



CITY OF SACRAMENTO

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CITY MANAGER'S OFFICE
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DEPARTMENT OF FINANCE
915 I STREET SACRAMENTO, CALIFORNIA 95814
ROOM 112 TELEPHONE (916) 449-5736

JACK R. CRIST
DIRECTOR OF FINANCE
FRANK MUGARTEGUI
ASSISTANT DIRECTOR

September 3, 1980

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: CITY, COUNTY, AND SMUD JOINT UTILITY BILLING

SUMMARY

Transmitted herewith is the joint report by the three agencies on the above subject.

The report is informational and requires no further action unless the Council wishes to pursue the matter further.

Respectfully submitted,

Jack R. Crist
Director of Finance

INFORMATION ONLY:

Walter J. Slibe
City Manager

All Districts
September 10, 1980

FA:80392:JCR:m1
Attachment

cc: Frank Mugartegui
James Puthuff
Linda Tretheway

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Bud/Fin Comm
SEP 10 1980



CITY OF SACRAMENTO

DEPARTMENT OF FINANCE
 915 I STREET
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SACRAMENTO, CALIFORNIA 95814
 TELEPHONE (916) 449-5738

July 3, 1980

JACK R. CRIST
 DIRECTOR OF FINANCE
 FRANK MUGARTEGUI
 ASSISTANT DIRECTOR

City Council
 Sacramento, California

Honorable Members in Session:

SUBJECT: CONSOLIDATION OF UTILITY BILLING

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.

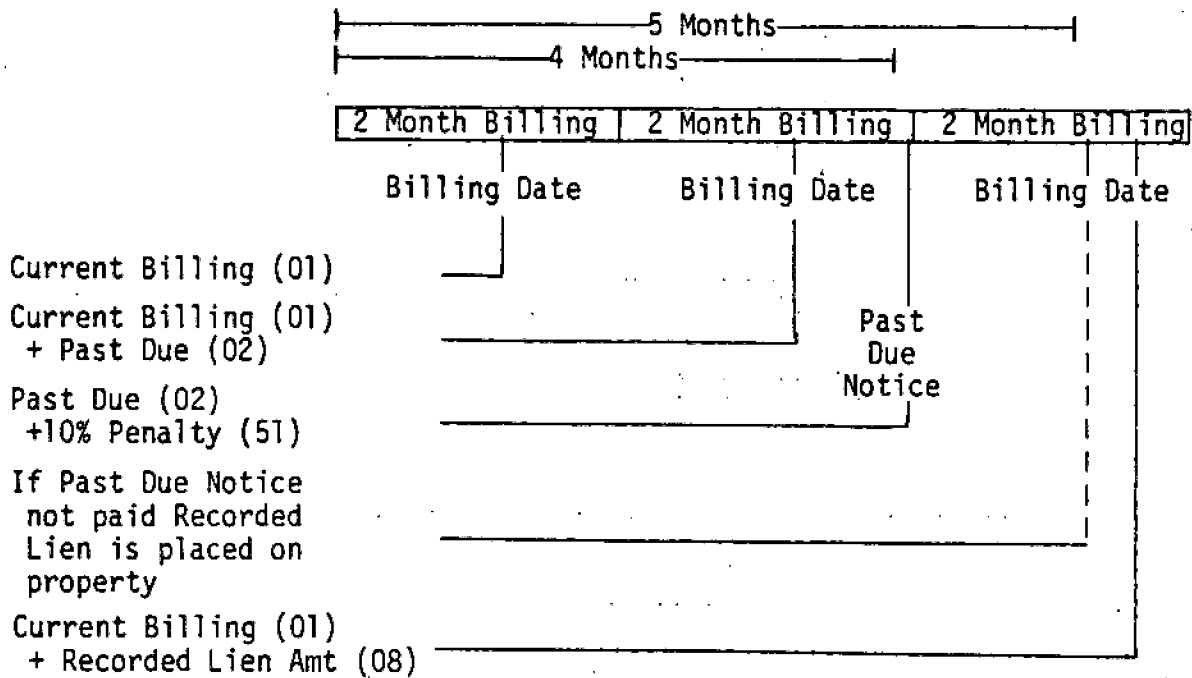
The City bills owners only or their authorized representative on single and multiple residential accounts. Residential units represent 90% of the accounts billed by the City.

