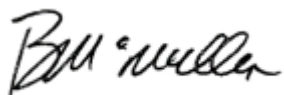




INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 16, 2024
SUBJECT/REPORT NO:	Utility Billing Transition Program Update Spring 2024 (FCS21082(g)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

Not Applicable

INFORMATION

Utility Billing Transition Program Implementation Timeline

On August 6, 2021, Alectra Utilities (Alectra) advised the City that it would discontinue water and wastewater utility billing services by December 31, 2024 (for further details refer to the Background section of Report FCS21082(g)). It should be noted that Alectra similarly provided notice of termination to the municipalities of Guelph, Markham and Vaughan. Collectively, the four municipalities engaged Kaihen Inc. (Kaihen) as a consultant resource to support each municipality's transition to a new utility billing solution.

Hamilton has moved forward with a Hybrid Billing Model which entails acquiring a billing software solution referred to as a Customer Information System (CIS). Once the CIS was selected, staff proceeded with procurements for a Contact Centre, Customer Portal, Bill Print and Meter Reading services and establishment of an in-house Back Office (billing and collections) unit (refer to Report FCS21082(b) for details).

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

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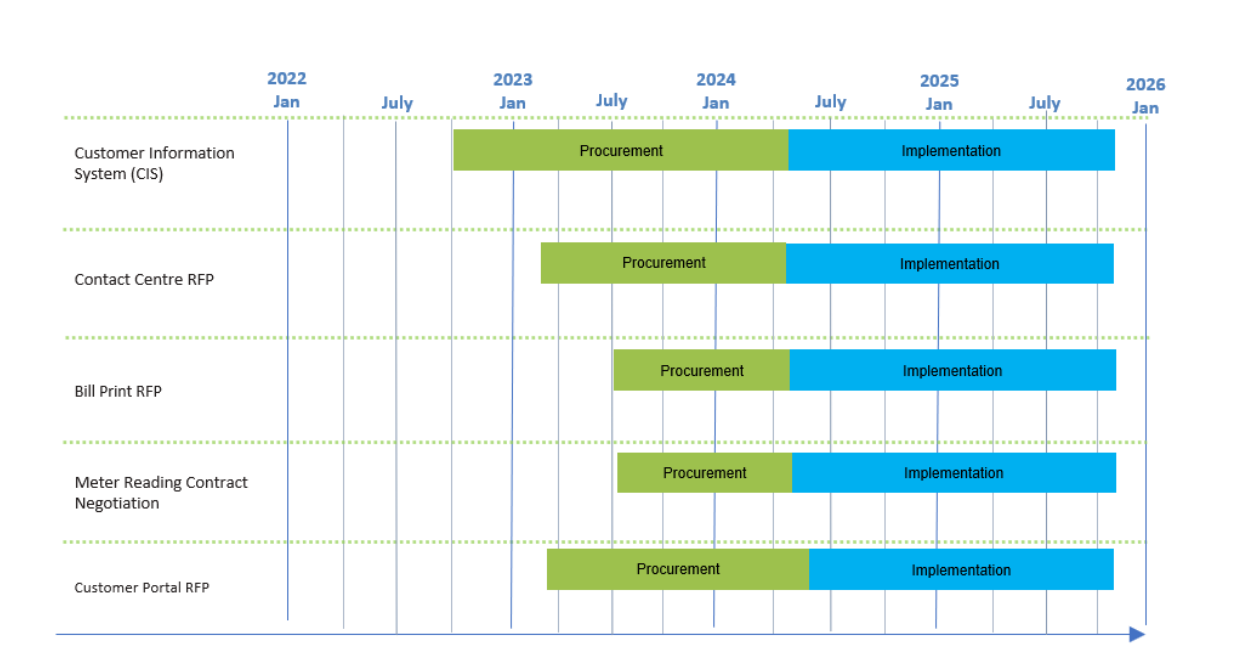
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At the commencement of the Phase 2 Procurement Phase, it was planned that the CIS Request for Proposals (RFP) would be issued in early January 2023 with the procurement completed by June 30, 2023. Assuming an aggressive 14 to 16-month implementation phase, the City's new utility billing solution was planned for a November 2024 "go-live" launch. However, as noted in a June 2023 update to Council, the CIS RFP development had experienced a number of delays that resulted in the RFP release not occurring until the end of March 2023 (for details refer to Report FCS21082(e)). The revised completion timing of the billing transition program was then forecast as Q2 2025.

As detailed in the Background section of Report FCS21082(g), the Procurement Phase involving four RFP procurements (related to CIS and customer portal acquisition, customer contact and bill print services) and a single source procurement for meter reading, has resulted in a protracted timeline such that the Procurement Phase will not be fully complete until June 2024.

