



The Corporation of the Town of LaSalle

Date:	May 8, 2018	Report No:	FIN-22-2018
Directed To:	Members of Water and Wastewater Committee	Attachments:	A: Water and Wastewater billing analysis B: Sample Water usage report C: FIN-05-2016 (which includes FIN-05-2013)
Department:	Finance Public Works		
Prepared By:	Joe Milicia, CPA ,CA Director of Finance & Treasurer Peter Marra, P. Eng. Director of Public Works	Policy References:	None
Subject:	Water and Wastewater billing – Post implementation wrap up		

Recommendation:

For Committee information

Report:

As the Members of the Committee are aware over the past several years, the Public Works Department and the Finance Department have been addressing two long-standing issues within the Water division. Over the past several years LaSalle Administration – from the Public Works and Finance areas – have worked collaboratively to research, develop alternatives and implement solutions to address these issues.

The first issue related to the readability of some of the water meters within the Town of LaSalle as the meter technology had become obsolete. In order to address the issue the Town of LaSalle began an aggressive meter replacement program whereby approximately half the customers in the system received new water meters and new outside transmitters while the remaining customers with viable water meters had new outside transmitters installed only. Included in this project was the installation of radio frequency reading by way of technology installed on the tower which communicates directly with the house-side transmitters. This project was substantially completed in 2016.

The second issue was the cost and effectiveness of the reading, processing, billing and collection function provided by Essex Power Corporation. As part of the meter replacement program (Corix 2016) and the financial software implementation (Vadim 2013) software was purchased to enable the municipality to take back the billing and collection function. The process of bringing the water and wastewater reading, billing and collecting process in-house was undertaken in 2016 – a process which can only be defined as challenging to say the least. The “go live” date was January 1, 2017 with the first residential bills being successfully processed and billed in April 2017.

The initial reports that outlined the plan to address these issues is included in Appendix C to this report.

Results

The following are the results of the actions taken to date:

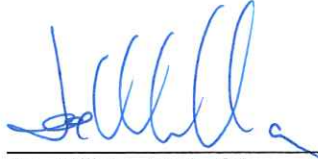
- a) Streamline Customer Service – after the transition period was completed customers began to experience a one-stop service for taxation, water and wastewater reading, processing, billing and collecting.
- b) Problem resolution – for installation of new accounts and problem resolution there is one point of contact for customers (the Town) as opposed to the previous process (the Town and Essex Power) which has resulted in faster, direct actions taken to address issues
- c) Internal communications – housing the operations and maintenance of the water/wastewater systems and the billing/collection function under one organization has improved internal communication between the areas.
- d) Usage Data – gaining control of the reading function has allowed (in conjunction with the software) better data by customer and the system as a whole. Please see an example of this on Appendix B. This has also allowed the municipality to provide alerts to customers when suspected water leaks occur.
- e) Reduced Water Loss – the more accurate billing of water has allowed the water loss to be reduced from 17-19% to 8%, more in line with the provincial averages.
- f) Increased revenue – the more accurate billing of water and wastewater has resulted in increased revenue in a year where actual consumption has decreased from the prior year.
- g) Decrease in costs – bring the reading, billing and collecting function in-house has resulted in a net decrease in costs (net of new technology and one (1) additional staff)

The full analysis of the financial comparative results from 2015, 2016 and 2017 can be found in Appendix A (which identifies the benefits outlined in (d), (e), (f), and (g) above).

The incredible results that have been achieved could not have been accomplished without the dedication and efforts of the staff that have been associated with these projects. Many thanks to the staff of the Public Works and Finance Departments, in particular those in the Water Division, Revenue Division and IT Division.

