

## Committee of the Whole (2) Report

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**DATE:** Tuesday, February 14, 2023      **WARD(S):** ALL

**TITLE:** IMPLEMENTATION OF W-WW-SW BILLING SERVICES

**FROM:**

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

**ACTION:** FOR INFORMATION

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**Purpose**

To update Council on the selected implementation option for the City's water, wastewater and stormwater billing services and to provide next steps.

**Report Highlights**

- On August 6, 2021, the City was advised that Alectra's Board of Directors, at its May 21<sup>st</sup> meeting, approved a recommendation by Alectra staff to discontinue water, wastewater and stormwater billing services by December 31, 2024.
- Alectra advised it will provide support to facilitate a smooth transition to a new billing system/supplier.
- Based on the options provided from the external consultant, Kaihen and review of each options' business cases, Vaughan along with all other 3 affected municipalities have selected a hybrid implementation option where each municipality would purchase billing software and assume the billing services previously provided by Alectra.
- Staff will continue to work in collaboration with the cities of Hamilton, Guelph, and Markham, in order to leverage available synergies, reduce costs and benefit from the municipalities' collective experience.

## **Recommendation**

1. That Council receive this report as the update of the City's water, wastewater and stormwater billing services implementation;

## **Background**

Alectra Utilities Corporation ("Alectra"), formerly PowerStream, formerly Vaughan Hydro-Electric Commission, has been providing water, wastewater and stormwater (W/WW/SW) account management and billing services to the City of Vaughan ("City").

On August 6, 2021, the City was advised that Alectra's Board of Directors, at its May 21<sup>st</sup> meeting, approved a recommendation by Alectra staff to discontinue water billing services. Alectra then committed to extend the current service agreement for an additional 12 – 18 months to support the move to a new billing provider. The decision was made in order to support Alectra's goals to enhance customer service, improve staff engagement and maintain financial sustainability.

Alectra also provides water billing services to the municipalities of Guelph, Hamilton, and Markham, serving a total of approximately 410,000 water customers with combined electricity and water billing and related customer services.

Currently, the City has approximately 95,000 metered customers on a uniform rate structure for water and wastewater services, as well as a separate annual stormwater charge. The contract with Alectra, which ends on December 31, 2024, is for the provision of water meter reading, billing, payment, collections, and customer care services for W-WW-SW. The suite of services currently provided by Alectra to the City includes:

- Meter reading
- Bill calculation, printing, mailing and electronic bill presentment options (paperless e-billing)
- Customer notifications
- Full customer call support, responses to inquiries and liaison between the customer and the City for escalated concerns including high consumption inquiries related to seasonal usage
- Oversight and administration of City procedures and programs relating to water and wastewater / storm services such as the Leak Adjustment Policy
- Payment processing
- Account collections including the administration of payment arrangements
- Customer web access to account information including account status and consumption information
- Monthly and annual statistical reporting
- Ad-hoc reporting upon request
- Completion of work orders; issuing service orders to City of Vaughan
- Transfers of water and wastewater / stormwater arrears to the property tax roll

- Managing Energy & Water Reporting and Benchmarking (EWRB) legislative reporting requirements for electric and water customers (as of 2018)

In 2017, the City began charging an annual SW charge to all residents. Alectra acts as the billing and collection agent for this annual charge. This service is also expected to end December 31, 2024.

Alectra currently utilizes Oracle Utilities' Customer Care and Billing System ("CC&B") which supports billing for a range of fees and charges required by the City.

### **Billing Transition Plan**

Alectra has agreed to support the City through the transition by:

- providing support through established joint working teams to assist with the transition of services and related municipal data to a new billing provider
- working closely with the City on joint communications, through multiple communication channels, to help water billing customers manage the related change with the transition to a new billing provider

Council approved the execution of an extended Shared Services with Alectra to continue services up to transition, the execution of a Transition agreement as well as the execution of a Collaboration Agreement with the other municipalities affected by Alectra's decision as applicable.

Kaihen Inc. has been selected by all four municipalities as the external consultant to support and advise the collective municipalities throughout the Project, including:

- advising with the development of the Transition Agreement with Alectra
- conducting assessments of each municipality's current systems and processes
- preparation and evaluation of procurements
- providing project management of the Project

Kaihen is a Canadian consulting firm that helps water, electric and gas utilities, home services companies, energy retailers and municipalities prepare for the kinds of fundamental business changes that improve operations and customer service including evaluating the selection of Customer Information System (CIS) solutions.

### **Previous Reports/Authority**

[DISCONTINUATION OF WATER, WASTEWATER AND STORMWATER BILLING SERVICES BY ALECTRA UTILITIES](#)

(Item 2, Report No. 58 of the Committee of the Whole, December 10, 2021)

[REQUEST FOR APPROVAL OF SINGLE SOURCE PROCUREMENT IN TRANSITION OF W/WW/SW BILLING SERVICES FROM ALECTRA](#)

(Item 3, Report No. 12 of the Committee of the Whole, March 22, 2022)

[UPDATE ON THE TRANSITION OF W-WW-SW BILLING SERVICES FROM ALECTRA](#)

(Item 3, Report No. 36 of the Committee of the Whole, September 28, 2022)

**Analysis and Options**

Kaihen has completed an analysis of utility billing service delivery models both on a collective group and individual municipality basis with the following three options evaluated.

