

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, NOVEMBER 17, 2015**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, November 17, 2015, commencing at 7:00 a.m.

Present: Council Member Kuehne, Council Member Mounce, Council Member Nakanishi, and Mayor Johnson

Absent: Mayor Pro Tempore Chandler

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

NOTE: Council Member Nakanishi arrived at 7:03 a.m.

B. Topic(s)

B-1 Receive Information Regarding Utility Late Fees and Collections Timeline (CM)

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding late charges and collections timeline. Specific topics of discussion included late charge history, late charge revenue, late charge composition, bad debt write off, shut-off timeline, current timeline, late fees from other utilities, and timelines from other utilities.

In response to Council Member Mounce, Mr. Ayers stated the data on the late charge composition for low-income individuals was not geographic based; it was compiled from the list of customers on the low-income discount program through the utility system. In further response, Mr. Ayers stated the financial system contains no information on a customer's income; therefore, it would be difficult to calculate the percentage of late charges for individuals who earn lower incomes. The only metric for calculation purposes is the list of those receiving the discount. The utility account includes a billing address, but not a flag on the account to indicate a specific geographic area. He stated obtaining that information would be a one-by-one review of each account; the new Tyler system is also not programmed to flag accounts; and the current staffing level could not handle the increased workload this would generate.

Mayor Johnson suggested it may be feasible as a starting point to research the geographical data for the 549 accounts that were charged the maximum \$25 late fee during 2014/15. Mr. Ayers stated those particular accounts have been identified and could be researched more practically than the 8,565 individuals who receive the low-income discount.

Council Member Mounce questioned the rationale behind the former Electric Utility Director's decision to forego sending unpaid accounts to collections, to which staff responded they could not suppose what his reasoning was. Mr. Ayers stated, as soon as he learned of the situation, he made certain the unpaid accounts, including those reaching the statutory limits, were forwarded to the collection agency for follow up, which is why there was no bad debt write off in 2008 and 2009 but a significant write off in 2010. The average of the 2010 write off is half a million dollars for each of the three years, which follows the same path as the other years. Mr. Ayers pointed out that longer collection cycles typically increase the amount of bad debt, while in turn make it more difficult for customers to pay their bills in total because of the difficulty in catching up with the monthly payments.

Council Member Mounce stated she would like to know what the cost of service is for collections, implementing late fees, and Internal Services functions versus what is collected in late fees and written off as bad debt. She believed this figure should be a wash because late fees are charged

to cover the cost of services provided, as well as the bad debt write off; however, the City collects much more than that. Mr. Ayers stated the following assumptions were made based on time spent on each customer that receives a late fee or notice: 1) 40 percent of customers at 15 minutes per person equates to \$650,000 of time and material costs or 2) 50 percent of customers at 20 minutes per person equates to slightly over \$1 million. When factoring in the late fee revenue versus the cost of service, which is \$1.2 million, it is not far off the mark; however, when factoring in the bad debt, the City is not collecting enough to cover both. Council Member Mounce pointed out staff is already there assisting customers at the counter and on the phone and it seemed unrealistic to associate a specific task in calculating the cost of service; the cost of labor should be equally balanced. City Manager Schwabauer stated the Finance Department is rationally staffed and driven by workload; the Department does not see much downtime in the course of a year; and there would be fewer Finance employees if there was less bad debt.

In response to Council Member Nakanishi, Mr. Ayers confirmed the number of Customer Service Representatives has not changed in a number of years. Council Member Nakanishi pointed out the ordinance was changed previously to obtain control over the increasing bad debt situation and he agreed the changes were necessary, but he believed the ordinance should undergo minor adjustments to address the concerns of citizens who are having a difficult time meeting the tight timeline.

Council Member Mounce requested the City Clerk verify the Council vote on the adoption of the ordinance that sets forth the current billing cycle and timelines. She stated she believed the timeline should be lengthened to give customers enough time to pay their bill within their paycheck cycles.

Mayor Johnson questioned if there was way to determine how many of those who were charged late fees were repeat offenders. In analyzing the late charge composition, Mr. Ayers stated approximately 2,500 utilities were shut off during the year and estimated that roughly 1,600 instances were a one-time event. Mr. Ayers provided the following statistics: 335 accounts were shut off twice; 87 were shut off three times; 16 accounts were shut off four times; four were shut off five times; and one account was shut off six times.

Mr. Ayers explained, when an account is shut off for non-payment, the customer is asked to pay the entire bill, which typically covers two months. In addition, a deposit may be required as a one-time payment or billed over a period of time if requested, as well as a reconnect fee if necessary, which is waived if it was charged in error.

In response to Mayor Johnson, Mr. Ayers explained a budget billing program is available for low-income individuals who have had an account with the City for at least one year. An average bill is determined based on historical usage and a 1 to 2 percent cushion is factored in, which is then divided by 12 months. That becomes the monthly payment irrespective of actual usage. There is a true-up period at the end of the year to determine if the actual amount paid was less or more than actual usage. As the program currently works, that amount is either rolled forward to the next budget billing cycle or applied to the bill if the customer decides to cancel the program. Because this can sometimes cause a significant payment during the true-up month, staff is looking to change the program in the new Tyler system to automatically roll the true up into the next budget cycle by adjusting the monthly payment in order to ease the burden.

