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## **Council-In-Committee Meeting – June 12, 2025**

Subject: Water and Wastewater Billing Services Analysis  
Report Number: CS-25-063  
Division: Corporate Services  
Department: Financial Management and Planning  
Ward: All Wards  
Purpose: For Decision

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### **Recommendation(s):**

THAT report CS-25-063 Water and Wastewater Billing Services Analysis be received as information.

### **Executive Summary:**

#### **Purpose of the Report:**

The purpose of this report is to respond to a Council resolution seeking a review of the current water and wastewater (WWW) billing approach by comparing the current third-party billing approach against an in-house billing model.

#### **Background and Context:**

At the meeting of the Mayor's Affordability Roundtable held on February 27, 2024, the Roundtable members passed the following resolution:

That the Mayor's Affordability Roundtable Committee hereby recommends that Norfolk Council direct staff to provide a report providing a review of "the current water and wastewater billing service contract with ERT" including service levels and associated costs and provide a comparison to an in-house option in an effort to find efficiencies and cost savings.

This resolution was presented to Council at its meeting held on March 26, 2024 and was subsequently ratified.

Staff have subsequently completed a review of water and wastewater (WWW) billing options to compare both the qualitative and quantitative factors of continuing with a third-party billing provider or transitioning to an in-house WWW billing model.

## **Key Findings and Analysis:**

Staff have undertaken a detailed analysis of the two options available for WWW billing which included a third-party and an in-house billing model. This analysis has reviewed both quantitative and qualitative factors for each option. Regardless of the path chosen by Council, staff will need to initiate implementation of a new service provider/model before the expiry of the current third-party billing contract by January 2027.

## **Options:**

There are two options available for WWW billing that can be utilized by the County upon expiry of the existing third-party billing contract.

Option 1: Complete Request-for-Tender – The current third-party billing contract is set to expire January 2027 with no further option for renewal available. Should the County continue under this billing method, the County will be required to issue a request-for-tender (RFT) in early 2026 to allow for an adequate timeline for transition to a new provider.

Option 2: Transition to In-house WWW Billing – Should a transition to in-house WWW billing occur, staff would initiate preliminary planning immediately upon being adopted by Council to ensure an appropriate transition. Preliminary planning would include the hiring of an implementation lead, completing necessary software setup, development of program policies and procedures as well as the initial creation of a WWW billing team.

As can be noted in Table 1 of this report, Option 2 is projected to result in annual savings in comparison to Option 1.

## **Conclusions:**

Staff have completed a detailed analysis of a water/wastewater billing methodology with any changes needing to be effective for February 1, 2027.

## **Recommendations:**

Noted above.

## **Financial Implications:**

Please reference the financial comments section of this report.

## **Discussions:**

### **Background**

At the meeting of the Mayor's Affordability Roundtable held on February 27, 2024, the Roundtable members passed the following resolution:

That the Mayor's Affordability Roundtable Committee hereby recommends that Norfolk Council direct staff to provide a report providing a review of "the current water and wastewater billing service contract with EARTH" including service levels and associated costs and provide a comparison to an in-house option in an effort to find efficiencies and cost savings.

This resolution was presented to Council at its meeting held on March 26, 2024, and was subsequently ratified.

Staff have subsequently completed a review of water and wastewater (WWW) billing options to compare both the qualitative and quantitative factors of continuing with a third-party billing provider or transitioning to an in-house WWW billing model.

Norfolk County WWW billing is currently contracted to a third-party vendor who is under contract until January 2027. The original agreement began in February 2017 for a five-year term with the option to renew for an additional five years. The current third-party contractor is responsible for the full monthly cycle of both regular WWW and bulk water users, including billing, payment processing, customer service and collection efforts. In 2024, the costs incurred for third party billing totaled \$663,810 and is projected to be at a similar level for 2025.

In order to provide a complete comparison between the two billing options being reviewed (i.e., in-house vs. outsourced), staff have analyzed both based on quantitative and qualitative factors. Each has been explored below in greater detail.

