



# STAFF REPORT

DATE: APRIL 23, 2012  
TO: HONORABLE MAYOR AND CITY COUNCIL  
FROM: ROD FOSTER, CITY MANAGER  
PREPARED BY: BONNIE J. JOHNSON, MANAGEMENT SERVICES DIRECTOR  
SUBJECT: CUSTOMER SERVICE POLICIES

## RECOMMENDED ACTION

It is recommended that the City Council provide direction to staff regarding policies related to providing utility services to the residents and business owners of Colton.

## GOAL STATEMENT

The proposed action will support the City's goal of providing services in a consistent and customer friendly manner.

## BACKGROUND

City policies should be reviewed and updated on a regular basis to ensure quality services are being provided to its residents and business owners. The City's "Customer Service Policy" was adopted in 1977 and later amended multiple times; the latest of which was in 2002. A portion of the customer service policy, last amended in 1994, addresses rules that relate to the billing practices for City provided utility services (Water, Sewer, Refuse and Electric).

## ISSUES/ANALYSIS

As noted above, the current City policies related to utility billing have been in place for many years. Since that time, many things have continued to progress including technology, State and Federal mandates and, notably, the economy and its effects on City residents and business owners, as well as the City.

With that in mind, staff conducted a survey of approximately 20 municipal utility providers and the following agencies responded: City of Riverside, City of Burbank, City of Banning, City of Santa Rosa, Elsinore Valley Municipal Water District, Apple Valley Ranchos Water Co., Los Angeles County Waterworks District and Las Virgenes Municipal Water District. The survey focused on the following points:

- Deposits for utility service and the criteria under which they are established
- Service disconnection/reconnection policies and related fees
- Payment arrangements
- Low-income programs
- Use of a collection agency

The overall survey results are summarized below:

Deposits: Generally calculated at 2 times the average bill. Deposit credited back to account after 12 months of on-time payments. A few jurisdictions require a deposit (if not already on account) to re-establish service after disconnection.

Service Connection/Disconnection and Related Fees: Service subject to disconnection for non-payment. Fees are required to re-establish service ranging from \$41 to \$60. Late fees applied to accounts; some flat dollar amount others on a percentage basis.

Payment arrangements: Responses vary from “rarely” to eligible for “one every 3 months”.

Low-Income Programs: Some offer limited program(s); others refer customers to State and County programs.

Collection Agency: Most agencies use a collection service and the average split for City/Collection Agency is 75/25.

#### **Current City of Colton Policies:**

Customers are billed monthly for usage for the prior month.

Deposits: Deposits are required for all customers which do not pass the credit check or do not provide a letter of good credit from another Utility Agency. The current deposit calculation is 2 and ½ times the average electric portion of the bill for residential and all other types of service are calculated at 2 times the average bill. If there is no deposit on file at time of disconnection for non-payment, customer is required to post a deposit to re-establish service. Deposits are credited back to the account after 12 months of on-time payments.

Service Connection/Disconnection and Related Fees: Service subject to disconnection for non-payment. Fees are required to re-establish service; \$11 water and \$11 electric. Late fees applied to accounts at a rate of 5% for the current month’s past due amounts. No past due amounts subject to multiple late charges. Customers are not disconnected if their balance is below \$30.

Payment arrangements: Payment arrangements are given on an annual basis. After a customer exhausts the payment arrangement option, they will be allowed to request that option a year from the date of the original use. Annual payment arrangement options are as follows:

1. 3-day courtesy extensions (4 times per year)
2. 2 week extension (once annually)
3. Split payment extension – pay one-half before disconnection date and remaining half within 2 weeks (once annually)
4. Special arrangement – based upon unique, extraordinary circumstances on a case by case basis

Low-Income Programs: One time per year – up to \$150 credit on the electric portion of your bill. Additionally staff stays abreast of local, county and state programs and refers customers to them for assistance.

Collection Agency: The City has a contract for collection services with American Capital. The split for collection is City/American Capital is 75/25.

With regard to billing frequency, the City currently charges for all City-provided utilities on a single monthly bill. Changing that practice to split out certain services would result in increased cost to the City. The increased costs would vary depending upon on how such a change was implemented. Our current software vendor has indicated that a second account would need to be created for each existing account in order to achieve this. Under that scenario, at a minimum, processing and postage charges would double, and both office staff and field staff would be greatly impacted and the need for additional staffing would have to be explored.

In addition, staff surveyed all SCPPA cities, as well as the user group associated with the City's current billing software, regarding the splitting of agency-provided utilities into more than one bill. All responses received indicated that the billing is done on a consolidated basis; i.e. all agency-provided utilities on one bill.

Staff believes all other utility billing rules are standard and customary, and could provide more detail if requested by Council.

### **Suggestions for Council Consideration**

- Reduce customer deposit to 1 ½ times the average electric portion of the bill for all utility customers. This equates to a 40% reduction in deposit requirements for residential customers and a 25% reduction for all other customers.
- Reduce late fee percentage to 2.5%, which equates to a 50% reduction. Based upon prior year activity, as well as year to date information, this translates into a potential revenue loss of approximately \$300,000 annually.
- Change the term "meter charge" for water and wastewater to be "facilities charge". This will be consistent with the electric portion of the bill. Incorporate into the policy a definition of this charge.
- Provide direction to staff on billing format.

After receiving Council direction on the above policies, staff will bring forward a comprehensive policy for consideration.

### **FISCAL IMPACTS**

None. Staff is seeking Council direction only.

### **ALTERNATIVES**

1. Provide alternative direction to staff.