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?

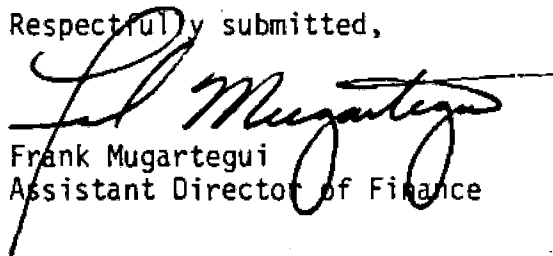
CONCLUSIONS AND RECOMMENDATIONS

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/ml
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>

EXHIBIT II

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>

SACRAMENTO MUNICIPAL UTILITY DISTRICT

OFFICE MEMORANDUM

TO: Wm. C. Waldridge

DATE: July 23, 1980

FROM: K. J. Mellor

SUBJECT: Joint City, County, and SMUD Billing - Initial Review

I. Background

- A. On June 13, 1980, members of the District and the City of Sacramento met to discuss the possibility of joint billing and remittance processing. As a result of that meeting, a preliminary review of the potential cost savings and an identification of policy considerations and potential problems was conducted. This effort was based on the assumptions that a joint billing system would include the City of Sacramento, County of Sacramento, and SMUD; that the system would include only billing and remittance processing; and that other areas such as customer services would be left as much unchanged as is possible.
- B. Annual SMUD revenues for retail sales are estimated at \$140 million during 1980. Total annual billing costs are nearly \$1.2 million including labor, materials, postage, data processing and overhead.
- C. The District's computerized billing system consists of both batch and on-line subsystems. Every customer account is available on-line to service clerks for inquiry purposes. There is also a data entry function which allows service clerks to enter customer orders (customers going on or off service). All other transactions are entered through the batch system. The batch system is run daily and updates and maintains the Customer Master File on tapes. This master is then loaded on disk, every night, for use by the on-line system. There are also other computerized systems that use the Customer Master File or other information produced by the billing system.

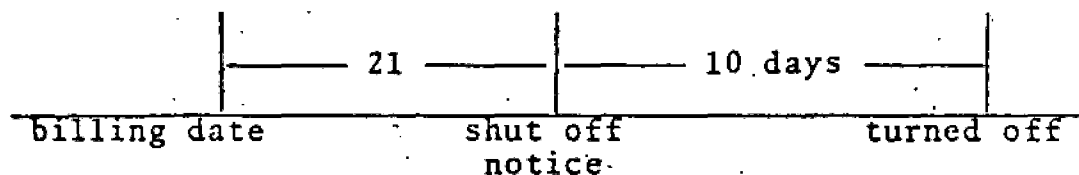
The District's system bills approximately 330,000 accounts for electrical usage only. Other chargeable construction items, insulation programs, etc. are not handled by the system. Except for a small number of flat rated accounts, there is an account for every meter. In other words, if a customer has multiple meters then there are multiple accounts for that customer. Each account has its own Master record.

A customer is defined as the person who will be billed for the electric usage. This may be either the owner or a renter. The system does not keep information about the owner if the renter pays the bill.

Billing cycles are monthly or bi-monthly. A month is defined as 21 working days, holidays and weekends excluded. Therefore, bi-monthly accounts are billed every 42 working days. Closing accounts are also billed daily without regard to their cycle. All information about prior occupants is dropped from the Master File 99 - 135 workdays after a closing bill has been issued.

Payments

Bills are due 21 workdays after they are issued. Accounts that are delinquent are issued a shutoff notice. Thirty-two days after billing their electricity is turned off if the bill is still delinquent.



Besides the number of days since billing, the amount owned the District is also used to determine if an account is delinquent.

Payments Applied to Accounts

The billing system keeps past previous and previous balances in addition to the current charge. Partial payments are applied in the following sequences.

- 1st Past Previous Balance
- 2nd Previous Balance
- 3rd Current Charge

Full or partial payments are applied in the same manner. Payment information is only kept until the next billing.

Customers are provided a return envelope with each billing and it is addressed to the District Headquarters.

Payments are processed by District Personnel and are entered into the system by a remittance processing unit (IBM 3761's).

Billing Inserts

In addition to the bill and return envelope, there are times when inserts are included. These inserts are prepared and issued by the District.

Computer Hardware

The District has an IBM 370/158 computer, 1403 printer, and 3420-5 tape drives. The tape drives are presently being upgraded to 3420-6's with 6250 BPI.

Bills

The District produces a report card bill which is printed on the 1403 printer. Mark sense information such as account number, date, and amount due is printed and later read by the 3761's when the payment is processed.

II. Current Costs of Billing and Remittance Processing

Billing	
Supervision	\$ 33,416
Labor	356,614
Supplies and Expenses	397,664
EDP Costs	251,000
Remittance Processing	104,850
Estimated Administrative and General Costs	50,000

	<u>\$1,193,544</u>

Portions Subject to reduction through joint billing.

Postage	\$357,000
Envelopes	34,000

	<u>\$391,000</u>

In addition, some portion of the Data Processing costs, labor and supervision costs could be shared.

III. Potential Cost Savings

Assuming a sharing of the postage and envelope costs and some reduction in data processing and supervision cost, a maximum of \$200,000 could be realized in total reductions. This amount would be offset by the as yet undetermined costs of a new joint billing system. Other benefits would occur to District customers due to reduced return mailing costs and checking account charges.

IV. Policy Considerations

A. Should SMUD become a billing service bureau for the City of Sacramento and the County of Sacramento? Would this be a legal activity for the District under the Municipal Utility District Act? There are competing service bureaus (privately owned) already operating in the Sacramento area.

- B. Combined billings would increase the size of bills to approximately double the size of an average SMUD bill. In light of this should monthly billing be adopted?
- C. Should SMUD collectors attempt to collect for monies owned the City and County or just the District portion of overdue bills? If not, would the City and County accept the fact that such collections were not prorated to their accounts?
- D. Should report card billing be discontinued? The effectiveness of this would be diminished with the more complex bill and may result in confusion to some customers.
- E. Should the use of bill inserts be discontinued? The City and SMUD both use this communication vehicle. If too many inserts are included the number actually read will decline. In addition, postage will increase if more than one insert per agency is included.
- F. If a customer underpays or overpays how will money be prorated to SMUD, the City, and the County?

V. Other Potential Problems and Costs

- A. The SAEOC now receives money to help people pay electric bills. If only this money is paid, can it be applied only to the account of SMUD or must it be prorated?
- B. How will a customer be able to protest or contest one of the agency's bills through nonpayment?
- C. SMUD bills tenants, the City bills owners. Will two bills be required where the owners and tenants are different? The cost of matching customers for the three agencies will be time consuming and expensive.
- D. Each agency will lose flexibility as they consider changes to rate structures or add or change services.
- E. Priorities for system changes will need to be determined.
- F. Delay in meter reading or billing data preparation by one agency will delay billing for the other agencies.
- G. One agency will have to assume responsibility for security and control of all input, output, processing and system access.
- H. Large initial costs will be incurred to develop a joint system. Any change in the remittance portion of the bill effecting the scan line will require a three month transition period. Development of a new billing system will require 2-1/2 to 5 years.
- I. Additional computer resources and additional remittance processing equipment will be required if SMUD becomes the billing service bureau.

VI. Combined Billing - Other Agencies

This is a summary of information received from three public agencies with nine or more years experience in combined billing. Combined billing means an agency which collects funds for itself and for another entirely separate organization. Of seven contacts, only three agencies met the above combined billing criteria. They were East Bay Municipal Utility District, City of San Antonio Public Service District, and Eugene Water and Electric Board.

Management and Board level initiated actions which resulted in combined billings. The billing agencies cooperated in an effort to enhance good will at the management level. The agencies needing the service wanted increased revenue without the cost of setting up a billing department.

All experienced a decrease in customer good will because the size of the basic bill increased. All had considerably increased inquiries and/or complaints initially and for two billing periods whenever there was a rate increase.

Each agency ultimately dealt with the user in all aspects, including changes, complaints, error corrections, etc. EBMUD originally directed all calls regarding the City of Oakland Sewer Service Charge to the City of Oakland.

Fees to the agency for initiating the service and charges are estimated and then negotiated. Rates are determined by the agency ultimately receiving the funds.

Write-off and partial payments are prorated, and money received by the collecting agency is rendered, less adjustments, once per month.

On the following pages is a more detailed survey document of Combined Billing - Other Agencies.

