

	<div>STAFF</div> <div>REPORT</div>
<b>Date:</b>	August 16, 2022
<b>Prepared By:</b>	Stephen Larson, Finance Director
<b>Subject:</b>	Follow Up - Utility Disconnection Policy
<b>Staff Report:</b>	Finance Department (In Conjunction with Utilities)

### Utility Disconnection Follow Up

On June 7, 2022, the Finance and Administration Department brought recommended utility disconnection policy changes forward to the Board of Aldermen for review, input, and feedback. This discussion served as a follow-up in providing a staff recommendation for changing the utility disconnection policy. Public comment on disconnection policy was initially heard during the February 15, 2022 by the Board during the Regular Session. Since this date, staff has been conducting disconnection research and working on disconnection policy revisions and edits for consideration by the Board.

### Disconnection Timeline - Discussion

During the June 7 meeting, the Board provided feedback for the utility disconnection timeline. Below is a *reminder of the current utility billing and disconnection timeline*:

Utility Bill is Produced (Emails or Mailed)	<b>1<sup>st</sup></b> of Month. Bills may take 3-5 days or longer to reach customer via USPS
ACH Auto-Debit for Bills	<b>12<sup>th</sup></b> : ACH Accounts Provided to Bank, <b>15<sup>th</sup></b> : Drafting of Accounts Completed
Utility Bill Payment Due	1 <sup>st</sup> Business Day Following the <b>16<sup>th</sup></b>
Late Fees (10% of Total Account Balance) Applied	1 <sup>st</sup> Business Day Following the <b>21<sup>st</sup></b>
Final Calls for Bill Payment	1 <sup>st</sup> Business Day Prior to Shutoff/Disconnect
Disconnections for Accounts	1 <sup>st</sup> Business Day Following the <b>26<sup>th</sup></b> (Unless This Falls on a Friday or Before a City Hall Holiday Closure)

This current timetable means when the utility customer receives their bill, *they have 15-25 days* from first reception of the bill (depending on whether it is mailed or emailed) to pay the bill until disconnection will occur for accounts over \$75.00. The speed of USPS mail delivery by plays a significant role in timely reception of the utility bill.

During discussion about extending the payment timeline, Board members brought forward a recommendation to move the disconnect date to the 1<sup>st</sup> business day following the 16<sup>th</sup> of the month following the billing cycle which produced the balance.

This recommendation would provide a customer with approximately **20 to 21** additional days (compared to the current policy) to make payment before disconnection would occur. However, in thinking about this recommendation, Finance and Administration staff believe selecting the 1<sup>st</sup> business day after the 16<sup>th</sup> as a disconnect date is *likely to cause some confusion* for utility customers since current bill due dates fall on the 1<sup>st</sup> business day following the 16<sup>th</sup> of the month.

Therefore, staff would like the Board to look at exploring alternative disconnection dates with the goal of still extending the disconnect date. Staff recommend discussing the 1<sup>st</sup> business day after the 19<sup>th</sup>, which falls after the current bill due date, as a possible disconnection date. The entire purpose is to avoid confusion between disconnection for *non-payment of the previous cycle bill* and the *due date for the current bill*. In addition, Finance staff are processing hundreds of utility bill payments (including checks in the “drop box” and credit card payments over the phone) on the 16<sup>th</sup>, 17<sup>th</sup>, 18<sup>th</sup> of each month for the current billing cycle. Moving utility disconnections away from these very busy workload dates would be optimal so staff can provide adequate customer service.

### **Possible Revised Timeline (For Board Discussion)**

Utility Bill is Produced (Emails or Mailed)	<b>1<sup>st</sup></b> of Month. Bills may take 3-5 days or longer to reach customer via USPS
ACH Auto-Debit for Bills	<b>12<sup>th</sup></b> : ACH Accounts Provided to Bank, <b>15<sup>th</sup></b> : Drafting of Accounts Completed
Utility Bill Payment Due	1 <sup>st</sup> Business Day Following the <b>16<sup>th</sup></b>
Late Fees (10% of Total Account Balance) Applied	1 <sup>st</sup> Business Day Following the <b>21<sup>st</sup></b>
Final Calls for Bill Payment	1 <sup>st</sup> Business Day Prior to Shutoff/Disconnect

Disconnections for Accounts	1 <sup>st</sup> Business Day Following the 19 <sup>th</sup> of the following cycle (Unless This Falls on a Friday or Before a City Hall Holiday Closure)
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In addition, staff would recommend removing/abandoning the “Second Shutoff” process. Under the current timeline, utility customers can request an arrangement/extension for an additional 7 days to pay the utility bill. Customers who still have not paid their bill after the 7 days are subject to “second shutoff”. Under this new proposed disconnection timeline, the utility customer would be given even more time than *what the current 7-day extension allows*. Therefore, there is not a need for a second shutoff process.

