GOVERNMENT FINANCE RESEARCH CENTER

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Water Bills in Northwestern, Central, & Southern Illinois

Policy Bite

The Illinois General Assembly commissioned the Government Finance Research Center to conduct a "Water Rate Setting Study." This brief is based on the second report from the study, which focuses on Northwestern, Central, and Southern Illinois (NCSI). Interest in water rate-setting and billing has grown with rising system revenue needs and increased public awareness of water quality. Water bills are the primary communication channel between water systems and customers.

- A sample of 100 water bills across NSCI reveals little variation in billing frequency, with approximately 91% of municipalities billing monthly, about 6% billing every two months, and just over 3% billing quarterly.
- Bimonthly billing is associated with approximately $9 in monthly savings for the average consumer and quarterly or annual billing with approximately $22 in monthly savings.
- Municipalities without automatic billing regularly struggle with overdue bills and the need for staff to initiate contact with customers to collect payment.
- Municipalities without staffing capacity or technology to read meters typically do not include water usage information on bills.

Research Brief

Best practices for water billing include (1) conducting reviews of the effectiveness and accuracy of billing procedures, (2) providing transparent and detailed bills, (3) establishing a consistent billing schedule, and (4) providing engagement beyond hard-copy bills, such as through modernized payment options and personalized customer support. Adopting water billing best practices facilitates predictable cash flow, reduces billing errors, and strengthens customer satisfaction.

Typically, bills include the total amount due and the payment deadline, water-specific charges, information about penalties and the bill-correction process, customer identifying information, municipal contact information, and non-water-related charges. In addition to these common components, water bills sometimes include consumption levels, usage trends, rate structure and bill component tabulations, and miscellaneous messaging on topics such as notifications of water rate changes, information on affordability programs or conservation measures, and other community notices.

Analyzing a sample of 100 water bills collected from NCSI municipalities reveals some common items included in almost all water bills. Overall, 95 water bills (95%) include a municipal address, provide the usage amount in the billing period, list the due date, and delineate water and sewer charges as separate line items. Beyond the due date, 88% of water bills specify when a late fee would be charged. An email address is listed on 94% of water bills.

Variation in the presentation of water bills is also evident (see Figure 1). To examine how bill features vary across NCSI, municipalities are split into three groups based on the size of the population served. Municipalities are designated small if serving 1,000 or fewer residents, medium if serving 1,001-3,300 residents, and large if serving 3,301 or more residents. In the sample of bills collected, 33 municipalities are categorized as small, 35 as medium, and 32 as large.

With increased service population size, municipalities are more likely to be professionalized, and the billing data reflect this, with larger municipalities often providing additional information on water bills. While 60 municipalities (60%) provide bills in a postcard format, only 47% of large municipalities rely on this simplified billing design. Separate line items for various fixed charges are included for 24 (24%) municipalities overall; however, only 18% of small municipalities have these separate line items, while the percentage rises to 34% for large municipalities. Regarding contact information, a total of 65 (65%) list a municipal phone number, and 14% list the contact hours of the municipality. Small

municipalities provide a phone number on 52% of their bills and provide contact hours on 3% of bills. In comparison, large municipalities include phone numbers and contact hours on 88% and 31% of bills, respectively.

Regarding billing frequency, little variation exists across NCSI: 91% of municipalities bill monthly, about 6% bill every two months, and just over 3% bill quarterly. Best practices recommend using monthly billing, which provides municipalities with steady monthly revenues, promotes regular communication with customers, allows for rate changes to be implemented without delay, and minimizes lost revenue from unpaid bills. For customers, monthly billing allows for increased communication with their water provider and the ability to manage their household budget better and monitor their water usage.

Municipalities with limited staff might prefer less frequent billing, which translates into lower costs. However, households billed quarterly are more likely to consider their water bills as unfairly higher than those billed monthly. In NCSI, no municipalities billing less frequently (every two months or quarterly) serve more than 50,000 people.

Alternatives to using water bills as a communication tool include using municipal websites, social media accounts, and traditional print and broadcast media. Print and broadcast media often provide avenues for messaging related to rate adjustments, water quality, and changes in water system management. Municipal websites allow for comprehensive, customizable information, enabling individual customers to access detailed content, provide feedback, and easily connect with officials. However, like water bills, there are no standard website content or layout guidelines, resulting in varied quality and accessibility across NCSI, where many municipalities do not have websites.

The GFRC researchers interviewed representatives of water providers at both system and municipal levels and found:

- Components of water bills and billing practices are often related to administrative capacity and billing systems. For example, some communities do not have the ability to conduct automatic billing, which results in overdue bills and the need for staff to contact households frequently to collect payments.
- The way in which communities measure water use is also related to billing. In some areas, communities do not have the staffing capacity or technology to read meters. In communities without meters, customers are often charged a flat rate, and their bills often have no information about water usage.

Read the full report HERE.

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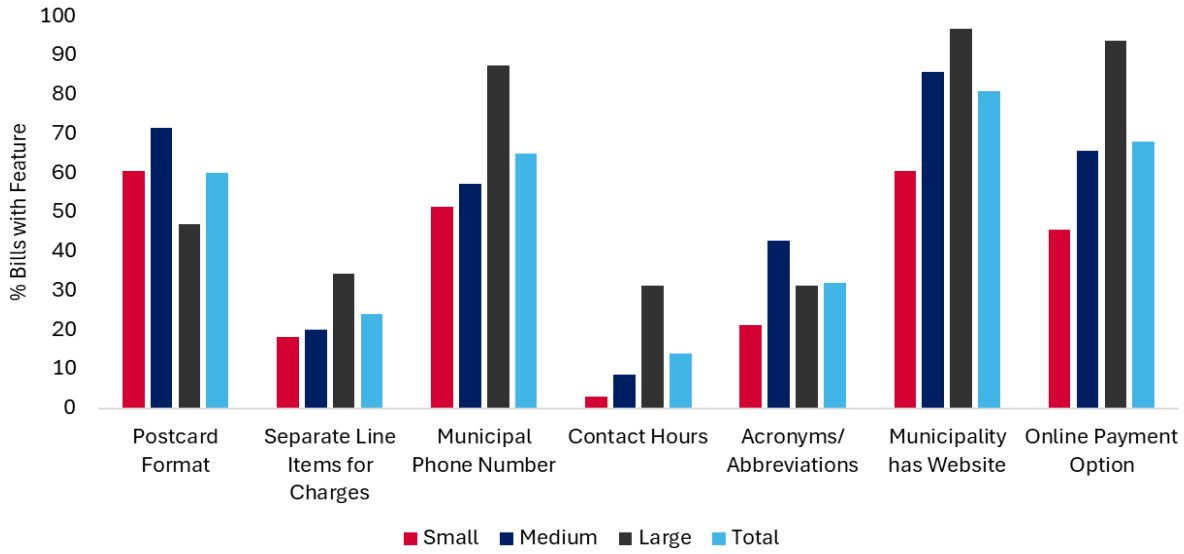
Figure 1. Water Bill Features Across Size of Population Served in NCSI