



# REPORT TO COUNCIL

## City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
www.CityofSacramento.org

Consent  
February 24, 2009

Honorable Mayor and  
Members of the City Council

Title: PASS FOR PUBLICATION: ORDINANCE AUTHORIZING PROCESSING FEE  
FOR UTILITY SERVICE ACCOUNTS

Location/Council District: Citywide

**Recommendation:** Review a new Ordinance 1) adding section 13.04.735 to the Sacramento City Code, to authorize the collection of an administrative processing fee when a customer establishes a new account or makes changes to an existing account; and 2) pass for publication the ordinance title as required by Sacramento City Charter § 32(c) to be adopted March 3, 2009.

**Contacts:** Shelle Smallwood, Account and Billing Manager, 808-4928  
Jamille Moens, Business Services Division Manager, 808-5988

**Presenter:** N/A

**Department:** Utilities

**Division:** Business Services

**Organization No:** 14001631

**Description/Analysis:**

**Issue:** The Department of Utilities is proposing an ordinance to authorize adoption of a new processing fee which would be collected when a customer establishes a new account or makes changes to an existing account. The most common example of this is when an existing property is sold and the property's utility service account must be changed to reflect the new ownership. The revenue generated from the proposed new fee will pay the City's administrative costs to process these changes, which include labor, information technology, and the cost of maintaining computer access to County of Sacramento property tax records for the purpose of identifying title information. These administrative costs are currently absorbed in the overall Utilities' budget, that is funded by all customers' payment of monthly utility service rates. The proposed fee will provide a better mechanism to collect the City's one-time costs for these services from



the customers who require the account changes, instead of using ratepayer funds for this purpose.

**Policy Considerations:** Charging customers an administrative processing fee to recover the cost of processing new and existing account changes is in line with the Department of Utilities' goal to provide fair and equitable cost recovery for services provided to its customers.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** This authorization of a new administrative fee is a governmental fiscal activity that does not constitute a "project" under the California Environmental Quality Act (CEQA), and for which no environmental review is required (CEQA Guidelines Section 15378(b)(4)).

**Other:** Not applicable.

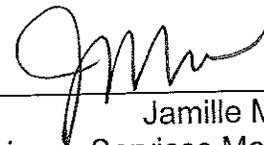
**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The proposed fee would allocate these one-time service costs directly to the customers who generate the need for the service, instead of the cost being spread among all utility rate payers.

**Financial Considerations:** The proposed ordinance allows the administrative processing fee to be established by City Council resolution. If the ordinance is adopted, staff intends to request adoption of the fee as part of the Citywide Fees and Charges report that will be brought to the City Council prior to the end of the current fiscal year. Based on a cost analysis of the administrative expenses of processing changes on utility billing records, staff is proposing a fee amount of \$24, which is expected to generate approximately \$345,000 in annual revenue to pay the City's administrative processing costs. This fee amount is comparable to administrative fees charged by other utility districts.

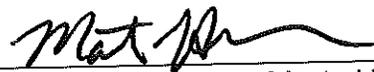
**Emerging Small Business Development (ESBD):** Not applicable. No goods or services are being purchased.

Respectfully Submitted by: \_\_\_\_\_



Jamille Moens  
Business Services Manager

Approved by: \_\_\_\_\_



Marty Hanneman  
Assistant City Manager/  
Director of Utilities

Pass for Publication Ordinance Authorizing  
Processing Fee for Utility Service Accounts

February 24, 2009

Recommendation Approved:

  
Ray Kerridge  
City Manager

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**Attachment 1**

**BACKGROUND**

A significant amount of labor and use of technology is expended processing title (ownership and name) and tenant changes to utility billing records. City staff utilize Sacramento County property tax records in order to update the City's billing records with title changes on properties within our service area. The City pays a monthly fee to the County of Sacramento for the right to access their computer records for this purpose. Additional expenses are incurred to maintain system interface capabilities for the transmission of data. The greatest expense, however, is labor costs for Department of Utility personnel to process title and tenant or other third party changes to utility accounts for billing purposes.

Property owners are legally responsible for all utility services provided by the City of Sacramento. However, as a courtesy, the City may send a bill to someone other than the legal owner of the property, such as a tenant, at the request and authorization of the legal owner. Because the City is required to maintain records of all parties being billed, including the legal owner, maintenance and update of the billing records is critical.

The expense of updating account records for a change of ownership, name change or addition is directly attributable to the customer who made the change and, therefore, should be charged as a processing fee to that customer instead of charging these costs against ratepayer funds. The proposed new administrative processing fee will enable the City to recover the one-time costs associated with those changes from those customers who generate the need for the service, so that such costs will no longer be included in the monthly utility rates paid by all customers.