If you have any questions, please do not hesitate to ask

Yours truly,



Joe Milicia, CPA, CA
Director of Finance & Treasurer



Peter Marra, P. Eng.
Director of Public Works

Reviewed by:						
CAO	Finance	Council Services	Public Works	Development & Strategic Initiatives	Culture & Recreation	Fire Services

Town of LaSalle
Water Wastewater Analysis

Description	2015 (Dec) Customers Accounts	2015 Consumption (m3)	2015 Revenue	2016 (Dec) Customers Accounts	2016 Consumption (m3)	2016 Revenue	2017 (Dec) Customers Accounts	2017 Consumption (m3)	2017 Revenue	2016 to 2017 Difference	Growth & Activity Related	Policy Related	System Change Related	Total 2016 to 2017 Difference
							NOTE: 2017 Transition effects have been removed				ESTIMATED			
Annual Rainfall from Environment Canada			857.2 mm			917.0 mm			909.1 mm					
Cubic Meters of Water Purchased from WUC		3,143,098			3,600,147			Est: 3,161,755						
Estimated Unbilled Water (Water Loss)		-16.6%			-18.8%			-8.0%						
Water														
Consumption-Residential Water		2,398,079	2,024,948		2,706,898	2,380,476		2,661,936	2,404,125	23,649	(63,200)		86,800	23,600
Consumption-Commercial Water		222,977	237,252		215,802	223,254		248,422	234,043	10,789	8,600		2,100	10,700
Construction Rate-Water			34,400			39,569			74,065	34,495	34,500			34,500
Base Rate-Residential-Water	9,862		606,682	10,185		621,382	10,486		629,180	7,798	7,800			7,800
Base Rate-Commercial-Water	201		38,235	200		38,517	246		39,758	1,241	1,300			1,300
Capital Replacement Charge-Water			1,207,518			1,322,884			1,395,135	72,250	44,200		28,100	72,300
Total Water	10,063	2,621,056	4,149,036	10,385	2,922,700	4,626,082	10,732	2,910,358	4,776,304	150,222	33,200		117,000	150,200
Wastewater														
Consumption-Residential-Wastewater			1,506,763			1,575,961			1,741,223	165,262	(70,000)		235,300	165,300
Consumption-Commercial-Wastewater (2015 & 2016 Estimate)			171,999			179,999			198,277	18,278	8,000		10,200	18,200
Base Rate-Residential-Wastewater			384,765			377,969			407,651	29,682	10,000		19,700	29,700
Base Rate-Commercial-Wastewater			0			0			108	108	100			100
Base Rate-Commuted-Wastewater			7,363			10,635			156,908	146,273		146,300		146,300
Capital Replacement Charge-Wastewater			383,253			557,229			755,496	198,267	18,300		180,000	198,300
Total Wastewater			2,454,143			2,701,793			3,259,663	557,870	(33,600)	146,300	445,200	557,900
Reading, Billing & Collection Charges														
Essex Power Reading, Billing and Collection Charges - Water			231,114			231,114				(231,114)			(231,100)	(231,100)
Essex Power Reading, Billing and Collection Charges - Wastewater			21,470			21,470				(21,470)			(21,500)	(21,500)
Write offs - Water			5,206			16,468			378	(16,091)			(16,100)	(16,100)
Write offs - Wastewater			1,811			2,661			7	(2,654)			(2,600)	(2,600)
Estimated LaSalle Internal Cost														
Direct Labour (Wages & Benefits for Customer Service Staff)									75,000	75,000			75,000	75,000
Materials & Supplies									30,000	30,000			30,000	30,000
Program and Mailing Services									50,000	50,000			50,000	50,000
Total : Reading Billing & Collection Charges			259,600			271,713			155,385	(116,328)	0	0	(116,300)	(116,300)

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Town of LaSalle
Sample Water Usage

Owner	Address			2017-02-01			2017-03-01			2017-04-01		
				Prev	Curr	Usage	Prev	Curr	Usage	Prev	Curr	Usage
	10,198		Count			10,041			10,161			10,050
	20.94		Average			21.55			13.96			15.07
	2,562,139		Total			216,342			141,862			151,413
xxx	xxx	xxx	xxx	420	432	12	432	435	3	435	438	3
xxx	xxx	xxx	xxx	500	525	25	525	537	12	537	547	10
xxx	xxx	xxx	xxx	2500	2523	23	2523	2540	17	2540	2567	27
xxx	xxx	xxx	xxx	620	656	36	656	673	17	673	688	15
xxx	xxx	xxx	xxx	10440	10450	10	10450	10460	10	10460	10470	10
xxx	xxx	xxx	xxx	2020	2030	10	2030	2030	0	2030	2050	20
xxx	xxx	xxx	xxx	55900	56200	300	56200	56400	200	56400	56600	200
Owner	Address			2017-05-01			2017-06-01			2017-07-01		
				Prev	Curr	Usage	Prev	Curr	Usage	Prev	Curr	Usage
						10,152			10,198			10,164
						16.61			20.08			31.25
						168,597			204,790			317,586
xxx	xxx	xxx	xxx	438	441	3	441	444	3	444	448	4
xxx	xxx	xxx	xxx	547	557	10	557	571	14	571	603	32
xxx	xxx	xxx	xxx	2567	2584	17	2584	2630	46	2630	2687	57
xxx	xxx	xxx	xxx	688	706	18	706	730	24	730	770	40
xxx	xxx	xxx	xxx	10470	10490	20	10490	10520	30	10520	10590	70
xxx	xxx	xxx	xxx	2050	2070	20	2070	2117	47	2117	2138	21
xxx	xxx	xxx	xxx	56600	56900	300	56900	57100	200	57100	57400	300
Owner	Address			2017-08-01			2017-09-01			2017-10-01		
				Prev	Curr	Usage	Prev	Curr	Usage	Prev	Curr	Usage
						10,184			10,284			10,149
						31.77			29.23			22.29
						323,562			300,633			226,219
xxx	xxx	xxx	xxx	448	452	4	452	455	3	455	458	3
xxx	xxx	xxx	xxx	603	660	57	660	681	21	681	695	14
xxx	xxx	xxx	xxx	2687	2754	67	2754	2820	66	2820	2844	24
xxx	xxx	xxx	xxx	770	815	45	815	857	42	857	898	41
xxx	xxx	xxx	xxx	10590	10670	80	10670	10730	60	10730	10780	50
xxx	xxx	xxx	xxx	2138	2167	29	2167	2184	17	2184	2201	17
xxx	xxx	xxx	xxx	57400	57800	400	57800	58300	500	58300	58800	500
Owner	Address			2017-11-01			2017-12-01			2018-01-01		
				Prev	Curr	Usage	Prev	Curr	Usage	Prev	Curr	Usage
						10,340			10,325			10,324
						18.42			14.97			16.09
						190,446			154,577			166,112
xxx	xxx	xxx	xxx	458	461	3	461	465	4	465	468	3
xxx	xxx	xxx	xxx	695	707	12	707	718	11	718	730	12
xxx	xxx	xxx	xxx	2844	2870	26	2870	2881	11	2881	2901	20
xxx	xxx	xxx	xxx	898	917	19	917	933	16	933	948	15
xxx	xxx	xxx	xxx	10780	10820	40	10820	10830	10	10830	10840	10
xxx	xxx	xxx	xxx	2201	2214	13	2214	2227	13	2227	2238	11
xxx	xxx	xxx	xxx	58800	58900	100	58900	59100	200	59100	59200	100

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The Corporation of the Town of LaSalle

Date:	February 4, 2016	Report No:	FIN-05-2016
Directed To:	Members of Water & Wastewater Committee	Attachments:	App A: Revised Financial Analysis App B: FIN-05-2013 Water meter replacement & Utility billing analysis
Department:	Finance		
Prepared By:	Joe Milicia, CPA, CA Director of Finance & Treasurer Dale Langlois, CPA, CA Manager of Finance & Deputy Treasurer Peter Marra, P. Eng. Director of Public Works	Policy References:	None
Subject:	Water and Wastewater Billing		

Recommendation:

- That the Water and Wastewater Committee receive this update report
- That the Water and Wastewater Committee re-affirm the commitment to read, process, bill and collect water and wastewater revenues in house (rather than with the current service provider Essex Power) with billings based on a quarterly basis

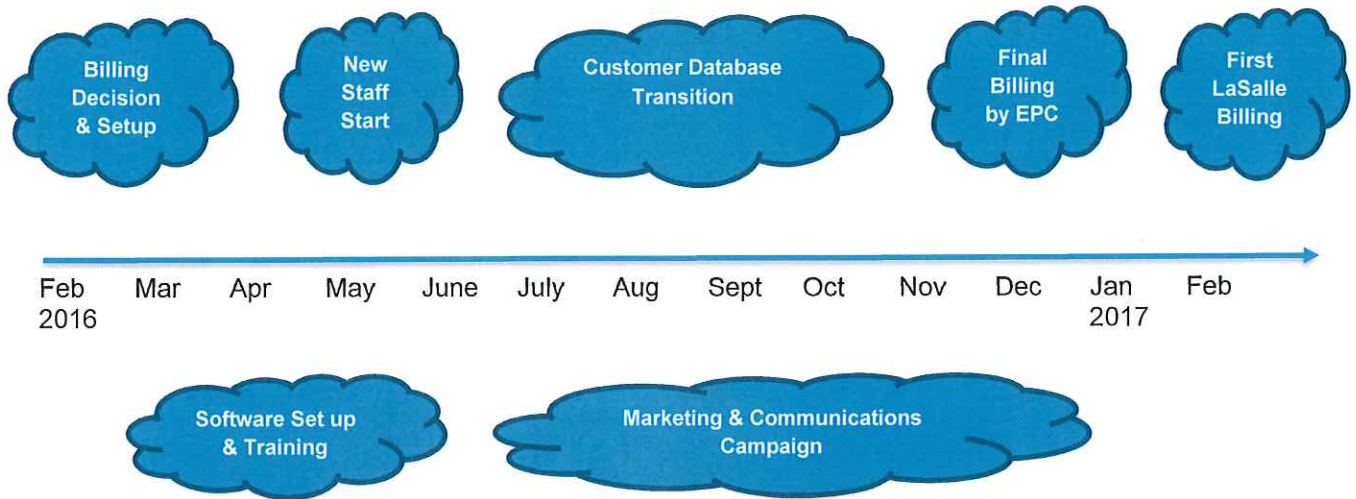
Report:

As the Committee may be aware the water meter replacement program is coming to completion with approximately 200 meters outstanding. Meter began to be read via the radio frequency technology install on our tower effective January 19, 2016. With this our project moves to the second stage – the internalization of the reading, billing and collection process.

As the Committee will be able to appreciate the 'take back' of the reading, billing and collection process is a very significant undertaking which is planned to take the majority of 2016 with an anticipated go live date late in the year. During this time, a number of decisions will be made regarding the billing and collecting process as well as determining how customer service will be addressed between the Finance and Public Works department and staff.

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The following is a draft timeline of milestone events:



From a financial perspective, the following is an update to the earlier analysis that was provided to the Committee.

	12 bills per year	6 bills per year (Bi-Monthly)	4 bills per year (Quarterly)
Current fees	252,000	252,000	252,000
LaSalle Costs	235,000	165,000	140,000
Net cost savings	17,000	87,000	112,000

It should be noted that there may be a reduction in the fees from Essex Power given the radio frequency technology now utilized for meter reading. Their previous position was that there would be no reduction in fees as many of their costs are shared or sunk costs. It is estimated that the reduction may be in the range of \$25,000 to \$50,000, based on assumed meter reading rates of \$0.35 to \$0.50 per read in an urban area.

Although there is a financial advantage to moving the reading, billing and collection of water and wastewater internally there are other non-financial advantages such as improved customer service, one window approach for service, synergies between staff and improved communication between departments.

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Should you have any questions, please feel free to contact any one of the authors.

