

# AGENDA

## CITIZENS UTILITY ADVISORY BOARD

Wednesday, January 11, 2012  
6:00 p.m.

**JOHNSON CREEK FACILITY CONFERENCE ROOM**  
**6101 SE JOHNSON CREEK BLVD.**

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|-------|--|--------------------|
| I.    | CALL TO ORDER  | CUAB Chair         |
| II.   | INTRODUCTIONS  | CUAB Chair         |
| III.  | CONSENT AGENDA   | CUAB Board         |
|       | A. Approve Minutes from November 30, 2011                          |                    |
| IV.   | REPORTS  | Gary Parkin        |
|       | Report on the Water Master Plan adoption, review rate implications |                    |
| V.    | DISCUSSION   |                    |
|       | Discuss billing policies   | Finance Department |
| VI.   | MATTERS FROM THE BOARD   | CUAB Members       |
| VII.  | OTHER  |                    |
| VIII. | INFORMATION SHARING  | ALL                |
| IX.   | FUTURE MEETING DATE/AGENDA ITEMS                                   | ALL                |
|       | Next meeting: Wednesday, February 1, 2012                          |                    |
| X.    | ADJOURN  |                    |

**CUAB MEETING MINUTES**  
**Wednesday, November 30, 2011**  
**Johnson Creek Facility Conference Room**  
**6101 SE Johnson Creek Blvd.**

**Members Present**

Charles Bird, Chair (via Skype)  
Beth Kelland, Vice Chair  
Bob Hatz  
Mike Scolar  
Monty Schroeder

**Staff Present**

Gary Parkin, Engineering Director

I. CALL TO ORDER

Chair Bird called the meeting to order at 6:13 p.m.

II. INTRODUCTIONS

Charles is in Cortez, Colorado.

III. CONSENT AGENDA

Minutes from the November 2, 2011 meeting were approved.

IV. REPORTS

Gary reported on the development of the CIP. Noted was the upcoming SSMP annual report (still in the works) and discussed the role of crack and slurry sealing. The group was interested in learning more about the treatments, particularly slurry sealing and its importance in pavement preservation.

V. DISCUSSION

The board expressed their desire to discuss billing policy with the Finance Director or City Manager. A question that came out of the discussion was the frequency of meter reads.

VI. MATTERS FROM THE BOARD

Bob offered a thought on the light rail hubbub; “it will be nice, people will be happy”.

VII. OTHER

VIII. INFORMATION SHARING

IX. FUTURE MEETING DATE/AGENDA ITEMS

Next meeting will be January 4, 2011 (tentative) at 6:00 p.m. at the Johnson Creek facility.

X. ADJOURN

The meeting ended at 7:26 p.m.

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Beth Kelland, Vice Chair

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Gary Parkin, Scribe

Memo:

To: Citizens Utility Advisory Board

From: Andy Parks, Interim Finance Director

Date: November 23, 2010

Re: Response to findings and recommendations to utility billing review

As you may recall in March 2010 we retained the services of Nancy McClain, a seasoned finance officer that has managed the finances of several cities, Clackamas County and City County Insurance Services, to perform a limited review of the City's utility billing system, processes and procedures, and oversight and direction provided staff responsible for utility billing.

I've prepared a synopsis of the efforts and progress we have made during the past several months to address the findings and recommendations included in the report. Additionally, following the synopsis are discussion and recommendations related to the following policy issues that have direct impact on billing for services that we desire to review with and seek approval of the CUAB and City Council:

- Monthly billing
- Tenant/landlord accounts
- Winter averaging – wastewater accounts
- Vacation/snowbirds
- Vacancies
- Delinquent notices
- Shut-off notices
- Leak adjustments
- Penalties
- Discounts vs additional fees for payment method

We look forward to discussing these issues with you and addressing your questions.

