



Department Source: Community Relations

To: City Council

From: City Manager & Staff

Council Meeting Date: November 18, 2019

Re: Applying Late Fees to Past Due Utility Account Balances

## Executive Summary

Staff has prepared for Council review, a report regarding resuming the collection of late fees for delinquent utility account balances per Section 27-19(f) of the City code beginning January 1, 2020.

## Discussion

Section 27-19(f) of the City Code provides that the City may assess a three percent (3%) late fee against all delinquent utility accounts. The City has not charged late fees on delinquent utility account balances since 2016 during the implementation of a new billing software while working through configuration issues. As of October 28, 2019, all software configuration issues with penalties have been resolved with a software upgrade. Staff worked diligently to finalize the software, test and prepare it for all functions and services of the utility.

From 2005 to 2016, the City collected \$4,297,095.92 in late fees for delinquent utility accounts with a yearly average of \$358,091.33. Collected penalties helped to fund billing and customer service operations. Applying late fees to past due balances is a common practice for utilities and provides two purposes: to encourage customers to pay the utility bills on time and to ensure that costs associated with collecting late payments are not passed onto customers making timely payments. These costs include staff time to process late notices, service disconnections, collection efforts and bad debt write-offs that can total over \$100,000 per year.

As of January 1, 2020, the City will begin assessing late fees on past due balances on utility bills dated after January 1, 2020. For example, for a bill dated December 23, 2019 with a due date of January 12, 2020, if the amount due is not paid by January 12, 2020 no late fee will apply. If a bill is dated January 2, 2020 with a due date of January 22, 2020, a three percent late fee will be applied to the amount due and added to the next bill if payment is not received by the due date. Customers also receive a past due notice listing a possible disconnection of services date if the past due amount is not paid in full. Services may be disconnected for non-payment after 30 days from the original due date. If the account remains disconnected for 30 more days, the account is deactivated and the past due amount will be sent to the City's contracted collection agency. As per ordinance, late fees will not be applied to outstanding balances on disconnected accounts or outstanding balances covered under an active payment agreement. Late fees will not be collected in a compounding manor.



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

Consider that a customer's January bill is \$100. If the payment is made after the due date, a \$3 (3%) late fee is added on the customer's February bill. If February's bill is \$150, the total due is \$253. If the customer again does not pay the February bill on time, a new late fee is applied only to the February past due amount due minus previous late fees.

January bill:

\$100

+\$3 (3% late fee)

\$103 past due and added to February bill

February bill:

\$103 past due

+\$150 current amount due

\$253 total due for the February bill

If weather or other conditions prevent disconnection of services as stated in Section 27-21 (h) and no payment has been received:

March Bill:

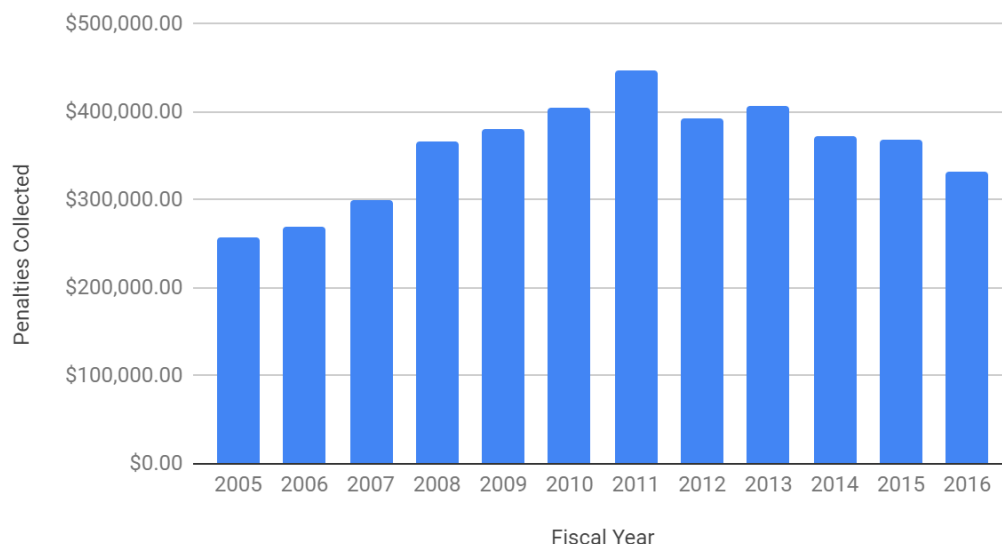
\$257.50 past due amount  $\{ \$103 + \$150 + \$4.50 \text{ (late fee applied to } \$150) \}$

+\$160 current amount due

\$417.50

Every effort will be made to notify utility customers regarding applying late fees after January 1, 2020 by means of social media posts, City Source articles, bill print messaging and posted notices at City Hall. The Customer Experience team of Community Relations (includes Utility Customer Service and Contact Center) will be available for customer questions.

### Penalties Collected per Fiscal Year





## Fiscal Impact

Short-Term Impact: Additional revenue of an average of \$350,000

Long-Term Impact: NA

## Strategic & Comprehensive Plan Impact

### [Strategic Plan Impacts:](#)

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

### [Comprehensive Plan Impacts:](#)

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

## Legislative History

Date	Action
September 18, 2017	Utilities late fees increased from 1.5% to 3%

## Suggested Council Action

For information only.