

# Billing Alternatives Analysis

for

## Laguna County Sanitation District Customers

Date: February 21, 2012

---

### **Background**

At the BOS meeting on October 11, 2011, and during the item regarding the Laguna County Sanitation District Master Plan, a member of the public requested that the options to the current billing method be considered. Currently the cost of sewer service is included on the property tax bill as a benefit assessment along with other bonds and fixed charges.

Staff identified three billing options for consideration: direct periodic billing, a combination of direct billing/benefit assessment, and the status quo of billing the benefit assessment on the tax roll. The comparison involved evaluating the requirements for implementation and the advantages and disadvantages for each option. Staff also reviewed the billing practices of other agencies in the tri-counties area that provide wastewater service as well as those that provide both water and wastewater services. The following is a discussion on these options and findings.

Direct billing – This billing option considers mailing invoices to customers or property owners. The flat rate annual cost would be mailed to residential customers on a periodic basis (monthly, bimonthly, or quarterly). This could be administered internally using billing software or contracted with third party. Delinquent collections would still likely need to be billed on the tax roll unless a collections agency was used. This method of billing for sewer service is most commonly used by agencies that provide water and wastewater service, in which the bill is typically combined.

Advantages - The advantages to this billing method are that it spreads the cost out over the course of a year, provides a more even revenue stream, has payment options (online, automatic payments, credit or debit card, etc.), and if certain software was used, could allow for certain accounting reports.

Disadvantages - The main disadvantage of billing by mail is that it requires additional administration for billing, receiving, account management, and handling delinquencies. Labor (new positions or by contract) and equipment (software) costs would increase significantly to generate and mail bills, receive and track payment, and manage delinquent accounts. A policy would need to be established for assessing penalties for late and non-payment. Returned mail and delinquencies would likely be billed on the tax bill or forwarded to a collection agency. Agencies that provide both water and wastewater can discontinue water service for lack of payment. Wastewater-only agencies do not have this ability.

Combination direct invoicing/benefit assessment – This option was evaluated for two scenarios. The first considered collecting the current revenue on the tax rolls and direct billing for future rate increases. The second considered direct billing of the residential sector and continue to collect assessments from the business/commercial sector This concept would collect a base amount on the tax roll while a portion would be collected by direct billing.

Advantages – This option has the advantage of securing a base amount of revenue from tax rolls and therefore provides a secure revenue stream.

Disadvantages - This option may be confusing to customers (appear as double billing) and still requires the additional costs identified above. Staff would need to be added or a contract with a third party would be needed. Failure to pay as stated above would still need to be addressed.

We did not find a comparative model in the survey of the tri-county water and /or wastewater agencies.

Status Quo – This maintains the current billing practice of charging for services on the tax roll. This is also the most common method used by the tri-county wastewater agencies. Due to the cost and administrative burden, counties, cities, and other governmental agencies that provide a specific benefit commonly assess service charges with the property tax bill. Typically, sewer only agencies create a flat rate charge for similar customer types (single family residential, multiple-family residential) based on the average of those in the same billing category.

Advantages – Billing on the tax roll will not result in the additional expenses identified in the other options. To date non-payment or delinquent payment has not been an issue as failure to pay typically becomes a property lien. Since

revenues are collected via the tax roll, the ability to secure debt is improved and is very cost efficient.

Disadvantages – The disadvantage is the frequency of billing through the tax roll (twice per year in April and December). For some this may become burdensome as more frequent (monthly, bimonthly, quarterly) may be easier to accommodate economically.

Tri-county agencies review – In order to get an understanding of billing practices by other agencies, wastewater agencies in the tri-counties area were surveyed. For those that provide water and wastewater services, it was found in most cases that a flat rate sewer charge was billed with the water bill by mail. If the agency provided sewer service only, the bill for sewer services was added to the tax roll. See the attached lists of responding agencies from the tri-counties area.