Consequently, Table 1 to Report FCS21082(g) reflects that the current estimation of the billing transition implementation completion is October / November 2025. Once the selected CIS vendor (SpryPoint Services) is onboarded, the estimated completion timing will be confirmed. An amending agreement has recently been executed with Alectra to continue providing utility billing services for the City until December 31, 2025.

Table 1 - Utility Billing Transition Program Timeline



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Utility Billing Program Organization Structure

Kaihen was engaged to support the City to develop the internal utility billing back office organization structure. With no existing utility billing organization in place, new functions and resources will be required including the need to hire staff and to adopt new technologies and processes. In February 2023, Kaihen provided a final report to the City with a recommended utility billing organization structure.

As noted in Report FCS21082(e), the intent was for a report to be provided to Council in Q3 2023 regarding a resource plan for the implementation and ongoing operation of the Utility Billing Program. Subsequently, Report FCS24015 “Corporate Services Department Organizational Changes” was recently approved by Council on March 27, 2024. However, due to the cyber security incident that occurred on February 25, 2024, systems for staff recruitment were not initially available and job postings are being prioritized.

The recruitment delay associated with staffing the internal utility billing back office is problematic, with vendors onboarding in the near term that will need to work with client (City) subject matter experts and / or end users of the new billing system.

Kaihen has noted the following risks associated with the staffing delay:

- If the City resources are not onboarded / available, then valuable information may be missing from the business processes which could lead to missing steps in a process, decreased knowledge transfer or potentially change requests;
- If there are knowledge gaps, then the business processes could be missing critical steps or decision points and the learning curve to adopt the processes will be increased;
- If business rules are not gathered upfront, then there will be a knock-on delay of business processes once SpryPoint is engaged, potentially leading to change requests.

In recognition of the aforementioned risks, staff has inquired with Kaihen and Alectra regarding some temporary resources to fill the gap of subject matter experts and end users so that the implementation can proceed without additional delays. Alectra has identified resources that could provide some subject matter expert support and, as such, the City has issued a purchase order to Alectra to engage these resources over the coming months. However, there remains concerns whether these identified resources will have capacity to support the City when needed.

The City has also engaged with Kaihen for a temporary resource that will bridge the City's lack of a subject matter expert until the City recruits for the Utility Billing Supervisor role later this year. Kaihen has identified a business analyst with significant utility billing experience who will be the temporary resource for the City.

Stormwater Rate Effective Date

It is acknowledged that it is an advantage to incorporate a new stormwater rate structure during the development of the CIS. However, the implementation of a new stormwater rate structure cannot precede with the launch of the new utility billing solution. Given that the revised estimate for the completion of the billing transition implementation is October / November 2025, the September 1, 2025, effective date for the new stormwater fee is no longer feasible.

Currently, there are nearly 160,000 active water and wastewater accounts and it is estimated there will be more than 10,000 new stormwater only accounts. Most of the new stormwater only accounts result from the fact that stormwater fees will be applicable to all developed properties, many of which do not have an existing metered water account. There are also several thousand properties that are not currently connected to the municipal water and / or wastewater systems that will be subject to a future stormwater fee. The stormwater only accounts will take some time to set up and a targeted communication strategy will have to be employed with this customer segment as these customers have not previously received a utility invoice from Alectra.

Transitioning the existing customer base from Alectra to the City will require considerable communications to advise and assist customers. There will be changes with all new account numbers, impacts to pre-authorized payments, e-billing and customer service once the new billing solution is implemented. Given the complexity of the billing transition and to manage the associated customer service risks, implementation of a new stormwater rate should not be planned to occur simultaneously with the implementation of the new billing solution. A concurrent launch of the new billing solution and stormwater fee billing would increase the risk that customer inquiries will overwhelm the new Utility Billing external contact centre, the City's Customer Contact Centre and the Ward offices.

Staff will be recommending in a June 2024 report to the General Issues Committee that the stormwater fee effective date be pushed back to April 1, 2026, assuming the implementation of the new billing solution is completed by December 2025. Staff will continue to monitor this timing and report back if issues arise that affect the revised billing solution implementation timeframe.

Background

On August 6, 2021, the City was advised that Alectra's Board of Directors, at its meeting of May 21, 2021, approved an Alectra staff recommendation to discontinue water and wastewater utility billing services by the time of the current contract expiry, being December 31, 2024 (for details refer to Report FCS21082). It should be noted that Alectra similarly provided notice of termination to the municipalities of Guelph, Markham and Vaughan.

