



CITY COUNCIL INFRASTRUCTURE SUBCOMMITTEE AGENDA REPORT

Meeting Date: 11/29/2022

From: Carolina Yuen, Finance Director

Subject: Review of Water and Sewer Billing Frequency

Community Goal/Result

Community Prudent

Safe Community

Ecological Sustainability

Purpose

Ensure the City's water and sewer billing and collection process offers the customers manageable payment amounts due when the water and sewer rate increases are implemented.

Recommendation

Provide feedback regarding potential change of billing frequency to separate water usage from fixed fees for sewer, drought reserve and capital project charges.

Background

On March 14 and June 13, 2022, the City Council Infrastructure, Utilities and Franchise Subcommittee discussed the need to increase water and sewer rates to ensure the Utility Fund could cover recent increases in operating expenses. In order to minimize the hardship of the increases, the Subcommittee members requested a review of the possibility of splitting the water and sewer bills and converting from a bi-monthly to a monthly billing frequency.

The possible charges that would be separated from the current bi-monthly bill are fixed services including Sewer, Drought Contingency and Capital Project Charges. These are set annually based on specific periods of water usage. They would be split off to be billed in the "off months."

Discussion

Currently Water and Sewer bills are distributed every other month in February, April, June, August, October and December. The thought is to split the bills so water charges are billed during the current billing months, and other fixed service charges would be included in the "off months" of January, March, May, July, September and November.

Currently the City's water and sewer bill has a number of lines or services:

- Water Service Charge – The charge for having a meter connected to the system
- Water Usage – This is based on the number of units of water used during the billing period. One (1) unit equals 100 cubic ft. of water or approximately 748 gallons
- Sewer Charge – For residential customers it is based on the average water usage from October through January, and is reset every April. For commercial customers it is based on the actual water used during the billing period.
- Capital Project Charge – This is to pay for capital projects. The current charge is for the repayment of the 2015 water and sewer bonds. Council approved the second charge, which will be incorporated into the December 2022 bill. The charge is based on the amount of water used between February and June and is reset every August.
- Drought Contingency Fund – This charge was adopted on February 1, 2018. It was set to create a reserve fund to cover loss of revenue during a drought. Accounts are evaluated annually based on their usage.

Staff explored the various billing services on the utility bills to determine possible ways and the related cost to divide the bills and issue monthly. There were various options explored:

Option 1: Read the meters monthly and issue the bills monthly.

- Challenges – Current staffing responsible for reading the meters is set up for bi-monthly readings. Staffing would need to be increased for readings, but AMI (Automated Metering Infrastructure) is on the City's project list to be implemented within two to five years.
- Additional steps and cost – The largest cost would be staff time since it takes three (3) people approximately one week to read the meters every other month. Also staff time would be needed to re-design the billing system to convert service codes to monthly billings.

Option 2: Continue to read the meters bi-monthly but charge fixed services on the off-months with manual intervention.

- Challenges: The current billing system assigns a service address for the water/sewer services and allows only one account per service address, tied to a water meter. The fixed service fees are set annually and are tied to water usage from a specific period. In order for the City to use the existing accounts to bill the services in separate months, the billing operator would have to manually inactivate fixed billing services on each account monthly, each service code one by one, then activate the following month while inactivating the water usage component. This is a manual process and prone to human error.
- Additional steps and cost: The largest costs for this is the additional staff time in setting up the system and the additional mailing costs to the City.

Option 3: Continue to read the meters bi-monthly but charge fixed services on the off-months using automated invoicing from non-utility billing system.

- Challenges: The current billing system uses “services” for each service address and allows only one account per service address, tied to a water meter. The billing department would utilize another invoicing module to bill the fixed fees, mirror the account number structure on the new module, but would need to maintain two separate databases in order to keep the service addresses in synch. Because the other invoicing module is not part of the utility billing module, the automated credit card payment feature is not linked to the invoicing module and therefore would not work for the customers. Customers would have to pay in person, or mail in checks. The utility billing module tracks the water usage and is used to calculate the monthly fixed service fees for each customer. Once calculated, the billing operator would have to manually download data from the utility billing module and upload to the other invoicing module in order to generate the bills for fixed services. Maintaining the two databases is a manual process and prone to human error.
- Additional steps and cost: The largest cost is staff time to a) set up the accounts and billing codes on the non-utility invoicing module, b) to ensure the two separate systems are maintained, and c) to process mailed and in-person payments since our current non-utility invoicing system does not support automatic payments.

Option 4: Continue to read the meters bi-monthly, but charged the fixed services annually on property tax bills

- Challenges: The utility billing module tracks the water usage and is used to calculate the monthly fixed service fees for each customer. Once calculated, the billing operator would have to download data from the utility module to calculate and annualize the service fees, and forward a file with account information to the County to have added to the property tax bill. Currently utility service addresses pay for the bills. By moving to the property tax bill, the property owners would be responsible to pay, and if they don't live at the service address, they would have to find ways to collect from their tenants. Charges would be generated annually and we may have to shift when we calculate in order to have on the property tax roll in time. Also, property owners would have to pay semi-annually instead of bi-monthly.
- Additional steps and cost: The largest cost is staff time to take the water usage and fixed service fee reset data off the system to annualize for the property tax rolls. We already use a consultant to help us to manage the property tax rolls for billing of NPDES and Storm fees. There would be an additional cost if we increase their scope to include assisting us with the utility service fees.

General concerns:

Additional bills result in additional printed billing statements and more envelopes being distributed, therefore using more paper products which moves away from the City's initiative to decrease paper usage.

Using the existing current utility billing system, but manually manipulating the process each month moves away from automation which is one of the reasons the current utility billing system was chosen.

Using an alternative invoicing system would take away payment options from the customer, decreasing the progress we've made in offering automated or self-service payment methods to the customers. Also, there was an increase in the number of customers using our automated platforms since we reduced City Hall public hours as a result of COVID.

Having the utility billing specialist work on bills each month minimizes the time allowed for other utility billing projects and responsibilities, and other cross-training requirements and opportunities. Other Finance department resources would need to be re-allocated assignments currently performed by the utility billing specialist to allow her the additional time needed for the billing and collection processes. More cashiering time would also be needed by other front counter supporting staff to process additional manual payments.


The percentage of customers who would prefer a monthly billing frequency is unknown. Although some may appreciate the monthly billing to smooth out the cost of the increases, some others may prefer to stay on the current cycle. Although recurring payment methods are only available on a bi-monthly basis, customers can already pay monthly manually if they choose. Additionally, the City does work with individuals to set up payment plans on an as-needed basis.

Measure of Success

The City is able to offer its customers a billing frequency that allows for manageable payment amounts, maintains payment options, and doesn't stray from the City's other goals, as economically as possible while being financially sustainable.



Carolina Yuen, Finance Director



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