### **Quantitative Analysis**

#### **Annual Rate Budget Impacts (5-year outlook)**

Staff completed a 5-year costing review comparing in-house against third-party billing. Under the third-party approach, staff forecast future costs based on the existing third-party contract costs while applying a modest year-over-year annual indexing increase of 3%. For the in-house approach, staff completed a detailed analysis which included annual operating costs for salaries and benefits (5 new FTEs required), materials and supplies, services, interdepartmental charges and offsetting revenue. Staff also analyzed first year implementation costs such as billing software procurement, office

furniture and equipment, and facility retrofit requirements. Staff determined a staffing level of 5 FTEs based on a comparison of current property tax related operations, current staffing levels at current third-party biller dedicated to Norfolk as well as a review of the analysis completed in 2016.

The results of this analysis can be summarized in Table 1 below.

**Table 1 – Summary of Costs – In-House and Third-Party WWW Billing Forecast (\$)**

<b>Cost Summary</b>	<b>Year 0<sup>1</sup></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>In-House:</b>							
Implementation Cost	151,700	0	0	0	0	0	151,700
Operating Expenditures	67,700	907,183	912,299	929,880	950,937	972,480	4,672,779
Program Revenues	(219,400)	(547,551)	(512,751)	(512,751)	(512,751)	(512,751)	\$(2,817,955)
<b>Total In-House</b>	<b>0</b>	<b>359,633</b>	<b>399,549</b>	<b>417,130</b>	<b>438,186</b>	<b>459,729</b>	<b>2,006,524</b>
<b>Third-Party:</b>							
Contracted Serviced	N/A	663,810	683,725	697,399	711,347	725,574	3,481,855
<b>Total Third-Party</b>	<b>N/A</b>	<b>663,810</b>	<b>683,725</b>	<b>697,399</b>	<b>711,347</b>	<b>725,574</b>	<b>3,481,855</b>
<b>Net (Saving)/Cost</b>	<b>N/A</b>	<b>(304,178)</b>	<b>(284,176)</b>	<b>(280,269)</b>	<b>(273,161)</b>	<b>(265,845)</b>	<b>(1,475,331)</b>
<b>% of 2025 Rates Requirement</b>	<b>N/A</b>	<b>-0.93%</b>	<b>-0.87%</b>	<b>-0.85%</b>	<b>-0.83%</b>	<b>-0.81%</b>	

Note 1: Year 0 implementation costs to be funded from reserve.

As can be noted in Table 1, implementation costs are estimated to be \$219,400 which will be funded from the water and wastewater reserves and will require amendments to the water and wastewater operating and capital budgets for 2025. Once implemented, it is forecasted that in-house billing would incur annual average savings of approximately \$280,000 when compared against the third-party option. Savings for the first 5 years of completing WWW billing in-house against utilizing a third-party biller would be approximately \$1.5 million in aggregate when considering implementation costs.

## Annual Levy Impacts

Staff also anticipate a combination of levy impacts as a result of the proposed recommendation for in-house WWW billing which culminates in a net \$0 impact on the levy starting year 1 with minor savings for year 2-5 post transition. These impacts are summarized below in Table 2.

**Table 2 – Projected Annual Levy Supported Operating Budget Savings (\$)**

<b>Saving Summary</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
Manager Salary and Benefit Allocation from Levy to Rate	36,000	36,720	37,454	38,203	38,968	187,345
Facility Cost from Levy to Rate	76,200	77,724	79,278	80,864	82,481	396,548
60/40 Split of Transfer to Taxes Fee	112,200	112,200	112,200	112,200	112,200	561,000
<b>Total Net Savings Levy</b>	<b>0</b>	<b>(2,244)</b>	<b>(4,533)</b>	<b>(6,868)</b>	<b>(9,249)</b>	<b>(22,893)</b>

WWW is a self-funded operation, meaning that the cost of providing that service should be recovered directly from rate payers with no cross-subsidization between the tax and rate funding sources. Under the option of conducting WWW billing in-house, there are two items that are currently being funded 100% from the levy for which a portion will need to be funded from the rate base. These two items are: 1) a portion of the compensation of the manager overseeing the billing operation and 2) facility-related costs for on-going operation of the building where WWW billing staff will be located.