Yours truly,

Joe Milicia, CPA, CA
Director of Finance & Treasurer

Dale Langlois, CPA, CA
Manager of Finance & Deputy
Treasurer

Peter Marra, P. Eng.
Director of Public Works & Town
Engineer

<i>Reviewed by:</i>						
CAO	Finance	Council Services	Public Works	Development & Strategic Initiatives	Culture & Recreation	Fire Services

Operating Cost Analysis	LaSalle	LaSalle	LaSalle
# of households	9,800	9,800	9,800
# of new staff	1	1	1
# of billings per year	12	6	4
Postage	95,735	47,867	31,911
Fixed fee per billing (printing set up)	3,297	3,297	3,297
Paper	8,467	4,233	2,822
Envelopes	4,786	2,393	1,595
Stuff, Seal & Meter	11,995	5,997	3,998
Imprint utility bills	8,137	4,068	2,712
Additional Staff	80,400	80,400	80,400
Reminder notices	6,000	6,000	6,000
Licensed primary frequency	1,800	1,800	1,800
Savings re: control over write-offs	(7,000)	(7,000)	(7,000)
10 % Contingency	22,062	15,605	13,453
Total Operating Cost	235,682	164,664	140,991
Current Essex Power Annual Billing Cost	252,500	252,500	252,500
Annual Savings with 0% e-bills	16,817	87,835	111,508
Annual Savings with 10% e-bills	29,732	94,292	115,813
Annual Savings with 20% e-bills	42,647	100,750	120,118

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The Corporation of the Town of LaSalle

Date:	February 26, 2013	Report No:	FIN-05-2013
Directed To:	Water Committee	Attachments:	None
Department:	Finance/Environmental Services		
Prepared By:	Marilyn Abbruzzese Supervisor of Revenue Dale Langlois, CA Manager of Finance & Deputy Treasurer	Policy References:	None
Subject:	Water Meter Replacement & Utility Billing Analysis		

RECOMMENDATIONS:

- That the report of the Supervisor of Revenue and Manager of Finance (FIN-05-2013) dated February 26, 2013 regarding the Water Meter Replacement and Utility Billing Analysis be received and that the recommendations herein be recommended to Council for approval
- That the Committee approve the replacement approximately 2,500-3,500 water meters, with the Corix/Sensus meters over a period of time
- That the Committee approve the Installation of approximately 9,500 transmitters and associated transmission infrastructure, and
- That the Committee approve the performing the Utility Billing function internally and water and wastewater billing be done on a quarterly basis.

REPORT:

Background

As the Members of the Committee are aware the Environmental Services Department has been attempting to address two issues within the water division for some time now. The first issue relates to the readability of some of the water meters within the Town of LaSalle, as the reading guns for the older style of meter

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have become obsolete. This has resulted in numerous reading estimates and customer complaints. Indirectly it has also result in a number of estimated reads on meters which have no issues with respect to the reading capabilities.

The second and related issue is the cost of the reading, processing, billing and collection function provided by Essex Power Corporation. Over the past several years, our fees for this service have more than doubled (from 2008 levels) to the point that the municipal does not believe that it is financially advantageous to continue this relationship. Added to this are a number of regulations and legislation, as set out by the Ontario Energy Board, which have limited and restricted how utilities across the province handle transaction related to water and wastewater operations.

In order to address these issues LaSalle Administration – from the Water and Finance areas – have worked collaboratively to research and develop alternatives and options available to the municipality.

Review of Alternatives

Over the past several years Administration, as well as Members of the Water & Wastewater Committee have reviewed proposals and demonstrations from various vendors to assist with the water meter replacement issue. A number of vendors/products were reviewed however from an operational maintenance perspective (Water) and the most cost effective (Finance) the preferred solution was the Corix water meter system.

The consideration of the various proposals was done under the condition that the successful proponent would be able to integrate with the current water meters, as a result the traditional request for proposal or tender process was not followed as had been sole sourced. The Corix/Sensus meter solution offers the easiest integration with the Town's current system on two main points. The first is that the majority of the water meters currently in the system are the Corix/Sensus brand. Consistent meters throughout the municipality provide for ease of maintenance, training for staff on installation and replaces and consistent part for replacement as well as the opportunity for bulk purchasing.

