



CITY OF HOUSTON

Public Works and Engineering
Department

Interoffice

Correspondence

To: City Council Members

From: Susan Bandy, CPA
Deputy Director

Date: January 13, 2015

Via: William Paul Thomas
Council Liaison

Subject: **WATER BILL CREDITS**

The Utility Customer Service Branch of the Public Works & Engineering Department underwent an external audit early in 2013 which examined the Branch's financial and managerial processes. The audit confirmed the Branch is in overall strong operational and financial condition.

However, the auditors determined that late fees were not being correctly applied to utility accounts in the manner prescribed by City Ordinance Section 47-69 (see attachment). Prior to June 2013, late fees were applied to utility bills based on the total past due service charges for the billing period immediately preceding the current bill even if a partial payment was received. Based on their finding, the method was changed in June 2013 to apply late fees based on the total outstanding service charge balance, including accrued late fees. Subsequent to the change, an internal analysis indicated an adverse impact on late accounts and the Branch sought advice from the Legal Department regarding other possible interpretations of the ordinance. With their assistance, the method was again changed in August of 2014 to apply late charges based only on the portion of the unpaid service charges for the most recent past billing period. (For example if you have a \$10 bill and pay \$7, the late charges are applied to the next bill based on \$3 rather than \$10.) This method was determined to be allowable under City Ordinance Section 47-69.

The Branch undertook an effort to identify utility accounts which may have been adversely impacted during the period from June 2013 through August 2014. Credits in an aggregate amount of approximately \$24.9 million are in the process of being applied to 241,544 identified accounts. Of this amount, \$9.4 million will be credited to actively paying customers and \$15.5 million will be credited to customers who have made no payments between July 2013 and August 2014. The average single-family residential customer who was due a credit will receive \$16.10. 82% of the total number of accounts credited will receive a credit of \$50 or less. All credits will be sent by the end of January 2015.

Please feel free to contact me if I or my staff can provide further information regarding the credits or the application of late fees.