



# CITY OF SACRAMENTO

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## DEPARTMENT OF FINANCE

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July 3, 1980

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City Council  
Sacramento, California

Honorable Members in Session:

SUBJECT: CONSOLIDATION OF UTILITY BILLING

FILED  
By the City Council  
Office of the City Clerk  
Cont 40  
8-26-80  
AUG 12 1980

### SUMMARY

This is an information report on the status of consolidation of billing the Citizens of Sacramento for utility services provided by SMUD, the County of Sacramento, and the City of Sacramento.

### BACKGROUND

Councilman Lloyd Connelly requested that the Staffs of SMUD, County of Sacramento, and City of Sacramento explore the feasibility of providing the Citizens of Sacramento with one (1) billing for utility services versus each entity's present method of separate billings. The majority of the Citizens of the City of Sacramento receive two (2) bills every two (2) months (1 City and 1 SMUD). However, in certain areas within the City, residences receive three (3) billings (1 City for Water, Garbage and Lawn/Garden Refuse, 1 SMUD for Electric service, and 1 County for Sewer and Regional Sewer). The billings are received at various times over a two (2) month period, because of the different billing cycles of each entity. Councilman Connelly's idea is that with the consolidation of the three (3) entities billings into one (1) billing, each entity would reduce its billing costs (i.e. postage and supplies), besides a savings to the Citizens who would only be writing one check and providing one stamp.

The City Council, the County Board of Supervisors, and Board of Directors of SMUD have endorsed exploratory Staff work for consolidated billings and directed Staff to conduct a feasibility study.

On June 13, 1980, Councilman Connelly and Director Gary Hurst met with City and SMUD Staff to discuss the consolidation and their perception of the consolidation.

Conceptually, it was agreed that each entity would retain control of their customer service functions and the billings and receipts for the services rendered would be handled by one (1) agency.

On July 7, 1980, City, County and SMUD Staff will meet to discuss the costs associated with their respective billing systems and to prepare a report to the elected officials on their findings. This report was presented by Staff at this meeting.

#### OVERVIEW OF THE CITY'S CURRENT SYSTEM

The City of Sacramento bills approximately 92,000 accounts on a two-month billing basis for Water, Sewer, Regional Sewer, Garbage, and Lawn & Garden Refuse. The majority of the City accounts are flat rated, except for 2200 metered commercial accounts which are billed on a two (2) month basis in the arrears.

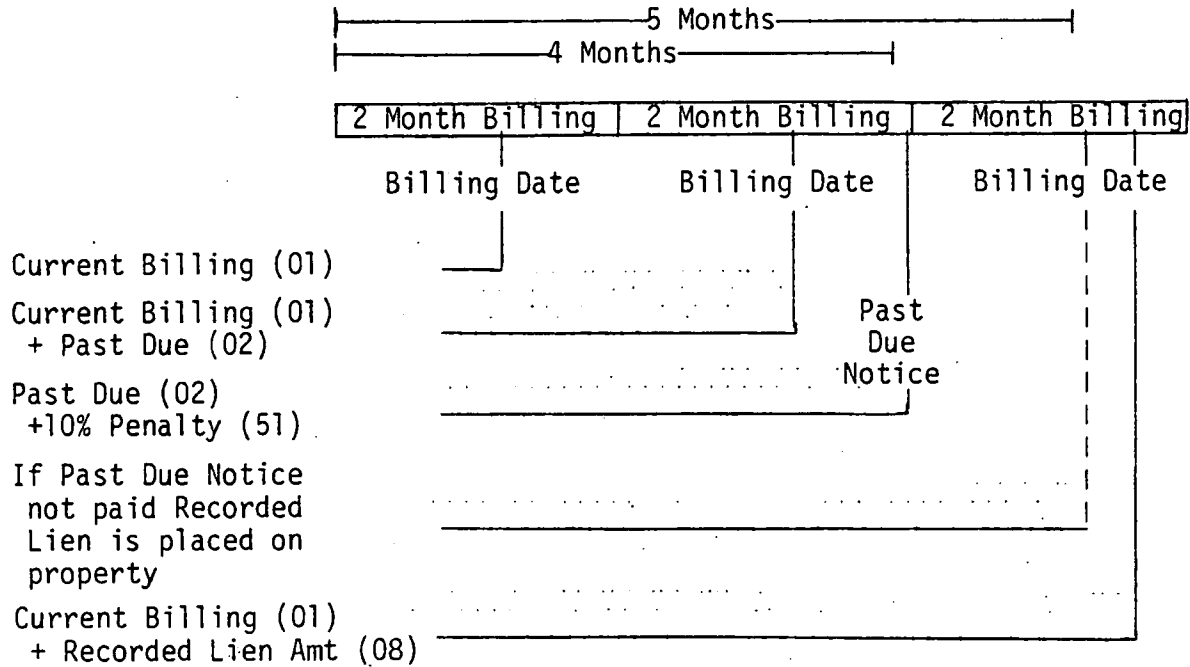
The City bills owners only or their authorized representative on single and multiple residential accounts. Residential units represent 90% of the accounts billed by the City.

