



MEMORANDUM

Date: November 30, 2016

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Sewer User Billing Amnesty Program**

Over the years, it has been determined there are a number of sewer users that are connected to the system but not paying sewer user fees. The reasons these accounts have not been added to the billing system are numerous and explainable. It is possible that some users may have been connected to the system for years while not paying any sewer user fees; hence, once detected and billed, their amounts may be significant. It is appropriate the County take appropriate steps so that every user connected to the sanitary sewerage system pays their fair share of user fees. Since all users should be treated equitably, the County has embarked on a program to ensure all users connected to the system are appropriately billed.

Beginning January 2, 2017, the Regional Wastewater Reclamation Department (RWRD) will execute a one-time amnesty program aimed at addressing the potentially large number of customers who may be receiving free sewer service. The program will run for 180 days, will include a comprehensive outreach and awareness plan, and will be available to all user classes. Full program implementation details are outlined in the attached November 4, 2016, memorandum from RWRD Director Jackson Jenkins.

In an effort to eliminate the need for a similar amnesty program in the future, RWRD has identified and introduced several practices, including 1) a Pima County Code Text Amendment, 2) efforts to clarify and ease customer understanding of the utility bill, and 3) collaborating with local jurisdictions to further stress the importance of verifying a Pima County Sewer Connection Fee has been paid prior to issuing a building permit or Certificate of Occupancy.

I am confident this one-time program will prove to be the most expedient approach to identify and activate a potentially large number of unauthorized sewer system users and increase recurring revenue for the utility.

CHH/anc

Attachment

c: John Bernal, Deputy County Administrator for Public Works
Jackson Jenkins, Director, Regional Wastewater Reclamation



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November 4, 2016

TO: C.H. Huckelberry, County Administrator
THRU: John M. Bernal, P.E., Deputy County Administrator for Public Works
FROM: Jackson Jenkins, Director, Regional Wastewater Reclamation Department 
SUBJECT: **Fee Recovery Program Update and Recommendations**

Background Information

There are, on occasion, circumstances in which users of the County's sewer system have not been properly billed. A number of scenarios may explain why these billing lapses have occurred. While a population of citizens may knowingly not be paying for service, some are the result of recordkeeping errors by County employees or County billing agent employees that date back decades, and others are the result of developer error by not following the full development process for utilities and building codes.

In 1996, a database was created of City of Tucson "water only" accounts in an effort to identify these billing errors. Typically, if a property has an active water account there should also be an associated sewer user account; the water only database identifies those properties that do not. The Regional Wastewater Reclamation Department (RWRD) and Finance and Risk Management (F&RM) Customer Service staff have collaboratively identified and eliminated over 27,000 water only accounts (such as a property with an onsite septic tank or a vacant lot) and approximately 3,100¹ water only accounts remain in question.

The goal of the RWRD Fee Recovery Program (Program) and F&RM Customer Service has been to identify these unauthorized sewer users, ensure a sewer user account is set up, and appropriately back bill for services provided in accordance with Pima County Code. The purpose of this memorandum is to provide an update on these efforts, a recommendation based on the impact of the Program, and identify and employ best practices to ensure this is not a recurring issue for the utility in the future.

Fee Recovery Program Update

Since October 2015, 91 customers have been confirmed as being connected to the Pima County public sanitary sewerage system but were not paying monthly sewer user fees. All of these customers are now paying monthly sewer user fees and over \$158,000 in back billed connection fee and sewer user fee revenue has been collected.

While this is positive news for the revenue requirements of the utility, 26 cases totaling over \$60,000 remain under negotiation for back billed sewer user fees. Upon receiving the back bill notification, 58 of the 91 customers contacted the County with varying degrees of disdain and a few have reached out to County Administration and members of the Board of Supervisors seeking some type of relief.

With approximately 3,100 water only accounts remaining that are within close proximity of the County's sanitary sewer system, and thus have a high probability of discharging into the system, I am highly sensitive to the public perception and financial impact of continued Fee Recovery Program efforts. As of October 1, 2016, unauthorized sewer system users identified will have a sewer user account activated but all sewer user fee back billing has been suspended. Back billing for an unpaid Connection Fee, is ongoing.

¹ As reported by Finance and Risk Management on October 26, 2016

One-Time Amnesty Program for Sewer User Fees

Utilities across the nation have implemented one-time amnesty programs allowing unauthorized sewer system users to come forward and have the issue corrected without enforcement of back billing or penalties. After this grace period has ended, any unauthorized sewer system user found would be back billed per Pima County Code. For the following reasons, I would like to institute a one-time amnesty program aimed at addressing the potentially large number of citizens who may be receiving free sewer service:

1. I believe it is appropriate to provide unauthorized sewer system users the opportunity to start fresh as a paying customer. This would eliminate the burden such a large and unexpected bill may have on a family for an error which, potentially, was no fault of their own.
2. With potentially 3,100 unauthorized sewer system users, there is a real opportunity to expand our paying customer base and positively impact future revenue needs. However, it has taken 12 months to identify, research, negotiate, and activate these 91 accounts. A one-time amnesty program may prove to be the quickest avenue to identify and activate a large number of unauthorized sewer system users and increase recurring revenue to the utility. Unauthorized sewer system users outside of the water only database should be included in the amnesty program.
3. Given the feedback the Program has received thus far from some of the 91 customers, continuing to back bill for sewer user fees could negatively impact public perception of Pima County and the utility.
4. I take the management of Pima County's public sanitary sewerage system very seriously and unauthorized connections may be putting the health and safety of all citizens at risk.