COMBINED BILLING - OTHER AGENCIES

<p align="center">QUESTION</p>	<p align="center">East Bay Municipal Utility District</p> <p>Don McArthur Chuck Hanson</p>	<p align="center">City of San Antonio Public Service District</p> <p>Doug Smallwood</p>	<p align="center">Eugene Water and Electric</p> <p>Jean Staley Curt Sprecher</p>
<p>1. Purpose of agency.</p>	<p>EBMUD is a Municipal District for Water & Sewage disposal.</p>	<p>City of San Antonio Public Service District supplies Gas & Electricity.</p>	<p>Eugene Water & Electric is a branch of the City of Eugene supplying Water & Electricity.</p>
<p>2. Included in combined billing.</p>	<ol style="list-style-type: none"> 1. City of Oakland Service charge. 2. City of Piedmont Sewer Tax. 3. San Ramon Community Services District. 	<p>Solid waste for a private company.</p>	<ol style="list-style-type: none"> 1. Water charge for Santa Clara Water District -- residential only. 2. Water charges for Glenwood Water District -- residential only.
<p>3. Other agency billing of note.</p>	<ol style="list-style-type: none"> 1. Once a year consumption figure for Richmond Sanitary District, City of Hercules, City of San Pablo. 		<ol style="list-style-type: none"> 1. Supplies consumption figure to Water Districts for industrial accounts. 2. Collects Sewer charge for city not considered in survey.
<p>4. Expected results of combined billing</p>	<p>Performed needed service for other agencies in area. Expects goodwill and political relationship. Allow cost savings for other agencies.</p>	<p>Good will of helping another agency.</p>	<p>Politically enhance relationships at management and board level.</p>

QUESTION	East Bay MUD	City of San Antonio	Eugene Water & Electric
5. Results realized.	<p>Achieved goals. However public no longer viewed water bill as "small".</p> <p>Complaints & inquiries at customer level increased. Friction with customers & Customer Representatives.</p> <p>Also experienced a cost savings, e.g. 1/3 of meter charges in City of Oakland now borne by City of Oakland as their share.</p>	<p>Achieved results.</p> <p>Increased complaints from customers.</p>	<p>Achieved results. Closeness resulted in ultimate merger plans of various Water District</p>
6. Frequency of billing cycle.	<p>Bimonthly except for a few large users.</p>	<p>Monthly</p>	<p>Monthly</p>
7. Date Combined billing initiated.	<p>1970</p>	<p>1971</p>	<p>1968</p>
8. How often are fees sent to other agencies.	<p>Monthly (Less adjustments)</p>	<p>Monthly (Less adjustments)</p>	<p>Monthly</p>
9. How are write-off & partial payments handled.	<p>Pro-Rated</p>	<p>Pro-Rated</p>	<p>Pro-Rated</p>

QUESTION	East Bay MUD	City of San Antonio	Eugene Water & Electric
10. Any impact when service area not identical?	After 6 months impact negligible. Initially field checking and letter mailing necessary to correct errors. Primary errors were at City boundary lines, Fire Department helpful.	No impact.	No impact. One electric District overlapping 3 water districts.
11. Other notable impact.	Lost some credibility with public. Timing was poor in one district when charge was added at same time rates of District increased due to drought.		
12. Main problems.	Heavy initial inquiries to Customer Service Department. Frequent inquiries to management by other agencies to handle their billing. Heavy calls to Customer Service for two billing periods after rate changes.		Heavy customer inquiry, contact complaints initially and for two billing periods when rates increased.
13. Would you do it again if given a chance.	Management - yes Customer Service - no	Management - yes Customer Service - agitation not worth it.	Yes
14. Does agency which sends bill handle all customer contact?	Originally did not, but now does so. Developed necessary forms, etc.	Yes. Customer Representative received number of calls, and bill other agency on a per call break even figure.	Yes