<b><i>Report Findings by Category and Issue</i></b>	<b>Status</b>
<b><i>Staffing/Direction/Supervision</i></b>	
Who is responsible for utility billing	Finance director is responsible for utility billing and collections Finance staff are taking direction from the finance director related to billing and collection issues Finance staff are coordinating as necessary with other departments to ensure accounts are billed accurately and timely The finance director is communicating with the city manager on issues that involve application of policy that may generate communication to his office and or the Council
What staff should address customer complaints and concerns regarding utility billing and utility services	Finance staff are responsible to coordinate and provide customer service including addressing all customer complaints and concerns regarding City utility billing Continuing internal dialogue regarding customer service interface for utility service issues, e.g., coordinating repairs
<b><i>Policy and procedures</i></b>	
Fees and charges	Finance department will develop utility rates and charges including deposits based in part upon information provided by public works and engineering. All fees, charges, amounts of deposits, etc., will be approved by City Council.
Inconsistent application of policies and procedures	Policies have been reviewed and revised with several presented to the Citizens Utility Advisory Committee (CUAB) and City Council with formal action pending, including: <ul style="list-style-type: none"> <li>• Tenant/landlord accounts</li> <li>• Winter averaging – wastewater accounts</li> <li>• Vacation/snowbirds</li> <li>• Vacancies</li> <li>• Delinquent notices</li> <li>• Shut-off notices</li> <li>• Leak adjustments</li> <li>• Penalties</li> <li>• Discounts vs additional fees for payment method</li> </ul>

<b>Software</b>	
Software capabilities not fully utilized resulting in several manual processes	Several changes have been made to eliminate manual intervention. Automating the service/work order process is pending (see below)
Security to rate tables	Security has been tightened to eliminate access unless there is a change that is directed by the finance director.
The use of the systems work order or service order system is limited	Process improvements are pending Training by Incode, our software vendor, is scheduled for December 14-16
Meter reads provided to City directly from vendor without meter reads from City to meter reader	City now provides download of meters to be read with current meter read information to vendor and vendor provides meter read data that is uploaded by vendor
Lack of flowcharts to document procedures	Flowcharts will be drafted prior to onsite training
<b>Delinquent account collection</b>	
City has a multi-step process including mailing late notice, delivering and placing a door hangar shut-off notice and shutting off service – a minimum balance threshold was used	Delinquent account balance thresholds have been revised. If an account is less than \$100 past due, an active delinquent account is not subject to additional communications, site visits or fees. Accounts with delinquent account balances of \$100 or more receive late notice, door hangar and shut-off for non-payment. Periodic evaluation of this threshold amount will occur going forward. Finance is proposing elimination of door hangar with mailed shut off notice
<b>Recommendations</b>	
Finance department set up structure of supervision, roles, responsibilities for billing collection process	Completed
Develop processes that address: Rentals/landlords Accounts that should have minimum charges Consider other types of customer classifications	Processes drafted for consideration by CUAB and Council
Become a team	Continuing effort; finance team engaging public works, community development, engineering, and code enforcement

Finance meeting with public works to define roles and responsibilities	Initial meetings defining significant roles and responsibilities complete Additional meetings to refine responsibilities pending CUAB and Council review of major policy issues
Address issues of perceived inaccurate billings	Full internal audit – commercial complete (\$182k net), residential audit 30% complete, complete February 2011
Resolve manual process issues with software vendor	Majority of manual processes resolved, work/service order process pending
Consider implementing monthly utility billing	Recommendation to move to monthly billing pending final approval by CUAB and Council (preliminary discussions indicated support)
Finance with assistance from public works review all charges for late fees, shut-off, and re-connect fees – recovery of costs	Fees reviewed internally by finance with supporting information provided by public works, recommendation pending review and approval by CUAB and Council
Review and adjust winter average methodology if necessary	Minor modifications to process have been implemented. Any significant adjustment is pending decisions related to long-term agreement with CCSD #1
Finance should take the lead to review use of specialty lien program	Preliminary discussions with code enforcement staff, minor change to file liens internally pending full review of this issue
Consider deferring implementation of account deposit on delinquent accounts and new accounts pending implementation of other process improvements	Deferred pending implementation of other process improvements
Ensure staff receive training on the use of the billing system, processes and procedures	Software training scheduled December 14-16, will include incorporation of process and procedure changes

**Background Information:**

*Billing Methodology Summary*

Generally, the City’s major infrastructure systems; water, wastewater, street and storm-water require significant capital investment and their operating and maintenance costs are generally stable with limited incremental costs resulting from consumption.

The City, where possible within its rate structure, encourages conservation and reduced consumption. Specifically with water and wastewater, the City’s rate structure recovers a significant portion of costs through consumption costs. This billing methodology generally results in reduced consumption as consumers can realize savings by reducing consumption. The reduced consumption reduces the City’s investment in infrastructure and maintenance costs.

The City’s street utility revenue strategy for streets is similar in that a fixed charge, i.e., “base rate” is charged in the form of a street fee to each property, based on estimated “trips”. A variable component is charged for consumption via a local gas tax and state and federal taxes.