Billing Cycle — Flat rated accounts are billed one month in arrears and one month in advance every 60 days. Billings are made on the 1st and 15th of each month, 4 cycles complete an entire two month billing, as follows —

1. Cycle 1: All lettered streets, numbered streets (1st thru 49th), and meter routes A-E are billed;
2. Cycle 2: Numbered streets (50th thru 88th), all numbered avenues, alpha streets (Aaron Way thru Bowan Cr), and meter routes F-I are billed;
3. Cycle 3: Alpha streets (Bowels St. thru Linvale Cr), and meter routes J-N are billed; and
4. Cycle 4: Alpha streets (Lidpitt Ln thru Zet Ct) and meter routes O-T.

Note: Approximately 550 metered accounts are billed for two (2) months in the arrears in each each cycle.

Payments — Bills are due and payable upon presentation and are past due after the ending date of "Period Covered". Accounts Past Due are considered delinquent, subject to a 10% penalty. On accounts that are delinquent 120+ days, a recorded lien is placed upon the real property to which services were rendered. This billing sequence is as follows —



Partial Payments — Partial payments are applied in the following priority sequence—

- 1st Penalties (51)
- 2nd Past Due (02)
- 3rd Current Due (01)
- 4th Recorded Lien Amount (08)

If payment is received in an amount less than the current billing due (01), the partial payment is applied prorata to each service, based on the amount due for each service provided.

Customer Payments — Customers are encouraged to use the return envelope which is provided with each billing. The return envelope is addressed to the City's Lock Box (P.O. Box 2877) which is picked up and processed by Wells Fargo Bank on a daily basis. In addition, customers may make payment personally at the following locations - 1) any Wells Fargo Bank in the City; 2) Ben Franklin Store, 1905 Del Paso Blvd, or 3) City Hall, Room 104.

Recorded Liens — Twice each month following preparation of billings, accounts that are 120+ days in the arrears are selected and a lien is recorded with the County Recorders Office on each parcel.

Recorded Liens An Assessment — Annually in June of each year all accounts having recorded liens filed that remain unpaid are sent Lien Hearing Notices. Following the hearing, etc., if the amount due and owing is not paid, a listing of those accounts that are determined to be delinquent is forwarded to the County Auditor-Controller who places the lien as an assessment on the property tax billings.

Billing Inserts — In addition to the normal items (i.e. bill and return envelope) each billing contains an insert(s) advising the Citizens of various City programs, etc. These inserts are prepared and issued by the City's Public Information Officer.

Computer Hardware — The City has a Sperry Univac 90/70 computer. Utility Billing is an on-line system with customer service terminals capable of calling up accounts for data inquiry purposes only.

#### COST OF CITY'S CURRENT SYSTEM

The total annual costs for the City's Utility Billing Systems is \$753,992, excluding indirect costs (see Exhibit I). Segregation of this cost between Customer Service and Billing/Receipts functions are as follows—

<u>Function</u>	
Customer Services	\$370,755
Billing/Receipts	<u>383,237</u>
	<u>\$753,992</u>

#### COMPARISON TO SMUD BILLING

There are several major comparisons between the City's and SMUD's Billing Systems, as follows—

1. The City bills owners only on the majority of its residential units/SMUD bills tenants;
2. The City bills all accounts every two (2) months/SMUD bills all electric homes and heavy commercial users monthly;
3. The City bills for two (2) months of service over a two (2) month period in 4 cycles/SMUD bills accounts daily; and
4. The City places recorded liens against the property for delinquent bills/SMUD pulls meters since it doesn't have the authority to lien.

#### POLICY ISSUES

Should it be determined the consolidation is cost effective, the following Policy Issues must be resolved.

1. Who will be the governing authority?
2. Who will control the policy making process?

3. Who will control privacy and security of data file information?
4. Will the City downgrade its computer equipment (equipment utilization by Utility Billing is 25%)?
5. Will the City reduce its EDP Program and Systems Staff (utilization by Utility Billing is 10%)?
6. Would billing occur monthly or every two (2) months? Consolidated two (2) month billing could be well in excess of \$100; which would impact low income Citizens and potentially result in higher delinquent rates. Monthly billings would increase the cost of billing significantly.
7. How would an equitable allocation of shared costs be administered?