Collectively, the four municipalities engaged Kaihen Inc. (Kaihen) as a consultant resource to support each municipality's transition to a new utility billing solution. Kaihen conducted assessments of each municipality's current systems and processes during an initial Discovery Phase (Phase 1) of the Water Billing Transition Program (Program) and completed an analysis of utility billing service delivery models both on a collective group and individual municipality basis (refer to Report FCS21082(a) for details).

Hamilton has moved forward with a Hybrid Billing Model which entails acquiring a billing software solution referred to as a Customer Information System (CIS). Once the CIS was selected, staff proceeded to procure Contact Centre, Customer Portal, Bill Print and Meter Reading services and establish an in-house Back Office (billing and collections) unit (refer to Report FCS21082(b) for details).

Phase 2 of the Program is the Procurement and Evaluation Phase, which commenced in November 2022 and involved a series of procurements:

Customer Information System (CIS): The municipalities commenced with a combined procurement process to acquire a CIS whereby each municipality could select its own vendor solution. The CIS Request for Proposals (RFP) was released on March 31, 2023, and closed on May 19, 2023, with procurement initially expected to be completed by October 2023. However, as procurement evaluation was nearing completion in September 2023, the other municipalities decided to halt their individual CIS evaluation efforts.

Hamilton's procurement efforts continued forward and on October 20, 2023, the City announced its preferred CIS vendor as SpryPoint Services Inc. headquartered in Charlottetown, Prince Edward Island. However, contract negotiations have been protracted and as a result, SpryPoint is now expected to onboard in May 2024.

Founded in 2011, SpryPoint is a leading enterprise software-as-a-service (SaaS) provider to over 50 utilities in the water, electric and gas sectors across North America having implemented CIS solutions for many municipalities such as Pittsburgh, Boston, Baltimore, New York City and New Orleans. To address the evolving utility landscape, SpryPoint has developed a cloud-based platform of enterprise solutions designed to help utilities improve customer service and operations through business automation.

Contact Centre: A Request for Proposals (RFP) was issued that permitted an in-house bid to be submitted and considered with external proposals. In accordance with Procurement Policy #22, Council approval was obtained prior to the preparation and submission of the in-house bid (refer to Report FCS21082(c) for details). The procurement was expected to be completed by November 2023 but was delayed. The Contact Centre procurement was released on December 20, 2023, and closed on February 6, 2024.

On March 27, 2024, the City announced Optima Communications International Inc. (Optima) headquartered in Toronto, Ontario as its successful vendor. Founded in 1992, Optima is a Canadian business process outsourcing solution provider that is 100% Canadian owned and operated, with all staff located within Canada. Optima provides customer service for many well known Canadian brands with large customer bases in the financial services, insurance and utilities sectors including Alectra Utilities, Hydro Ottawa, Oshawa Power and Toronto Hydro. Optima is expected to onboard in May 2024.

Bill Print: The Bill Print procurement has been a joint effort with the Taxation section to identify a printer vendor that will provide print services for both utility and property tax bills. The procurement was expected to commence in July 2023 and be completed by December 2023 but was delayed. The Bill Print procurement was released on February 1, 2024 and closed on March 8, 2024.

On May 1, 2024, the City announced Data Direct Group (Data Direct) headquartered in Mississauga, Ontario as its successful vendor. Established in 1994, Data Direct is one of Canada's largest integrated service providers specializing in variable imaging, print management, fulfilment and distribution. Data Direct is the incumbent print vendor for Hamilton property tax bills and provides printing services for property tax and / or utility bills for several Ontario municipalities including Belleville, Richmond Hill and Markham. Data Direct is expected to onboard in May 2024.

Meter Reading: Council approval has been obtained to a single source contract with Olameter Inc. (incumbent meter reading vendor) to continue to provide manual water meter reading services for a period of two years with a one-year term extension at the City's sole option, commencing when the City assumes utility billing responsibilities from Alectra (refer to Report FCS21082(d)). Contract discussions commenced in February 2024 and are expected to be concluded in May 2024.

Customer Portal: A customer portal is a personalized website offering customers a single point of access to relevant customer billing information and self-service options. The Customer Portal procurement development commenced in April 2023 and was expected to be completed by December 2023 but was delayed. The Customer Portal procurement was released on February 22, 2024 and closed on April 4, 2024. The City expects to announce its preferred customer portal vendor in June 2024.

