

March 3, 2011

AGENDA ITEM NO. 15
COUNCIL MEETING 3/3/11
APPROVED BY


DEPARTMENT DIRECTOR

CITY MANAGER 

FROM: PATRICK N. WIEMILLER, Director
Department of Public Utilities

BY: BRIAN REAMS, Revenue Manager 
Department of Public Utilities, Utilities Billing and Collections

SUBJECT: ADOPT THE 499TH AMENDMENT TO THE MASTER FEE SCHEDULE (MFS) RESOLUTION NO. 80-420 REVISING THE METHOD BY WHICH UTILITIES DELINQUENT PENALTY CHARGES ARE ASSESSED ON CUSTOMER ACCOUNTS AS A RESULT OF MOVING TO A MONTHLY BILLING PROCESS

RECOMMENDATION

Staff recommends that Council adopt modifications to the Master Fee Schedule to reflect changes made to the late penalty assessment process. These changes are the result of moving from a Bi-monthly to Monthly billing process.

EXECUTIVE SUMMARY

The Utilities Billing and Collection section (UB&C) has converted the City's Utilities customers from Bi-Monthly to Monthly Billing and as a result has eliminated the need to prepare and mail a separate reminder Delinquency Notice. This notification is now included on the next months billing statement when a balance forward remains on the account. Historically, a Delinquency Notice was generated and mailed at the time a customer failed to make payment by the required due date and a \$3.00 letter charge was assessed to the account. For accounts with balances greater than \$200.00, an additional two-percent delinquency charge on the remaining balance was also assessed. As the frequency of the mailing process has now changed, UB&C is requesting that the Master Fee Schedule be modified to reflect that a two-percent delinquency charge now be assessed for all account balances that maintain a balance greater than \$10.00 after the initial due date of the most recent statement.

BACKGROUND

For more than 20 years, the Utilities Billing and Collections (UB&C) section of the Department of Public Utilities, has assessed a \$3.00 Delinquent Letter charge on utilities customers that failed to pay their bi-monthly service charges by the required due date. These fees have been charged approximately five days after the invoice due date. All bills are due approximately 25 days after the initial bill is mailed. Since customers have historically been billed on a 60-day billing cycle, customers were notified of these late charges by way of a separately mailed Delinquency Notice. This was done as a courtesy reminder to customers to pay their balance or be faced with potential water service termination.

UB&C has now converted all customers from a Bi-monthly to a Monthly billing cycle. Customers now receive a second bill in what would traditionally have been a month without a bill. If the next month's bill includes a past due amount of more than \$10.00, the second bill now includes language that advises customers to pay the

REPORT TO THE CITY COUNCIL

Amendment to Master Fee Schedule Revising Delinquent Penalty Assessment Method

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past due balance immediately or face potential water termination. Historically, the \$3.00 delinquency charge has been assessed at the time the Delinquency Notice is printed. The Master Fee Schedule even defines that this charge is assessed at the time the notice is produced.

UB&C collects approximately \$40,400 dollars per month or \$485,000 a year as a result of these charges: The amounts are factored into UB&C's annual operating budget. In addition to the \$3.00 delinquency charge, accounts that have an outstanding unpaid balance of more than \$200.00 (primarily commercial accounts) are assessed an additional two-percent charge on the unpaid balance. Typically, residential customers have not paid this additional charge as they generally do not reach this amount of unpaid balance and as a result have only been assessed the flat \$3.00 Delinquency Notice charge for late payment.

Because the new monthly billing system has eliminated the need for a separately mailed Delinquent Notice, UB&C is proposing to update the Master Fee Schedule with language to assess a two-percent delinquency fee on all past due balances over \$10.00. This places a reasonable incentive for residents to make timely payments while at the same time more directly impacting customers with larger account balances that continuously fail to make timely payments. Even with the increased billing frequency the majority of residents will experience a reduction in the traditional late fee assessment as the average residential customer will pay slightly more than half the traditional \$3.00 Delinquency Notice Fee. The average single family home that now pays approximately \$85.00 a month for services would be assessed \$1.70, or two-percent for late payment of their monthly bill.

The Department of Public Utilities has worked to keep citizens informed of the changes that will be occurring regarding many of the updates to utilities billing resulting from the City's conversion to residential metered billing. While public information campaigns have been mounted, there continue to be various unknowns with respect to how utilities customers will respond to the payment of their monthly billings based upon actual water consumption. Several of the benefits of moving to monthly billing have been the ability to give customers increased data regarding their actual water use more frequently to aid in conservation. It also assists in helping customers to better budget their city utilities expenses along with the rest of their monthly bills. It is hoped that this change will also enable more customers the ability to pay their utilities bills prior to the due dates. Until such time as UB&C has more experience with the new monthly metered billing model and an analysis has been performed on what impact monthly metered billings will have on late fees, it will not be possible to accurately assess the actual costs for managing future collection efforts under the new model. The current target for full water meter conversion by January 1, 2013. Upon completion of the conversion project, UB&C will perform a detailed evaluation of all its field service operations that are related to its collection efforts, and as necessary will update as its fee structure to be more reflective of actual costs for providing these services in the new environment.

