

	<div>STAFF</div> <div>REPORT</div>
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Subject:	Utility Disconnection Policy
Staff Report:	Utilities

Utility Billing Research and Overview

During the January 4, 2022 Board of Aldermen regular session, the Board received public comment regarding the severity of the City's utility billing disconnection policy. During the month of December 2021, multiple utility customers who typically used bank "bill pay" to make their utility payments incurred issues with the payment method. Customers experienced issues related to the processing of checks which are sent from 3rd party processors to the City for payment of utility bills. Various checks arrived after the due date (22nd of the month) and some checks arrived after the utility disconnect date (1st business day after the 26th of the month) which triggered utility disconnections for these customers.

To evaluate utility disconnection policy, staff researched the average residential utility bill for the City, shutoff thresholds and fees from other comparable cities, and shutoff/disconnect processes used by these comparable cities. Staff has compiled this research in the report along with recommendations/suggestions for the Board to consider.

City Disconnection Statistics

Using data from 2021 utility billing, staff determined the City averages anywhere between 40 and 60 account disconnections each month. Over the course of 2021, the City consistently billed over 4,100 utility accounts each month for utility services. The percentage of utility accounts disconnected each month is anywhere from 1.0% to 1.5% of the total utility accounts which are billed each month meaning the percentage is disconnects is quite low compared to the number of accounts billed each month.

Utility Disconnect Policy - Smithville

Chapter 705 ([Section 705.060](#) and [Section 705.120](#)) of the City Code governs utility disconnection policy by authorizing the City to assess delinquent charges and discontinue utility services for non-payment. In addition, the City of Smithville [Policy Manual](#) (which is approved by the Board of Aldermen) outlines the specific utility billing process for the City's customers. The City begins the billing process by gathering meter reads and uploading them into the billing software. The City contracts with a third-party vendor to print and mail utility bills, with the file going out no later than 12 PM on the third of the

month. Once customers receive their utility bill, they have until the 16th of the month to pay until the bill is considered “late”. Customers have 6 days thereafter to pay the bill before a late fee of 10% of the account balance is assessed on the 1st business day following the 21st of the month. Utility billing accounts in arrears more than \$75.00 at 8:00 AM on the first business day following the 26th of each month are subject to the disconnection of water service. A \$50.00 disconnection fee is applied to these utility accounts (no exceptions made) to recoup costs associated with staff time to disconnect the utilities.

Average Residential Bill and Shutoff Threshold

Staff calculated the average residential utility bill in the City of Smithville for residential account holders with ¾" and 1" meters. The average residential utility bill prior to rate adjustments effective November 1, 2021 was \$103.13. This average bill reflects average monthly water volume usage of 4,360 gallons and average monthly wastewater volume usage of 3,946 gallons and includes the monthly trash charge. Following rate adjustments effective November 1, 2021, the average residential bill increased to \$108.85.

Staff would like the Board of Aldermen to evaluate the utility disconnect threshold in conjunction with the average residential utility bill of \$108.85. The City of Smithville utility billing policy sets the utility disconnect threshold at \$75.00 for all utility customers and all accounts in arrears greater than \$75.00 are disconnected on the 1st business day following the 26th of the month. Increasing the disconnect threshold from \$75.00 to \$100.00 could give utility customers a greater threshold which is more in line with the average bill amount. Increasing the threshold would allow customers to have more latitude in cases where a bill may be difficult to pay on time or in a case where a customer simply misses a payment. Current policy allows utility customers to make payment arrangements. Customers can request an extension of 1 week past the cutoff date, meaning customers can have up to 7 days past the 1st business day after the 26th to pay their utility bill.

Credit Card Processing Fees

Currently, the City passes on a 2.5% credit card processing fee to utility customers who use cards to pay their utility bill. These processing fees are received by the City and then paid to the City's credit card processing vendor, ETS (Electronic Transaction Systems). ETS securely processes and manages credit/debit card activity for the City. During research, staff found that the City incurs about \$38,000 in credit card processing fees on an annual basis which is related to payment of utility bills. Staff would like the Board of Aldermen to explore whether to continue to pass this credit card processing fee onto the customer or to stop passing the fee onto the customer and instead bear the expense which is due to ETS.

Utility Disconnect Policy – Comparable Cities

Staff called and researched City code to better understand disconnect policy for comparable cities. The research is presented below:

- **Gladstone, MO:** The City of Gladstone assigns a delinquency status to accounts which are past due after 21 days of having a “past due” status. For those accounts with account balances higher than \$35.00, the City posts a “delinquency fee” to the account in the amount of \$25.00 and the account is subject to shutoff. The City Code states if payment is not received within 30 days of such bill, services may be discontinued.
- **Liberty, MO:** The City of Liberty issues a “delinquency status” each month to accounts 2 days following the due date of the bill. After 120 days of delinquency status, accounts past due with account balance over \$40.00 are subject to disconnection. The “reconnection” fee to have service turned back on is \$25.00. The City operates on two billing cycles and there is a 25-day window between the time in which the bills are mailed and the due date for the bill.
- **North Kansas City, MO:** The City of North Kansas City will disconnect accounts with have unpaid bills (account balances greater than \$10.00) around the 1st of the month. Per the City Code, the City assigns a delinquency status to all bills which are not paid after 20 days of producing/mailing the bills. Notification of this delinquency status is provided through mail, and if the bill is not paid within 10 days, disconnection will occur.
- **Kearney, MO:** The City of Kearney city code outlines utility billing policy. When bills are produced/mailed for the month, payment is due on the 10th following the month of they are produced. After the 10th of the month, any unpaid bills become delinquent. For unpaid delinquent bills following 30 days of having a “delinquency status”, service to the customer may be discontinued and shall not be reconnected until all past due bills are paid in full. A \$25.00 “reconnection fee” is applicable and the entire past due bill must be paid in full for turn-on to occur.
- **Raymore, MO:** The City of Raymore provides residents with 30 days to pay their utility bill before a “disconnect” period begins. The “disconnect” period last 10 days, and at the end of the 10 days, disconnect will occur on the utility account. The City does not have any specific threshold so any account balance amount will trigger this disconnection in service. The City charges a \$50.00 “reconnection” fee to have service reconnected.