The second point is based on the wiring system for the outside transmitter. The current transmitter utilizes a two wire system while all other brands require three wires. As a result if the selection were to be any other system beyond Corix/Sensus there would be a requirement to re-wire all the meter-to-transmitters. This would involve entering each home in LaSalle to perform the re-wire at a significant cost and time requirement. For new construction the policy is now to install the three wires, yet only connect two.

Internal billing process for Water & Wastewater accounts

With respect to the water meter reading issue, in early 2012, the Town of LaSalle was contacted by Corix Utilities to promote a product that they provide, which would allow the Town to read all water meters from a meter reading device attached to the Town's existing tower. This device would allow the Town to take meter reads up to every 15 seconds. Sensus (Corix) transmitters would be attached to each existing water meter in the Town, which would transmit a wireless signal to the device on the tower. Advantages of the tower read system include: the elimination of any labour required performing meter reads on a house-by-house or drive-by meter read system and the elimination of estimated meter reads, which are often performed under the current Essex Power meter reading system. Also, this system would provide the Town of LaSalle trend analysis, which will identify abnormal usage and hence help with leak detection, backflow, and broken pipes.

The Town of LaSalle has a positive history with Corix Utilities and a large portion of the Town's existing water meters are Sensus meters – which makes this proposal financially superior as it minimizes the number of water meters to be replaced. In addition, as per discussion with Vadim (new financial software company), they also have had a positive experience linking the meter reads to the utility billing component of the software.

If the meter read function and billing function are both performed internally, all calls would be directed to the Town of LaSalle and result in faster service to the residents of the Town. There are also various financial benefits which are noted below under the financial analysis.

Water & Wastewater billings performed by Essex Power Corporation

Towards the end of our analysis of water meter systems, Administration was approached by staff from Essex Power Corporation with a proposal which would allow the municipality to potentially leverage existing Essex Power assets for the reading component of Water and Wastewater.

Essex Power Corporation (EPC) has installed new hydro meters to all LaSalle locations in order to comply with the current Ontario Energy Board (OEB) regulations – which are said to be higher than the current data collection standards employed for water and wastewater data. This infrastructure can be summarized as a collector system, or as they refer to it as a gatekeeper system. The system works in the following manner – each home has a reader that transmits the hydro data to one of a number of gatekeepers installed on the system. These gatekeepers then transmit the data to Utilismart (a wholly owned subsidiary of EPC) who then process and bill the data to customers. The information is collected and transmitted on a predetermined schedule e.g. every minute/5 minutes/15 minutes or so.

EPC is now offering the gatekeeper collection system at no cost to the Town. The reason for this is that the customer has already paid for the system via a special charge authorized by the OEB province wide. We would still be required to replace the transmitters – which are an Elster model which is required to communicate with the Elster gatekeeper. This Elster transmitter will work with any water meter.

For the water meters to be replaced we could use an Elster model or something else – it would be our choice as long as any wiring issues between the water meter itself (located within the home) and the transmitter (attached to the outside of the home) are resolved. There may be an opportunity to abandon the meter-to-transmitter-wiring if the water meter will transmit to the transmitter wirelessly (which will in turn transmit to the gatekeeper).

The internal operating process is considered below under the “Operational Procedures-Utility Billing Internally” portion of the report.

Financial Analysis:

The financial analysis is separated into two discussions – the first being from a capital perspective and the second being from an operating perspective.

Capital Financial Analysis:

The following analysis of capital costs includes 3 options:

Option #1 (Essex Power): This option includes the cost of capital to continue with Essex Power Corporation and move to an automatic read system. It is important to note that under this option, all water meters with 2 wires must be replaced as the Elster transmitter can only be attached to water meters with 3 wires. It is assumed that 2500 to 3500 water meters are aged and only have 2 wires. This analysis conservatively assumes that 3500 water meters will need to be replaced immediately if this option is chosen. Under this option, the transmitter will cost \$92 each and the installation cost will vary between \$55 and \$75 per transmitter.

