

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Tuesday, October 1, 2024
Subject	Water, Wastewater and Stormwater Billing Transition

Recommendation

That the Water, Wastewater and Stormwater Billing Transition report 2024-376 dated October 1, 2024, be received.

Executive Summary

Purpose of Report

To provide a high-level overview of the administrative transitioning of water, wastewater and stormwater billing (“utility billing”) from the current billing provider, Alectra Utilities Inc. (“Alectra”), to an internal function within the City.

Key Findings

Alectra currently provides water meter reading, billing, and revenue collection services for the City’s utility billing. On an annual basis, utility revenues are approximately \$83.8 million (\$71.4 million for water and wastewater and \$12.4 million for stormwater).

Alectra has informed the City, along with Hamilton, Markam, and Vaughan that they would no longer support utility billing as part of their core business moving forward. This also aligned with the City’s longer-term goal of full data ownership related to utility billing. Working with key stakeholders, numerous options were explored. This ensured due diligence and confidence in identifying the best utility billing and collection solution for the City and its customers.

Based on this work, including further exploration of a turnkey solution, three overall options were explored in depth. In-house utility billing with new cloud-based software was chosen as it best met the core business needs for the City and was the most affordable option.

The project team continues to move forward with the fundamental building blocks to ensure the accomplishment of the transition through collaboration with stakeholders, building the in-house billing and collection team and exploring synergies with existing data and platforms.

This administrative transition is currently scheduled to commence January 1, 2026. In addition to this administrative change, there will also be associated revisions to the City’s by-laws. These by-law amendments will be provided to Council in a comprehensive report in Q2/Q3 of 2025.

One of the City's main focuses will be customer service engagement and an information campaign that will begin in 2025, ahead of the transition. This will focus on the customer experience as well as bill changes, consideration of customer's payment methods, and customer enquiry resolution.

Strategic Plan Alignment

This administrative change supports improving the City's foundations through greater use of technology and data. This will be delivered through accelerating digital delivery of services which will support improving front-line customer service and communications. All while maintaining the City's delivery of core services and ensuring efficient and effective revenue collections.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Provide excellent service

Financial Implications

Once the utility billing function is fully integrated in-house, there will be an increased operational cost estimated at \$700 thousand annually (\$3.1 million compared with \$2.4 million currently paid to Alectra) starting in 2026. The cost escalation is due to the lack of postage sharing, and actual costs such as meter reading, and bill presentment versus what was in place with Alectra. Staff will be working on a model to mitigate some of these additional costs through eBilling, implementation of user fees, streamlining existing data and platforms, and ensuring efficiencies for collections.

There are transition costs budgeted of \$3.5 million, which are included in the adopted operating and capital budget. These transition costs will be funded from the utility rate contingency reserves to phase-in the one-time start-up operating costs and utility capital reserves to fund the capital costs. The start-up operating costs are expected to be lower than budget due to the staggered implementation of positions. Only actual costs incurred will be funded from the reserves.

Report

Alectra currently provides water meter reading, billing, and revenue collections services for the City's water, wastewater and stormwater utilities. On an annual basis utility revenue equals approximately \$83.8 million (\$71.4 million for water and wastewater and \$12.4 million for stormwater).

In August of 2021, Alectra informed the City, along with Hamilton, Markham, and Vaughan that they would no longer support utility billing as part of their core business moving forward. This also aligned with the City's longer-term goal of full data ownership related to utility billing. As such the cross functional project team with direction from the Utility Billing and Collection Transition Project – Steering Committee has worked with key stakeholders from Alectra, Hamilton, Markham, and Vaughan to explore multiple paths. Through this process, including retaining an external consultant with experience in utility billing transitions, numerous options were explored. Further, this ensured due diligence and confidence in identifying the best utility billing and collection solution for the City and its customers.

Since the project team's last update to council through an [Information Report](#) in January 2023, the City has had an opportunity to discuss an extension with Alectra until December 31, 2025. This allowed for further due diligence including eight months of discovery with a non-regulated entity of Alectra for a turnkey utility billing service. Unfortunately, this discovery revealed final costing, which was well in excess of the cost for the City to internalize the utility billing service.