- **Excelsior Springs, MO:** The City of Excelsior Springs will shutoff utility accounts which have an account balance of more than \$35.00 when the subsequent billing cycle comes around. The City charges a \$35.00 reconnection fee to have services reconnected.
- **Platte City, MO:** The City of Platte City assigns the due dates of bills on the 20th of the month. As the shutoff date approaches, the City makes multiple personal phone calls. Shutoffs are initiated on the 26th of each month and there is an \$80.00 account balance threshold meaning all accounts with balances of \$80.00 or higher are subject to shutoff. The City charges a \$25.00 reconnection fee to have accounts reconnected.
- **Weston, MO:** The City of Weston deems all accounts delinquent if payment is not received within 25 days after billing occurs. For accounts which spend 25 days this default/delinquency status, water service will be discontinued. The City of Weston assesses 3 separate disconnect charges depending on the number of times the customer has been disconnected previously. For 1st time disconnections, the charge is \$25.00. For 2nd time disconnections, the charge is \$50.00. For 3rd time disconnections, the charge is \$100.00. This “disconnection tally” is tracked over a period of 2 years and is reset after 2 years.
- **Blue Springs, MO:** The City of Blue Springs disconnects customers which have account balances greater than \$20.00 over 90 days (3 months old). The City charges a \$20.00 “service fee” to have services reconnected. Counting from the unpaid bill, when the third utility bill after the unpaid bill was received, goes out to indicate the amount past due, the bill is marked red and states “disconnect pending”.
- **Grain Valley, MO:** The City of Grain Valley has 2 billing cycles. The City of Grain Valley disconnects customers for account balances over the amount of \$20.00 for those bills unpaid after 1 month. Any amount over \$20.00 (the disconnect threshold) which is unpaid after 1 month from the time the bill is due, subjects the customer to shutoff via a delinquent letter. If the customer has not paid 7 days after the delinquent letter is provided, the account would be shutoff. A \$25.00 “service fee” is applicable for shutoffs. See this table for a detailed cycle procedure from the City of Grain Valley:

	Read	Date	Penalty Date	Delinquent Letter	Shut Off
Cycle 1	1st business day	Last day of month	1st business day of next month	1st business day of next month	8th or next business day of next month
Cycle 2	16th or next business day	15th or next business day of next month	16th or next business day after due date	16th or next business day after due date	23rd or next business day after delinquent notice

- **Oak Grove, MO:** The City of Oak Grove disconnects customers for account balances over the amount of \$25.00 which originates from the previous billing cycle. To reconnect services, the City charges a \$25.00 “reconnection” fee to have service restored. For example, if a customer has a balance over \$25.00 from the December 2021 cycle (which is billed in January), the customer needs to have the delinquent cycle paid below \$25.00 by February when the next bills are delivered to avoid disconnection.

Disconnection Fee Amount Research

The City of Smithville currently charges a disconnection fee of \$50.00. To find out if this disconnect fee is comparable to other jurisdictions, staff researched disconnection, reconnection, and delinquency fees for various comparable communities surrounding Smithville. Like Smithville, these comparable cities will charge this fee for disconnecting service, reconnecting service, or assess this fee as a “service” fee for reconnecting service. While these fees go by a variety of names, the fee is intended to recoup City staff costs associated with utility crews disconnecting or reconnecting utility customers for non-payment associated with shutoff. The findings for the amounts other communities charge for the disconnection/reconnection fee is presented in the table below:

Jurisdiction	Disconnection, Reconnection, or Delinquency Fee for Non-Payment
Gladstone, MO	\$25.00
Liberty, MO	\$25.00
Kearney, MO	\$25.00
Raymore, MO	\$50.00
Excelsior Springs, MO	\$35.00
Platte City, MO	\$25.00
Weston, MO	\$25.00 (1 st Time), \$50.00 (2 nd), \$100.00 (3 rd)

Blue Springs, MO	\$20.00
Grain Valley, MO	\$25.00
Oak Grove, MO	\$25.00
Smithville, MO	\$50.00

Staff recommends the Board consider lowering the disconnect fee to align with comparable cities. In 2021, the City received \$28,231 in revenue from disconnect fees. In 2020, this amount was much lower because shutoffs were suspended due to the COVID-19 pandemic. In 2020, the City received \$16,313 in revenue from disconnect fees.

Excluding water/wastewater impact fees, in FY2020, the CWWS Fund operated with revenues of \$4,155,855 and in FY2021, the fund operated with revenues of \$4,662,639. Disconnect fees represent a low percentage of total CWWS revenues (about 0.61% in 2021 and about 0.39% in 2020). Because this is such a low percentage, reducing the disconnect fee would not significantly affect CWWS revenues or the financial performance of the fund.