FISCAL IMPACT

The assessment of a two-percent delinquency fee for all accounts with a balance greater than \$10.00 is anticipated to replace fees lost due to elimination of a separately mailed Delinquency Notice but is not intended to increase the FY11 budget amount retained previously for this purpose. It is anticipated that the majority of residential customers will experience approximately the same fees they have historically paid along with a potential reduction, while commercial customers that maintain larger account balances that consistently remain unpaid will experience an increase.

Attachments: Resolution 80-420

Exhibit A: Request to Amend the Master Fee Schedule

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO
ADOPTING THE 499th AMENDMENT TO THE MASTER FEE SCHEDULE
RESOLUTION NO. 80-420 TO AMEND ALL UTILITY RATES LATE
PAYMENT PENALTIES IN THE UTILITY BILLING & COLLECTION
DIVISION IN THE PUBLIC UTILITIES SECTION

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FRESNO:

THAT the Master Fee Schedule Resolution No. 80-420 be and is hereby amended to
amend all Utility Rates late payment penalties in the Utility Billing & Collection Division. The
revised pages of the Master Fee Schedule are attached and made a part of this Resolution.

THAT fees shall become effective March 2, 2011.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF FRESNO)ss.
CITY OF FRESNO)

I, REBECCA E. KLISCH, City Clerk of the City of Fresno, certify that the foregoing
Resolution was adopted by the Council of the City of Fresno, California, at a regular meeting
thereof, held on the ___ day of _____, 2011.

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approval: _____ 2011
Mayor Approval/No Return: _____, 2011
Mayor Veto: _____, 2011
Council Override Veto: _____, 2011

REBECCA E. KLISCH
City Clerk

APPROVED AS TO FORM
CITY ATTORNEY'S OFFICE

BY: Tei Yukimoto
Tei Yukimoto, Sr. Deputy City Attorney

**CITY OF FRESNO
MASTER FEE SCHEDULE
AMENDMENT SUMMARY**

PUBLIC UTILITIES DEPARTMENT

WATER RATES SECTION

Fee Description	Current	New	Justification Page #	MFS Page #
Penalties			2	3
Delinquent notice: Delinquency of Payment				
Utility billings / per billing for water, sewer, sanitation and/or solid waste service	3.00	Delete		
If balance > \$200.00 if unpaid Balance > \$10.00	+2%	2%		
Additional copies/each	3.00	Delete		

**CITY OF FRESNO
 MASTER FEE SCHEDULE
 AMENDMENT DETAIL**

PUBLIC UTILITIES DEPARTMENT

Delinquency of Payment

This is a penalty fee that is assessed as 2% of the unpaid balance of the customers utilities account balance. It will be calculated and assessed on the customers account by the SunGard computer system.

Position	Salary/Fringe	Admin OVH	Hours	Total
Not Applicable				= \$ -
				= 0.00
				= 0.00
				= 0.00
				= 0.00
				= 0.00
				= 0.00

Total Salaries	0.00
Benefits	0.00
TOTAL SALARIES/BENEFITS	\$ -
Administration Distribution and Overhead	0.00
TOTAL FEE	\$ -

ANNUAL ESTIMATED REVENUE

Current: _____
 Projected: _____

**CITY OF FRESNO
MASTER FEE SCHEDULE**

PUBLIC UTILITIES DEPARTMENT

WATER RATES**

<u>Fee Description & Unit/Time</u>	<u>Current</u>	<u>Proposed</u>	<u>Amnd</u>
Penalties (continued)			
Illegal connection / per violation (See Service Work for disconnection, damage, and reinstallation of service after first incident.)	45.00		
Delinquent notice Delinquency of Payment			499
Utility billings / per billing for water, sewer, sanitation, and/or solid waste service	3.00		
—if balance > \$200.00 if unpaid balance > \$10.00	+2%		
Additional copies / each	3.00		
Notification to discontinue services for non-payment of utility charges:			
Customers / per notification	8.00		
Customers with tenants / per tenant notified at a single billing address	2.00		
Minimum	8.00		
Research project fees / per hour	45.00		
Discontinuance of service for non-payment and restoration of service after payment			
Per Discontinuance / Restoration	15.00		
 NOTE:	The above fees are administered by the Utilities, Billing, and Collection Division of the Department of Administrative Services.		
Service Work (related to remedy of illegal water connection)			464
Blind washer / per service	128.00		
Service disconnection/Restoration / per replacement	192.00		
Padlock on curb stop / per installation	10.00		
Intentional Damage to Meter/Meter Box and/or Angle Meter Stop/Curb Stop			
Excavation not required	200.00		
Excavation required	100%		
After-hours turn on service work:			464
Water, Discontinuance & Restoration of service (except emergency) per call	169.00		

** Rates shall be adjusted annually by staff during the budget process to reflect the rates in effect as per
Res. No. 2007-79

Note: 499th amendment shall be effective March 2, 2011.