Based upon a cost analysis of the administrative costs associated with billing changes, a fee of \$24 was calculated as the proposed processing fee. When comparing the proposed fee to other similar agencies, about half of more than thirty utility districts surveyed were charging a fee for processing billing changes for new owners or tenants. Several other agencies were considering this or other new fees. Of the fifteen utility districts surveyed who do charge a fee such as that proposed in this report:

- 50% charge between \$24 and \$30
- 25% charge less than \$24
- 25% charge more than \$30

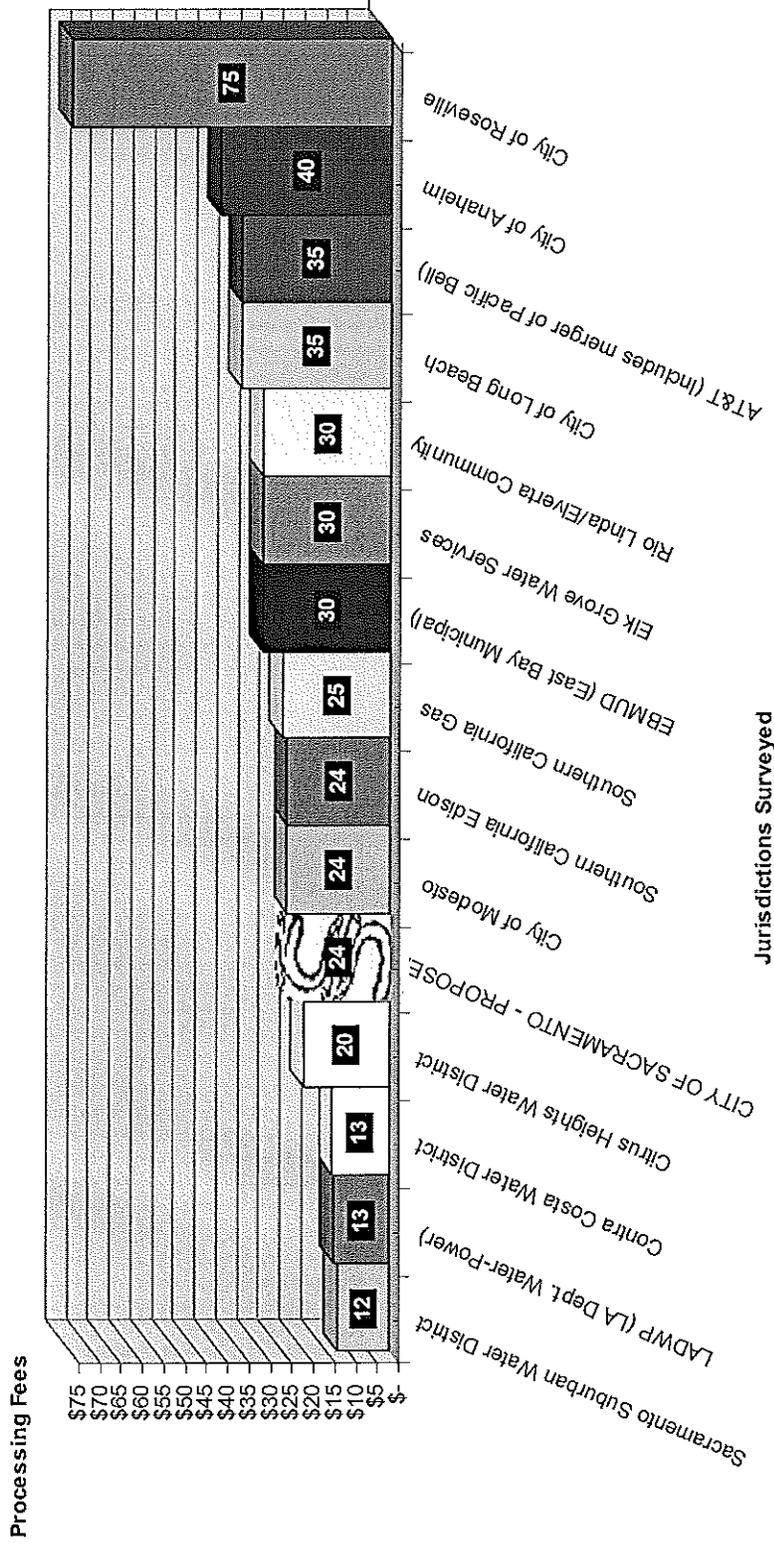
Based upon the utility districts surveyed, the average fee charged was \$30. The \$24 proposed fee places the City below the average fee of other utility districts. A cost analysis is provided in Attachment Number 2, Processing Fee Comparison.

Following adoption of the new ordinance, the proposed fee will be incorporated into the Citywide Fees and Charges Report that will be presented to council prior to the end of the current fiscal year.

## Processing Fee Comparison by Number of Utility Districts Charging a Fee

### Comparison of Processing Fee

Cost in Dollars



**ORDINANCE NO.**

Adopted by the Sacramento City Council

Date Adopted

**AN ORDINANCE ADDING SECTION 13.04.735 TO  
THE SACRAMENTO CITY CODE, RELATING TO  
A PROCESSING FEE FOR UTILITY SERVICE ACCOUNTS**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

Section 13.04.735 is added to the Sacramento City Code to read as follows:

**13.04.735 Processing fee.**

Customers establishing a new account for any City utility service provided under Title 13 of this code, or making changes to an existing account, shall pay a fee to cover the City's administrative processing costs, as established from time to time by resolution of the city council.

Adopted by the City of Sacramento City Council on \_\_\_\_\_ by the following vote:

Ayes:

Noes:

Abstain:

Absent:

\_\_\_\_\_  
MAYOR

Attest:

\_\_\_\_\_  
City Clerk

Passed for Publication:

Published:

Effective:

