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**REPORT TITLE: Online Utility Billing Portal**

**FROM: Andrew Farr, Interim Commissioner of Public Works**  
**Sean Baird, Commissioner of Digital and Information Services**

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## **RECOMMENDATION**

**That an online credit card payment option for the Region of Peel utility bills using a “user pay” model be introduced;**

**And further, that incremental transaction costs from credit card payments be paid by the customers, as outlined in the joint report of the Interim Commissioner of Public Works and Commissioner of Digital and Information Services titled “Online Utility Billing Portal”.**

## **REPORT HIGHLIGHTS**

- The implementation of an online utility billing portal will allow residents the ability to self-serve by both reviewing and paying invoices online through the portal. The online portal not only further advances the Region of Peel’s digital strategy, it also improves customer experience while generating cost savings for the Region through lower paper usage, postage and call volumes. The online portal will be implemented by May 2021.
- Market research suggests that the uptake for the use of the portal could reach 30 per cent after four years, which is estimated to generate an annual savings of \$350,000.
- Credit card and debit card payments through the portal will be new channels that customers can take advantage of. The average cost per transaction for credit card payment is \$3.25, compared to \$0.10 per transaction for the debit card and other payment methods currently used by the Region.
- In lieu of a “user pay” approach, should the Region decide to absorb the credit card transaction fee, it would result in an additional annual cost of over one million dollars after exhausting operational savings of \$350,000.
- To maintain the guiding principle of “user pay”, staff recommends that customers who take advantage of the credit card payment option pay the \$3.25 transaction cost. This is a common practice amongst utility providers in Ontario.

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## **DISCUSSION**

### **1. Background**

The Region of Peel manages over 335,000 water and wastewater accounts, and issues over 1.3 million bills annually. After 17 years the legacy billing system, Aqua Peel, was replaced in 2015 with Customer Care and Billing, which is an Oracle based billing system. The new billing system provides more billing functionality such as stormwater billing, and the ability to have fixed and variable charges for water and wastewater billing.

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### **2. Discussion**

#### **a) Online Portal**

After the successful rollout of stormwater charges for both the Cities of Mississauga and Brampton, the Region is looking to further take advantage of Customer Care and Billing features and advance the digital strategy by improving customer service through an online billing portal. As reported to Regional Council in July 12, 2018 (Resolution 2018-713), the portal will allow residents the ability to self-serve by both reviewing and paying invoices online through the portal.

Presently, customers face the following limitations when inquiring about utility bills:

- Phone inquiries are limited between 8:30 AM – 4:30PM from Monday to Friday.
- Due to large call volumes, at times customers may have to wait a significant amount of time before an agent is available to address their concern.
- E-mail inquiries may take up to 48 hours for a customer to receive a response.

The introduction of an online portal will provide improved customer experience when inquiring about their utility bills:

- Improved convenience through the ability to self-serve at any time of the day or evening.
- Receipt of e-mail or text alerts when invoices are ready along with the bill amount and payment due date.
- Ability to access billing and payment history.

It is estimated that each customer that switches to electronic billing through the portal will generate cost savings of \$0.83 per bill through lower printing and postage charges along with lower call centre volumes. Market studies suggest that the customer uptake to use an online portal can reach up to 30 per cent after four years. Based on the Region's 335,000 accounts, 30 per cent uptake to use the online portal would translate into an annual savings of approximately \$350,000.

The online portal also supports the Region's priority to protect the environment by reducing the use of paper for bill printing, envelopes and inserts.

#### **b) Utility Bill Payment Options**

To further improve the customer experience with the online portal, the Region will also introduce additional credit card and debit card payment options. Customers will be able to pay their utility bills via debit or credit cards through the online portal in addition to all the current payment channels such as pre-authorized debit, telephone, on-line banking, mail, at bank counters, and in person at various Region and local municipal locations.

Emerging trends in the payment industry indicate the strong preference for customers to use digital payment channels compared to traditional channels, such as cheques or at bank counters. The new payment channels will provide customers with a better customer experience when paying their utility bills and viewing their bills on the portal.

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Credit cards have become a popular method for bill payments simply because of convenience, and the ability to collect loyalty points offered by various credit card providers. There is no evidence that the credit card payment option encourages customers to pay bills sooner than the due date.