GOALS/DESIRED RESULTS

1. Address the potentially large number of citizens who may be receiving free sewer service.
2. Gain and maintain control of the ever-increasing water only database, and identify and activate accounts for unauthorized sewer system users or clearly identify vacant land, property with an onsite septic system, or other circumstances.

TIMEFRAME

The amnesty program will begin January 1, 2017, and run through June 30, 2017.

TARGET AUDIENCE

The target audience of the amnesty program is all Pima County citizens within the Pima County public sanitary sewerage service area that do not have an onsite septic system or an active sewer user account. The amnesty program should be applicable to all user classes of the sewer system: Residential, Multi-Family, Commercial, and Industrial. The amnesty program is not applicable to Connection Fees.

IMPACT OF THE AMNESTY PROGRAM ON PREVIOUS FEE RECOVERY PROGRAM EFFORTS

1. The closed cases for 53 customers who have fully paid their back billed sewer user fees should be credited 100 percent of the amount paid to their sewer user account. This amounts to \$67,518 ranging from a low credit of \$19.08 to a high credit of \$10,871.
 - a. Of these 53 closed cases, five customers also had an outstanding sewer Connection Fee due totaling \$23,070. The amnesty program is not applicable to Connection Fees and, therefore, these payments will not be credited.

- b. Of these 53 closed cases, nine customers only had outstanding sewer Connection Fee due totaling \$63,722. The amnesty program is not applicable to Connection Fees and, therefore, these payments will not be credited.
2. The open cases for 26 customers under negotiation for back billed sewer user fees should have their sewer user account credited 100 percent of the billed amount paid to date and the outstanding amount should be voided 100 percent. This amounts to \$60,560 in back billed sewer user fees being credited and/or voided.
3. The 12 customers on a payment plan should have their sewer user account credited 100 percent of the billed amount paid to date and the outstanding amount on the payment plan should be voided 100 percent. This amounts to approximately \$8,248 in back billed sewer user fees being credited and/or voided.

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POTENTIAL RISKS

1. *Human Resources*

With the high level of public awareness efforts planned and the delivery of approximately 3,100 letters, there is the risk for RWRD Fee Recovery Program and F&RM Customer Service staff to become overwhelmed with the number of responses and fall behind, undermining the positive public perception objective of the amnesty program.

In discussions with F&RM, we believe the phased delivery of 3,100 letters over three weeks is critical to ensure staff are able to field all responses in a timely manner. RWRD will be the main point of contact for all inquiries. There will be a dedicated phone line staffed every weekday from 8:00 a.m. – 5:00 p.m. and a new email address has been activated. Additionally, this phased approach will assist with the increase in existing customer calls during the winter months for the Vacancy Rate adjustment, as well as the historically increased calls in the months following a rate increase (should a rate increase be approved by the Board of Supervisors in January 2017).

2. *Amnesty Program Coinciding with Rate Increases*

With the 2016 Financial Plan recommendation of a four percent rate increase annually for the next three years, there is a risk of simultaneously offering an amnesty program. Opposition could be strong from paying customers who experience a monthly bill increase and yet learn of an amnesty program for unauthorized sewer system users.

Given the need to expediently address the potentially large number of citizens who may be receiving free sewer service, to establish recurring monthly revenue for the utility, and to ensure the health and safety of all Pima County citizens, I believe the benefits outweigh the risk of such opposition.

3. *Loss in Back Bill Revenue*

Since October 2015, the Fee Recovery Program has recovered approximately \$71,208 in sewer user fee back bill revenue. During this same time period, an estimated \$8,600 in monthly sewer user fee revenue was received. Given the large sewer user fee back bill revenue received, compared to the lesser amount of sewer user fee monthly revenue received, proposing an amnesty program could be pardoning a potentially large amount of revenue.

I believe the monthly recurring revenue and public safety benefits that will be realized through this amnesty program outweigh the potential risk assumed in this one-time forgiveness of back bill amounts.

Employ Fee Recovery Program Best Practices

To eliminate the need for this utility to ever require an amnesty program in the future, the following best practices have been identified and are being introduced.

1. *Collect and Maintain Good Customer Data*

At account set up, billing agents must positively identify water-only accounts requiring a sewer user account by confirming whether a property with a water only account does, or does not, have an onsite septic system. This should eliminate future erroneous water only accounts from continuing when the property changes owners. Training and implementation discussions are underway with Tucson Water, our largest billing agent covering 86 percent of our customers.