These savings to the levy are, however, offset by a change in the split of revenue generated annually from the administration fee associated with the transfer of WWW arrears to property taxes. Currently, the transfer of WWW arrears to taxes is completed by staff that are funded 100% from the levy. As a result, the revenue generated from the transfer to taxes fee is allocated 100% to the Levy Supported Operating Budget. Under the in-house billing model, a portion of the activities would be completed by new staff funded from the rate supported budget. As such, staff would propose a split of any revenue generated from this fee to be allocated between the two funding sources on a 60/40 basis to reflect the level of work completed by each team.

## Billing System Procurement

Should an in-house model be adopted, staff are recommending the single sourcing of the utility module with the existing Dynamic GP Enterprise Resource Planning (ERP) system utilized by the County. The current vendor of record, Central Square, would be

required to assist in the set up. A budget for this has been established as part of the implementation costs. By utilizing a module within the existing ERP system, staff are anticipating greater efficiencies as the systems would be partially integrated.

Should the County continue with the third-party billing model, this procurement would not be required as any billing system set up would be the responsibility of the billing vendor.

### Key Assumptions in Quantitative Analysis

There are a number of key assumptions included in the quantitative analysis that may have a material impact on overall outcomes of the analysis. These assumptions are as follows:

- WWW billing will continue to occur on a monthly billing cycle (noting that savings of approximately \$100,000 annually could be realized under a bi-monthly approach).
- Printing services will be outsourced to the existing property tax printer vendor of record but would be offset by the availability of eBilling.
- WWW bill payment processing will be via mail or online only as per the current approach (i.e., no in person payments).
- WWW billing office to be located at the Robinson Administration Building.
- Interest revenue and new account set up will continue at similar volumes as with third-party biller.
- A new reminder notice fee of \$10 will be utilized (similar to the property tax reminder fee).
- That the WWW arrears transfer to property tax fee of \$49.25 (2025 rate) will be split 60/40 between the rate and levy supported operating budgets.
- In-house billing scenario reflects 18,000 bills per month.
- Third-party billing annual costs indexed at 3% annually and does not consider significant price changes despite the requirement to tender should Council elect to continue with outsourcing beyond January 2027.
- Impacts of implementation lead not to be included in analysis as to be funded from reserve until program fully operational.
- Both the in-house and third-party billing model assume no in-person payments.

### Qualitative Analysis

In addition to the quantitative impacts noted previously, there are a number of qualitative impacts that need to be considered. These qualitative impacts may not result

in any direct financial impacts, but these are important factors that should be considered, nonetheless.

### Customer Service

Under a third-party billing methodology, the County does not have direct control over the quality of customer service interactions. By completing WWW billing in-house, it would ensure that any customer service interactions adhere to existing County customer service standards. Further to this, an in-house process would streamline any interaction that has historically involved residents needing to contact both the third-party biller and County staff.

Under the current third-party billing model, residents are not able to make payment in person. Should the County transition to an in-house model, staff would recommend to continue this practice as it is consistent with other utilities and any change would result in an increased level of service which may result in additional financial impacts.

### Process Backup and Redundancies

A potential challenge with completing in-house WWW billing compared to utilizing the services of a third-party provider is the redundancy of staffing. A third-party provider would have the necessary coverage and redundancy in staff to mitigate both foreseen and unforeseen staffing shortages. While other processes within the Revenue Services team would experience the same challenges, the frequency of WWW billing would require a certain level of redundancy or cross training to ensure there are no lapses in service delivery.

### Financial Management and Planning Impacts

Staff undertook a review of existing processes completed by the Financial Management and Planning staff that are required monthly as a result of utilizing the services of a third-party billing provider that would not need to occur (or would be less administratively burdensome) if billing were to occur in-house. These processes are summarized as follows:

- Financial Operations Team

Accounting and Audit: Should Council elect to adopt an in-house billing model there would be an increase in workload for the Financial Operations Team within Financial Management and Planning. These increased demands would primarily relate to increased bank reconciliation needs, balancing financial systems, journal entries, and changes to the year-end financial audit as required due to the increase in financial transactions to be processed by the County annually.

ERP System Support: The ERP System Coordinator (i.e., Dynamics GP) role has recently transitioned into the Financial Operations Team. Under an in-house model, staff are recommending that the County utilize the Utility Billing Module in Dynamics GP. It is anticipated that this role would support the module implementation, and also provide on-going support during the life of this system from this team.

