



Report to: General Committee

Report Date: June 12, 2018

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**SUBJECT:** Contract Extensions for Water Meter Reading & Billing Services and Cashiering Services for 2019/ 2020

**PREPARED BY:** Mark Visser, Senior Manager, Financial Strategy & Investments, Ext. 4260  
Prathapan Kumar, Senior Manager, Environmental Services, Ext. 2989

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**RECOMMENDATIONS:**

- 1) THAT the report entitled "Contract Extensions for Water Meter Reading & Billing Services and Cashiering Services for 2019/ 2020" be received;
- 2) AND THAT the contract for Water Meter Reading & Billing Services be extended for an additional two (2) years (January 1, 2019 to December 31, 2020) with Alectra Utilities from \$1,421,837.53 to \$1,464,492.66 inclusive of HST for 2019 and \$1,508,427.44 inclusive of HST for 2020 with 3% annual escalation over 2019 rate;
- 3) AND THAT the increase of \$42,655.13 in 2019 (\$1,464,492.66 - \$1,421,837.53) and \$43,934.78 in 2020 (\$1,508,427.44 - \$1,464,492.66) be funded from account #760-998-5390 Water Billing/ Administration, subject to Council approval of the 2019 and 2020 operating budgets;
- 4) AND THAT the contract for the Hydro Cashiering Services reimbursement to the City be extended for an additional two (2) years (January 1, 2019 to December 31, 2020) with Alectra Utilities from \$108,780.42 to \$112,043.84 inclusive of HST for 2019 and \$115,405.15 inclusive of HST for 2020 with 3% annual escalation over 2018 rate;
- 5) AND 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";
- 6) AND THAT the Mayor and City Clerk be authorized to execute the extension of the agreement with Alectra Utilities in a form satisfactory to the City Solicitor;
- 7) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution; and
- 8) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of the report is to obtain Council approval to extend the Water Meter Reading & Billing Services and Hydro Cashiering Services portions of the Shared Services contract with Alectra Utilities for two (2) years at the negotiated pricing.

**BACKGROUND:**

Water Meter Reading & Billing Services

The main responsibilities of this contract are:

- All water meter reading
- Billing of all water/sewer services

- Customer Account Management (initial customer service point of contact)
- Monthly Reporting

In April 1996, the Council approved an agreement between the City of Markham and the Markham Hydro Electric Commission ("Markham Hydro"), whereby the City's water meter reading & 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 PowerStream Inc, which then became part of Alectra Utilities in early 2017. Through Markham Enterprises Corporation, the City owned 34.185% of PowerStream, and now owns 15.73% of Alectra.

As part of the Hydro deregulation process, the Province of Ontario created an "Affiliate Relationships Code for Electricity Distributors and Transmitters". The purpose of the Affiliate Relationships Code is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies. One section of the code addresses the "Transfer Pricing", which states "Where a utility provides a service, resource or product to an affiliate, the utility shall ensure that the sale price is no less than the fair market value of the service, resource or product".

The last contract extension was for the three (3) year period beginning in 2016 and set to expire on December 31, 2018. The 2018 cost is \$1,421,837.53 inclusive of HST (\$1,397,246 + 1.76% HST). This contract is paid entirely through the Waterworks Operating Budget (and correspondingly through the Water Rate) and does not impact the tax rate.

#### Hydro Cashiering Services

Alectra Utilities reimburses the City for providing cashiering services for Alectra Utilities customers. The 2018 cost is \$108,780.42 (\$106,899 + 1.76% HST), which relates to salary costs and benefits, direct telephone hotline from Markham to Alectra Utilities, three Interac lines, and courier costs for pick up between the City and Alectra Utilities.

#### **OPTIONS/ DISCUSSION:**

##### Water Meter Reading & Billing Services

During the 2011 contract extension process, City staff worked with Alectra Utilities to review their pricing methodology for these services, which is based on cost recovery and fair market value of the service. At that time, the two parties were able to reduce the cost to Markham by 22%. The most recent contract that commenced in 2016 for three (3) years had a provision for an additional two (2) year extension at the same terms and conditions with the 3% cost escalation. The 3% escalation accounts for both CPI increases and growth in the number of customers. The 3% escalation factor is reasonable as it takes into account inflation (which has averaged 2%/ year over the term of the current contract) as well as growth in number of accounts (which also has averaged approximately 2%/ year). The 2019 cost would be \$1,464,492.66 inclusive of HST and the 2020 cost would be \$1,508,427.44 inclusive of HST.

Alectra Utilities and the City are also investigating the possibility of extending the contract beyond 2020 at a negotiated pricing, subject to the requirements and strategic direction of the Waterworks Department.

##### Hydro Cashiering Services

The recommended two (2) year extension has the cost recovery increasing by 3% per annum over the existing 2018 contract rate. The estimated cost to be billed to Alectra Utilities is \$112,043.83 inclusive of HST in 2019 and \$115,405.15 in 2020 inclusive of HST.

Alectra Utilities and the City are investigating the viability of maintaining cashiering services beyond 2020, as in person payments received at the cash counter have steadily declined over the last number of years as electronic payments are becoming more convenient for customers.

**FINANCIAL CONSIDERATIONS AND TEMPLATE:**

Staff recommend extending the contract with Alectra Utilities for Water Meter Reading & Billing Services for an additional two (2) years (January 1, 2019 to December 31, 2020)

The following table summarizes the financial considerations:

|  |                 |   |
|--|-----------------|---|
| <b>Water Meter Reading &amp; Billing Services:</b> |                 |   |
| 2019 Award to Alectra Utilities                    | \$ 1,464,492.66 | #760-998-5390 Water Billing/<br>Administration – Subject to Council<br>Approval |
| 2020 Award to Alectra Utilities                    | \$ 1,508,427.44 |   |
| <b>Recovery for the Hydro Cashiering Services:</b> |                 |   |
| 2019 Recovery from Alectra Utilities               | \$ 112,043.84   |   |
| 2020 Recovery from Alectra Utilities               | \$ 115,405.15   |   |

The increase of \$42,655.13 in 2019 (\$1,464,492.66-\$1,421,837.53) in 2019 and \$43,934.78 (\$1,508,427.44-\$1,464,492.66) for the water meter reading and billing services will be considered as part of the 2019 and 2020 Operating budgets, subject to Council approval.

There is no incremental life cycle impact.

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

The proposed extension of contract is in line with City’s goal to ensure that the City is fiscally prudent and efficient in providing quality services to the public.

**BUSINESS UNITS CONSULTED AND AFFECTED:**

Finance department has been consulted and their comments have been incorporated.

**RECOMMENDED BY:**

2018-05-31

2018-05-31

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Phoebe Fu  
Director of Environmental Services  
Signed by: cxa

X 

Brenda Librecz  
Commissioner, Community & Fire Services  
Signed by: cxa

2018-05-31

2018-05-31

X 

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Joel Lustig  
Treasurer  
Signed by: cxa

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Trinela Caine  
Commissioner, Corporate Services  
Signed by: cxa

**ATTACHMENTS:**

Attachment "A" –

<http://sharepoint.markham.ca/ert/General%20Committee/Attachment%20A%20-%202016%20Amending%20Agreement.pdf>