Examples a) An Apartment House with 6+ units - SMUD sends 6 bills (1 to each tenant) the City sends 1 bill to owner.

b) A Single Family residence (rental) - SMUD sends its bill to the occupant, at the service address, the City sends its bill to the owner at a different address.

c) All electric homes - SMUD bills monthly, the City bills on a two (2) month basis.

8. Would each entity continue to maintain its current level of control and flexibility?

Examples a) Priority of system changes, who goes 1st.

b) The City would have to provide greater lead time for service level changes, rate changes, etc.

c) The City controls its current billing system and maintains the flexibility to delay billing dates up to 5 days should it become necessary due to workload increases, etc. Under a consolidated billing system billing date flexibility would be eliminated, thereby not allowing the City to spread its workload or change a billing date which would result in additional overtime costs or additional staffing.

9. City receipts are deposited in the City's account daily by 5 p.m. Will the City lose any interest income under the consolidated system?

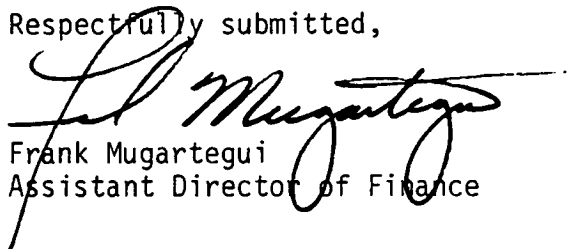
CONCLUSIONS AND RECOMMENDATIONS

Consolidation of the City's, County's and SMUD's utility billing process is feasible. With a large enough computer and System Programming Staff, anything is feasible. The question remains, will it be cost effective? City Staff is of the opinion that such a consolidation would not be cost effective. Consolidation of the billing could potentially save the average Citizen 90¢ in postage annually, if the current City 2 month billing cycle is retained by the consolidated system and if EDP hardware costs do not increase as a result of the change.

Assuming that the City will retain its current level of control and Customer Service Function, Staff has no way of estimating the additional costs for developing a plant to accommodate the consolidation of billings. Furthermore, it is probably not reasonable to assume that the City would downgrade its current EDP equipment if the billing function were transferred. If one assumes that the "freed up" computer capacity (25%) is utilized on other City computer applications, then it follows that additional computer hardware costs will result from the consolidation. These additional computer hardware costs would significantly negate the 90¢ annual per Citizen potential savings.

Finally, the City has neither the resources nor the expertise to handle a detailed feasibility study of this magnitude. Should the City Council wish to pursue this matter further, it would be recommended that the services of an outside consultant be retained jointly with SMUD and the County to 1) further explore the cost benefit and feasibility of a three agency consolidation, and 2) to design the conceptual framework in a fair amount of detail including timetables and recommendations with respect to identified policy issues.

Respectfully submitted,



Frank Mugartegui  
Assistant Director of Finance

FOR CITY COUNCIL INFORMATION



Walter J. Slipe  
City Manager

July 15, 1980  
All Districts

FA:80305:FM/m1  
Enclosure

EXHIBIT I

CITY OF SACRAMENTO  
ANNUAL UTILITY BILLING FUNCTION DIRECT COSTS

Utility Billing Division Budget FY 1980-81		Employee Services	\$317,099
		Other Services & Supplies	<u>172,877</u>
		Total	\$489,976
Data Processing Costs-Programmer Analysts	\$ 45,790		
Key Data Entry	18,072		
Computer Costs	<u>173,250</u>		\$237,112
Wells Fargo Lock Box			<u>26,904</u>
		<u>Total Annual Utility Billing Costs</u> (excluding in-direct)	\$753,992
Less - Bill Generation & Receipt Handling Costs			
Bills & Envelopes	\$ 21,000		
Postage	97,221		
Lien Process Forms & Postage	1,000		
Data Processing Costs	237,112		
Lock Box Service	<u>26,904</u>		<u>\$383,237</u>
		<u>NET CUSTOMER SERVICE COSTS</u>	<u>\$370,755</u>

CITY OF SACRAMENTO  
TOTAL ACTIVE NUMBER OF ACCOUNTS  
AS OF 6/25/80

Total active accounts billed each period (4 cycles) - 91,517

Inventory of Accounts by Service:

Water	85,484
Sewer	61,646
Garbage	80,535
Lawn/Garden	77,073
Regional Service	62,758

Inventory of Accounts by Category:

Single Family Residential	74,973
Multiple Residential	7,820
Commercial (incl meters)	7,894
Government	526
Hospitals	18
Schools	281
Cemeteries	<u>5</u>
TOTAL	<u>91,517</u>