

From: Jay Hunemuller

Sent: Friday, April 28, 2023 3:14 PM

To: Michael Stallings <mstallings@smithfieldva.gov>

Cc: Robin Landrus <rlandrus@smithfieldva.gov>; Barbara Hunter <Bhunter@smithfieldva.gov>; Sandra Luter <sluter@smithfieldva.gov>

Subject: Items to consider for council action - eliminate water deposit requirement

Hello Michael,

Recommendations for council consideration:

1. Eliminate water deposit requirements (\$175 water/sewer, \$110 sewer only, \$65 water only)
2. Apply existing deposits to customers' current balances (accounts receivable) per current requirements after 6 billing cycles and refund customers with inactive accounts with no balance due. Do this until deposit escrow account is depleted and then close that account.

Business justification:

Deposits are not revenue. They are a liability to track with the Town being the customers' fiduciary custodian. Deposits by and large historically are refunded to customers except when people have skipped out and their account is uncollectible and eventually closed, in which case applying it as a payment normally results in pennies on the dollar of delinquent balances. Most of the time it is simply passed back and forth which aggravates many customers.

In approximately nine years since 2014 when the ordinance went in effect, the Town has collected 3388 deposits of which 2627 have been refunded, 558 remain on deposit, and 202 were applied to balances. Of the total deposits collected of \$592,850 since 2014, 78% were refunded, 17% remain on deposit, and 5% were applied to balances. Of the 5% (\$28,345) that were applied, they were for 29 cents per dollar of delinquent balances of \$96,655 for a 1.5% efficiency rate ($5\% \times 29\%$). So, we are doing all this to collect \$3,150 of receivables per year on average which is a miniscule monetary benefit in the big picture which is far outweighed by the negative factors. In other words, 95% of deposits provide no benefit, aggravate customers, and waste excessive amounts of time and energy that could be applied more productively and efficiently to more critical things such as better customer account reviews, customer service, training, writing procedures, improving processes, professional development, etc.

Updated from our discussion yesterday upon further research and clarification:

Tenants pay deposits. Landlords, real estate agents, and property managers often pay deposits when putting the water in their name, usually for short periods of time (a few days or weeks), and then requiring the deposit to be refunded. Some have an agreement on file to hold their deposits indefinitely. Contractors do not pay deposits (exempt for some reason). Each deposit requires receipt, recording, depositing, tracking, reconciliation, and accounting. Each refund requires research/tracking, payment, recording, reconciliation, and accounting. The processes are all manual and highly inefficient for minimal returns. Limited staff of the Treasurer's office are each indispensable to its operation for payroll, accounts payable, and collections for all types of taxes, fees, licenses, water, sewer, etc. aside from all other types of research, reconciliations, reports, etc. Also, we pay for but do not pass the 3% convenience fee for those paying by credit card in the office.

I'm not aware of any ordinance updates since the 2014 one attached, but instead of refunding, it appears we should have been applying to the customer accounts.

- Any deposits paid by a customer shall be returned to the customer, without interest, after said deposit has been held for six consecutive bi-monthly billing cycles provided the customer's account has not been delinquent during this period. If the account becomes delinquent at any time during the initial six consecutive billing cycles, then the deposit will be held until six consecutive billing cycles have occurred without delinquent payments. Upon payment in full for all charges for six consecutive billing cycles, the deposit may be credited to the customer's next billing, provided all other debts, charges, and taxes due and owing to the Town have been paid in full.

Notes on collections:

Current: Payment plans - currently the only mechanism that has been truly beneficial to collect problematic water/sewer has been the implementation of the payment plans which have reduced cutoffs considerably.

Going forward:

- Once we fully convert to HRSD model 3, it is my understanding that because HRSD uses debt set-off, we will benefit by collecting more because of it. However, we plan to pursue the debt set-off program which would also be beneficial for the tax side also.
- Another delinquent revenue option for both water/sewer and tax would be collections. It is my understanding Isle of Wight also uses a specific attorney for that who charges his additional fees to the customer, so the county does not lose any revenue.
- Another option is placing liens. One example of a benefit is that if someone with a delinquent balance passes on, their estate would then make us whole once it is settled. It is my understanding this has occurred in the past and sometimes with thousands of dollars delinquent.

Thank you,

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From: Jay Hunemuller <jhunemuller@smithfieldva.gov>

Sent: Tuesday, May 16, 2023 1:34 PM

To: Jack Reed <jreed@smithfieldva.gov>

Cc: Michael Stallings <mstallings@smithfieldva.gov>

Subject: FW: Items to consider for council action - eliminate water deposit requirement

Michael and Jack,

Forwarding and adding recap of the additional recommendations mentioned today:

1. Increase application fee to at least \$50 or perhaps \$60. It has been \$28 for at least 32 years per Barbara since 1991. Cumulative inflation alone since is in excess of 125%. Contractors are currently charged only \$11 application fee per property, which should probably increase to \$20 or \$25 (normally charged in conjunction with tap fees).
 - a. Roughly estimating revenue increase (based on \$7,029 application fees from July 2022 through April 2023 which includes contractor applications)
 - i. For \$50 fee (\$20 for contractors) would be \$8,000 annual increase
 - ii. For \$60 fee (\$25 for contractors) would be \$9,600 annual increase
2. Increase cutoff fee from \$25 to \$50 intended as a deterrent for those that consistently do not pay their water bills until they are cutoff vs. as a revenue stream. We'd rather have them pay their bills.
3. Revise ordinance to tie the bulk water rate to normal tap water rate. Bulk water rate was not changed when last water rate went into effect. This would not change the existing fee to connect and receive bulk water.

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