The storm water system billing methodology allocates costs based on square footage of impervious service, with all single-family homes, regardless of size, treated equally. Additionally, the City provides incentives in the form of credits for on-site handling of storm-water.

*Fees and Charges*

Residential

	Bi-monthly	
	<u>Base Charge</u>	<u>Consumption</u>
Wastewater	\$20.07	\$2.84 per CCF (hundred cubic feet)
WW surcharge	-	1.00 per CCF
Water	7.80	1.77 per CCF
Street	6.70	-
Storm	<u>19.80</u>	-
Total	\$54.37	\$5.61 per CCF

Non-residential

	Bi-monthly	
	<u>Base Charge</u>	<u>Consumption</u>
Wastewater	\$20.07	\$ 3.98 per CCF (hundred cubic feet)
WW surcharge	-	1.00 per CCF
Water	7.80	1.77 per CCF
Street		.70 per daily trip generated
Storm	<u>19.80</u>	<u>19.80</u> per 2,706 sq. ft. impervious area
Total	\$54.37	

Average residential consumption: approximately 16 CCF per bi-monthly billing cycle  
Average bi-monthly bill: approximately \$144

Number of customers:  
Residential accounts 6,427  
Multi-family residential accounts 246  
Commercial accounts 550

Average number of shut-off account notices per month: 180  
Average number of shut-offs per month for non-payment 24  
Adjusting account balance threshold to \$100 16 (-33%)

Fee for delinquent notice: \$ 10  
Fee for shut-off notice: \$ 30  
Fee for actual shut-off: \$ 0  
Fee for actual turn-on: \$ 0  
Fee for after hours turn-off \$120

Number of accounts using ACH: 406 (5.6%)  
Number of accounts making payments via online banking: est. 500 (5.9%)

### ***Monthly Billing***

We are finalizing preparations to implement monthly utility billing in January 2011. Primary benefits include smaller more frequent bills, earlier detection and resolution of leaks, earlier identification of troubled accounts, and the ability to communicate City activities, events, etc., with all residents and businesses very cost effectively and efficiently.

We issued a Request for Quotations to outsource bill printing and mailing services. We received four submittals. Prior to selecting the vendor a site visit of their printing and mailing facilities in NE Portland was performed. The selected vendor is Cascade Form Systems, Inc. with a total estimated cost per bill, including return envelope and double sided statement, with graphics, is \$.219. Additionally, the vendor is capable of mailing e-bills, eliminating paper and postage costs. Also, postage charges to the City, outside of the services provided by CSFI will be the lowest possible bulk rate provided by the USPS due to the sorting capabilities demonstrated. The vendor has also submitted a quote for a double-sided newsletter of less than \$.10 each. The newsletter can be mailed hard copy or electronically with the utility bill without increasing postage costs.

The total cost of the outsourced monthly billing, approximately \$17k per year excluding postage, is approximately the same as the current costs to print and mail bi-monthly bills. Postage costs currently are \$.44 per piece and will decline to \$.33 per piece. So there will be an additional cost for postage of approximately \$8,600.

Estimated additional costs associated with the increased number of payments processed is \$15,000 - \$25,000. With the implementation of online payments, charge card payments via phone, marketing use of ACH payments, and improved use of the automation features of the software, no additional staffing is anticipated. We have verified our staffing requirements are adequate via comparison with other municipalities with similar billing and payment alternatives as we plan to implement with the monthly billing program.

A portion of the additional costs of monthly billing are estimated to be offset by reduced write-off of accounts. The benefits noted in this document are viewed as worth the net additional cost (approximately \$10,000-\$20,000 per year) to improve the City's billing and collection system.

*Recommendation:*

- Approve implementation of monthly utility billing
- Approve a resolution to adjust the current bi-monthly fees and charges to monthly fees and charges.

***Tenant/landlord accounts***

A common issue among utilities is the increased costs associated with managing tenant occupied properties and the increased write-offs of bad debt relative to owner occupied properties. Owner occupied properties generally require account set-up only once upon change of ownership, which is much less frequent than tenant occupied properties. Write off of bad debt for owner occupied homes are \$0 as customers pay their utilities to avoid a lien for non-payment.

Currently the City is experiencing write-offs of approximately 1% of billing. When owner-occupied billing and professionally managed properties (these accounts also have a very low write-off %) are excluded write-offs for tenant occupied properties is estimated to be greater than 5% of billings.

