



## AGENDA REPORT

**Meeting Date:** October 5, 2010

**Item Number:** D-2A & B

**To:** Honorable Mayor & City Council

**From:** John Shim, Management Analyst

**Subject:**

- A) AN ORDINANCE OF THE CITY OF BEVERLY HILLS AMENDING PROVISIONS REGARDING INTEREST RATES FOR LATE PAYMENTS OF DELINQUENT CITY UTILITY SERVICE BILLS AND AMENDING THE BEVERLY HILLS MUNICIPAL CODE; AND
- B) RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS AMENDING THE COMPREHENSIVE SCHEDULE OF TAXES, FEES & SERVICE CHARGES FOR THE FISCAL YEAR 2010/2011 RELATED TO INTEREST CHARGES FOR DELINQUENT CITY UTILITY BILLS

**Attachments:**

- 1) Ordinance
- 2) Resolution

---

### **RECOMMENDATION**

Staff recommends that the City Council waive full reading of the ordinance titled AN ORDINANCE OF THE CITY OF BEVERLY HILLS AMENDING PROVISIONS REGARDING INTEREST RATES FOR LATE PAYMENTS OF DELINQUENT CITY UTILITY SERVICE BILLS AND AMENDING THE BEVERLY HILLS MUNICIPAL CODE be introduced and read by title only; and that the Resolution of the Council of the City of Beverly Hills Amending the Comprehensive Schedule of Taxes, Fees & Service Charges for the Fiscal Year 2010/2011 Related to Interest Charges for Delinquent City Utility Bills be adopted.

### **INTRODUCTION**

Staff identified modifications to the existing late fee interest rate structure which are intended to reduce the number of delinquent utility bill payers. Also, this modernization will allow flexibility for Council to adopt future changes in the late fee by resolution.

The City Council instituted a 1.5% late fee for delinquent utility bills in November of 1992. Late fees for delinquent utility bills generally total between \$95,000 and \$110,000 annually. The total utility late fees in Fiscal Year 2009-2010 were somewhat lower as a result of delayed billing from the water meter replacement program in the City.

## **BACKGROUND**

While not related to the late fee increases, the following are recent events that require clarification as to how they impact utility late fees.

### **Meter Replacement Program**

Beginning in June of 2008, Beverly Hills implemented a citywide water meter replacement program. As a result, utility billing was delayed by as much as two to three billing cycles which accounted for a delay of up to six months for some accounts. After these delays, in order to return to the normal schedule, bills were sent to customers roughly every 15 to 20 days rather than the normal 60 day cycle. Due to this accelerated billing, the city did not assess late fees for the affected billing periods. This is consistent with the City's policy of taking responsibility for delays not caused by the rate payers.

### **Drought Penalty Program**

Presently, because of the drought in California, the City has implemented a drought penalty program. Based on an average calculated by historical consumption, ratepayers have been given target consumption reductions per billing cycle that they may not exceed without a penalty. If a ratepayer exceeds this target, a penalty surcharge is incurred. There is a dedicated appeals board comprised of members of the Public Works Commission that determine the results of all appeals.

### **Billing Disputes**

Utility users are allowed the opportunity to appeal charges through a written request to the billing supervisor. After an investigation, if the city is found to be at fault for the overage, these charges are removed. In the case of an undiscovered leak at the property, utility users can be granted a once a year "leak credit" exemption, based on the billing supervisor's discretion. This leak credit is calculated by finding the difference in water usage for the billing period in question from the previous 12 month average, and then charging that overage at the lowest tier rate. All appeals decisions are decided at the billing supervisor's discretion. Payments should be made promptly to avoid any late fees.

## **DISCUSSION**

The proposed modifications address the following:

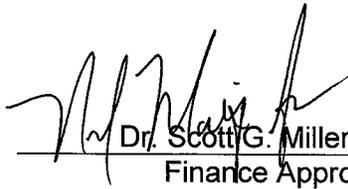
- Ordinance Language Related to Utility Late Fees
- Reduce the Total Number of Delinquent Bills
- Improve Current Revenues;
- Reduce Outstanding Accounts Receivables
- Proactively Address Potential Abuse of Habitually Late Payers; and
- Allow Flexibility for Council to Set Interest Rate in the Future by Resolution and not Ordinance

Staff contacted several Southern California cities and discovered that the sample cities' utility late fees were assessed with a wide range from 1.5% to 10%. In staff's research, 3% was a common rate for comparably sized cities with similar demographics to Beverly Hills.

City	Rate
Burbank	1.5%
Glendale	1.5%
LADWP	1.5%
Pasadena	3.0%
Pico Rivera	Flat fee: \$10
Newport Beach	10.0%
Santa Monica	3.0%

### **FISCAL IMPACT**

There are no additional costs to implement Staff's recommendations. As a result of the proposed changes from 1.5% to 3%, the City's projected revenues from late fees will increase from \$87,362 to \$185,207. However, this revenue is projected to diminish over time as delinquent utility users are faced with stiffer late fees.

