcomings of some of these systems such as, manual entry on a daily basis, no connection to financial systems, large amounts of up front manual data entry to get started.
- Cost – for-profit companies offer all of the systems with the exception of TXM and the average costs were higher than TXM estimates.

- Legislative compliance – some of the other systems were similar to Vailtech in terms of their current ability to meet changing legislative requirements, generally by relying heavily on the municipal users to interpret legislative requirements, which can vary. The providers do not have property tax experts on staff.
- Future enhancements – none of the other systems offer the option of moving to a web based taxpayer interface with the property tax and assessment data.

Finance and IT agreed to recommend TXM as the best solution for the Town of Newmarket based on the following conclusions:

- The City of Mississauga operates and markets the system on a not for profit basis, looking only for cost recovery in their fees. They approach the process as a partnership rather than a vendor/customer relationship. The software industry is a very competitive environment in which companies may only exist for a limited time, or where staff turnover may be high leading to gaps in knowledge and a reduction in support. By utilizing software developed by municipalities-for municipalities the likelihood of these issues occurring is substantially mitigated.
- The City of Mississauga developed the Tax Manager (TXM) system in-house with the collaboration of financial and property tax staff from various municipalities. The cities of Markham, Brampton and the Town of Richmond Hill assisted in the development and continue to use it today. In addition, the City of Pickering single sourced and purchased the system and converted from Vailtech, providing a good road map for Newmarket's conversion.
- TXM includes all of the functionality to bill property taxes, change the levies when required for assessment appeals, tax rebate or reduction applications, manage collections effectively and manage the assessment values under up to date legislative requirements.
- The City of Mississauga as the vendor has both the staff and more importantly, the expertise to quickly interpret and understand legislative changes as they occur in the future, and as a lower tier municipality fully understands our strategic priorities in terms of community engagement.
- For the future, TXM has the ability to integrate with a web portal where taxpayers will be able to access and manage many functions relating to property tax and assessment directly with a secure password.

Discussion

Process to Date

During 2017, multiple discussions took place between Newmarket's then Manager of Procurement, Legal Services, Finance and IT. The result was the content for a Master Services Agreement was agreed upon and is ready for execution should Council approve this recommendation. During those discussions, Newmarket agreed to work with Mississauga in a "Discovery Process" to determine if Newmarket is a fit for TXM.

The discovery process took place during January and February with the following results:

- Some minor changes to business processes will be made;
- No major issues with data were discovered, however some hardware upgrades will be required;
- The term of the agreement will be three years, with optional annual renewals after that;
- We will work towards implementation on October 1, 2019 and be fully functional for the 2020 tax year. The discontinuation of the current system would be timed to take full advantage of cost reduction on the existing service provider's contract

Procurement Assessment

The Manager, Procurement Services has reviewed the "TXM Tax Manager – FINAL - Discovery Report" dated April 5, 2018 and all other previous supporting documentation, and is satisfied that the Single Source purchase of the TXM Tax Manager software supplied by the City of Mississauga aligns with section 13.6, subsection v. of the Procurement By-law:

"Where the contractor possesses the unique and singularly available capability to meet the requirements, such as, skills related to and/or existing knowledge of the nature of the service"

Single Source purchases shall be required to comply with the contract requirements of Section 15 Contract Execution and Section 16 Contractor Performance of the Procurement By-law.

Conclusion

Should Council approve this report, staff will move ahead with an implementation plan that will target October 1, 2019.

Business Plan and Strategic Plan Linkages

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

Consultation

In addition to the external research completed, there has been extensive consultation between Finance, IT, Legal Services and Procurement through the process.

Human Resource Considerations

Staffing levels would remain the same following implementation; however there is an expectation that once the system is fully implemented there will be a reduction in the staff time required for administrative tasks with the current system for both IT and Finance, providing an opportunity to enhance our service to the public.

Budget Impact

Operating Budget (Current and Future)

The 2017 capital budget included \$300,000 and an annual allowance of \$46,000 in the operating budget. Any additional costs will be captured in the 2019 budget process

Capital Budget

Approval for a new tax software system was included in the 2017 capital budget, should the amount exceed the figure previously approved, a request for additional funding will be made as part of the 2019 budget process.

Attachments

None

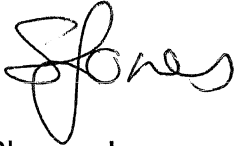
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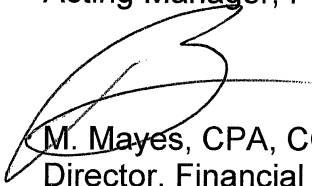
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