



## **Staff Report for Committee of the Whole Meeting**

**Date of Meeting:** July 2, 2019

**Report Number:** SRCM.19.08

**Department:** Office of the City Manager

**Division:** Strategic Initiatives and Communication Services

**Subject:** Use of cryptocurrency as a method of payment  
for property tax bills

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### **Purpose:**

The purpose of this report is to report back to Council on the feasibility of accepting cryptocurrency as a method of payment for property taxes, services, levies and fees in accordance with the March 18, 2019 motion.

### **Recommendation(s):**

- a) That Council approve staff to enter into negotiations with third-party provider, Coinberry Limited to introduce cryptocurrency as a property tax payment option for residents and businesses.
- b) That Staff report back no later than September 30, 2019 with a report on the status of negotiations and a recommendation on future opportunities for the use of cryptocurrency as a payment option.

### **Contact Person:**

Dayna Alexander, Access Richmond Hill Manager

### **Report Approval:**

**Submitted by:** Meeta Gandhi, Director of Strategic Initiatives and Communication Services

**Approved by:** Neil Garbe, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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### **Background:**

On March 18, 2019, council approved the following motion:

‘Staff report back on the feasibility of accepting digital currency as a method of payment for property taxes, services, levies and fees.’

This staff report responds to Council’s directions.

Currently, the City of Richmond Hill accepts payments for property tax payments through banking institutions, cash and cheque payments in person at Access Richmond Hill and payment by cheque through regular mail. Royal Bank charges the City approximately \$4,000 per month to process online, pre-authorized and cheque payments. A minimum of 65% of property tax payments are made online through banking institutions.

Due to transaction costs, the City does not accept credit card payments for property tax bills; however, credit cards are accepted for recreation programs and other services such as facility rentals. In these instances, the cost of credit card transactions is incorporated in fee schedules.

Cryptocurrency is a relatively new method of payment that both the private and public sectors are examining. It is a digital coin (examples include Bitcoin and Ethereum) that runs on a technology called blockchain which is decentralized, has no central bank or single administrator and can be sent from one user to another at a lower cost than conventional currency transfers.

The Town of Innisfil recently initiated a pilot project with Coinberry, a digital currency platform, whereby the municipality is accepting cryptocurrency as a form of payment for property tax. This is the first Canadian municipality to do so. To date, one transaction has occurred through this payment method.

Following the implementation of the pilot project in Innisfil, Coinberry approached Richmond Hill Council with a proposal to facilitate cryptocurrency payments for City services. Costs to the City include administrative costs (staff time) associated with updating the website, responding to inquiries and receiving payment. Details about the payment process are noted below.

### **About Coinberry**

Founded in 2017 and based in Toronto, Coinberry Limited is a financial-technology company focused on blockchain and digital currency solutions and provides a platform to buy and sell digital assets like Bitcoin, Ethereum, and Litecoin. Their financial statements are audited annually by a public accounting firm, they are federally registered with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) as a Money Service Business (MSB). It is also required by law to have

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compliant Know-Your-Customer and Anti-Money Laundering policies. More info can be found at <https://www.coinberry.com/about>.

In terms of security, Coinberry has the following measures in place:

- Coinberry has fully supportive, transparent and Canadian Deposit Insurance Corporation (CDIC) insured segregated banking in Canada. The banks they work with support their business model as well as the measures they have taken to be compliant with Canadian law. They keep company funds and customer funds in segregated accounts.
- They have a Business Continuity Plan, as well as strict internal controls and storage processes in place.
- The Coinberry platform is penetration tested by the top cybersecurity firm in the country.
- Their database is fully redundant in case of a database breach or crash and restorable within seconds.

### How does the payment process work?

Individuals interested in making property tax payments using cryptocurrency click an icon on the Richmondhill.ca website. They are then directed to a Coinberry dedicated payment page where they input their information (name, address, roll number) and proceed with making the cryptocurrency payment.

Coinberry processes the request, charges the individual the 0.5% fee, immediately converts the digital currency to Canadian currency, and deposits those funds into a bank account in the City's name. These funds are then automatically transferred to the City's main bank account at the end of each business day.

Since no cryptocurrency is being held in the City's name, there is no issue with investment rule compliance and there is no market value loss as the transaction is completed from payee to the City simultaneously, such that the City always receives the full face-value of the transaction amount.

It should be noted that there could be a delay, through the verification process required, from the time a transaction commences to the time it is confirmed. During this delay the value of the cryptocurrency may change, and any value fluctuation will be the responsibility of the customer. For example, if a user sent one Bitcoin to pay for their property taxes at 12:01 a.m. when the rate to sell Bitcoin on the Coinberry platform was \$5,000 CAD/Bitcoin but the fourth confirmation on the blockchain took place at 12:40 a.m. and by that time the rate to sell Bitcoin on the Coinberry platform changed to \$4,950 CAD/Bitcoin, Coinberry would be responsible to remit to Richmond Hill \$4,950 CAD and the user (taxpayer) would be responsible for the remaining \$50 to satisfy their property tax account obligation. If the rate changed to \$5,050 CAD/Bitcoin, Coinberry

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would be responsible to remit to Richmond Hill \$5,050 CAD and the user (taxpayer) would have a \$50 overpayment on their property tax account.

### **Financial/Staffing/Other Implications:**

Entering into negotiations with Coinberry will enable Staff to ensure that the vendor meets the requirements of Section 346 of the *Municipal Act, 2001* which states that all taxes are to be paid to the Treasurer of the municipality directly or to a financial institution (as defined) to the credit of the municipal treasurer if the municipality has enacted such a by-law providing for such payments to be made.

Further, the negotiations will provide an opportunity to discuss and implement if necessary, mechanisms to address over or under payments of the property tax bill and associated bank reconciliation charges.

### **Relationship to the Strategic Plan:**

This pilot project demonstrates the Strategic Plan's goals of Wise Management of Resources and Better Choice.

### **Conclusion:**

It is recommended that the City enter into negotiations with Coinberry Limited to introduce cryptocurrency as a property tax payment option for residents and businesses.

It is further recommended that Staff report back to Council no later than September 30, 2019 with a report on the status of negotiations and a recommendation on future opportunities for the use of cryptocurrency as a payment option.

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### Report Approval Details

Document Title:	CAO - Digital Currency Staff Report.docx
Attachments:	
Final Approval Date:	Jun 25, 2019

This report and all of its attachments were approved and signed as outlined below:

**Meeta Gandhi - Jun 24, 2019 - 10:07 PM**

**David Dexter - Jun 25, 2019 - 7:49 AM**

**Antonio Dimilta - Jun 25, 2019 - 8:57 AM**

**Neil Garbe - Jun 25, 2019 - 9:00 AM**