  
Dr. Scott G. Miller / CFO  
Finance Approval

# **Attachment 1**

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY OF BEVERLY HILLS  
AMENDING PROVISIONS REGARDING INTEREST  
RATES FOR LATE PAYMENTS OF DELINQUENT  
CITY UTILITY SERVICE BILLS AND AMENDING  
THE BEVERLY HILLS MUNICIPAL CODE

THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS DOES  
ORDAIN AS FOLLOWS:

Section 1. Section 6-1-107 of Title 6, Chapter 1, Article 1 of the  
Beverly Hills Municipal Code is hereby amended to read as follows:

**“6-1-107 Payment.**

Bills for city utility services shall be due and payable on issuance and mailing of the bill to the user. Bills shall be deemed received by the user seventy two (72) hours after deposit in the United States mail. Bills shall be paid at the location specified on the billing. If the bill is not paid within thirty (30) days of issuance and mailing, it shall be deemed delinquent, and an interest charge as established by resolution of the City Council, shall attach on any balance which is delinquent thirty (30) or more days.”

Section 2. The City Clerk shall cause this Ordinance to be published at least once in a newspaper of general circulation published and circulated in the City within fifteen (15) days after its passage, in accordance with Section 36933 of the Government Code; shall certify to the adoption of this Ordinance and shall cause this ordinance and her certification, together with proof of publication, to be entered in the Book of Ordinances of the Council of this City.

Section 3. This Ordinance shall go into effect and be in full force and effect at 12:01 a.m. on the thirty-first (31st) day after its passage.

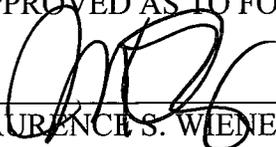
Adopted:  
Effective:

\_\_\_\_\_  
JIMMY DELSHAD,  
Mayor of the City of Beverly Hills,  
California

ATTEST:

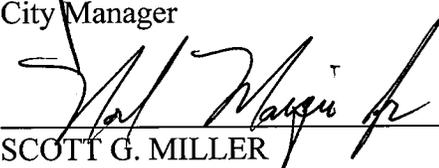
\_\_\_\_\_(SEAL)  
BYRON POPE  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

  
\_\_\_\_\_  
JEFFREY KOLIN  
City Manager

  
\_\_\_\_\_  
SCOTT G. MILLER  
Director of Administrative Services/  
Chief Financial Officer

# **Attachment 2**

RESOLUTION NO. 10-R-\_\_\_\_\_

RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS  
AMENDING THE COMPREHENSIVE SCHEDULE OF TAXES, FEES &  
SERVICE CHARGES FOR THE FISCAL YEAR 2010/2011 RELATED TO  
INTEREST CHARGES FOR DELINQUENT CITY UTILITY BILLS

The Council of the City of Beverly Hills does resolve as follows:

Section 1. As set forth in Resolution 10-R-12748, the City Council has established, amended, fixed and modified, all fees, permit fees, City service charges, and other fees, charges, extractions, and required payments for municipal services, inspections, enforcement activities or for other indicated purposes for Fiscal Year 2010-2011. (“Comprehensive Schedule of Taxes, Fees & Charges”). Beverly Hills Municipal Code section 6-1-107 authorizes an interest charge on delinquent City utility bills. At the October 5, 2010 City Council meeting, the City Council introduced for first reading an ordinance to amend the Beverly Hills Municipal Code Section 6-1-107 to allow the City Council to modify the interest charges on delinquent utility bills by resolution (“Ordinance”).

Section 2. The City Council hereby establishes an interest charge on delinquent City utility billings for fiscal year 2010/2011 in the amount set forth in Exhibit A, attached hereto and incorporated herein. Said fee shall be included and incorporated into the City’s Comprehensive Schedule of Taxes, Fees & Charges.

Section 3. The City Council is taking action only on that fee as set forth in Exhibit A. The remaining taxes, fees, permit fees, City service charges, and other fees, charges, extractions, and required payments for municipal services, inspections, enforcement activities or for other

indicated purposes set forth in the Comprehensive Schedule of Taxes, Fees & Charges have not been readopted and remain in place.

Section 4. The City Clerk shall certify to the adoption of this and shall cause this resolution and his certification to be entered in the Book of Resolutions of the Council of this City.

Section 5. This Resolution shall take effect on the date the Ordinance goes into effect.

Adopted:

\_\_\_\_\_  
JIMMY DELSHAD  
Mayor of the City of  
Beverly Hills, California

ATTEST:

\_\_\_\_\_  
(SEAL)  
BYRON POPE  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

  
\_\_\_\_\_  
SCOTT G. MILLER  
Director of Administrative Services/  
Chief Financial Officer

EXHIBIT A

BHMC 6-1-107 Delinquent City utility bills late payment interest charge 3% percent per month, or fraction thereof of the unpaid bill