Council Member Kuehne explained he had a recent situation in which his power was turned off because of a \$79 outstanding balance; however, he was required to pay the late amount, which was equivalent to the outstanding wastewater charge; the \$25 late fee; a \$500 deposit; a \$75 reconnect fee; and the next month's balance for a total of \$1,038. He stated he believed that was exorbitant for a small past-due amount. Mr. Ayers pointed out the City bill is a single, total combined bill and the utilities are not broken into components that can be paid separately. In response to Mr. Ayers, Council Member Kuehne stated he would recommend changing the current ordinance to include a grace period for those who make a partial payment of their bill. Mr. Ayers explained, in the case of a disconnect, the goal is to get the customer to a zero balance. If not, the customer will be in a similar situation in less than a month. If a customer opts to only pay the past-due amount, the current bill is due within the next 10 days or it will also

become delinquent. In response to Council Member Kuehne, Mr. Ayers stated staff internally changed the policy to accept personal checks with regard to the deposit; however, in a shut-off situation, only guaranteed money, such as cash, money order, cashier's check, or credit card, will be accepted. Council Member Kuehne stated staff did not offer him a credit card option, to which Mr. Ayers stated he would look into it.

In response to Council Member Nakanishi, Mr. Ayers stated a personal check is acceptable for regular payments and for deposits, but checks can take a week or two to process and, if they bounce, customers can continue receiving power despite their non-payment status. Council Member Nakanishi suggested a trial period for one year of accepting personal checks for all types of utility payments, including shut-off payments.

Council Member Kuehne expressed the importance of quality customer service, stating checks should be acceptable and customers should be told about all forms of acceptable payments and payment options. He reiterated his suggestion that the ordinance be amended to differentiate partial payments from non-payments, stating partial payments should not trigger shut off of power.

Mayor Johnson questioned if Council Member Kuehne's concept allows for an adjustment for repeat offenders because customers are unlikely to catch up on their bills with partial payments. Council Member Kuehne stated staff should be able to determine who is a good customer and who is a repeat offender based on payment history, which should also determine whether or not a deposit is necessary.

Council Member Mounce suggested a late fee similar to SMUD's of 1.5 percent of the bill versus a fixed fee. Mr. Ayers pointed out any adjustments to the late fees will have an affect on general fund revenue and any reduction in revenue would require either an additional revenue source or an increase in service charges to the electric utility. Council Member Mounce stated another option is to cut costs elsewhere, to which Mr. Ayers agreed and explained the average cost of a fully-loaded employee is \$100,000 and a reduction in revenue of the same amount equates to one employee.

In response to Council Member Mounce, Mr. Ayers stated each jurisdiction has a different noticing schedule, but most have the 10-day shut-off requirement.

Council Member Kuehne stated he agreed with the late fees as long as it did not generate a profit for the City. He further stated if SMUD and PG&E can operate their utilities for less, the City should consider doing so as well. Mr. Ayers pointed out SMUD has over 300,000 accounts and, because of the volume, the 1.5 percent late fee generates much higher total dollars.

Council Member Nakanishi stated he was amenable to the late charge amounts, but he believed the late fees should be stretched in order to give customers more time to plan their payments by extending the late fee date and allowing for a longer shut-off period.

City Manager Schwabauer stated staff would discuss Council's comments and return with a recommendation.

Council Member Mounce stated she would prefer to return to the previous timeline with a minor amendment to the first past-due date - 45 days, 60 days, and 90 days versus the original timeline of 30, 60, and 90 days - and fees of \$5, \$10, and \$25 versus the current fees of \$10, \$15, and \$25. This would give customers a longer time before being assessed a smaller late fee.

Lorinda Jonard stated she believed there should be a greater grace period for utility bills and complained Lodi charges a deposit and reconnection fee on top of late fees to reconnect power after it has been shut off for non-payment. She stated many customers cannot afford the exorbitant cost to reconnect utilities and suggested the billing cycle and timeline be extended.

Ruben Hernandez suggested the City bill be separated into the various utility components, thereby giving customers the option to pay a specific service or the highest portion of the bill,

i.e. electric, water, wastewater, and refuse, and giving the City the option to shut off a specific service for non-payment.

Mike Lusk requested Council adopt an ordinance that would require the fees for services and penalties to be returned to the individual utility rather than deposited into the general fund. He believed there was co-mingling of revenue streams and the money should be returned to the utility for rate payers to reduce the utility rates.

In response to Council Member Mounce, Mr. Ayers stated the cost allocation plan ties into the cost of service that is charged back to the utilities and further explained the cost of service charged to the utilities is reduced by the amount of the late fees.

In response to Council Member Kuehne, Mr. Ayers stated it is conceivable for a customer to continue to accumulate late charges after their electricity has been turned off because they may continue to occupy the residence and receive water and wastewater service.

Council Member Kuehne stated he is amenable to extending the timeframe to 30 days, 50 days, and shut off after 60 days to give customers a little more time. In response to Council Member Mounce, Council Member Kuehne stated he would be open to making the first past-due date 45 days. Council Member Kuehne expanded on his earlier comment regarding partial payments, suggesting if a partial payment covers the full cost of electricity, the power should not be shut off for non-payment of the entire bill.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:14 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk