

COMMITTEE OF THE WHOLE (WORKING SESSION) - MAY 11, 2004

CITY OF VAUGHAN CREDIT CARD INITIATIVE

Recommendation

The Commissioner of Economic/Technology Development and Communications, in consultation with the City Manager and the Senior Management team, recommends:

1. That Council receive this report and,
2. That Council authorize staff to initiate an RFP process

Purpose

The purpose of this report is to inform Council of the details of the proposed Vaughan Credit Card programme as well as its potential benefits to the residents of Vaughan and to request approval for staff to proceed to the required RFP process for this initiative.

Background - Analysis and Options

Early in 2002, the Commissioner of Economic/Technology Development and Communications was approached by representatives of Civic Strategies Inc, a Vaughan company, for the purpose of outlining to him the concept of creating a City of Vaughan Credit Card (the "Card") to be made available exclusively to the residents, property and business owners of Vaughan. The programme would allow Vaughan residents, property and business owners to accumulate "points" with each purchase made with the Card (whether the purchases are made in Vaughan or not) and to apply them only to put towards payment of their Vaughan property taxes. The City of Vaughan Credit Card would be co-branded with the financial institution issuing the Card.

The Commissioner and his Senior Staff have met with representatives of Civic Strategies several times since this initial meeting, with the objective of clarifying several aspects of the proposed programme, most importantly those relating to privacy of information issues as dictated by two pieces of privacy legislation, the *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA) and the recently applicable *Personal Information Protection and Electronic Documents Act* (PIPEDA). These Acts are relevant to this project in that the financial institution that would partner with the City to issue the Card would require personal information on file with the City about our residents, business and property owners in order to "pre-qualify" those that would be suitable applicants for the Card.

To address the City's legal obligations with respect to the management of personal information, as imposed by these two pieces of legislation, an independent legal opinion letter, rendered by Mr. John Mascarin of the firm Aird & Berlis in Toronto states:

"MFIPPA clearly permits a municipality to collect and retain personal information (sections 20 and 30) and to use and disclose personal information (sections 31 and 32) provided certain authorizations are obtained. The co-branded credit card concept essentially proposes and "opt-in" method for citizens to participate in the plan. Accordingly, the MFIPPA requirements relating to the collection, retention, use and disclosure of personal information can be complied with upon receipt of consent from the individuals to whom the information relates."

And

"The credit card proposal can and will comply with the personal information protections contained in MFIPPA. The plan will be arranged so that the individuals to whom the

personal information relates will provide their consent with respect to the collection, use, retention and disclosure of the information. The proposal, which provides for an opt-in mechanism for persons who are interested in the co-branded credit card, will be structured so that the requirements relating to personal information will be compliant with MFIPPA.”

In addition, the following excerpt deals with the Municipality’s obligations under PIPEDA:

“ ...provided the City of Vaughan and the financial institution with whom the municipality partners to effect the co-branded credit card concept put in place operational, structural and technological practices and procedures consistent with the requirements of PIPEDA and the principles enumerated thereunder, the co-branded credit card concept can be structured in a manner that is compliant with PIPEDA.”

Ensuring Compliance:

At the core of the compliance issue for both pieces of legislation is the matter of consent. This would be addressed by sending all residents, property and business owners a letter from the City, perhaps included in their Hydro or tax bill mailings, informing them of the initiative and telling them that they can “opt-in” to the programme by completing and returning the bank’s application form when they receive it and, in so doing, give their consent for their information to be used to determine their suitability as applicants for the Card. The partnering financial institution would provide the City with appropriate software that would be used to select the candidates for the Card. The applicants would return the application forms directly to the financial institution but the information used to select the applicants would never leave the custody of the municipality. This methodology ensures compliance to both Acts. It also provides the City with the opportunity of introducing the initiative to the residents, business and property owners, thus gaining the benefit of the goodwill generated by providing an innovative and appealing way to address their property tax obligation to the City.

Finance Comments:

Business and residential property tax information is a sensitive area for property tax payers. As the process moves forward it will be critical to ensure the appropriate handling of their information, the details of how the points will be converted to “property tax dollars” must be clearly understood and documented and the overall processes be closely coordinated with Finance and Property Tax staff to avoid confusion and limit complaints from taxpayers.

The approach taken to contact taxpayers must not only take into account the legislation referred to earlier, but also the license agreement with MPAC, MPAC has previously raised concerns with the unauthorized use of what they believe is their assessment and other related data. The issue of the City’s liability for any incorrect data that may be obtained from the City used as a basis for the financial institution making a credit decision must also be addressed.

The competition by credit card companies for market share is high and there are numerous competing reward programs. The City is attaching its name to the program, responses to an RFP must demonstrate the viability of the offering and how the risks and rewards are to be shared.

It should be noted that the City does not accept property tax payments through the use of credit cards. Due to the cost staff would not recommend changing this policy. In addition, property tax are fully secured by the property and therefore collection risk is not an issue.

Benefits to the City and to Residents/Property and Business Owners:

According to the Canadian Bankers Association, there were 44.1 million Visa and Mastercard credit cards in circulation in Canada as of October 31, 2001.

The holders of these 44.1 million VISA and MASTERCARD cards spent a total of \$ 121.82 BILLION dollars within the period between November 1, 2000 and October 31, 2001. The 1,226.6 million purchase transactions this figure represents averaged \$99.16 each.

Based on recent market research using Vaughan's population statistics of persons between 20 and 65 years of age, the potential number of City of Vaughan credit cards issued within the first 2 years could reach 30,000.

In our constant pursuit of innovative methods of serving our constituents, in addition to the potential revenue to the City, this initiative would bear considerable public relations benefits. The City of Vaughan would be the first municipality in Canada to engage in such an innovative programme and would further strengthen its appeal as one of Canada's preferred communities in which to live, work and invest.

There would be minimal costs associated with implementing this initiative, primarily relating to the person who would administer the programme and some mailing costs.

Relationship to Vaughan Vision 2007

This initiative falls within the objectives set out in the Vaughan Vision 2007 in that it offers excellence in customer service through an innovative tool to assist our property owners in meeting their tax obligation to the City.

Conclusion

The City of Vaughan has demonstrated a desire to offer innovative solutions in the delivery of excellent customer service. Through this initiative, the City of Vaughan has the opportunity to be the first municipality to offer its residents, business and property owners this unique tool to assist them in meeting some of their tax obligation to the City. The City of Vaughan credit card programme will contribute to an enhanced image for the City, not just amongst its residents, business and property owners but also beyond the borders of our City, solidifying Vaughan's position as one of Canada's leading municipalities

Attachments

None

Report prepared by:

Emilia Valentini, Senior Manager of Business Development

Respectfully submitted,

Frank Miele
Commissioner, Economic/Technology Development and Communications