QUESTION	East Bay MUD	City of San Antonio	Eugene Water & Electric
15. Who writes program, changes, correction?	E.B.M.U.D. Data Processing	City of San Antonio P.S.D. Data Processing	Eugene Water & Electric Data Processing
16. How are fees to other agencies determined?	<p>Attempt to charge cost. Pro-rated by their "share" of various departments. E.G., 1/3 of meter reading costs in City of Oakland charged to City of Oakland.</p> <p>Agency contacted makes estimates of permanent costs, negotiated contract drawn up.</p>	<p>Board passed resolution that District retain 14% of Gross Revenue for regular billing.</p> <p>Records kept of customer contracts and billed on a per call basis each month.</p>	<p>Flat fee per meter charged, based on Data Processing Accounting and Customer Service combined estimate which was then negotiated.</p> <p>Estimate for all one of a kind charge. Estimate corrected to actual cost.</p>
17. How are rates determined?	Rates determined by agency ultimately receiving funds.	City council determines solid waste charge (\$3.25 month) & private agency doing service receives these funds, less charge.	Agency ultimately receiving payment determines rates. Flat fee for residential, receives consumption figures bills industrial themselves.

July 23, 1980

VII. City and County Reports

Reports on this subject prepared by the City of Sacramento and the County of Sacramento are attached.

The City staff concludes that although feasible, a joint billing system would not be cost effective for the City. In addition, they recommend that if this matter is pursued that a jointly financed feasibility study be performed by an outside consultant to include a cost/benefit analysis and a conceptual design.

The County staff report concludes with a tentative opinion that a joint system would not be cost effective and that the cost of an in-depth feasibility study would not be warranted until the several policy questions raised are jointly resolved.

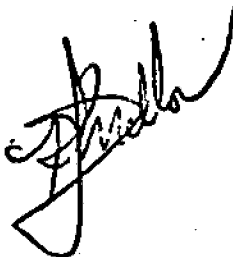
VIII. Conclusion and Recommendation

Based on the information received from the City and County, the experience of other agencies involved in joint billing and the policy questions and problems that have been identified for the District, it appears unlikely that the ultimate cost or quality of service provided our customers would be improved through the implementation of joint billing.

Before additional staff work is assigned or money is spent on feasibility studies (estimated to cost in excess of \$100,000) it is recommended that specific guidelines be adopted by the Board of Directors on the policy issues listed in this report. If guidelines mutually acceptable to all three elected bodies can be drafted, the next step of a jointly funded feasibility study should be considered.

Attms.

cc: B. Condon
E. Gabrielli
J. Michelmore



COUNTY OF SACRAMENTO

Inter-Department Correspondence

July 17, 1980

Date _____

To : JACK CRIST, Finance Director - City of Sacramento
KENNETH MELLOR, Asst. General Manager - SMUD

From : D. J. Iddins, Chief
Administrative Services Division - Dept. of Public Works

Subject : JOINT UTILITY BILLING

As was agreed in our meeting on June 7, 1980, I am submitting the County's initial thoughts on a joint City, County, and SMUD billing system. In addition, I have attached an overview of the present County Consolidated Billing System.

Comparison of Billing Systems

The City and the County's billing system are similar in several areas; however, except for a few accounts, they do not serve the same customers. Therefore, consolidation of City and County utility billing would not result in substantial savings. Real savings could be realized only from consolidation of either the City with SMUD and/or the County with SMUD.

There are several major differences between the County's and SMUD's billing system, as follows:

1. Opening bills for the County are sent to the owner of record. In most cases, SMUD bills the occupant.
2. The County bill period is for two months, one month in advance and one month in arrears. SMUD bills some accounts for one month, some for two months, and always bills in arrears.
3. The County bills in eight billing cycles over a two month period and SMUD bills daily.
4. The County places recorded liens against property for delinquent bills and transfers liens to the tax roll annually. SMUD does not have lien authority.
5. With few exceptions, the County bills property continuously, whether occupied or vacant. SMUD bills when occupied.

Policy Issues

In addition to the questions raised in your respective memos on this subject, we would add the following:

1. Who will be the billing service bureau?
2. How will security and privacy of customers' records be controlled?
3. Who will determine billing policy? Who has authority to resolve differences?
4. Can the County retain the lien rights that are now provided by the State Health and Safety Code if billing is done by SMUD or the City?
5. Will billing be to owner or occupant, and will vacancy credits be allowed?
6. Who will control the payment remittance process? With which entity will the deposits be made?
7. Will one section answer all customer billing inquiries?
8. Will the large dollar amount of the bill require more frequent billing to avoid public complaints?
9. How will development of the new system be staffed and funded?
10. How will operating cost be pro-rated?