Option #2 (Corix Immediate): This option includes the cost of capital to perform automatic meter reads and billing internally. It is important to note that Sensus transmitters can be attached to any working water meter with a touch pad. If a prong type water meter reader is used, the water meter will have to be replaced. It is assumed that half of the 3500 aged water meters use a prong system for meter reads and will have to be replaced immediately. This option includes the cost of having Corix replace all 3500 aged water meters immediately. Under this option, the transmitter will cost \$129 each and the installation cost will vary between \$10 and \$35 per transmitter depending on the type of meter reader attached to the water meter.

Option #3 (Corix over time): This option includes the cost of capital to perform automatic meter reads and billing internally. It also includes the cost of having Corix replace all of the aged prong style water meters in the first year (consistent with option #2). The remaining aged water meters will be replaced over 5-6 years by internal staff, which would save in the cost of installation. Under this option, the transmitters will cost \$129 each and the installation cost will vary between \$10 and \$35 per transmitter depending on the type of meter reader attached to the water meter.

Cost	Essex Power	Corix/Sensus (with Immediate Meter replacement)	Corix/Sensus (with Meter replacement Over time)
Transmitter Cost	874,000	1,225,500	1,225,500
Transmitter installation	636,500	182,500	182,500
Extra computers for new staff	--	3,000	3,000
Flexnet (transmission) infrastructure cost	--	93,000	93,000
2 hand held units	--	3,600	3,600
10% contingency	151,050	150,760	150,760
Total Capital Cost of transmitters	1,661,550	1,658,360	1,658,360
Water Meters	454,650	454,650	454,650
Water Meter installation	182,350	182,350	91,175
installation of control valve	17,150	17,150	17,150
installation of jumpers for grounding	19,250	19,250	19,250
15% contingency	101,010	101,010	87,334
Total Capital Cost on meters	774,410	774,410	669,559
Total Capital Cost of meters and transmitters	2,435,960	2,432,770	2,327,919

Per the above analysis, the difference in capital cost of continuing with Essex Power Corporation versus performing the water billing internally (with the immediate replacement of all aged water meters) is minimal.

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However, there will be approximately \$108,000 of savings if the water meters are replaced over a period of time by Town forces (assuming the immediate replacement of 50% of the aged water meters).

Operating Financial Analysis:

It is important to note that if water billing is performed internally, in the first year of operations there will be various "one-time" operating costs that will occur. As a result, the first year of operations will have a lower surplus (transfer to water reserve) than past years. Some of the one-time operating costs will include: training costs, advertising campaign costs, temporary staffing costs, and other miscellaneous costs. Therefore, as a result the operating surplus of a "normal year" of operations has been used in the financial analysis as it will show the savings that will occur on an annual basis once the utility billing is established internally.

The following analysis compares the annual operating cost of continuing with Essex Power Corporation as a water/wastewater billing service provider versus performing the utility billing internally:

Cost Category	Essex Power		Town of LaSalle	
	12 bills/year	4 bills/year	12 bills/year	4 bills/year
Billing, Collecting	106,020	106,020		
Call Center	28,500	28,500		
Postage	35,340	11,780	72,960	24,320
Forms	5,700	1,900		
Billing System	25,080	25,080		
Meter Reading/Data Collection	22,800	22,800		
Communications	5,700	5,700		
Printing and Stuffing	17,100	5,700		
SeeWater, HealthMAP, Customer Portal Access	19,380	19,380		
Paper, envelopes, printing fees			36,840	12,280
Additional Staff (one staff)			70,000	70,000
reminder notices			4,000	4,000
Technical support / licenses			4,900	4,900
Savings re: control over write-offs			(5,000)	(5,000)
10 % contingency			18,000	11,550
Total Annual Operating Cost	265,620	226,860	201,700	122,050

Per the above analysis, there will be minimal savings (\$38,760) if Essex Power performs billing on a quarterly versus monthly basis. However if the billing function is performed internally on a monthly or quarterly basis, there will be significant savings of approximately \$39,000 and \$108,000 respectively. This does not take into consideration the corporate savings that may be achieved through synergies with other town functions.

