



Report to: General Committee

Meeting Date: February 14, 2022

SUBJECT: Contract Extension for Water Meter Reading & Billing Services

PREPARED BY: Shane Manson, Senior Manager, Revenue & Property Tax

RECOMMENDATION:

1. That the report entitled "Contract Extension for Water Meter Reading & Billing Services " be received; and,
2. That the contract for Water Meter Reading & Billing Services with Alectra Utilities be extended for up to an additional 3 years (January 1, 2022 to December 31, 2024) increasing from \$1,553,680.00 to \$1,600,290.67 inclusive of HST for 2022, a 3% escalation over the 2021 rate and 3% each year thereafter; and,
3. That the Mayor and Clerk be authorized to execute a Shared Services Agreement extension agreement between the City and Alectra Utilities, in a form satisfactory to the City Solicitor; and further,
4. That the tender process be waived in accordance with Purchasing By-Law 2007-8 Part II, Section 11.1 (c) which states "when the extension of an existing contract would prove more cost effective or beneficial"; and Section 11.2 which states "Request for Tenders, Requests for Proposals and Requests for Quotations may not be required for goods and services to be provided by Utility Companies"; and,
5. That the CAO be authorized to execute a Transition Agreement (or such other similar agreement, as required) between the City and Alectra Utilities, in a form satisfactory to the City Solicitor; and,
6. That the CAO be authorized to enter into a Collaboration Agreement (or such other similar agreement, as required) between the City and any or all of the Cities of Hamilton, Guelph and Vaughan in a form satisfactory to the City Solicitor; and further,
7. That Council approve a new 2022 Capital Budget for the initial phase of the Water Billing Transition Project including the hiring of an external consultant in the amount \$200,000 to be funded from the Waterworks Reserve; and,
8. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to provide Council with information related to the decision of Alectra Utilities to discontinue water billing services, and to obtain Council's approval to execute;

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- An extension to the current Shared Services Agreement with Alectra to provide services until Dec 31st, 2024; and,
 - A Collaboration Agreement (or such other similar agreement, as required) with one or all of the Cities of Vaughan, Hamilton and Guelph; and,
 - A Transition Agreement with Alectra (or such other similar agreement, as required) which will detail the how the transition of services and related municipal data to a new billing system and/or service provider will occur.

BACKGROUND:

In April 1996, Markham Council approved a Shared Services Agreement between the City of Markham and the Markham Hydro Electric Commission (“Markham Hydro”), whereby the City's water meter reading and billing services, previously performed by City Staff, were taken over by Markham Hydro. Since that time, Markham Hydro, and its successor entities, have performed these duties on behalf of the City. Markham Hydro became part of Power Stream Inc, which then became part of Alectra Utilities in early 2017.

The Shared Services Agreement includes the following activities performed by Alectra Utilities:

- Water meter reading
- Billing of water/sewer services
- Customer Account Management (*initial customer service point of contact*)
- Monthly Reporting

Recently, the Shared Services Agreement was extended to December 2021 in order to ensure continuity of the services and to allow for more time to execute a new service contract. The contracted cost of water and wastewater billing services for 2021 is \$1.55M. This shared services delivery model is not unique in Ontario as many municipalities have partnered with their local electric utilities to provide meter reading, billing and other customer services related to their water/wastewater billing utilities.

On August 6, 2021, the City was advised that Alectra’s Board of Directors, at its May 2nd meeting, approved a recommendation by Alectra senior staff to discontinue water billing services. Alectra advised the City that they would extend the current service agreement for an additional 12 – 18 months to support the move to a new water billing provider. Alectra noted that the increasing complexity of electricity billing and rapidly changing regulatory environment within which Alectra is operating, combined with managing an evolving customer relationship, has led it to reassess its strategic priorities, customer care processes and billing services, including water billing for the City. Alectra determined that electricity and water billing requirements have diverged, and discontinuing the water billing services is seen as a necessary step by Alectra to focus on these critical strategic initiatives.

Originally, Alectra had indicated that there were synergies to be gained for both the City and the utility relating to billing, which could be provided more efficiently and effectively by converging the electric, water, and wastewater billing functions. Consolidating these billing functions improved customer service and provided financial benefits to both.

Alectra also provides water billing services to the municipalities of Guelph, Hamilton, and Vaughan, serving a total of approximately 410,000 water customers with combined electricity and water billing and related customer services. Currently, the City of Markham has approximately 85,000 metered customers on a uniform rate structure for water and wastewater services. The Shared Services Agreement with Alectra is for the provision of water meter reading, billing, payment, collections, and customer care services.

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 services
- 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 the City
- Transfers of water and wastewater arrears to the property tax roll

OPTIONS/ DISCUSSION:

Alectra has confirmed that they will extend the City of Markham's water billing services contract until December 2024, with 3% annual increases commencing January 2022 until December 31, 2024.

Alectra has agreed to support the City by:

- providing support through established joint working teams to assist with the transition of services and related municipal data to a new billing system and/or service 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 system and/or service provider.

In the coming months, if required to assist with the transition, Staff will negotiate and finalize the execution of the following agreements (or such similar agreements, as required);

Collaboration Agreement

A collaboration agreement between the Cities of Hamilton, Vaughan and Guelph will be entered into, as required, in order to leverage available synergies, reduce costs, facilitate cooperative procurements and benefit from the municipalities' collective experience.

Transition Agreement

A transition agreement between Alectra and the City of Markham will be entered into, as required, to detail the how the migration of services and related municipal data to a new billing system and/or service provider will occur. It will also identify the timelines, milestone events, data requirements, and escalation/resolution methods.

Collectively, the four municipalities recognize the need for a consultant resource to advise on the development of the Transition Agreement, including but not limited to; conducting assessments of each municipality's current systems and processes, preparation and evaluation of procurements and project management of the Project for the selection and implementation of the final billing solution.

Staff are engaged in ongoing discussions with staff from Guelph, Hamilton and Vaughan regarding the selection of the external consultant who can assist the municipalities with this project. It is estimated that Markham's share of the preliminary consultant engagement cost related to the Project will not exceed \$200,000. Staff is recommending that a capital project be established for the Water Billing Transition Project with a limit of up to \$200,000, be funded from the Waterworks Reserve.

FINANCIAL CONSIDERATIONS

The costs associated with the Shared Services Agreement extension will be annual increases of 3% commencing January 1, 2022 to until December 31, 2024. This will result in an increase to the Waterworks Operating budget from \$1,553,680.00 to \$1,600,290 inclusive of HST or \$46,610.00 over the 2021 Operating budget.

Staff are recommending Council approve a new 2022 Capital Budget for the initial phase of the Water Billing Transition Project including the hiring of an external consultant in the amount \$200,000 to be funded from the Waterworks Reserve. Staff will report back to Council with further information including any additional costs once determined.

LEGAL CONSIDERATIONS:

The City is subject to the following trade agreements, which apply to public sector procurements above a certain dollar threshold: the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the Canadian Free Trade Agreement (CFTA), and the Ontario-Quebec Trade and Cooperation Agreement (OQTCA).

The recommended contract extension complies with the trade agreements.

HUMAN RESOURCES CONSIDERATIONS

N/A

BUSINESS UNITS CONSULTED AND AFFECTED:

Environmental Services Department

Legal Services Department

RECOMMENDED BY:

Joel Lustig

Trinela Cane

ATTACHMENTS:

N/A