Option 1: Take utility billing solution in-house (note functions such as meter reading and bill print / mailing would continue to be outsourced as currently subcontracted by Alectra)

Option 2: Hybrid model of in-house and outsourced solutions

Option 3: One outsource provider for complete utility billing solution (essentially a vendor to replace Alectra as the City’s water billing agent)

Below is a table summarizing the pros, cons, preliminary cost estimates and implementation timeline for each of the options:

	<b>Option 1 In-House (Back office and call centre in-house)</b>	<b>Option 2 Hybrid (Back office in house)</b>	<b>Option 3 Fully Outsource</b>
Pros	Maintain control Mitigates against outsourced vendor ending contract in future Retains strong expertise on core business in-house	Maintain control Mitigates against outsourced vendor ending contract in future Retains strong expertise on core business in-house Least costly	Shortest implementation timeframe Mimic today’s current state
Cons	Requires hiring & training all front/back office staff and building out the entire support structure	Requires hiring & training all front/back office staff and building out the entire support structure Need to share access to CIS/data to 3 <sup>rd</sup> party Call Centre	Risk of outsourced provider ending contract Least control over data, business processes and customer experience
2023 Cost	\$2.4M	\$2.4M	\$0.6M
2024 Cost	\$3.3M	\$3.1M	\$1.9M

10 Year NPV	\$30.0M	\$26.4M	\$28.1M
Implementation Timeframe	24 months	24 months	18 months

Incorporating feedback from the municipal working group, Kaihen’s recommendation is to move forward with a Hybrid Billing Model (Option 2). Each municipality will need to acquire a billing software solution referred to as a Customer Information System (CIS) and, once the CIS is selected, proceed to procure external provided Customer Portal, Contact Centre (this is subject to further discussion and may not be outsourced), Meter Reading and Bill Print services and establish an in-house Back Office unit (back office functions include billing and collections, customer service).

Each municipality would also be responsible for the implementation of the CIS system and integrating the CIS system with any backend system or process in their environment (e.g. Call Centre, CRM, Customer Portal etc.).

The rationale for selecting option 2 is that it provides control of the data, business processes and customer experience over a core business within the City. Furthermore, it mitigates the risk of the outsourced vendor ending their contract in the near future, leaving Vaughan in the same predicament.

It has been determined that a collaborative procurement, where possible, is the preferred method as it would provide opportunities for the realization of economies of scale through the use of same contract terms and conditions.

Kaihen will continue to provide consulting services for the Procurement and Evaluation Phase of the Project (Phase 2) with the consulting costs being shared by the four municipalities.

The initial step in Phase 2 is the procurement for a CIS as it is one of the most important applications within a utility. Its ability to obtain enormous amounts of information and enable back-office and field activities from a single, unified place means that a CIS not only makes the processes within the utility more efficient, it also acts as a dependable system that customer service representatives, billing clerks, collection staff / agencies, meter shop staff, financial analysts and management can also rely on to do their jobs. The municipalities will be leveraging a combined procurement process to acquire a CIS whereby each municipality can select its own vendor solution. The CIS procurement has commenced with the expectation of releasing the RFP in January 2023.

Staff from various areas of the City in conjunction with Kaihen will form a Utility Billing Procurement and Evaluation team. Staffing requirements to support future vendor management and for in-house back-office operations will be determined through Phase 2 of the Project and brought forward in the appropriate budget year for consideration.

Staff will report back regarding the approaches to procurement for Customer Portal, Contact Centre, Meter Reading and Bill Print services.

### **Financial Impact**

FI-0090-23 - Water Billing Collections and Operations has been submitted for consideration as part of the 2023 budget. The project seeks approval for \$2,060,000 to implement a utility billing system for the City in 2023. The Project would be funded 40% from Water reserve, 55% from the Wastewater reserve and 5% from the Stormwater reserve (based on proration of billing revenue towards each funding source).

Kaihen Inc. was hired for the preliminary or discovery phase of the project for \$142,000. Phase 2A-Evaluation/Selection (part 1) is \$195,000 and the remaining phases including Evaluation/Selection (part 2) and Phase 3-Implementation is estimated at \$400,000. Above costs are inclusive of taxes/administrative fees and are included in project FI-0089-22 - Water and Wastewater Billing System Discovery.

### **Broader Regional Impacts/Considerations**

None.

### **Conclusion**

Staff will continue to work with Kaihen Inc., as the external consultant, and collaborate with Guelph, Hamilton and Markham to develop the Transition Agreement, determine the future operating model and staffing requirements for the in-house back office operations as well as prepare and evaluate procurements for remaining outsourced services (such as bill print and water metering solutions). Staff will report back to Council with further updates as the project moves ahead.

### **Attachment**

None.

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