It is also important to note that currently Essex Power Corporation sends outstanding bills to a collection agency prior to providing the Town of LaSalle with a write-off list (approximately \$5,000 annually which is included in the above analysis). If water billing is performed internally, any delinquent accounts will be rolled onto the tax bill on a timelier basis and ultimately fully collected. Therefore, if the water billing is performed internally the Town will save \$5,000 of annual write-offs and the approximate 37% commission that is

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currently paid to the collections agency (used by Essex Power Corporation). The above analysis does not take into account the savings in commission paid to Essex Power Corporation as it cannot be estimated.

It is Administration's recommendation that any savings achieved on an annual basis by performing the utility billing function internally be allocated to the water reserve rather than reducing the Town's water rates. This annual increase in the transfer to the water reserve will significantly put the Town on the right track to fund the future replacement of water related infrastructure.

It is important to note that in 2012, the annual cost of the service fee paid to Essex Power Corporation for water and wastewater billing amounted to \$248,000. Under the new method of collecting data and performing the utility billing function the annual service fee would be \$265,600 based on 9,500 meters. Under the Essex Power meter read system, the cost of meter read labour will be eliminated and hence there should be some savings by Essex Power Corporation. Based on the costs mentioned it appears that no savings will be shared with the Town of LaSalle.

It is also important to note that the Elster transmitters under the Essex Power option come with a standard 1 year warranty. There is an option to purchase a 10 year warranty. The battery life on the transmitters are 20 years, however there is no warranty guaranteeing the battery life. If the billing function is performed internally, there is a 20 year warranty on the transmitters (which includes warranty on the battery) at no extra cost to the Town.

Moving forward, if Council decides to perform the water and wastewater billing function internally, administration will consider tendering both the tax and water/wastewater bill printing as a single tender, which could result in additional savings to the Town of LaSalle.

Operational Procedures – Utility Billing Internally:

The purpose of this section of the report is to describe the operational aspects of performing the Utility Billing function internally. This would entail a transition plan of the meter reading for approximately three months during the time the reading of the meters is taken over from Essex Power Corporation. Corix would read the meters during the transition period.

Our analysis has determined that the most cost effective option is to bill for water and wastewater on a quarterly basis. This option would allow the customers to pay on a pre-authorized monthly basis however they would only receive a bill 4 times per year in January, April, July and October. There would be a catch up bill every 4 months. The Vadim software is flexible in that it would allow us to bill monthly, bi-monthly, quarterly or annually. The analysis shows that the quarterly billing is best as it would save on the number of times a bill has to be mailed. Therefore there is a savings in postage, paper, envelopes etc. The Vadim software is currently exploring the option of e-billing. E-billing would allow a customer to go on-line via a portal and download their water and wastewater bill. This option would benefit the municipality by not having to mail a bill directly to the customer and would provide more flexibility for the customers. The Utility Billing module was purchased as a bundle package in December 2012 as part of the Finance software. Therefore there will be no additional expense to acquire the software.

Performing the utility billing in house would require the municipality to hire an additional staff member. The position would be posted and the candidate selected through the interview process. This would be a full time position for the Town. During the transition period there may be a need for additional staff resources

to address water and wastewater related concerns. It is suggested that this position contracted out for a 6-12 month period utilizing on average 15-20 hours per week.

Administration did consult with other local municipalities in order to gain knowledge and best practices in the utility billing process. The Town of Kingsville provides a similar billing practice as what is being recommended (billing on a quarterly basis) and have their operations structured in the same manner that we intend on structuring our future operations should we take over the billing function from Essex Power.

Summary:

Administration is recommending the replacement of older water meters (estimated at 2,500 to 3,500) with the Corix and the based on:

- Financially the analysis supports taking operations for utility billing internally with a quarterly billing model
- Operationally this would benefit the Town as all operations would be the responsibility of one organization and not two.
- All new meters and transmitters would be the same brand (Sensus) rather than various types of brands under the Essex Power Corporation option.

Yours truly,

Marilyn Abbruzzese
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Dale Langlois, CA
Manager of Finance & Deputy Treasurer

Reviewed by:						
CAO	Finance	Council Services	Environmental Services	Planning & Development	Culture & Recreation	Fire Services

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