

HEBER PUBLIC UTILITY DISTRICT REPORT TO BOARD OF DIRECTORS

MEETING DATE: December 15, 2022

FROM: General Manager
Prepared by: Adriana Amezcua, Finance Manager

SUBJECT: Adopt Resolution 2022-23 to modify the Administrative Service Fee Schedule to Adjust Fees for Late Payment, Service Connection/ Disconnection, and Credit Card Processing.

ISSUE: Shall the Board Adopt Resolution 2022-23 to modify the Administrative Service Fee Schedule?

General Manager’s Recommendation:

Adopt Resolution 2022-23 to modify the Administrative Service Fee Schedule to adjust fees for Service Connection, Disconnection, Reconnection during business hours and after hours, Late Fees, Credit Card Processing, Plan Check Review Fee.

FISCAL IMPACT:

Increase amount collected for fees, which will cover the cost to provide the current services. The highlighted blue cells are proposed to be changed. The proposed fee schedule will be implemented starting January 1, 2023, however the implementation time for some new fees may vary depending on staff’s availability to work with the software provider to change the customer’s fees in the system.

HEBER PUBLIC UTILITY DISTRICT ADMINISTRATIVE SERVICE FEE SCHEDULE ADOPTED VIA RESOLUTION 2022-23 ATTACHMENT 'A'		
TYPE OF SERVICE	FEES ADJUSTED 12/15/22 RESOLUTION 2022-23	FEE PRIOR TO 12/15/22 ADJUSTMENT
New Service Account Set Up	\$ 50.00	\$ 25.00
Disconnection Fee	\$ 70.00	\$ 60.00
Re-Connection Fee During Business Hours	\$ 70.00	\$ 60.00
Re-Connection Fee After Hours	\$ 117.00	NEW FEE
Late Fee Water & Sewer	\$ 20.00	\$ 15.00
Late Fee Trash Service	\$ 5.00	NEW FEE
Insufficient Fund Return Fee	\$ 30.00	SAME
Deposits Residential - Tennants Only (2 X monthly water, sewer & Trash)	2X water, sewer & trash rate	SAME
Deposits Business - Renters Only (2 X monthly water, sewer & trash - based on meter size)	2 X their monthly rate which is based on meter size	SAME
Hydrant Service Set Up Fee	2 X month water rate for deposit and connection fee	SAME
Hydrant Connection Fee	75.00	SAME
Hydrant Disconnection Fee	75.00	NEW FEE
Temporary Shut Off For Repair	\$ 10.00	SAME
Credit Card Processing Fee	\$ 3.25	NEW FEE
Plan Check Review Fee - HPU D Staff Initial Review of County Permit Application First Review Fee and Additional Fees May be Applied if Additional Reviews are needed.	75.00	NEW FEE
Plan Check Review Fee - CONSULTANT ENGINEER/PLANNER Initial Review of County Permit Application First Review Fee and Additional Fees May be Applied if Additional Reviews are needed.	130.00	NEW FEE

DISCUSSION:

At the November meeting, the Board requested additional information on the cost for our planned new credit card processing system and third-party bank. We were asked if we had shopped for a bank with lower credit card processing fee and to provide a comparison of other agencies fees. We were also asked to provide a comparison of similar fees from agencies in the valley.

Staff has determined that many of our cost have increased since the fee schedule was adjusted in 2015. Labor cost, overhead cost, materials, supplies, fuel and other expenses have increased.

New Account Fee

The Finance department and staff evaluated the cost to provide specific services that are not property rate based recovered. These services include setting up new accounts, opening and closing water services, and processing late payment notifications, late fee, plan check review fees. Due to the increase in HPUD's cost to set up a new account and open a new service staff is recommending an increase from \$25 to \$50.

Late Fees

The cost for the additional notifications for later payments, which must be sent to customers prior to service shutoff, has increased due to new legislation SB 998. HPUD modified our policy to meet the mandates of SB 998 in March 2020. This policy modification has resulted in increased mailing of late payment, shut off notifications, 24-hour notices, and the number of man hours needed to hand deliver the notification. Prior to the implementation of SB 998, staff would mail approximately 350-400 late notifications and hand deliver 80-125 Shut Off notices per month. After SB 998, staff mails 800 late notifications (regular late notices, special to tenant notifications, 10-day notification, 5-day notification) and hand delivers 100-125 Shut Off notices per month.

In order to recover the additional cost associated with the increase number of notifications that must be sent, which includes postage, envelopes, paper, ink and manhours, the late payment fee must be increased. Finance Department has determined that this increase in operational supplies, which is a 27% increase, plus the manhours necessary to meet the new mandates, can be recovered through an increase of \$5 to the current late fee. This amount is reflected in the table above.

The current late fees are to recover cost for water and sewer services that are not paid. During COVID when more customers were experiencing hardship and not able to pay for our services, we realized that we were not recovering any late fees for trash services. When HPUD received COVID relief funds to assist our customers, the recovery benefit was to water and sewer past due accounts, but did not include trash rates. Thus, HPUD was paying our waste hauler for the services received by our customers, but not receiving payment from our customers or from other funding agencies or sources. The same number of customers who are late on their water and sewer bill are late on their trash bill, yet every month HPUD must pay in full to our waste hauler for every customer even when we haven't received money from our customers. Thus, staff is recommending a late fee for trash services of \$5 to recover the cost to carry the past due and late payments that are paid to our waste hauler. This new fee will require a process software modification to add a trash late fee and it can take a few months to implement.

