

developing its procedures as KPMG completed its work. The report recommends that the department document and enforce formal policies to address the number, volume, and frequency of allowable disputed charges and to prioritize resolution efforts.

- The department's procedures for processing customer refunds appear to conflict with current city code and may conflict with state law regarding disposition of unclaimed property. City code was amended in January 2008 to require refunds of deposits within 60 days of an account being closed, after any unpaid balances are satisfied. The department's practice is to initiate refunds at the customer's request. Further, the code requires refunds of deposits after five years of uninterrupted service. During the enQuesta implementation, the department refunded deposits for accounts older than 5 years, but reset the deposit date to January 2007 for all other accounts. As a result, refunds can be delayed for up to 59 months on some accounts. As of February 2009, nearly 29,000 customer accounts had outstanding credit balances totaling about \$4 million. Exhibit 7.8 on page 106 shows the distribution of accounts with refunds due. The report recommends the department refund deposits within 60 days of account closing and track customer deposit dates by when service was begun rather than the enQuesta transition date. The department should also seek legal advice on the disposition of unclaimed property.
- The report identifies additional revenue opportunities that could reduce the burden on current rate payers by assessing fees to those who benefit from the system and recovering costs from those who have taken advantage of the system through late payments, damage or illegal consumption. Some of these fees are already authorized under city code. For example, city code authorizes a late fee of \$5 or 5%, whichever is greater. The department has applied the late fee of 5% regardless of amount. Watershed billed more than \$4.3 million in late fees in calendar year 2008 and more than 82% of the assessed fees were less than \$5. Watershed is not charging customers for damages to water meters, as authorized by code. Other organizations also collect impact fees and stormwater fees. The report recommends the department charge fees as allowed by code, request changes to city code to permit charging penalties for illegal consumption, consider a fee-based stormwater use charge, and work with the Department of Law to assess the feasibility of implementing an impact fee for new water and sewer connections.
- Three of the department's six agreements for water services to inter-jurisdictional customers are expired; these are listed in Exhibit 7.12 on page 112. The agreements do not include provisions for delinquent payment penalties, charges for meter repairs, or key performance indicators. The department also relies on estimated consumption to bill inter-jurisdictional accounts; 13 of 30 metered water accounts in other jurisdictions were billed based on estimated consumption for three or more months in 2008. While the department's six agreements with other jurisdictions for wastewater services are all current, the bills do not include indirect and other support costs. The report recommends the department centralize management and reporting of inter-jurisdictional accounts to create more accountability. The report also recommends renegotiating wastewater agreements to adequately recover costs of services.
- KPMG identified organizational and administrative issues that could limit the department's effectiveness or increase costs.
  - Compared to industry leading practices, the department's organizational structure places too many direct reports under the commissioner. Also, the organizational structure does