



REPORT TO LAW & LEGISLATION COMMITTEE

CITY OF SACRAMENTO

915 I STREET, SACRAMENTO, CA 95814-2671

STAFF REPORT
February 3, 2009

Honorable Members of the
Law and Legislation Committee

Title: Ordinance Authorizing Administrative Fees for Utility Service Accounts

Location/Council District: Citywide

Recommendation:

Staff recommends that the Law & Legislation Committee approve and forward to the City Council the proposed ordinance 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.

Contact: Jammie Moens, Business Services Manager, 916-808-5988

Presenter: Shelle Smallwood, Billing Manager, 916-808-4928.

Department: Department of Utilities

Division: Business Services

Organization No: 3352 (New Number 14001621)

Description/Analysis

Issue: The Department of Utilities is proposing a new fee that 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 property changes hands 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 currently are absorbed in the overall Utilities budget. The proposed fee will provide a better mechanism to collect the City's costs for these services from the customers requiring the service.

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 charges for all 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)).

Sustainability Considerations: Not applicable

Financial Considerations:

The proposed ordinance allows the administrative processing fee to be established by City Council resolution. 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

Recommendation Approved:



RAY KERRIDGE
City Manager



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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 billing 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 to that customer. The proposed new administrative processing fee will enable the City to recover costs associated with those changes. There will be no change to staffing or costs as a result of the implementation of the new fee, as the process is already being completed by current staff. The only change is that customers who generate the need for the service will be charged.

About half of more than thirty utility districts surveyed by City staff currently charge a fee for processing billing changes for new owners or tenants, and many more agencies are 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

The \$24 proposed fee places the City at the low end of the midrange position as compared to other utility district charges. A detailed cost analysis is provided in Attachment Number 3, Cost Analysis and Survey.

ORDINANCE NO.

Adopted by the Sacramento City Council

Date Adopted

**AN ORDINANCE ADDING SECTION 13.04.735 TO
THE SACRAMENTO CITY CODE, RELATING TO
AN ADMINISTRATIVE 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:

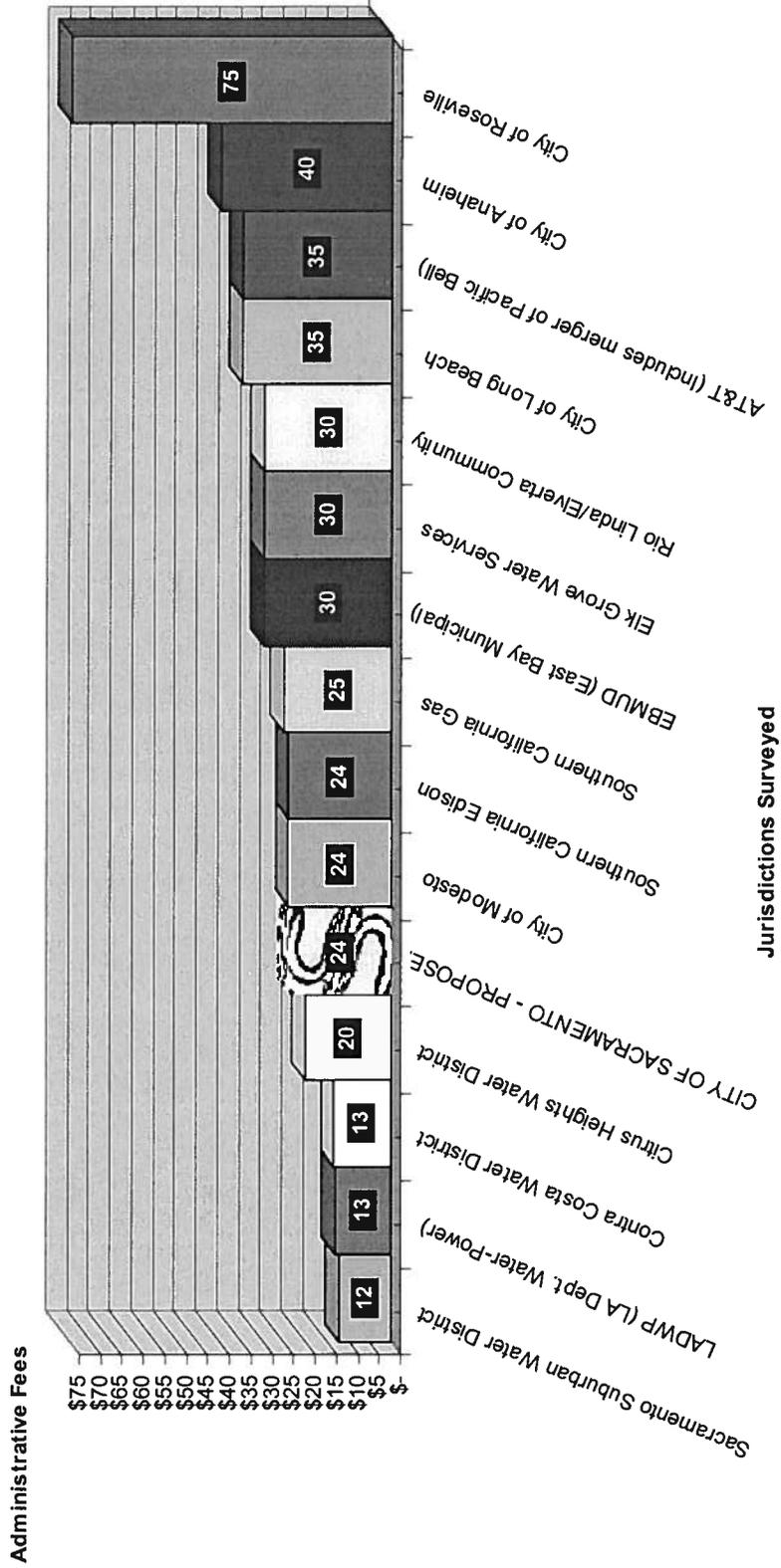
13.04.735 Administrative fee.

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.

Administrative Fee Comparison by Number of Utility Districts Charging a Fee

Comparison of Administrative Fee

Cost in Dollars



Jurisdictions Surveyed