



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	April 21, 2022
<b>SUBJECT/REPORT NO:</b>	Unbilled Water and Wastewater / Storm Accounts (FCS22029) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	John Savoia (905) 546-2424 Ext. 7298
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

That the General Manager, Finance and Corporate Services, be authorized to enter into a deferred payment arrangement with a three-month repayment period, pertaining to water and wastewater / storm charges for a total amount of \$109,771.44 regarding Alectra Utilities account number 5812771300 and service address of 95 Barlake Avenue, Hamilton.

**EXECUTIVE SUMMARY**

The City's water rates have two separate components; firstly, a fixed charge based on the size of the customer's water meter and secondly, consumption / treatment charges based on the amount of water used. As the fixed charge applies even where no metered water has been consumed, all active water accounts should generate a monthly water bill.

Alectra Utilities (Alectra) has recently advised that processing field activities and commercial meter changes between the City and Alectra is a complex manual process and all billing processes are manual once an account falls outside of the regular billing parameters. Consequently, where a manual process is not completed on a timely basis, no water bill will be issued for the affected account i.e. an "unbilled" water account.

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Alectra has completed a review of unbilled water accounts and as of February 28, 2022, indicates approximately 1,500 unbilled accounts greater than 70 days (approximately 0.1% of the total customer base) are:

- 75% residential
- 25% Industrial / Commercial / Institutional (ICI) or multi-residential customer with meter 100mm or larger in size.

It should be noted that the status of unbilled accounts is at a point-in-time and can fluctuate based on billings over time.

While Alectra prioritizes billing larger commercial accounts, due to delays related to backlogs in processing completed meter changes / repairs and manual billing processes, there are several customers with significant unbilled water charges. Specifically, Alectra has determined that there are four significant billing adjustments associated with unbilled water bills amounting to approximately \$445 K in debit adjustments (for details refer to the Historical Background section of Report FCS22029).

In March 2017, Council approved the Water and Wastewater / Storm Billing Payment Arrangement Policy (Policy) which requires that all water and / or wastewater / storm deferred payment arrangements exceeding \$100 K be referred to the Audit, Finance and Administration Committee for approval (for details refer to Report FCS17029).

As such, Report FCS22029 is provided for the recommended authorization of a deferred payment arrangement with a three-month repayment period for Alectra account number 5812771300 regarding 95 Barlake Avenue, Hamilton.

Alectra has committed to implement several corrective actions and controls to enhance its processes and address concerns with unbilled invoices and subsequent back billings (for details refer to the Historical Background section of Report FCS22029).

During March 2022, the number of unbilled accounts greater than 70 days has decreased from approximately 1,500 to 1,267. While the unbilled water volumes are a point in time metric and can fluctuate based on outstanding work orders, Alectra anticipates that it will take approximately four months to reduce the backlog accumulated during the pandemic. To facilitate timely completion of this work, Alectra has invested in additional resources and offered overtime.

Additionally, commencing April 1, 2022, Alectra has committed to providing staff a new monthly unbilled water account listing for Hamilton. This report will provide the number of unbilled accounts (by age), customer type and meter size and will enable Alectra to better identify priority accounts to action.

**Alternatives for Consideration – N/A**

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## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Water and wastewater / storm revenue recovery related to a significant underbilled consumption at 95 Barlake Avenue, Hamilton of approximately \$110 K will be realized in a reasonable timeframe.

Staffing: N/A

Legal: The City's ability to recover water and wastewater / storm revenue is not impaired by entering into a deferred payment arrangement with the customer. In the event a deferred payment instalment becomes delinquent, the outstanding balance would be immediately transferred to the property tax roll. In such circumstances, the fees and charges added to the tax roll will have priority lien status as described under Section 1 of the *Municipal Act, 2001*.

## **HISTORICAL BACKGROUND**

The City's water rates have two separate components; firstly, a fixed charge based on the size of the customer's water meter and secondly, consumption / treatment charges based on the amount of water used. As the fixed charge applies even where no metered water has been consumed, all active water accounts should generate a monthly water bill.

Alectra has recently advised that processing field activities and commercial meter changes between the City and Alectra is a complex manual process and all billing processes are manual once an account falls outside of the regular billing parameters. Consequently, where a manual process is not completed in a timely basis, no water bill will be issued for the affected account i.e. an "unbilled" water account.

Alectra has completed a review of unbilled water accounts and, as of February 28, 2022, indicates approximately 1,500 unbilled accounts greater than 70 days (approximately 0.1% of the total customer base) are:

- 75% residential
- 25% Industrial / Commercial / Institutional (ICI) or multi-residential customer with meter 100mm or larger in size.

It should be noted that the status of unbilled accounts is at a point-in-time and can fluctuate based on billings over time. Unbilled accounts have arisen with the migration of Hamilton's water billing to Alectra's Oracle Customer Care and Billing (CC&B) as of March 1, 2019. The cities of Markham and Vaughan are similarly impacted with unbilled accounts as Alectra provides both municipalities water billing services utilizing CC&B.

