



THE CITY OF KEY WEST

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MEMORANDUM

TO: Jim Scholl, City Manager

Cc: E. David Fernandez, Asst. City Manager-Operations
Mark Finigan, Asst. City Manager-Administration

FROM: Jay Gewin, Utilities Manager

DATE: April 10, 2012

SUBJECT: **Revising the City's Sewer Ordinances in Order to Move Billing for Sewer Utility Customers to FKA.**

Action statement:

This ordinance will revise the City's sewer utility delinquency dates and late fees, and eliminate the City's deduct meter program. These changes are required as part of the interlocal agreement to move the City's billing for sewer services to FKA.

Background:

The delinquency fees and deposit requirements for the City of Key West utilities are currently as follows:

SEWER (Sewer Sec. 74-201, 74-203, 74-208, 74-209, 74-238)

- Bills are delinquent after 30 days.
- After 20 days, a late fee of \$5.00 or 15% (whichever is higher) is applied
- After 15 days written notice, City Code authorizes permission to disconnect sewer, with owner paying to reconnect. However, the City has not been disconnecting delinquent customers for environmental safety reasons.
- Our Code of Ordinances states that for sewer residential and commercial customers, the deposit minimum shall be the estimated total charge for a three-month period as determined by utility department billing personnel based on the most recent rate study. However, currently the City is collecting no deposits for any of our utilities.

Key to the Caribbean – Average yearly temperature 77° F.

- The City code allows for the use of deduct meters by customers who use irrigation. City staff reads these meters in the field on a monthly basis.

In FKAA billing there is

- A due date of 30 days from initial billing
- A \$90.00 per residential unit deposit, and the non-residential rate is based on meter size, or number of units if a single meter is used for multiple units.
- A charge for delinquent accounts the greater of \$4.00 or 10% of the outstanding balance unless that balance is less than \$5.00, in which case no charge is imposed
- For service to be restored, the customer must pay all amounts due, including the service charge along with a deposit. If service is discontinued twice, the deposit goes up to \$200.00 or 3 times the monthly average of the prior 12 months billing.
- No use of deduct meters of a type similar to the City's program, however the FKAA has its own irrigation meter program on its own type of meter that allows customers to deduct irrigation water from billing. Both programs accomplish the same goal.

Purpose and Justification:

The City Commission and Staff have indicated a desire to move the City's sewer utility billing over to FKAA so that customers would receive a combined water/sewer bill. This move would help the City improve its ability to gain payment from delinquent accounts, and would make sure water meters are always properly matched with accounts, with the added benefit of increased convenience for the customer.

In order to enter an inter-local agreement with FKAA to provide utility billing services, the City needs to make several changes to our Code of Ordinances to make our systems compatible. These include the following:

- The City will charge the \$4.00 or 10% penalty on the current portion due after a 30-day delinquency date, unless the outstanding balance is less than \$5.00.
- The City will not collect a new sewer deposit in addition to the water deposit FKAA customers currently pay. Staff feels that this is an additional unnecessary burden to customers, and the ability of FKAA to shut off water for nonpayment of fees will greatly help reduce our delinquencies. The Code would allow the City to implement deposits at a future date if we choose.
- The use of deduct meters under the City's program will be eliminated, and customers will be required to utilize FKAA's irrigation meters at customer expense if they want to continue in a similar program. FKAA does not offer deduct meters similar to the City's existing program in any of their service areas. If customers choose not to purchase an irrigation meter, they will be billed for sewer at 80% of their water flow. They are billed at 100% of the water flow not passing through the deduct meter under the City's program, which would also be the case utilizing FKAA's irrigation meter.

Options:

1. The City could approve the aforementioned ordinance changes. Doing so would bring consistency to our billing process with FKAA, which is essential if we want FKAA to assume responsibility for administering our sewer utility billing.
2. The City could elect to keep current utility billing procedures for delinquent accounts in place. This option is not recommended because the City could not enter in to an inter-local agreement with FKAA to assume billing without these ordinance changes.

Financial Impact:

These ordinances changed are needed in order for FKAA to assume the City's sewer utility billing. The annual cost for the FKAA to assume our billing is higher than we are currently paying, however it will more than be offset by anticipated increased revenues due to superior collection efforts by FKAA. Our delinquency rate, which is now approaching \$1,000,000, will be vastly improved in the future, and there will also be additional revenue from an improved ability to correctly match new water meters installed.

Existing delinquencies will not be managed by FKAA. FKAA would handle delinquencies beginning the date they initiate sewer billing for the City.

Recommendation:

Staff recommends option #1, that the City amends its sewer ordinances to facilitate the move of the City's utility billing to FKAA.