Utility Billing Transition Program Risk Management

In January 2023, Council directed staff to conduct a fulsome risk assessment for the Utility Billing Transition Program, as recommended by the City's Auditor General (AG) (refer to Report AUD23002), to ensure:

- Program objectives are understood
- Significant risks are identified
- Plans are implemented to manage the risks
- Action is taken to prevent or manage any adverse impacts to the City's operations throughout the Program's duration and after the full solution is implemented

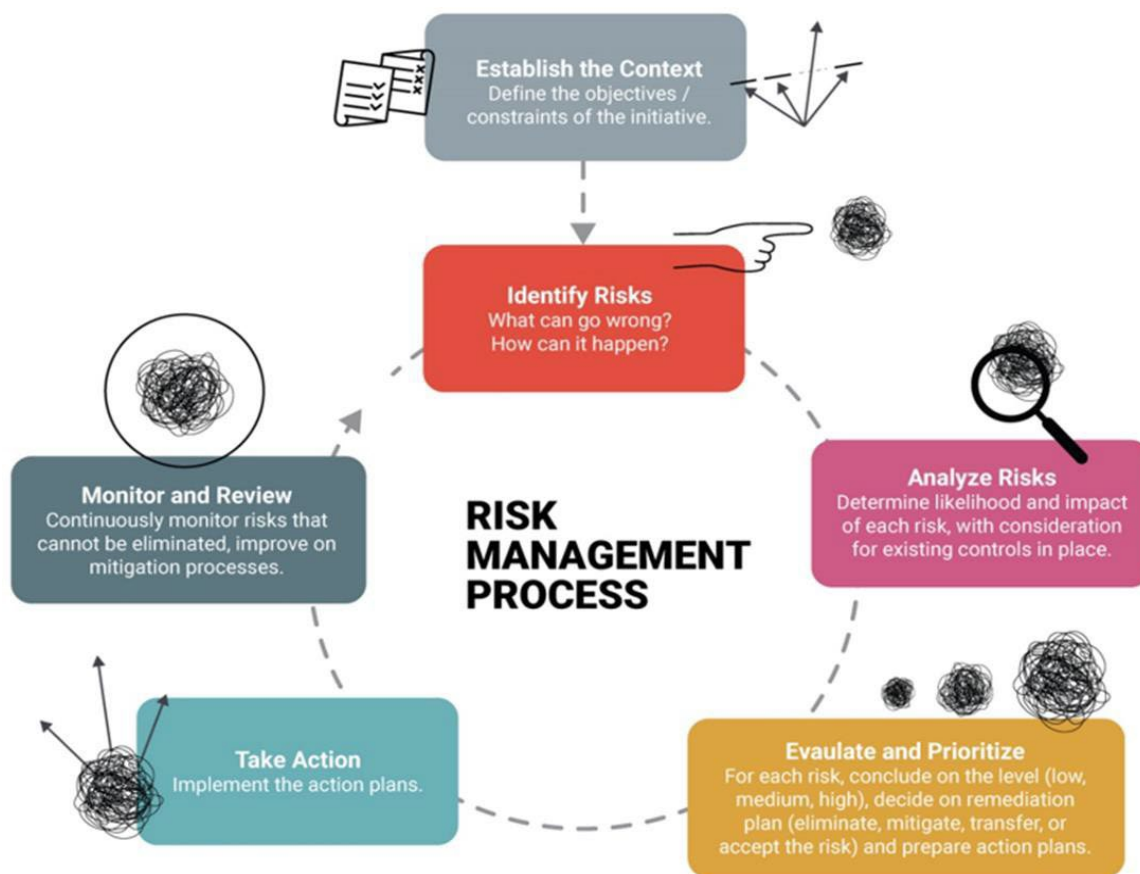
A cross-functional Steering Committee (SC) has been established with membership consisting of:

- General Manager, Finance and Corporate Services (program sponsor)
- Director, Financial Planning, Administration and Policy
- Manager, Budgets and Fiscal Policy
- Director, Information Technology Services
- Director, Hamilton Water

The SC has been meeting monthly with formal terms of reference and a program governance model having been presented and endorsed at the SC's initial meeting in April 2023.

Table 2 to Report FCS21082(g) graphically represents the risk management model that has been adopted.

Table 2 - Risk Management Model



Program risks that have been identified are:

1. Financial Risk
 - Project delay beyond 2025 could result in significant cost overruns.
2. Staffing Risk
 - If key staff resources should leave the project, key knowledge could be lost.
 - Tight job market in which to hire new resources with experience and right skill sets.
 - Recruitment currently on hold due to cyber incident with uncertainty as to when recruitment will resume.
3. Organizational Risk
 - Program depends on consulting resources, knowledge transfer or lack thereof, could be significant.

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4. Cultural Risk

- Program represents a significant organizational change to the City.

5. Solution Risk

- Water Billing solution component compatibility, capability and fit.

6. Customer Experience Risk

- Transition to new Water Billing solution will affect the customer experience.

7. Timeline Risk

- Risk to meet Alectra's revised transition deadline of December 2025.

APPENDICES AND SCHEDULES ATTACHED

Not Applicable

JS/dt