It is anticipated that these demands can be accommodated within the existing staffing complement.

- Revenue Services Team

Transfer of WWW Arrears to Taxes: Under the current policy adopted by the County, after a certain period of time, WWW arrears are transferred to the property tax account of the property that receives the WWW service. The current third-party billing provider provides arrears listings to the County to tax roll monthly. Once received, County staff validate and manually add the arrears to the applicable property tax account. This is a very time-consuming process for collection staff and can involve extensive engagement between the County and the existing WWW billing provider. On a monthly basis, this task requires approximately 28 hours of staff time to complete. Under an in-house methodology, this process would be less complex and would be completed in a more efficient manner as the arrears could be transferred to property tax accounts within existing accounting software through an automated process.

Process Backup and Redundancies: A challenge with completing in-house WWW billing is ensuring adequate process and staffing redundancies are in place. A third-party provider would have the necessary coverage and redundancy in staff to mitigate both foreseen and unforeseen staffing shortages. While other processes within the Revenue Services team would experience the same challenges, the frequency of WWW billing would require a certain level of redundancy or cross training to ensure there are no lapses in service delivery.

Organizational Changes and Workload Capacity: It is anticipated that an in-house WWW billing model would be under the Revenue Services team within the Financial Management and Planning department. In order to accommodate this within the team, it is expected that there will be a need to reorganize existing team to accommodate the five new FTEs. Further to this, the implementation of an in-house billing model will result in a significant workload for the implementation team during 2025 and into 2026 to adequately prepare for the transition. As such, it is anticipated that existing resources will be stretched,



meaning any new or planned initiatives within the team will be limited until the transition is complete.

### Timeline for Transition

The current contract between the County and the existing third-party billing provider is set to expire in January 2027 with no early termination or additional extension clauses available. As such, the County will need to determine an appropriate path forward well in advance of the current contract expiry to ensure adequate time to implement and transition accordingly.

Should Council direct staff to implement an in-house billing approach, staff within the Financial Management and Planning department will begin pre-transition work starting in mid-2025 which would include the following:

- Job description development for new staff,
- Pre-work on billing software procurement, and
- Posting of a WWW billing implementation lead with a targeted start date of September 2025.

During 2026, leading up to the transition date of January 2027, staff would initiate internal policy and procedure development, billing software procurement and implementation, and billing staff hiring and onboarding. The County would need to ensure the WWW billing unit would be fully operational by the end of 2026.

Should Council desire to continue with a third-party billing approach upon the expiry of the current contract, the County would need to issue an RFP for service early 2026 (to be developed in 2025) with a targeted award date of July 2026 to allow for an effective transition to a new provider if required.

### **2016 WWW Billing Review**

During 2015 Council received Report FS 15-37 RE: Termination of Water and Wastewater Billing and Collection Services Agreement from Municipal Billing Services Inc. (MBSI) effective November 2016. MBSI was a subsidiary of Hydro One who was completing billing for WWW upon the sale of the former Norfolk Power.

At that time Council approved, in principle, bringing Water and Wastewater Billing and Collections in-house within the Financial Services Department and directed that staff prepare a report outlining the resource requirements, other implications and transition plan for bringing these services in-house. Staff provided a detailed report reviewing the in-house model to committee in June 2016.

Through this June 2016 report, staff confirmed the recommendation of an in-house WWW billing model starting in 2016. At this time, staff recommended this approach based on a combination of an enhanced customer service experience and overall cost savings in comparison to another third-party billing model. Council opted to continue with a third-party billing methodology which has continued since that time.

### **Resolutions for Council Consideration**

Depending on the billing model preferred by Council, there are two different resolutions that will need to be passed which are included below for reference.

#### **Resolution Required for Third-Party Billing Model (Option 1)**

Should Council elect to continue with a third-party billing model upon the conclusion of the current contract, the following resolution would need to be passed:

THAT report CS-25-063 Water and Wastewater Billing Services Analysis be received as information; and

THAT Council endorse the continuation with third-party water and wastewater billing model upon the conclusion of the current service contract; and

FURTHER THAT staff be directed to initiated the necessary procurement required to secure the services for a third-party billing provider.