Based on the previous work, and the further exploration of a turnkey solution three overall options were explored in depth:

1. **Bring the current utility billing system in-house** through the migration of Alectra's current state billing system, hardware and software to the city. This was determined to not be a viable long-term solution as the existing hardware and software are approaching the end of life and has been customized for the current converged hydro/utility billing.
2. **Continue with turnkey utility billing** being contracted out through a third-party vendor. This solution was approximately 50 percent more expensive than bringing in-house when calculated over a ten-year period, costing \$1.4 million more per year.
3. **Bring utility billing in-house with new cloud-based software** with synergies to existing property tax data, collections, and public portal. With the refinement in costing for an in-house utility billing model it was apparent the preferred solution was to bring utility billing in-house as an internal function of the city.

Option #3, in-house utility billing was chosen as it best met the following business objectives:

- To provide a sustainable utility billing system that will meet the municipality and customers' needs now and into the future.
- To provide cost efficient utility billing services to sustain affordability and the delivery of high-quality water, wastewater, and stormwater services through ongoing cost recoveries.
- To improve the customer experience by providing timely utility billing, while at a minimum, maintaining the level of customer service and satisfaction provided today through convenient contact, payment, and access to account information options.
- To leverage existing data maintained by the City and ensure synergies related to location and ownership of properties.
- To enhance access and visibility to data that enables utility billing data ownership with stronger business intelligence abilities, robust reporting, and customer data analytics.
- Keeping up with advanced features provided through a utility customer service portal and billing solutions.
- Countering the challenges in maintaining and supporting a complex enterprise solution by leveraging evolving technologies such as cloud-based software.
- Ensuring any transition has minimal impact on customers, through a fulsome communications plan and strategic transitional decisions.

The project team continues to move forward with the fundamental building blocks to ensure a successful transition. Staff continue to work with Alectra, in conjunction with the other municipalities, to explore synergies and information sharing as we

progress through this transition collectively. Software solutions that ensure synergies of current data, collection efforts, and public portal access are being reviewed. Further an in-house billing and collection team is being assembled to lead this complex and impactful project to the community.

This administrative transition is currently scheduled to commence January 1, 2026. In addition to this administrative change, in 2025, there will also be revisions of by-laws required to align utility billing with efficiency measures, user fees, and process changes. These by-law amendments will be provided to Council in a comprehensive report in Q2/Q3 of 2025.

Through this transition, one of the City's main focuses will be customer service engagement and an information campaign that will begin in 2025, ahead of the transition. This will focus on the customer experience as well as bill changes, consideration of customer's payment methods, and customer enquiry resolution.

Financial Implications

Once the utility billing function is fully integrated in house there will be an increased operational cost estimated at \$700 thousand annually (\$3.1 million compared with \$2.4 million currently paid to Alectra) starting in 2026. The cost escalation is due to the lack of postage sharing, and actual costs such as meter reading, and bill presentment versus what was in place with Alectra. Staff will be working on a model to mitigate some of these additional costs through eBilling, implementation of user fees, streamlining existing data and platforms, and ensuring efficiencies for collections. The annual operational cost increase of \$700 thousand is up \$450 thousand from an initial estimate of \$250 thousand based on refined pricing and escalating costs over the past two years and will be adjusted in the 2025 budget confirmation and further refined up to the implementation date.

There are transition costs budgeted of \$3.5 million which are included in the adopted operating and capital budget. These transition costs will be funded from the utility rate contingency reserves to phase-in the one-time start-up operating costs and utility capital reserves to fund the capital costs. The overall start-up operating costs are expected to be lower than budget due to the staggered implementation of positions. Only actual costs incurred will be funded from the reserves.

Consultations and Engagement

Internal consultations with Environmental Services, Engineering Services, Finance, IT, Communications, Customer Service and Human Resources.

External consultations with Hamilton, Vaughn, Markham, and Alectra.

A full communications plan will be developed with the overall customer experience as the primary consideration of such a plan.

Attachments

Attachment-1 Utility Billing Transition Presentation

Departmental Approval

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