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While Alectra prioritizes billing larger commercial accounts, due to delays related to backlogs in processing completed meter changes / repairs and manual billing processes, there are several customers with significant unbilled water charges. Specifically, Alectra has determined that there are four significant billing adjustments associated with unbilled water bills amounting to approximately \$445 K in debit adjustments:

- 711 Concession Street, Hamilton (Account 2006871300), Hamilton Health Sciences is account holder. Following a meter change, account went unbilled for 10 months (April 2021 to February 2022) for a total debit adjustment of \$213,975.29. Customer has indicated full payment will occur prior to March 31, 2022.
- 9322 Dickenson Road East, Mount Hope (Account 5961791300), Warren Pearce Water Haulage is account holder. Following a meter change, account went unbilled for eight months (June 2021 to February 2022) for a total debit adjustment of \$40,064.30. Customer has paid full amount.
- 1 Oriole Crescent, Hamilton (Account 3274871300), CityHousing Hamilton is account holder. Following a meter change, account went unbilled for eight months (June 2021 to February 2022) for a total debit adjustment of \$81,454.44. Customer has paid full amount.
- 95 Barlake Avenue, Hamilton (Account 5812771300), Effort Trust is the account holder. Meter was not set up correctly in Alectra's billing system resulting in the account being unbilled for five months (September 2021 to February 2022) for a total debit adjustment of \$109,771.44. Customer has requested a payment arrangement with a three-month repayment term.

In March 2017, Council approved the Water and Wastewater / Storm Billing Payment Arrangement Policy (Policy) which requires that all water and / or wastewater / storm deferred payment arrangements exceeding \$100 K be referred to the Audit, Finance and Administration Committee for approval (for details refer to Report FCS17029).

As such, Report FCS22029 is provided for the recommended authorization of a deferred payment arrangement with a three-month repayment period for Alectra account number 5812771300 regarding 95 Barlake Avenue, Hamilton.

Alectra has committed to implementing several corrective actions and controls to enhance its processes and address concerns with unbilled invoices and subsequent back billings.

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### **Investment in People**

- Hired an additional temporary manager to ensure adequate focus is placed on water billing through December 2024 when these services transition back to the City.
- Hired additional temporary resources and offered overtime to provide more capacity.
- Prioritize continuous learning, upskilling and training to increase staff's ability to deal with complex billing concerns.
- Assigned a temporary designated team to focus on unbilled water billing and related backlog issues.

### **Process Changes in Progress**

- A new escalation path is planned for the Alectra Contact Centre to allow for the escalation of unbilled water accounts to a designated team for quicker action and resolution.
- Implementation of internal KPIs to monitor the City's in-box and to track manual processes related to meter changes and field activities.
- Revise current water billing reports to highlight risk factors and sensitive accounts to better prioritize work (e.g., introduce the number of days unbilled, meter size and customer name to existing reports).
- Continue to report estimated accounts to the City of Hamilton and implement actions, as directed.
- Review estimating protocols to enhance algorithms when a meter change interrupts the billing cycle.
- Enhance the month-end close process to identify large aging unbilled accounts for greater audit control and visibility.

During March, the number of unbilled greater than 70 days has decreased from approximately 1,500 to 1,267. While the unbilled water volumes are a point-in-time metric and can fluctuate based on outstanding work orders, Alectra anticipates that it will take approximately four months to reduce the backlog accumulated during the pandemic.

Additionally, commencing April 1, 2022, Alectra has committed to providing staff a new monthly unbilled water account listing for Hamilton. This report will provide the number of unbilled accounts (by age), customer type and meter size and will enable Alectra to better identify priority accounts to action.

### **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

As the amount proposed for a deferred payment arrangement exceeds \$100 K, the City's Water and Wastewater / Storm Billing Payment Arrangement Policy is applicable.

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**RELEVANT CONSULTATION**

Alectra Utilities has provided extensive information related to unbilled water accounts for the preparation of Report FCS22029.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION**

There have been several significant catch-up or back billed water and / or wastewater / storm billings in the past particularly with large-use customers where deferred payment arrangements have been requested by customers. Deferred interest-free payment arrangements are a reasonable measure to ensure the City recovers water and wastewater revenue without creating undue hardship for customers.

The Policy allows for customers to request to enter into an optional payment arrangement to address water and / or wastewater / storm billings. In this case, Effort Trust has requested to pay the catch-up billings over a three-month period. Effort Trust was not at fault for the unbilled consumption at 95 Barlake Avenue, Hamilton and, as such, staff supports a payment arrangement on an interest-free basis.

**ALTERNATIVES FOR CONSIDERATION**

N/A

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Community Engagement and Participation**

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

**Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

**APPENDICES AND SCHEDULES ATTACHED**

N/A

JS/dt