The transaction costs for credit cards are the most expensive payment channel at 1.75 per cent of the invoice amount. On the average utility bill, credit card fees will be \$3.25 per transaction compared to \$0.10 per transaction for other payment channels currently offered by the Region. For online debit card payment, the transaction fee is also only \$0.10. The portal will clearly disclose credit card transaction fee prior to accepting payment.

The Region can pass the additional credit card payment charge directly to the user that chooses to pay using a credit card, which is known as “user pay”, or fund the credit card transaction costs which would result in higher water and wastewater rates to be borne by all customers. As mentioned above, the “user pay” will achieve the expected operational cost savings of \$350,000 per year while enhancing customer experience. Furthermore, the “user-pay” approach is consistent with the foundational principle that has been traditionally endorsed by Council.

In lieu of a “user pay” approach, should the Region absorb the credit card transaction fee, it is more likely for customers to choose credit card payment option to earn points. This approach may result in achieving a higher adoption rate of 40 per cent, surpassing the 30 per cent target, but it would result in additional cost of over \$1M annually. These transaction costs would be funded through higher water and wastewater rates for all customers, irrespective of the payment means used.

To assess common practices, an environmental scan of the utility industry in Ontario was conducted. Of 16 utilities surveyed, seven accept credit card payments:

- City of Ottawa
- Ottawa Hydro
- Milton Hydro
- Enbridge Gas
- Hydro One
- Alectra Utilities
- Peterborough Utility Services

All seven utility providers which offer credit card as a payment option follow the “user pay” model, where all transaction costs are paid directly by the customer. In turn, the “user pay” option is the common practice in the utility industry where a credit card payment option is available.

Furthermore, a review of local municipalities in Peel suggests that credit card payment option is offered by the City of Brampton and the Town of Caledon for tax payments. Customers pay the credit card fees if this payment option is selected. The City of Mississauga do not offer credit card payment option for tax payments.

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### c) Next Steps

The current vendor, KUBRA, which currently performs the utility bill printing and mailing, will also be providing the new online portal services. The online portal will be branded to meet Region's branding requirements to ensure consistency with all other forms of public communication.

A system integrator, Red Clay, was secured through a competitive Request for Proposal process for implementing the online billing portal. The development of the online billing portal is underway with a target completion of May 2021.

### RISK CONSIDERATIONS

As mentioned earlier, the "user pay" option is expected to achieve the 30 per cent target adoption rate, an annual savings of \$350,000 once the target adoption rate is reached in the fourth year.

If the Region absorbs credit card transaction fees, a higher adoption rate of 40 per cent may be achieved. This will result in an additional \$1M annually to be funded by all customers through higher water and wastewater rates. This is inconsistent with the "user pay" philosophy traditionally endorsed by Council.

In addition, the success of this initiative is largely dependent on the number of customers that use the portal. To minimize the risk of a lower adoption rate, a comprehensive communications and user testing plan will be implemented to both promote the benefits of the portal, and to ensure that it is user friendly for customers.

### FINANCIAL IMPLICATIONS

The total implementation cost of the project is \$660,000 and savings will reach \$350,000 annually once the target adoption rate of 30 per cent is realized by the fourth year. It is also expected as the adoption rate ramps up to the target adoption rate, the implementation costs will be recovered by the fourth year. In the event the adoption rate is lower than expected, the implementation costs will still be fully recovered, but in more than four years.

There is sufficient funding available in existing approved capital budgets to support the implementation of the online portal. Ongoing savings to the operating budget from reduced paper, postage and call volumes will be included in future budget submissions.

### CONCLUSION

Introduction of the online utility portal further advances the Region of Peel's digital strategy, improves the customer experience and simultaneously generates operational savings. The "user pay" model will ensure that those that choose to use credit cards as a means of payment will bear the incremental transaction cost. Extensive communication to all customers will also be key to reach expected adoption rates so that both customer experience benefits and cost savings are realized.

## **Online Utility Billing Portal**

*For further information regarding this report, please contact Steven Fantin, Director Operations Support, Ext. 4438, [steven.fantin@peelregion.ca](mailto:steven.fantin@peelregion.ca).*

*Authored By: Khawer Rauf, Manager, Billing*

### ***Reviewed and/or approved in workflow by:***

Department Commissioners, Division Directors, Financial Support Units and Legal Services.

Final approval is by the Chief Administrative Officer.

A handwritten signature in black ink, reading "Nancy Polsinelli". The signature is written in a cursive style with a large initial "N" and a distinct "P".

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N. Polsinelli, Interim Chief Administrative Officer