The loss from write-offs is approximately \$60k per year. Alternatives to reduce write-offs:

- A. Increase frequency of billing and reduce amount of each bill, i.e., implement monthly billing.
- B. Require deposits for tenant occupied properties that do not have a good credit history.
- C. Require the property owner to be ultimately responsible for municipal utility charges.

There are additional costs to the City associated with requiring and maintaining deposits. Also, charging deposits can be an additional barrier to securing housing for many renters.

Property owners of rental housing typically require security deposits. Additionally, the City bills property owners base fees while properties are vacant.

The City's billing system has the capability to provide duplicate billings and notices to the property owner of tenant occupied properties.

*Recommendations:*

- Implement monthly billing
- Change the City code to require home-owners to be responsible for all City utility charges.
- Implement charges to tenant occupied properties to recover costs associated with providing duplicate billing and notices to property owners.

***Winter averaging – wastewater accounts***

As noted above, the City bills wastewater via two components; base charge and consumption. Residential customers' consumption is established via a "winter averaging" methodology that adjusts consumption off accounts for estimated irrigation water. The methodology uses average winter consumption and applies this consumption throughout the year.

This methodology is considerably different than that proposed to be used by Clackamas County Service District #1 (CCSD). CCSD uses an Equivalent Dwelling Unit (EDU) based methodology. With this methodology each residential unit is assumed to have consumption of 10 CCF per month, including vacant properties. CCSD's billing methodology for commercial and industrial accounts, although EDU based, is more consistent with the City's current methodology, as they charge a flat fee for the first EDU (10 CCF) and a consumption fee for each additional EDU or portion thereof.

Given the significant differences of the billing structures and the proposal presented by CCSD, staff suggests maintaining its existing structure pending negotiation of a long-term agreement with CCSD.

There are other winter averaging issues that warrant mention. As noted above, there are customers that have extended vacancies during winter months. During these months customers have limited water consumption. The limited consumption results in year-round reduced consumption charges.

*Recommendation:*

- Implementation of a minimum monthly winter average of five CCF per month is suggested. The minimum will address the various vacancy issues noted above and will also begin to address the gap between CCSD's EDU billing methodology (10 CCF per month) and the City's consumption based methodology.

***Vacation/snowbirds***

Previous to the recent review of billing processes and policies billing for City services were suspended for customers that contacted the City indicating they were going to go on vacation or would be away for an extended period of time. The City did not turn off the water service when suspending billing. Audit findings included instances where a customer's account was not reactivated although consumption was reported.

Following a review of billing processes and policies and the City's billing methodologies (discussed below) staff discontinued the practice of suspending billing for vacations or extended vacancies. The primary findings that led to our decision include:

- A limited number of individuals were aware of the program.
- The practice is inconsistent with the policy and practice of charging multi-family residential property owners fixed charges based on the number of units regardless of vacancy, and
- The billing methodologies recover a portion of costs through fixed charges regardless of actual consumption.

*Recommendation:*

- Please see Vacancies below

### ***Vacancies***

As noted above the costs associated with the operation and maintenance of the City's utilities; water, wastewater collection and treatment, street, and storm water, all continue whether or not customers use these services, i.e., they each have significant costs associated with providing those services, whether they are actually used or not.

Consistent with this reality, although the City recovers a significant portion of its water and wastewater costs through consumption charges, the recovery of base fees is essential to recover fixed costs associated with the various systems.

Our internal audit findings note inconsistencies in the application of charges to vacant properties.

*Recommendation:*

- We recommend a consistent policy and further that the policy be to charge all properties that have been developed and have been issued an occupancy permit, the minimum base fees for City utilities, whether occupied or vacant. This generally has been the practice although there are several examples where this was not the case.

### ***Delinquent notices***

Notices are currently sent to customers with past due charges. Customers that receive notices are charged \$10 for each notice. We have implemented a "threshold" of \$100 past-

due balance to receive the past due notice. We have also reviewed the cost of sending notices, including securing quotes to outsource printing and mailing of the notice, including City staff time. Cost recovery can be attained with a fee of \$5.

*Recommendation:*

- Adjust fee to \$5.

***Shut-off notices***

Shut-off notices are currently delivered by public works staff and placed on front door (notice is commonly referred to as “door hanger”). The shut-off notice is provided after a customer does not make payment or payment arrangements after receiving a delinquent notice. Customers are charged a fee of \$30 for the shut-off notice.

The door hanger method is a costly process to perform and takes City staff away from their main responsibility, i.e., maintenance of the various systems. An estimated one-man day per month is used to deliver door-hangers. The benefit of the delivery of the notice by a City employee is they may be able to ascertain if there is a vacancy.