A property owner alternative would be to create an impound account or similar fund with their financial institution. This would have the effect of taking the two payments per year on the tax rolls and leveling them out throughout the entire twelve months of the year.

### **Recommendation**

Due to the number and severity of disadvantages, it is recommended to maintain the current billing practice of billing the sewer charge on the tax roll. This is a consistent practice for all “sewer only” agencies within Santa Barbara County (Carpinteria Sanitary District, Summerland Sanitary District, Montecito Sanitary District, Goleta Sanitary District, Goleta West Sanitary District, CSA 12, and Laguna County Sanitation District) that bill for sewer service as a benefit assessment on the tax roll.

Based on the small number of comments related to billing on the tax roll compared to the number of parcels served (approximately 12,000), it is apparent that this issue may not be problematic for most customers. Staff met with the person commenting at the October 11, 2011 BOS meeting to explain these findings and recommendations. This person received this information and suggested a better description on the tax roll to clearly indicate the assessment is for sewer service, which has been changed. In order to reduce the billing frequency for those customers from twice per year on the tax roll to a more manageable number such as monthly, it is suggested that individuals set up an impound account to pay into monthly that will then pay their property taxes similar to an escrow account for mortgage, tax, and insurance payments.

### Wastewater Service Only Agencies

Agency	Services		Billing Method	
	Sewer	Water	Tax Roll	Mail
Atascadero, City of	Flat Rate		X	
Carpinteria Sanitary District	Flat Rate		X	
Cayucos Sanitary District	Flat Rate			X
CSA 12	Flat Rate		X	
Goleta Sanitary District	Flat Rate		X	
Goleta West Sanitary District	Flat Rate		X	
Laguna County Sanitation District	Flat Rate		X	
Montecito Sanitary District	Flat Rate		X	
South San Luis Obispo County Sanitation District*	Flat Rate			
Summerland Sanitary District	Flat Rate		X	
Ojai Valley Sanitary District	Flat Rate		X	

\*SSLOCSD bills 3 member agencies direct (Cities of Arroyo Grande, Grover Beach and Oceano CSD).

Water and Wastewater Services Agencies

Agency	Services		Billing Method	
	Sewer	Water	Tax Roll	Mail
Arroyo Grande, City of	Flat Rate	Use		X
Buellton, City of	Flat Rate	Use		X
Camarillo, City of	Flat Rate	Use		X
Cambria Community Services District	Flat Rate	Use		X
Cuyama Community Services District	Flat Rate	Use		X
Fillmore, City of	Flat Rate	Use		X
Grover Beach, City of	Flat Rate	Use		X
Guadalupe, City of	Flat Rate	Use		X
Lompoc, City of	Flat Rate	Use		X
Los Alamos Community Services District	Flat Rate	Use		X
Mission Hills Community Services District	Flat Rate	Use		X
Morro Bay, City of	Flat Rate	Use		X
Nipomo Community Services District	Flat Rate	Use		X
Oceano Community Services District	Flat Rate	Use		X
Oxnard, City of	Flat Rate	Use		X
Paso Robles, City of	Flat Rate	Use		X
Pismo Beach, City of	Flat Rate	Use		X
Port Hueneme, City of	Flat Rate	Use		X
San Luis Obispo, City of	Flat Rate	Use		X
San Miguel Community Services District	Flat Rate	Use		X
Santa Barbara, City of	Flat Rate	Use		X
Santa Maria, City of	Flat Rate	Use		X
Santa Paula, City of	Flat Rate	Use		X
Simi Valley, City of	Flat Rate	Use	Sewer	Water
Solvang, City of	Flat Rate	Use		X
Templeton Community Services District	Flat Rate	Use		X
Thousand Oaks, City of	Flat Rate	Use		X
Vandenberg Village Community Services District	Flat Rate	Use		X
Ventura, City of	Flat Rate	Use		X
Ventura County (Moorpark, Piru)	Flat Rate	Use		X