



# Memo

To: Clay Pearson, City Manager

From: John McCarter, Interim Finance Director

CC: Trent Epperson, Deputy City Manager  
Clarence Wittwer, Director of Public Works  
Robert Upton, Director of Engineering & Capital Projects  
Nancy Massey, Utility Billing Manager

Date: December 18, 2020

Re: Staff Response to Utility Billing Process & System Review

The purpose of this document is to outline the initial Staff response to the Utility Billing Process and System Review, conducted over the last several months by Raftelis, LLC. Additional information will be provided by Staff on operational plans to carryout recommendations at a future date. Staff is appreciative of the opportunity for this external review, which will provide a platform for our continued improvements in all things related to Utility Billing.

## Section 1: General Comments

The purpose of this section is to outline general comments or concerns regarding the contents of Raftelis' report. These comments may touch on multiple recommendations or content in the narrative portion of the document. Where applicable, references to page numbers have been added.

**Billing analysis is not discussed in detail and language included in report is misleading.** In multiple citizen comments, City Council contacts, social media posts and, recently, a news story, the accuracy of the City's billing calculations has been called into question. A thorough analysis of billing practices and calculations was included in the scope of this review; however, the results of this analysis are not mentioned until on page 33 and only given three paragraphs of discussion. The results of the Raftelis' analysis of 38,398 bills over three months was that "there do not appear to be systemic billing errors".

The write-up references a 98.6% accuracy rate, however the 551 bills that "showed different billing amounts than those calculated by Raftelis" were different *because of an error by Raftelis* pointed out by Staff. The calculation error was made because "the blanket calculation used by Raftelis did not accurately capture specialized calculations needed for meters outside the City's usual jurisdiction or compound/multi-unit meters." Understanding that the 551 accounts that were different from Raftelis' initial calculations were correct, *the City-produced bills for this three-month period were 100% correct*, which is eventually clarified in the third paragraph on this subject, page 34.

**Industry-leading technology and accuracy of Advanced Meter Infrastructure (AMI) and Solid-State Meters (SSM) not discussed in depth.** Another common misconception has been that the new AMI system has leads to higher, inaccurate bills. While the operational implications

of the AMI, which is the means by which the read data is transmitted to the city, is discussed at length in this report, the accuracy of the SSM technology is not discussed outside of the Executive Summary. Badger, the City's supplier, is a nation-wide leader in this technology. The SSM technology is a major upgrade from the City's prior meters because the solid-state meters do not have moving parts that wear out, making the meters much more accurate. In addition, not noted was the age of the exchanged meters, most well over ten years old. Aged mechanical meters will slow down with increasing usage, due to the moving parts of the meter.

**Fixes for *existing* 32-30 Plan are not included in this report.** Recommendation #6 states the City should "consider alternative options to the 32/30 Plan" without offering any solutions to the shortcomings of the exiting plan. At the most recent Quarterly Update on November 23<sup>rd</sup>, City Council chose to delay decisions on several proposed fixes pending a recommendation from Raftelis. Staff provided all written materials to Raftelis for comment prior to that session and met with three representatives from Raftelis on November 12<sup>th</sup> to discussion questions. Following the meeting on the 23<sup>rd</sup>, Raftelis was contacted via a telephone call and asked to watch the meeting in its entirety and provide further clarification on the proposed fixes. While an acknowledgement of these conversation is included on page 28, no additional guidance is provided in this report.

**Suggested *alternatives* to 32-30 are missing details.** Recommendation #6 states the City should "consider alternative options to the 32/30 Plan." All three of the options presented by Raftelis were already discussed in previous City Council meetings in February through April 2020. At that time, pro/cons of each alternative was duly presented and the path forward chosen by the City Council was the 32/30. In each case, the technical, nuanced steps required to carry-out these alternatives were the main obstacle in carrying any of them forward.

In all three Raftelis options, general statements like alternatives "may also require adjustments to the billing system" or "may also require adjustments to the billing system" without providing a means to do so or confirmation that these billing calculations and processes can be carried out in New World (the City's billing system).

**Clarifying difference between unbilled calculation in this report and the accrual.** This report includes an estimated unbilled usage of \$5 million, which is far below the \$11.5 million year-end accrual shared by Staff at the last Quarterly Update. The City accrual is reviewed and approved by auditors annually. Raftelis' calculation is different for several reasons:

1. The Raftelis analysis is a projection of the unbilled amount on January 1, 2021 whereas the year-end accrual is a snapshot of bills being accrued through September 30, 2020. Therefore, the amount of days included is smaller in the Raftelis estimate.
2. The Raftelis estimate does not include base rates. The City's accrual includes all water/sewer charges billed for usage in the prior year, which includes base rates.
3. The City's accrual is broken out by cycle, so it uses the actual days in arrears for each cycle, not an average.
4. Raftelis' model uses average *usage* in each tier to then calculate revenue, whereas the City uses actual *revenue* billed/collected by tier.