Potential Savings

The potential areas for cost savings appear to be in the areas of postage, envelopes, data processing, and payment remittance. Within the County, these costs are approximately \$484,000 annually. Since the savings for the County would come from SMUD-County consolidated bills, the potential for savings would probably range between 25 and 40%. This would give the County a potential savings of between \$121,000 and \$193,600 if the differences in policy and procedures could be resolved.

Conclusions and Recommendations

The County and City systems are similar in design and operation, but they service different customers. Since most of the savings in consolidation will be from postage and envelopes, consolidation of the County and the City will not show significant savings. Savings for the County would result from a County-SMUD consolidated bill. The County and SMUD billing systems, on the other hand, are quite different in design and operation, making consolidation a difficult process.

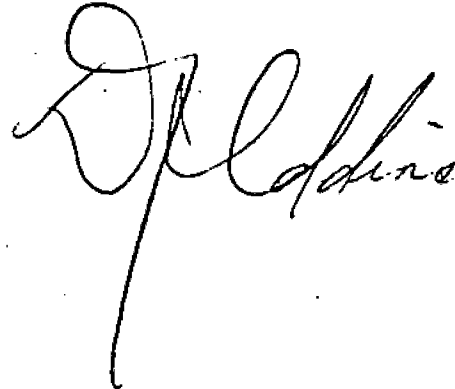
Jack Crist
Kenneth Mellor
July 17, 1980
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County staff is of the tentative opinion that the potential savings from consolidation probably does not offset the cost of development of a new system. We definitely do not believe the cost of an indepth feasibility study is warranted unless further discussions indicate the several policy questions we have jointly identified can be resolved.

Please advise if further action is desired.

Attachment

cc: ~~_____~~
T. Gatti
E. Gabrielli
B. Richter
D. McKenzie

A handwritten signature in cursive script, appearing to read "J. Mellor". The signature is written in dark ink and is positioned to the right of the distribution list.

ATTACHMENT

CONSOLIDATION OF COUNTY UTILITY BILLING WITH SMUD AND THE CITY OF SACRAMENTO

Overview of the County's Current System

The County of Sacramento bills 158,700 accounts on a two month basis for local sewer, regional sewer, refuse and water. All of the accounts except approximately 30 industrial sewer accounts are billed on a flat rate basis one month in advance and one month in arrears.

The bills are sent to the owner of the property or their authorized representative. In all cases the owner is responsible for the payment of the bill. Liens are recorded on property when payments are delinquent for 60 days.

Billing Cycle

The County bills customers in eight cycles over a two month period. The cycles are billed by account number ranges, and are for the most part for a geographical area.

Payments

By ordinance, bills are due and payable upon presentation, and are past due 45 days after billing. Accounts that are not paid by the next billing (60 days) are subject to a 10% penalty. Accounts that are not paid at the time of the third billing are subject to an additional 1/2% a month. The County records liens on all accounts that are more than 60 days delinquent and transfers all unpaid recorded liens to the tax system as direct levy once a year.

Payments are made to the County Treasurer, a return envelope color coded by cycle is included with the bill. Payment can also be made at the Utility Billing Section at 9660 Ecology Lane and at the County Tax Collector's Office at 700 "H" Street, Room 1710.

Recorded Liens

Liens are recorded with the County Recorder's Office each week. Also, paid up recorded lien accounts are released each week. The lien recording list and the lien release list are produced automatically by computer.

Direct Liens

Annually, around the first of May, all accounts that were 60 days delinquent as of March 1 are sent a notice of intent to lien. In June of each year the Board of Supervisors sets a lien hearing for the end of July. At the end of July the Board of Supervisors holds a lien hearing, and all accounts still unpaid by August 10 are subject to lien. On or around the first of September a computer tape of the unpaid accounts are sent to the County Auditor Controller for placement on the tax roll as direct liens.

Billing Inserts

Inserts are sent with most billings and the bill stub contains an area for special messages.

Computer Hardware

The County uses a mini computer at the Public Works Utility Billing Section and an IBM 4330 computer at the County Data Processing Center for Utility Billing. The mini is used for the day-to-day operation of on-line inquiry, update, and the processing of financial adjustment and payments. The main frame is used for the bill computation and bill printing. Each week the tape is passed from the mini to the main computer for billing.