Connection/Disconnection Fees

Staff is also recommending an increase in our connection and reconnection service fee to recover the cost to have our employees shut off customers for non-payment and then reconnect customers after they have paid. Also, it is recommended to add a re-connection after hours fee which has been calculated based on the average cost of operator’s hourly pay rate and insurance cost. The average cost per on-call rate hour is \$58.20. The employee who is on on-call duty will receive of two hours minimum pay for an after-hours service call which generates a total cost of \$117.00.

Plan Check Review Fees

Since the last time this item was presented to the Board, staff has also included Plan Check review fees. Currently the General Manager and/or the Chief Operator reviews all building department and planning department permits. If they are a simple permit review and meet all of HPUD’s policies and specifications, we will approve them. If they are more complicated and need engineering review for construction of HPUD utilities, they are referred to our engineers and/or planners. Currently HPUD does not recover any of the costs and we do not charge a permit review fee. Staff has determined these fees based on the average cost for one hour of staff time and materials.

Credit Card Fees

In the last 3 years, and during COVID, HPUD has had an increase in customers using online payment and credit card as a payment method, which has increased the cost of bank service fee charges by 41% for processing of such payments. In the table below you can see the dollar amount that HPUD has not recovered over the past three years as we do not have a fee implemented. As you can see using three-year historic data the transaction cost is increasing by \$.40 per year.

HEBER PUBLIC UTILITY DISTRICT					
Bank Fee Analysis					
FY	Number of Transactions	ACTUAL COST TO PROCESS TRANSACTIONS (NOT RECOVERED)	Amount PROJECTED TO BE RECOVERED with fee at \$3.25	COST PER TRANSACTION	ANNUAL INCREASE IN TRANSACTION COST
22-23	9,676		\$ 31,447	3.25	0.45
21-22	10,423	\$ 29,231		2.80	0.40
20-21	10,098	\$ 24,309		2.41	0.38
19-20	8,507	\$ 17,251		2.03	

Regarding the current credit card fees. The financial system used by HPUD is Tyler System. Tyler has used Elavon, a third-party service provider, for online and credit card payment processing for the last 11 years. Due to the complexity of the online payment process, the company providing the online service through Tyler System (Elavon) determines which bank is used for processing payments. Elavon exclusively uses Well Fargo Bank. HPUD is not able to change the credit card payment processing company or bank as our credit card payment system is managed by Tyler Systems.

Tyler system has developed an online and credit card module which eliminates the use of a third-party company and it will help simplify the process. The new bank Tyler will use is Chase J.P. Morgan. The implementation of the new credit card reader equipment and interface will take four to six weeks, and the credit card that will only be accepted will be Visa and Mastercard. The table below shows the difference in the cost between Chase and Wells

Fargo. This is a one-month sample using our actual cost at Wells Fargo Bank and cost from a rate sheet submitted by Chase.

CREDIT CARD PROCESSING COST ANALYSIS - ONE MONTH SAMPLE			
		Transaction Cost	
	WFB	# Transactions	667
ADDITIONAL COST MONTHLY FEES AND STAFF HOURS			\$ 1,737
		Transaction Cost	\$ 715
		Total Cost	\$ 2,452
		Cost per TRANSACTION	\$ 3.68
	CHASE	# transactions	667
		Transaction Cost	\$ 439
ADDITIONAL COST MONTHLY FEES AND STAFF HOURS			\$ 1,737
		Total Cost	\$ 2,176
		Cost Per Transaction	\$ 3.26

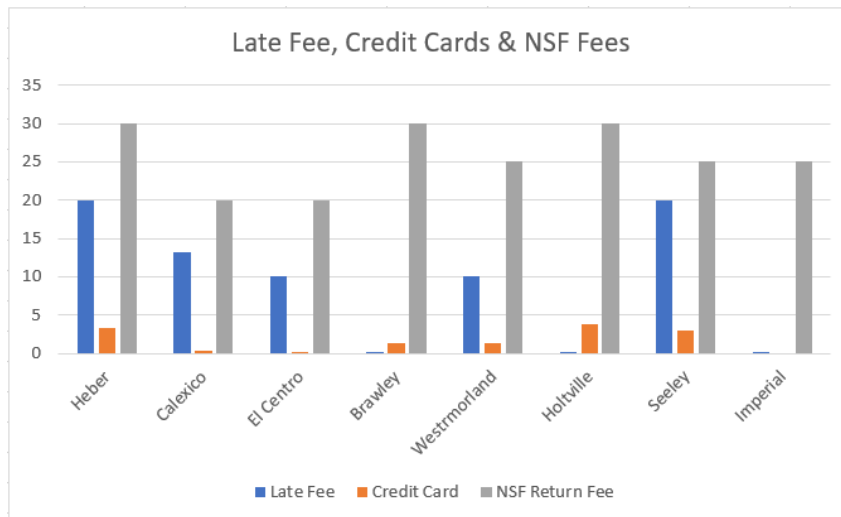
Currently the recovery of cost is zero as we do not charge any fees for credit card or online transaction. We are not recovering the current transaction cost from Wells Fargo Bank as we are not collecting these fees.