We have contacted various municipal utilities and private sector utilities to ascertain their final shut-off notice procedures. Municipal entities continue to send door-hangers while private sector or other regulated public utilities send notice via the mail. The notices provided by private sector or other regulated public utilities have markings such as **URGENT** visible on the front of the envelope. The utilities do not charge a specific fee for shut-off notices, rather they typically charge fees to delinquent accounts as a percentage of the account balance with a minimum.

Consistent with the delinquent account notice we have established a minimum threshold for shut-off notices of \$100. The threshold has reduced the number of shut-off notices by approximately 45% and a reduction in the number of shut-offs by approximately 33%.

*Recommendation:*

- Discontinue door-hangers and implement notice of pending shut-off via U.S. Mail. Reduce fee for this service from \$30 to \$5. The \$5 fee is consistent with the costs associated with mailing a delinquent notice.
- Implement a \$30 fee for actual shut-off and turn-on to restore service. We have received a quote of \$550 for a day per month to perform shut-off and turn-on services. This equates to an estimated \$27.5 - \$35 per shut-off/turn-on. Public works staff time to perform shut-off/turn-on is estimated to cost approximately \$25 each. Additionally, City administrative staff time is estimated to cost approximately \$5 per account.

***Leak adjustments***

Upon review, the City did not have a consistent practice, policy or procedure to adjust water and or wastewater accounts for water metered but not used by the customer. To

encourage timely repair of leaking pipes and recognizing that water production costs are much less than the amount billed (due to fixed costs of infrastructure being recovered through consumption charges), several municipalities contacted adjust consumption for verified leaks upon timely repair.

An interim leak adjustment methodology implemented by staff is to adjust billing for wastewater one-hundred percent of the estimated metered water that did not go into the collection system and one-half of charges for water upon timely repair of leaks. The leak adjustment methodology implemented has received favorable reaction from customers. During the internal utility audit several accounts were identified where customers requested leak adjustments. In many instances, there was no leak adjustment made, including no adjustment to wastewater treatment. Consistent with the treatment of under-billed accounts, we have reviewed these accounts and have made leak adjustments to qualifying accounts dating back three years.

*Recommendation:*

- Adopt a policy that provides discretion to finance director and city manager to adjust accounts for leaks up to fifty percent (50%) for water and one-hundred percent (100%) of wastewater charges for water consumption that is estimated to have resulted from leaks that have been verified to have been repaired.

***Penalties***

The City presently charges fees for late notices and shut-off notices. The City does not charge interest on delinquent accounts. Private sector and publicly related utilities generally charge interest on delinquent balances with a minimum charge, and per a review of several municipal websites, municipalities are also charging interest on delinquent charges.

*Recommendation:*

- After implementing monthly billing evaluate delinquent account balances and consider interest charges with minimum fees at that time.

***Discounts vs additional fees for payment method***

The cost associated with process billings by payment type, least to most, is as follows:

- ACH (automatic withdrawal from customer account to City account)
- Payment via on-line banking with automated posting to City account
- Payment via mail to lock-box
- Payment via mail to City Hall or drop box at City Hall
- Payment via on-line banking without automated processing
- Charge card payments made via automated system
- Charge card payments made directly with staff, either in person or via phone

The costs of ACH transactions are less than .15% of average bill.

Visa payments made via phone with staff – estimate of up to 5% of average bill.

Currently approximately 5.6% of customers use ACH. It is easily the most efficient and cost effective method of collecting payments. The most costly collection method is charge card payments processed by City staff. In addition to merchant banking fees staff time necessary to process payments is significantly greater than other methods.

Presently, the City does not offer incentives nor does it charge additional fees to make payments via methods that result in savings or additional costs to the City. Per review of municipal utilities, private sector, and publicly regulated utilities there are an increasing number of cities that charge an additional fee for charge card payments. Publicly regulated utilities did not charge an additional fee or offer discounts for certain types of payments.

As the City implements online utility information, account maintenance and payment capabilities, it is likely that additional online payment activity, including charge card payments, will occur, resulting in additional merchant banking charges to the City.

*Recommendations:*

- After utility billing has been implemented for three-four months, evaluate payment types, associated costs, and alternatives to recover costs.
- After implementation of monthly billing and evaluation of payment types, consider a discount of up to 2% to encourage customers to pay with ACH, in lieu of charging customers additional fees to recover costs.