

JOHNSON COUNTY WASTEWATER

Questions from March 27, 2003 Public Meeting

- 1. Can the service charge be eliminated and all charges added into the rate?**
Yes, a separate itemized charge for customer service can be removed from the bill, but the charges cannot be fully eliminated. Those costs would be moved to charge rates assessed for strength and volume. Under the current rate allocation, the result would be an increase in rates from \$1.40278 to \$1.72544 per 1,000 gallons. Kansas Department of Health and Environment (KDHE) and our consultants, who are nationally-recognized experts on user charge rate studies, recommend we collect some type of customer charge since in rate design it is important to identify those portions of the charges which are directly attributable to being a connected user, irrespective of the amount of use.
- 2. Was the JCW Mill Levy tax deductible?** We believe that the county should not make any references to whether or not any of the charges are tax deductible, although it is our opinion that it most likely is not for most users.
- 3. Why weren't these charges put on the County tax statement?** The Board of County Commissioners looked at nine different alternatives for billing and collection. The Board made the decision to implement a bi-monthly billing system and outsource it through the competitive bid process to Outsourcing Solutions, Inc.
- 4. Could these charges be placed on the County tax statement for 2004?**
Possibly. This is a policy decision that would be made by the Board of County Commissioners. The following are some of the areas that would need to be considered before moving the JCW user charge to the tax statement.

 - A. The addition of the JCW user charge to the tax bill would be widely perceived as a tax increase.
 - B. Johnson County may not to encourage the posting of these types of charges on the tax bill, and if we do, others may want to move more of their charges to this method resulting in a perception of more tax increases.
 - C. Although there is a standard clause in the contract with Outsourcing Solutions, Inc. (OSI) for renewal each year, the Legal Department would need to determine if OSI would be eligible for reimbursement of their investment they have made in the JCW user charge billing system. OSI has developed new data bases to handle the billing and collection, hired programmers and contracted with a company to mail the JCW statements. OSI has also set up a customer service center in Johnson County with a long term lease, purchased telephone equipment and office furnishings. OSI has also hired 11 employees from this area. A decision to cancel the OSI contract could require substantial payments to OSI and their subcontractors.
 - D. JCW would need to hire at least three customer service staff to handle questions, appeals, corrections, complaints and/or concerns.
 - E. Additional staff would also be needed to match water data to properties.
 - F. Corrections and adjustments (corrections to usage data, move-ins, move-outs, etc.) would have to be made through a supplemental tax statement or

the property owner may have to wait until the following year's tax statement for corrections.

- G. In order to be fair to the customer, a final bill should be sent to the homeowner when they move out and a new account opened with the new homeowner. Billing on the annual tax statement would not allow this flexibility. For example, a family of five may sell their home to a single person. The single homeowner would normally use less water than the family of five. It is unfair to charge one person based on the usage of a family of five.
- H. Direct billing six times a year reminds JCW customers of the importance of wastewater services that protect the safety and health of Johnson County residents and the need to protect the environment. It also provides the opportunity to communicate information to customers on a regular basis.
- I. Since these charges are no longer based on assessed value, JCW sewer service would be considered more of a utility service. All other utilities in Johnson County bill monthly or bi-monthly and this change to direct billing aligns JCW with all other utilities in Johnson County.

5. Are the property owners responsible if their tenants do not pay the bill? Yes. Under the current Resolution WD 02-35, there are two Sections that address this issue. Section XIII, Subsection D, holds the owner of the property responsible for charges not paid in full. Section IV, Subsection A, specifically states that "The liability of the owners of real property for said user charges is concurrent with that of any person or persons residing upon or otherwise occupying the real property who are deemed to be the actual users of sewer service."

6. Why should those who are willing to make annual payments of their bill be penalized for excessive billing costs? The service charge recovers costs relating to issuing statements, maintenance of customer accounts, maintaining sanitary sewer service and environmental testing costs that ensure treated wastewater meets Environmental Protection Agency and Kansas Department of Health and Environment regulations.

JCW is exploring methods to send a one-time statement to those who would like to make an annual payment. If a customer chooses to use this method of payment it would not eliminate the entire customer service charge amount.

7. For some, the service charge is more than the usage charge. Why? The service charge recovers costs relating to issuing statements, maintenance of customer accounts, maintaining sanitary sewer service and environmental testing costs that ensure treated wastewater meets the Environmental Protection Agency and Kansas Department of Health and Environment regulations.

The first bill sent out from mid-January through mid-March did not include a full two month period of usage (January 1 to the JCW bill date). Consequently, these customers had lower charges based on usage, but still had a full customer service charge

If usage is low, the customer charge will be comparatively higher simply because it is a fixed cost that is not variable by use. This rate would be increased if the service charge were removed and added to the usage rate

The usage rate and the service charge are designed to recover two different types of costs under the user charge system. The usage rate is designed to recover volume and strength costs.