Good data at account set up is only half of the equation – maintaining the water only database has historically been an entirely separate challenge. A report of new water only accounts is sent monthly to F&RM Customer Service staff and must be reviewed and validated each month.

2. *Make it Easy for Customers to Know if They have a Sewer User Account*

Tucson Water is currently undergoing a redesign of the monthly bill. This bill will include Tucson Water, Pima County Wastewater, and City of Tucson Environmental Services charges. Currently, only the services for which a customer are paying for are reflected on the bill. If a customer does not have an active sewer user account, the Pima County logo will still appear on the bill header, but a separate line item for Sewer Volume will not be listed. Many customers may not realize there should be a separate line item for sewer user fees. I believe the bill should outline all potential charges and, for example if the customer has an onsite septic system, a line item should indicate \$0.00 for Sewer Volume. The better customers understand their bill, the more likely they are to contact F&RM Customer Service to question or contest their bill. Discussions are underway with Tucson Water to make this adjustment.

3. *Ensure Local Jurisdictions are Not Issuing a Building Permit Prior to Connection Fee Payment*

A certain number of accounts may be missed due to local jurisdictions issuing a building permit or Certificate of Occupancy without ensuring a Pima County sewer Connection Fee has been paid. A paid sewer Connection Fee is the trigger to F&RM Customer Service to open a sewer user account for a property. The largest percentage of discrepancies thus far has been identified within the City of South Tucson. We are currently in discussion with the City of South Tucson and other local jurisdictions to further stress the importance of verifying that a Pima County sewer Connection Fee has been paid prior to issuing a building permit or Certificate of Occupancy.

4. *Pima County Code Text Amendment*

In May 2016, the Pima County Board of Supervisors approved a Pima County Code text amendment establishing the current Unauthorized Use of Sanitary Sewer Fee Recovery guidelines. Among other things, this amendment reduced the amount of time a customer would be back billed down to five years or the date of connection, whichever is less. Even though the length of the back bill period was reduced, the back bill continues to create a burden for many customers.

To remedy this issue, it is recommended that the length of time Pima County will back bill is further reduced to two years, or the date of connection, whichever is less. Additionally, it is recommended that actual water volume data be utilized instead of the class average, should such data be available. The plan is to present this text amendment to the Board of Supervisors for consideration in December 2016.

5. *Flexibility Post Amnesty Program if a Customer has a Financial Burden*

We have made every effort to be sensitive and flexible with customers if a back bill presents a financial burden. Each case is different and careful consideration goes into all back billing. In order to be consistent, we have mirrored the Sewer Outreach Subsidy Program discounts to lower a back bill amount. For example, if a customer applies for the Sewer Outreach Subsidy Program and is approved for a 75 percent reduction in his or her monthly sewer user bill, he or she will receive the same reduction in the back bill amount due.

Historically, we have entered into Payment Plan arrangements up to 12 months for customers who express a financial burden in paying a lump sum back bill amount. This arrangement is a way for us to close out a case while preventing termination of water service due to nonpayment of the entire back bill amount.

The plan is to continue these practices for customers with a financial burden once the amnesty program has ended and back billing is resumed.

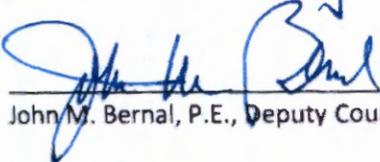
Recommendation

RWRD Fee Recovery Program and F&RM Customer Service staff are congratulated on the back billing efforts thus far. It is alarming, however, to potentially have such a large number of citizens that have been receiving sewer service without payment and it is my highest priority to resolve. I recommend the following with regard to this issue:

1. Implement an amnesty program enabling all current unauthorized sewer system users to become authorized customers without incurring any penalties provided they come forward within a period of 180 days of the enactment of such a program.
2. Execute or continue to execute the Best Practices outlined in this memorandum.
3. Provide updates to County Administration on the status of back billing efforts and the amnesty program.
4. Aggressively pursue back billing for sewer service customers that do not avail themselves of the amnesty program opportunity.

Back billing is an unpleasant situation for any utility, and yet I am confident the recommendations outlined in this memorandum will ensure we maintain a high level of customer satisfaction and a solid financial performance for this utility.

CONCUR: with Amnesty Program including credits for back billed user fees paid

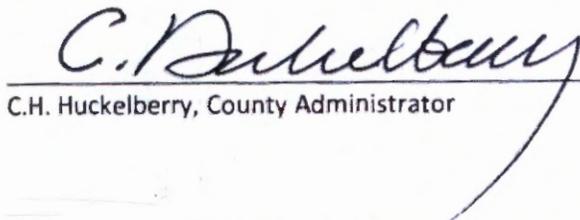


John M. Bernal, P.E., Deputy County Administrator for Public Works

11/10/16

Date

APPROVED:



C.H. Huckleberry, County Administrator

11/14/16

Date

- c: Thomas Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Jennifer Coyle, Special Assistant to the Director, Regional Wastewater Reclamation Department
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