#### **Resolution Required for In-House Billing Model (Option 2)**

THAT report CS-25-063 Water and Wastewater Billing Services Analysis be received as information; and

THAT Council endorse an in-house water and wastewater billing model effective February 1, 2027 for inclusion in the 2026 Rate Supported Operating Budget and Capital Budget as required; and

THAT Council approve the amendment of the 2025 Rate Supported Operating Budget for the inclusion of a water and wastewater billing implementation lead in the amount of \$67,700 to be funded equally from the water and wastewater reserves in 2025; and

THAT Council approve an amendment to the 2025 Rate Supported Capital Budget for the inclusion of one-time implementation costs in the amount of \$151,000 to be funded equally from the water and wastewater reserves in 2025; and

FURTHER THAT Council permits a single source supply as outlined in section 4.8.4 of Norfolk County's Purchasing Policy CS-02, with Central Square, for the purchase of the Utility Billing Module within Dynamic GP (or comparable system).

### **Other Options for Council Consideration**

Regardless of the billing methodology adopted by Council, there are three main billing parameters that would have a significant impact on billing related costs. Three of the main decisions are:

#### **Bi-Monthly Billing (Option A)**

The current billing cycle is based on 12 invoices per year. Significant savings could be realized related to postage and printing related expenditures should Council elect to adopt a bi-monthly billing cycle (i.e., 6 bills per year). It is anticipated that a bi-monthly billing cycle would save approximately \$100,000 annually which would be realized under either billing methodology.

Bi-monthly billing would not impact the total amount billed, but it may result in a difference in financial pressures to be experienced by account holders and they would be billed for two months at a time. There may also be a negative connotation associated with "higher" bi-monthly bills when compared to monthly.

#### **eBilling Incentive (Option B)**

Currently the majority of accounts are set up for paper billing. A potential offset to the postage and printing costs associated with physical bills would be to initiate a paper bill fee for properties not enrolled in eBilling. This is a common practice for utility billers and would offset postage and printing related expenditures. The County would look to create a \$2.00 per bill surcharge regardless of the billing method adopted.

#### **In-Person Payment Option (Option C)**

Currently, under the third-party billing model, there is no option for in-person utility payments by system users. For the purposes of the quantitative analysis, staff have assumed this practice would continue regardless of the billing methodology chosen.

Should Council elect to continue with a third-party billing model, in-person payment would likely still not be available.

Should Council elect to adopt an in-house billing model, in-person payments could occur but have not been factored into the analysis as this is a change in service levels. Under a monthly billing cycle, in-person payments would likely require an additional

customer service oriented staffing resource to facilitate. However, under a bi-monthly approach, in-person payments could likely be accommodated with the 5 FTEs previously outlined above.

#### **Financial Services Comments:**

Staff have completed a fulsome analysis comparing the status quo against in-house billing. Based on this analysis, it is projected that in-house WWW billing would result in annual savings after implementation costs compared to utilizing the services of a third-party billing provider as summarized in Table 1 this report.

Full impacts of any change in billing methodology will be incorporated into the 2027 Rate and Levy Supported Operating budgets. Should Council elect to transition to in-house WWW billing it will require that a WWW billing implementation lead to be hired in 2025 and the impact of such transition will be included in the 2026 budget at that time.

#### **Interdepartmental Implications:**

ServiceNorfolk may experience increased call volume for in-house billing as customer interaction previously completed by a third-party biller would be completed in-house.

#### **Consultation(s):**

- Environmental Services Department
- ServiceNorfolk Team

#### **Strategic Plan Linkage:**

This report aligns with the 2022-2026 Council Strategic Priority Sustaining Norfolk - Creating a sustainable community and a positive legacy.

Explanation: Staff recommendations are based on the most fiscally responsible approach.

#### **Attachment(s):**

None.

#### **Approval:**

Approved By:  
Al Meneses, CAO

Reviewed By:  
Amy Fanning  
Treasurer/Director, Financial Management and Planning

Prepared By:  
Rob Fleming  
Tax Collector/Manager, Revenue Services