



Department Source: City Utilities - Water and Light

To: City Council

From: City Manager & Staff

Council Meeting Date: July 6, 2021

Re: REPORT: Utility Late Fees and Utility Disconnections and Delinquent Accounts

## Executive Summary

Staff has prepared for Council consideration a report regarding utility late fees and updated information on utility disconnections and delinquent accounts.

## Discussion

### **Utility Late Fees:**

At the April 6, 2020 City Council meeting, ordinance #024209 authorized a temporary deviation from certain City Code provisions. Section 3 of this ordinance temporarily waived Section 27-19(f) of the City Code relating to the requirement to assess a three percent (3%) late charge on all delinquent utility accounts during the period of declared City emergency for COVID-19.

The City Manager signed a rescission of the Declaration of Emergency in Columbia on May 14, 2021 and this emergency was lifted on May 29, 2021. Staff would like to start assessing late fees on all utility bills issued after August 1, 2021.

Applying late charges 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. In addition, as part of the same ordinance #024209, section 4 temporarily waived Section 27-19(m) of the City Code related to the requirement of the Finance Department to assess a service charge to all customers paying by credit card. The intent of this was to encourage less community contact during the COVID-19 pandemic, so that customers could pay their utility bills with a credit card and not be impacted with a service charge when paying their bills electronically. Assessing late charges would help offset a portion of this expense that the City absorbed.

In FY 2020, we saw a significant increase in the credit card fees due to waiving the service charges and expect that FY 2021 will be higher. The total credit card costs to the city are as follows:

- Thru June 1, 2021: ~\$365,000 (estimating a total of \$589,500)
- FY 2020: \$403,700
- FY 2019: \$224,584
- FY 2018: \$214,870
- FY 2017: \$189,547



The City began assessing late fees in January 2020 after not charging them at all since 2016 during the implementation of the new billing software while working through configuration issues. During that time period, late fees were being assessed for approximately 2 ½ months before being temporarily waived during the Declaration of Emergency.

Staff received the support from the Finance Advisory and Audit Committee (FAAC), during their January 25, 2021 meeting to start assessing late charges on overdue utility bills. In addition, staff presented this to the Water and Light Advisory Board (WLAB) at their February 3, 2021 meeting and they recommended to not reinstate late fees for three months or until the emergency order was repealed or whichever comes first.

Attachment “A” is a detailed communication plan that has been prepared to ensure that we reach all of our utility customers and provide them with proper notification. This plan will provide the customers with approximately 2 months of notice that late fees will be assessed.

### **Utility Disconnections & Delinquent Accounts:**

The Utility department began utility disconnections on November 2, 2020 after stopping them back in March 2020 due to COVID. During the months of November and December staff was able to get through all billing cycles (both residential and commercial) once and disconnected a total of 1,308 utility customers out of ~64,700 active accounts. This number of disconnections is considerably less than what there were as of October 1, 2020. On October 1, 2020 there were 4,596 utility accounts pending disconnection.

This significant reduction between October 1, 2020 and November 2, 2020 was due to many utility customers setting up payment arrangements, receiving utility assistance from various agencies in the community or by paying their utility bills.

Utility disconnections did not happen in the months of January and February due to cold temperatures.

Staff issued a press release on February 26, 2021, stating that the City of Columbia Utilities was to resume utility disconnects. The press release informed customers that as the temperatures warm up, we would be resuming utility disconnections soon. If the customer had a past-due balance, they needed to bring their account current as soon as possible to avoid being disconnected.

Utility disconnections resumed on March 8, 2021. Below is a table that shows how many utility disconnections have actually occurred since March.

<b>Month</b>	<b># of Disconnections</b>	<b>Comments</b>
March	823	All (12) residential cycles
April	462	Disconnections were not done due to cold temps and the implementation of The Crossing donation



May	645	All cycles (both residential & commercial). No disconnections the week of Memorial Day
June (as of 6/23/21)	478	No disconnections were done the week of 6/14/21 due to heat

Attachment “B” includes three pages of information that has been gathered since October 2020 and shared with the Water & Light Advisory Board every month through May 2021 when the board decided that a monthly report was no longer necessary. Staff suggested providing the report on a quarterly basis.

Page 1 of Attachment “B” provides the following information:

- # of delinquent utility accounts for residential and commercial customers
- \$ of delinquent utility accounts for residential and commercial customers
- # of utility accounts pending disconnection for residential and commercial customers
- \$ of utility accounts pending disconnection for residential and commercial customers

Page 2 of Attachment “B” provides the amount of pledges received from various organizations

Page 3 of Attachment “B” provides the amount of donations for CASH/HELP utility assistance programs and the cash balance in each fund.

### Fiscal Impact

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

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
April 6, 2020	B90-20: Authorizing a temporary deviation from certain City Code provisions relating to the assessment of penalties, late charges and service fees on utility customer service accounts;



# City of Columbia

701 East Broadway, Columbia, Missouri 65201

November 18, 2019	authorizing residential landlords to obtain utility service for rental unit without a certificate of compliance; declaring an emergency for enactment  REP108-19: Applying Late Fees to Past Due Utility Account Balances
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Suggested Council Action

For informational purposes only.