DECISION/DIRECTION NOTE

Title:	Electronic Parking Payment System - Contract Award
Date Prepared:	March 29, 2018
Report To:	Committee of the Whole
Councillor and Role:	Debbie Hanlon - Transportation
Ward:	Wards 2 and 4 (may apply to additional wards in future)

Decision/Direction Required:

Council decision is required to award the contract for implementation of an electronic parking payment system.

Discussion – Background and Current Status:

The Paid Parking Management Strategy adopted by Council in February 2018, recommended that the City "*procure a pay-by-phone parking system*" (REC-23). On March 9, 2018 the City released an RFP seeking a qualified vendor to implement an Electronic Parking Payment System. The successful vendor will provide a service that will allow customers to pay for municipal parking using an electronic parking payment system accessed via a desktop browser (web interface), interactive voice response (IVR), or mobile phone ("pay-by-phone" app).

The implementation of this payment system will be completed under a phased roll out.

Phase 1 – Harbour Drive

The initial phase of the project will implement an electronic payment system to control 136 on-street spaces along Harbour Drive, as illustrated in Figure 1. The electronic payment system is planned to go live on **June 11, 2018**. Unlike most other areas where electronic payment is implemented in addition to meters, Harbour Drive will serve as a test bed for allowing payment <u>only</u> via the electronic payment system. Any meter hardware in the area will be relocated to other parts of the City during this trial. This trial will span one calendar year. If it is found that <u>only</u> electronic payment is not a successful payment scheme, then multi space pay stations will be added to Harbour Drive.

Figure 1: Harbour Drive Implementation Area



Phase 2 – City Wide Expansion

The second phase of project will roll-out the electronic payment system, as an additional payment option, for all remaining City operated metered parking. While the timing of this expansions is yet to be determined, it is not expected to occur before September 3, 2018.

Future Phases

Future phases of the electronic payment system will include the introduction and support of duration based pricing in select zones identified by the City, potential expansion of paid parking areas, and system integration and coordination with updates to meter hardware and enforcement. The integration of the electronic payment system with a new parking permit management and issuance system will also be considered in future.

In response to the public RFP for the implementation of an electronic parking payment system called by the City, proposals were received from the following vendors:

- 1. Calgary Parking Authority (ParkPlus System)
- 2. HonkMobile
- 3. HotSpot
- 4. Mackay Meters
- 5. Passport Labs Inc.
- 6. PayByPhone Technologies Inc.
- 7. Precise Parklink Inc.

The proposals were reviewed and rated by an evaluation committee consisting of four staff members in Transportation Engineering and Parking Services. Proposals were evaluated based on Capability, Technical Merit, Methodology, and Cost. This included review of a detailed 88-point criteria matrix that vendors were asked to complete. This evaluation matrix included criteria focused on:

- 1. The user experience
- 2. The administrative interface and implementation of parking policies
- 3. The support available to users and the City
- 4. The ability of the proposed system to integrate with hardware vendors and other services
- 5. Data management, security and privacy
- 6. Mobile enforcement tools
- 7. Reporting capabilities

The technical evaluation also took into consideration demonstrations of each product in three key areas: user platform (primarily the "app"), the administrative interface, and the enforcement interface.

Vendors proposed fee structures by which they would be paid for this service. Typically these structures see little to no upfront investment on the part of the City. Vendors expect to recoup their implementation costs over the life of the contract. The two fee structures proposed to the City were:

- 1. A fixed cost per payment processed on the vendor platform. This "per transaction" cost would be either:
 - a. charged to the end user (person parking) as a "convenience fee" with this model a person parking would see the base charge for parking plus the additional fee; OR,
 - b. charged to the City as a deduction from the parking rate charged with this model the City receives less revenue for each transaction then it would through other payment methods but the end user sees no difference compared to other payment methods.
- 2. A monthly/annual subscription cost that the end user pays to use the vendor platform.

The first structure uses a "base unit" of transactions processed through the platform. The second structure uses a "base unit" of the number of users on the platform. This makes direct comparisons difficult. However, as a general rule the subscription model is cheaper for avid users that make many transactions each month (for example 10 or more transactions). Alternatively, users that park less frequently will see a lower overall cost with fees calculated per transaction.

Through the evaluation it was felt that visitors to St. John's, or residents that only occasionally come downtown, would be much less likely to adopt the electronic payment system if faced with a comparative large subscription fee to "get in the door".

In addition to the two fee structures above, there are two basic options for users to manage payments:

- 1. Users maintain a balance in an electronic wallet. Each transaction would be deducted from this wallet.
- 2. Users maintain one or more payment options (such as Credit Card, Apple pay, etc.) within the platform. Each transaction is charged to the payment option that the user selects as it occurs and no balance is retained on the platform.

There are three main arguments at play when selecting between these options. First, a wallet based system sees fewer transactions to the payment source than if there are individual transactions for each parking payment (i.e., fewer overall credit card transactions). Based on the City's regular credit card merchant accounts there is no difference in processing fees for single large transactions vs. multiple small transactions of the same total value.

The second argument is based on user preference. While it can be suggested that users may prefer to only pay for their immediate parking needs without having to contribute to a digital wallet, it is less clear which option is superior. Most electronic payment providers use an individual transaction model rather than a digital wallet. There are conflicting reports on the preference of end users. In order to mitigate transaction fees relative to transaction amount it is common to set a minimum transaction size when not using a wallet.

Finally, when managing a system that uses a digital wallet the City, as the payment collector, would need to maintain accounts and records for all the unused balance amounts. This increases the level of

effort and potential risk involved in managing the financial aspect of the electronic payment system. Not all proposals indicated that the City would act as payment collector but most did.

Through the evaluation it was felt that the balance of factors favoured a system that used individual transactions rather than a digital wallet.

Ultimately the highest ranked proposal was submitted by: PayByPhone Technologies Inc. (PayByPhone).

The system proposed by PayByPhone scored highest from a technical perspective. PayByPhone offered two payment options:

- 1. Include a per transaction fee of \$0.22 in the platform as a convenience fee to users; OR
- 2. Charge the City a per transaction fee of \$0.16 that does not impact the parking rate seen by PayByPhone users compared to people using a different payment option (coin, credit, ParkCard).

PayByPhone has been operating for 17 years in this field. They now serve over 17 million users and process transactions valued at over \$345 million each year. In their experience, including the transaction fee within the rate charged to people parking results in significantly higher consumer uptake and use of the electronic payment service. This increase in volume justifies, to PayByPhone, the 27% reduction in the fee charged to the City per transaction shown above. While some of this uptake and use will be as a result of users shifting from other payment options to PayByPhone we do expect to see an increase in compliance revenue due to the increased convenience of this service.

The evaluation of proposals considered the relative merits of user facing vs. City absorbed transaction costs and it was felt that, overall, we can offer a superior, more convenient, better adopted, service to our residents and visitors by absorbing the transaction costs.

PayByPhone has committed to cover the normal system setup costs associated with the City's new electronic payment service, integration with licence plate recognition software (for mobile enforcement), and set up of City branding within the PayByPhone app.

PayByPhone will also reimburse the city for costs associated with the first round of sign production. The City has been asked to install the signs.

There are no recurring fees associated with the service requested by the City. There are some optional modules offered by PayByPhone to improve functionality. These optional modules are of interest based on the direction of the Paid Parking Management Strategy but are not being pursued at this time.

Ultimately, the cost to the City to provide the electronic parking payment service through PayByPhone will be:

- \$0.16 for each payment processed using the PayByPhone platform
- Any payment processing fees (such as Credit Card transaction fees)

- Future sign production costs
- Future optional modules (such as permit management)

The users of this platform will not be charged a different rate to park than users of other payment mechanisms.

Key Considerations/Implications:

1. Budget/Financial Implications

The recommended service will charge the City based on number of transactions completed. As the City currently sees the bulk of transactions completed with cash we do not know the number of transactions completed in our system. Based on revenues generated we have roughly estimated that about 1 million transactions occur on the City's parking meters each year (assuming all are in operation). It is further estimated that the 136 metered stalls on Harbour Drive represent roughly 10% of the transactions in the system. At a rate of \$0.16 per transaction the 100,000 transactions per year estimated for Harbour Drive would cost \$16,000 in fees remitted to PayByPhone.

Phase 2 of the PayByPhone implementation will roll out this service to all 1167 metered parking stalls in the City. Successful PayByPhone programs in comparable communities have captured roughly 30% of all transactions. Assuming that 30% of the remaining 900,000 annual transaction are processed through PayByPhone we would expect an additional \$43,200 in fees to be remitted.

These estimates total approximately \$60,000 in fees charged to the City during each year of a City wide implementation. As the City moves toward a cashless system it should be expected that PayByPhone will capture more and more of the transactions in the system. An example provided by PayByPhone showed 85% adoption for on street parking in one city. The total indicated will increase proportionately to PayByPhone capture rates over time.

Given the number of rough assumptions involved in estimating these values a large variance should be expected. Final values 50% higher or lower than those estimated would not be unreasonable.

In order to reduce the burden of transaction fees relative to the small size of individual parking payment transactions it is recommended that the City adopt a minimum transaction of \$0.75. At current rates this corresponds to a minimum purchase of 30 minutes of parking through the electronic payment service. By way of comparison, our current meters enforce a minimum charge of \$1.00 on Credit Card transactions. Setting the minimum at \$0.75 balances the transaction costs to the City with the convenience to the user of short parking stays or short duration "top up" transactions.

It should be noted that REC-32 and REC-33 of the Paid Parking Management Strategy allow City Council to make fine grain adjustments (\$0.05 multiples) to cashless meter / electronic payment rates. By-law changes are under development to codify this ability (REC-52).

2. Partners or Other Stakeholders

Once implemented, this system will offer a wide variety of options to partner with third parties to provide parking based incentives/promotions, additional coverage to other parking operators, and connection to transit fares. The City will also have the ability to provide relevant public notifications or advertising within the City branded PayByPhone application.

3. Alignment with Strategic Directions/Adopted Plans

- Neighbourhoods Build Our City: Improve neighbourhood-level services & Deliver alternative methods for City services and information
- A City for All Seasons: Support a weather resilient city & Support year-round tourism and industry activity
- Fiscally Responsible: Develop appropriate user fee policies & Explore cost-sharing programs/foundations/models

4. Legal or Policy Implications

The City's existing Parking Meter Regulations will not apply to paid parking areas managed solely through electronic means as there is no physical meter associated with parking areas.

City staff are working on a By-Law analogous to the Parking Meter Regulations that addresses the specific conditions that will be present in these "paid parking zones" and provides a clear basis for our Parking Enforcement Officers to issue violations as needed in these areas.

5. Engagement and Communications Considerations

Communications surrounding the new payment system will be of critical importance. PayByPhone will be collaborating with our communications staff to develop the relevant marketing material, educational resources, and broadcast messages. PayByPhone has identified their Director of Marketing and Communications, a recipient of the International Parking Association marketing award, as part of their project team.

6. Human Resource Implications

Key City staff will receive training from the successful vendor on the administration and operation of the new Electronic Parking Payment System. This will include Parking Enforcement Officers, Parking Services administration, Transportation Engineering staff, and Citizen Services Representatives.

Our Public Works department will need to assist with the installation of appropriate signs.

7. Procurement Implications

Next steps for the Paid Parking Management Strategy include the procurement of new meter hardware and enforcement systems. These systems will need to integrate with the PayByPhone platform to ensure seamless operation within Parking Services.

This integration requirement has the potential to limit the number of vendors that could bid on the upcoming purchases. However, by virtue of the breadth of experience and large number of client organizations, PayByPhone has already gone through the integration process with a wide variety of hardware and enforcement vendors. As such, this requirement is not expected to significantly impact future purchases.

8. Information Technology Implications

PayByPhone is an entirely cloud based solution with web based portals for administrative and enforcement interfaces. PayByPhone was founded in Canada and meets the strictest industry criteria for data security. As such there is limited impact on our current systems.

In future, as we add new meter hardware, enforcement, and permit management systems there may be additional requirements placed on Information Services.

The largest change as part of this contract is that Parking Enforcement Officers will need to carry an internet capable device to access the database of valid parking sessions. The interface that PayByPhone provides can be accessed by either iOS or Android devices. This may allow Information Services to manage portable device security more easily than most vendors who offer only Android based enforcement tools.

9. Other Implications

The introduction of an electronic parking payment service is a large change in our parking offerings. It also enables more complex improvements to our pricing policies as we continue with the Paid Parking Management Strategy. This movement risks leaving some of our most vulnerable residents behind if we are not careful to consider their needs.

One way that we are improving access to this new payment methods is by offering an IVR service as part of the PayByPhone package. This will allow anyone without a smartphone or data connection to make a traditional phone call to complete their payment.

Throughout this process it is vital that we provide the best service possible to our residents and visitors. PayByPhone has echoed this in their proposal:

"Simply offering a mobile payment service is not enough. Consumers must LOVE the solution in order to change their habits. PayByPhone is constantly working on ways to enhance the user experience and streamline the payment process."

Recommendation:

It is recommended that Council awards the contract for implementation of an electronic parking payment system to PayByPhone Technologies Inc. on the basis of the fee structured described above.

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Signature:

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Signature:_____