It is very important to understand that the \$5 million in estimated unbilled was not calculated in the same manner as our annual accrual and, thus, does not provide an accurate representation

of potential lost revenue should it be 'disregarded'. The higher City calculation is correct and accurate.

A breakdown of the accrual by cycle can be found on slide 9 of the November 23, 2020 City Council Utility Billing Update presentation.

## Section 2: Comments on specific recommendations

The purpose of this section is to provide a direct response to each of the recommendations put forth. In order to easily communicate Staff's thoughts on each recommendation, a status has been assigned to each:

1. **Agreed, already underway.** These items are ones that Staff has already begun to make progress on. Unless noted otherwise, these items have been included in regular updates sent to City Council and presented at Quarterly Updates.
2. **Agreed, with caveats.** These items are those that Staff agrees with in general, but there are sections or ideas put forth that staff do not agree with.
3. **Disagree.** These items are those that staff is not in agreement. Where possible, alternatives have been put forth.
4. **No Opinion Put Forth.** These items are those that warrant further discussion, either internally or with City Council, before a recommendation can be made.

### **Recommendation 1: Foster a culture of engagement and continuous improvement.**

**Agreed, already underway.** Much has been shared on this subject through Quarterly updates. As discussed in the report, the UB leadership team has focused on revamping culture to be customer-centric and innovative.

### **Recommendation 2: Establish formal performance measures to track service delivery.**

**Agreed, already underway.** The report provides a good list of Key Performance Indicators (KPIs) for Staff use. As presented at the November 23<sup>rd</sup> meeting, Staff have already developed an external-facing dashboard that includes measures on 32-30 plan, delinquencies, daily usage and escalated inquiries. Additional KPIs are in development to be added to that dashboard in the near future.

### **Recommendation 3: Review and update written standard operating procedures (SOPs) regularly.**

**Agreed, already underway.** The 32 SOPs currently used by staff are being reviewed and updated by new leadership staff in Utility Billing. An intranet site, based in SharePoint, is rolling out in January 2021, which will include a Knowledge Center for UB staff to reference. UB team meet once a month for refresher training, discuss new ideas, and promote positive teamwork. In addition, UB leadership staff is working on a standard scripts and emails for staff.

### **Recommendation 4: Develop an enhanced training program.**

**Agreed, already underway.** Staff have already begun cross-training efforts, with additional sessions planned in the future. Meter Services and Utility Billing (Finance) staff have met to discuss opportunities for additional process improvements as well.

**Recommendation 5: Improve external communications plans for meter-to-cash activities.**

City Council has already begun discussions regarding a Citizen Advisory Committee. Staff has no recommendation on that group. The balance of this section is related to other recommendations put forth in Recommendation #5.

**Agreed, with caveats.** The following communication activities undertaken by City staff were not included in this report:

- Created dedicated 32-30 Plan website
- Created animated video explaining how the arrearage was created and what the 32-30 plan does to address the underlying issues
- Quarterly Updates at Regular City Council Meetings
- Regular internal updates to City Council
- Formalized mechanism to track issues escalated to City Council and City manager's office.

The write-up mentions that the communications plan “should leverage all the tools and strategies currently utilized by the City, including internal memoranda and City Council meeting presentations discussed previously, as well as online resources, videos, and billing inserts”. All of these are already being utilized.

Previously in the write-up, it states “while staff have demonstrated a willingness to provide significant detailed information to increase transparency, more information is not necessarily better. An unintentional impact of flooding stakeholders with information is increasing confusion and mistrust rather than enhancing understanding” without providing any recommendations on how to improve communications.

Independent of recommendations set forth here, Staff have reached out to the Mayor and other stakeholders to refine communications around Utility Billing and associated processes. Tangible recommendations for changes to our approach will be forthcoming. After review of initial scope for a communications campaign, it has been determined that a third-party and/or additional dedicated staff may be needed to support a communication strategy of the scale that will be needed. Further discussion will be had among staff with more details forth coming.

**Recommendation 6: Consider alternative options to the 32/30 Plan.**

**No opinion put forth.** Additional information provided in General Comments.

Key Challenge #3 states “However, because the 32/30 Plan requires several years to fully synchronize reading and billing cycles, any future changes to rate amounts or the rate structure could create inequities for City customers. For example, if the City raised water rates in 2022, customers who close their accounts in that year would pay higher rates for unbilled consumption

than customers who close their accounts in 2021.” However, rate changes are effective only for the first full reading period of the fiscal year, so any unbilled consumption would be billed using the rate structure for the reading period.