8. Should the four-month period be reduced to two months when homeowners would be least likely to do outside watering, e.g., January and February?

Average Winter Water Use (AWWU) for residential customers is considered to be representative of the level of wastewater discharged throughout the year. This measure is considered to be the industry standard for billing residential wastewater service. At the present time it is not cost effective to meter actual wastewater flow.

The reasons why a four month usage period and not two months are used are provided below:

- A. It allows for a longer averaging period, which minimizes the impact of short-term non-routine water use patterns.
- B. It eliminates most irrigation use.
- C. During the months of January and February, the water suppliers are unable to get many meter readings due to cold, ice, snow, etc. The result is a high number of estimated readings, which results in inaccurate usage data.
- D. Not all customer meters are read within a 2-month period. Many readings are estimated.
- E. Weather patterns are not predictable. Depending on weather conditions throughout each winter water use period, the months used to calculate the AWWU in the previous year may not be beneficial for customers in the current year.

9. Explanation of what is on the bill. See attachment A.

10. Are apartments charged a customer service charge per water meter? Yes, if the apartments are currently receiving a separate water bill, then JCW is sending the User Charge statement to the same customer as the water meter customer and each statement has a customer service charge.

11. Why can't we use a local firm to do the billing and collections? JCW followed County procedures and went through a Request for Proposal (RFP) process to outsource the User Charge billing and collection function as described below:

- A. The Board of County Commissioners asked Wastewater to develop a Request for Proposal (RFP) to outsource the User Charge billing and collection function.
- B. Fifty-seven firms, including county departments, were invited to submit a proposal.
- C. The RFP was advertised in the Johnson County Sun newspaper.
- D. Six firms responded to the RFP, none from Johnson County or the Kansas City area, and their responses were independently ranked by a selection committee.
- E. OSI Collection Services, Inc., the selected firm, demonstrated a clear and complete understanding of the scope of services, had related experience, was the top ranked firm and submitted the lowest cost proposal.
- F. On July 11, 2002, the Board of County Commissioners awarded the JCW user charge billing and collection contract to OSI for \$928,000 a year for seven years.

One of the stipulations in the selection process was that the successful firm would set up a full customer service center in Johnson County. OSI has complied with this stipulation and the Johnson County Wastewater Customer Service Center, employing 11 local people and purchasing local products, is open at 10600 West 87th St., Overland Park, Kansas. Their telephone number is 913.438.2120.

- 12. What are the consequences of not paying bills?** Resolution No. WD 02-35 and Resolution No. WD 02-67 provides JCW with several alternatives to facilitate the collection of delinquent amounts including:
- A. The application of interest, fees and penalties.
 - B. Lien - If sewer user charges are not paid, a lien may be placed against the property from which the fees are being collected and is subject to foreclosure and collection in the same manner that delinquent real estate taxes are collected under Kansas Law. If delinquent amounts are included on the real estate tax bill for collection, there will be an additional lien certification fee in the amount of \$200.
 - C. Disconnection - JCW does have the ability to disconnect after all required notices have been sent to the property owners, interested parties and customers. If JCW disconnects, service will not be reconnected until all delinquent amounts, interest, penalties, fees and costs associated with disconnecting and reconnecting are paid in full. In order to disconnect from the sanitary sewer, other utilities may be required to disconnect service including, water, electricity and gas.
- 13. Why is the late fee so high and where does it go?** The late fee is set at an amount which helps ensure collection and is reasonable given the costs and charges to collect delinquent accounts. For each delinquent account \$3.50 goes to OSI for their collection efforts and \$1.50 goes to JCW for our collection cost.
- 14. Why wasn't the wastewater charge just added to the water bill?** There are four public water utilities within Johnson County Wastewater's service area. Each has an independent governing board separate from the Board of County Commissioners, which is JCW's governing board. The decision was made by the governing boards not to combine water and wastewater statements at this time.
- 15. Will there be an additional fee to have a bank draft (ACH – Automated Clearing House) option for paying bills?** No, there will no additional fees for a recurring electronic funds transfer (bank draft). This will be available in May, 2003.
- 16. What is the appeals process?** In many instances an appeal is not necessary. If a customer has an issue with their billing statement they should contact the customer service center at 913.438.2120. The customer service representatives are empowered, when good cause is shown, to compromise and adjust billings; and to negotiate, defer and resolve disputes. The following appeals process may be found in Johnson County Wastewater's User Charge Daily Operating Manual, Section IV, Number 13 – Dispute and Resolution:

- A. If the customer is not satisfied, they may appeal to JCW's Manager of Customer Service who has authority to act on behalf of JCW in resolving disputes. The customer service representatives will provide customers with the appeals form.
 - B. All customers have the right to dispute the decision of the Customer Service Manager. Upon request, the Customer Service Manager will request the Appeals Committee review an appeal for a final decision.
 - C. The Appeals Committee consists of four members – the Director of Administration, Director of Operations & Maintenance, the Chief Engineer, and the Johnson County Wastewater Administrator.
 - D. Residential customers may dispute only the annual calculated charge (determined by applying average winter usage to the entire year), and may not dispute individual billings.
 - E. Any user filing multiple appeals within a fiscal year without submission of credible and accurate supporting data will be subject to additional costs. These costs will be equivalent to the cost of staff and expenditures necessary to process the appeal, but not less than \$100.00.
 - F. It is the responsibility of the customer to demonstrate the inaccuracy of the data or charges.
- 17. If someone moves during the year, how will you deal with that?** Under the current system, a final prorated statement will be prepared and mailed just like any other utility. This will not be possible if the user charge is placed on the tax statement or if only one statement a year is sent out.
- 18. How do you calculate wintertime usage for people who leave home for the winter and return in the summer?** Under the current user charge system, Johnson County Wastewater will calculate the average winter water use (AWWU) based on actual consumption. If a customer has an assigned AWWU of zero, we will assign the default value user charge and bill our customers on that volume. The default value user charge, currently 188, is a system wide average for winter months' consumption for each customer class.
- JCW will monitor low volume customers and recalculate their AWWU if it appears their calculated AWWU value does not reflect their actual usage for the year. JCW can assign a minimum charge to all customers whose property is vacant for long periods of time, such as those who leave for the winter.
- 19. Does JCW provide a credit to commercial Laundromats for water that does not enter the sewer?** Yes. Commercial Laundromats can request a 10% volume discount.
- 20. Why are there only 14 days to pay the bill?** JCW implemented a 14-day due date to encourage prompt payment of the new bill and, due to cash flow concerns, it was financially prudent to have customers pay as soon as possible.
- 21. Will the estimated or actual metered flow be used if a usage correction is made by the water supplier?** Residential customers will only see a change to their wastewater charges if the correction is made to water consumption in the winter months. The public water utilities provide JCW with all adjustments to consumption. JCW utilizes this corrected information to modify consumption

records. This way, JCW can adjust AWWU for billing purposes to ensure customers are billed on the most accurate water usage.

- 22. What months are used to calculate the AWWU?** Currently for WaterOne and Kansas City, Missouri customers, the AWWU is calculated on 4 months (2 water billing cycles) between the months of November and April. Because the City of Olathe and Board of Public Utilities (Kansas City, Kansas) read their meters monthly, we calculate their AWWU based on the months of December, January and February.
- 23. Is it possible to meter wastewater and what would be involved?** Yes it is, but it is prohibitively expensive, and is used by only a few sewer systems across the country. The most accurate method would be to install a concrete structure on each home and business service line, typically at a depth of 10 to 12 feet. A flow meter would then be installed in the concrete structure. It would cost an estimated \$10,000 to install each structure (\$1.2 billion system wide). The flow meters would also be costly to operate and maintain as measurement of sewage flow is often rendered inaccurate by solids deposition, etc. It is not certain what the annual operation and maintenance cost of these meters is, but would likely be millions of dollars annually. It would also require meter readers and new software or database to store data.
- 24. What is the budget for Johnson County Wastewater?** JCW's budget of \$25,022,971 for Operations & Maintenance was approved by the Board of County Commissioners during their regular 2003 budget process. JCW collects \$2,249,796 in other fees and charges. The remaining \$22,773,175 is collected from the new user charge system.
- 25. What is an EDU and does it have anything to do with the Operations and Maintenance of the sanitary sewer system?** EDU stands for "Equivalent Dwelling Unit" and is a unit of design capacity based upon the standard average domestic use. EDUs are basis for capital charges because they establish the comparative demand placed upon facilities by the types of users. Operations and Maintenance (planning, maintaining and repairing the sewer system) and the EDU (financing capital projects) are two different portions of the financing system for the entire Johnson County Wastewater system.
- 26. What is the cost for metering a residential irrigation system?** JCW has checked with a few plumbing contractors that work in the Johnson County area. If they install a sub-meter (a meter off the line to the irrigation system that records only the flow of water to the irrigation system) they have informed us that the cost would be approximately \$150 for the meter and \$150 to \$750 for labor, depending on how easy or difficult the installation. JCW is in the process of developing standards and procedures for installing sub-meters. There may be additional fees in order to recover administrative costs associated manually entering the data and verifying sub-meter information