### **“Tiered/Scaled” Reconnection Charges – Staff Recommendation**

Since the Work Session held on June 7, Finance staff presented a “tiered/scaled” disconnection charge to the Board of consideration.

Since staff presented this option, staff have consulted Tyler Technologies customer support, which services ERP Pro 9 (formerly INCODE 9), the City’s ERP tool housing utility billing and utility accounts. During this Q&A session with customer support, staff learned that INCODE 9 was not able to support a “reset or clean slate” feature. The idea of such a feature was to charge an increasing reconnection fee according to the number of times a customer was disconnect and reset the disconnection tally every few years. Unfortunately, the INCODE utility billing system does not have the capability to track the number of disconnections specified time frame and reset accumulated disconnections. A tally system would have to be tracked manually (likely through Excel) which Finance and Administrative staff have deemed to be burdensome and inefficient.

### **Utility Disconnection Threshold – Staff Recommendation**

At the June 7, 2022 Work Session, the Board of Aldermen also provided guidance and direction on the disconnect threshold (the utility account balance which must be reached in terms of a past due balance to warrant disconnection of service). The current utility disconnection threshold stands at \$75.00 (meaning customers can always carry a balance of \$74.99 or less and avoid disconnection of service).

Staff brought information forward regarding the average utility bill based upon average consumption levels for Smithville residents (which is now about *\$110 per month* for water, wastewater, and trash services inside city limits). The Board of Aldermen held discussion about raising the threshold to \$110, since that was the current average. The consensus

was to increase the disconnection threshold from \$75.00 to \$100.00 since the average bill was \$100 and the payment timeline was being extended generously.

### **Reconnection Charge – Staff Recommendation**

Staff is also recommending retaining the “reconnection” charge at \$50.00. Staff conducted research on what other Cities charge for reconnection of services. Many Cities charge either \$25.00 or \$50.00 for a reconnection charge. Given the hourly rate of utility staff and the time estimate to perform a reconnection, staff continue to recommend a \$50.00 reconnection charge. Therefore, staff is not recommending any changes to the reconnection charge amount in the Schedule of Fees.

### **Reconnection Charge Exceptions – Staff Recommendation**

On June 7, 2022, the Board also provided consensus on establishing specific exceptions to charging a \$50.00 reconnection fee for reconnecting utility service. Based upon this consensus, staff is continuing to recommend the following exceptions for charging a \$50.00 reconnection fee, which are as follows:

- **Deceased or Incapacitated Utility Customer:** Staff recommends an exception to the reconnection fee in the unfortunate/tragic event of a deceased or incapacitated utility account holder. In providing for this exception, the policy manual would outline a requirement for the City to receive a copy of the death certificate or records of incapacitation of the utility customer (account holder) in to waive the reconnection fee upon disconnect.
- **Financial Assistance for Utility Customer:** Staff is recommending an exception to disconnection of service in the case of having a utility customer applying for and receiving financial assistance. Some agencies which are providing financial assistance have delays in providing payment. To prevent disconnection of service for the customer, the City would require a promissory note or pledge which guarantees the reception of funds for the customer.
- **"Pending" Leak Adjustment for Utility Customer:** Staff is recommending an exception to disconnection of service in the case that staff has acknowledged a utility customer working with the City to determine or fix a leak. In the case of a leak, the customer has likely incurred a significantly higher utility bill due to increased usage from the leak. To accommodate this large bill and provide time for the approval of a leak adjustment by the Board of Aldermen, staff is proposing an exception to disconnection for such a customer. In addition, these customers

will typically select the option of a utility contract which makes repayment of the utility bill more affordable.

Staff looks forward to discussing changes to the utility disconnection and reconnection process with the Board. Proposed changes by the Board would be implemented with the new FY2023 Budget on November 1, 2022.