**Option 1: Disregard unbilled consumption.**

Further discussion can be found in the General Comments section, but it should be reiterated that the unbilled consumption being disregarded will result in a loss of revenue to the City.

**Option 2: Translate unbilled consumption into arrears and bill a percentage over time.**

Raftelis has not confirmed that this is possible in New World Systems billing software, nor provided adequate detailed steps to complete this approach. Further, the write-up does not mention how to address move out accounts for this option.

**Option 3: Bill full catch-up amounts.**

Existing plans for roll-out of True up plan not mentioned in the write-up.

**Recommendation 7: Synchronize meter reading and billing cycles.**

**Agreed, already underway.** This is a logical next step once the billing is caught up.

**Recommendation 8: Implement a streamlined meter-to-cash process.**

**Agreed, with caveats.** Generally, staff are in agreement with the recommendations put forth here but the specific process mapping should be reviewed in more detail, taking into consideration Asset Management software.

**Recommendation 9: Reorder billing cycles.**

**No Opinion Put Forth.** More discussion is needed before implementing this recommendation. Changing billing cycles would introduce yet another change in our system which is already implementing a new metering system and catching up the billing arrearage. This does not seem like a high priority item and making this change now would lead to customer questions.

**Recommendation 10: Enhance delinquent account communications.**

**Disagree.** The report points to the prevalence of junk mail and spam calls to state that current outreach to delinquent customers is inadequate but fails to mention that if a customer does not answer the automated call, a voicemail is left for the customer, so the customer receives the message whether they answer the phone or not.

Raftelis proposes two additional steps in the delinquency process. 1) make calls from staff to delinquent customers and 2) leave door hangers for customers before they are disconnected. The report inaccurately states that Staff are developing a door hanger for this purpose. This was discussed at the last City Council Quarterly update but not agreed upon.

Making staff calls is time consuming and the City will face the same challenges with staff calls as with automated calls. Those who don't answer unknown numbers, won't know a real person is calling or not. As mentioned previously, a voicemail is left by the automated call as well as the information is still conveyed to the customer. Lastly, automated calls can be scheduled for weekends or after hours when people are more likely to be available to answer their phones.

Staff is exploring expanding the number of calls that go to customers and utilizing email to reach out as another touch point as customers rely on paper bills less and less.

**Recommendation 11: Create designated morning and afternoon call-takers to streamline CSR workload.**

**Agreed, with caveats.** Staff agrees that the call center staffing should be optimized by rotating employees who are on the phones and those who are doing other tasks to void interruptions and maximize customer service. Staff have begun exploring options within Selectron (the City's Interactive Voice Response system) to better route calls depending on the topic and better utilize staff time.

**Recommendation 12: Transition to a centralized staffing structure over time.**

**No opinion put forth.** As reflected in the report, current staffing structure is in line with other model cities. Staff will explore this further in the coming weeks.

In the meantime, Staff has already begun a conversation about formalizing processes and building a stronger connection between Utility Billing and Meter Services as they are currently structured.

**Recommendation 13: Adjust staffing to reflect short-term needs and prepare for AMI implementation.**

**Agreed, already underway.** This is already being discussed through the AMI implementation.

**Recommendation 14: Pilot a 4-10 schedule for meter-to-cash staff.**

**Disagree.** Staff are currently on 9/80 schedules, which provide 30 minutes before and after hours.

**Recommendation 15: Create an inclusive AMI Implementation Team.**

**Agreed, already underway.** Utility Billing has been involved in this project since its inception. The focus to date, rightfully, has been in installation of equipment. Staff are already planning for a pivot toward a more Utility Billing-centric team in the coming weeks.

**Recommendation 16: Continue engaging Tyler Technologies to resolve inefficiencies and errors in New World.**

**Agreed, already underway.** The city regularly upgrades the billing software and has been in communication with New World regarding necessary improvements to their software. Staff currently has, and utilizes, a bank of training hours to stay current on functionality.

### Section 3: Role of Staff in Development of this Report

At the award of the UB Process & System Review in August and in subsequent Quarterly Updates, it was made clear that Staff will play a large role in information gathering but ultimately the evaluations and recommendations should come directly from Raftelis. Staff has responded to all of Raftelis' information requests, including interviews, emails and comments on the draft report, which can be found attached to this document. As noted at the top of the attached comments provided by staff, Raftelis remains the sole author of the report.