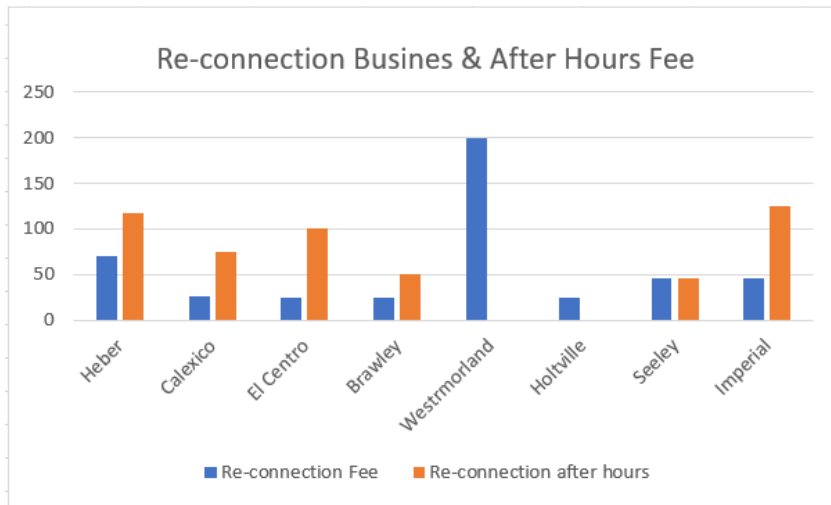
The proposed \$3.25 fees will recover the actual bank transaction cost from Chase, the cost for the Tyler software system payment process module, and extra staff time required to process the increased number of transactions.

It is important to recover the cost associated with providing these services, but it is the District's desire to balance the cost with the affordability of the users. Staff feels that the modification of these fees recovers the associated costs, yet is affordable for customers.

HPUD Fees Compared to other Agencies

Next, we are including a rate comparison table for similar service in other agencies in the Imperial Valley. Many of the fees are not applied in the same method. Some are straight fees but others are percentages of project cost or of bill. The table below shows fees that HPUD has in common with other agencies and that are proposed to be changed.





CONCLUSION:

Adopting Resolution 2022-23 to modify the Administrative Service Fee Schedule to adjust fees for Service Connection, Disconnection, Reconnection during business hours and after hours, Late Fees, Credit Card Processing, Plan Check Review Fees is a necessary step to ensure that the District recovers associated costs.

Staff recommends Adopting Resolution 2022-23 to modify the Administrative Service Fee Schedule to adjust fees for Service Connection, Disconnection, Reconnection during business hours and after hours, Late Fees, Credit Card Processing, Plan Check Review Fee.

Staff recommends that this Resolution should be implemented in January 2023.

Respectfully Submitted,

Laura Fischer,
General Manager

Attachments: Resolution 2022-23 to modify the Administrative Service Fee Schedule

RESOLUTION NO. 2022-23

A RESOLUTION OF THE HEBER PUBLIC UTILITY DISTRICT MODIFYING THE ADMINISTRATIVE SERVICES FEE SCHEDULE TO ADJUST FEES FOR SERVICE CONNECTION, DISONNECTION, RECONNECTION DURING BUSINESS HOURS AND AFTER HOURS, LATE FEES, CREDIT CARD PROCESSING, AND PLAN CHECK REVIEW FEES.

WHEREAS, the Heber Public Utility District provides, maintains and operates a variety of programs and services to the public; and

WHEREAS, certain section of the Heber Public Utility District's policy authorizes the imposition and collection of fees to defray the costs of providing certain programs and services; and

WHEREAS, the Heber Public Utility District Board of Directors is charged with the responsibility of establishing Fees for Services that recover the cost of the District to provide those services; and

WHEREAS, the Board of Directors desires to modify the Administrative Service Fee Schedule to Establish and Modify Fees for Service Connection, Disconnection, Reconnection during business hours and after hours, Late Fees, Credit Card Processing, and Plan Check Review Fees; and

WHEREAS, it is the intention and desire of the Board of Directors to implement the modified Administrative Service Fee Schedule on January 1, 2023; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of Heber Public Utilities District as follows:

1. That the foregoing is true, correct and adopted.
2. Funds are needed to defray the cost of providing services furnished by the District.
3. The funds needed to defray and cover such operating expenses can and should be obtained by setting fees and charges for these services.
4. The setting of fees and charges for these services is exempt from compliance with the requirements of California Environmental Quality Act (CEQA) and Proposition 218 "The Right to Vote on Taxes".

5. All other fee resolutions in effect and not amended herein, shall remain in full force.
6. Administrative Fee Schedule is attached as Attachment "A"

PASSED, ADOPTED AND APPROVED at a regular meeting of the Heber Public Utility District held on the 15th day of December 2022, by the following vote:

HEBER PUBLIC UTILITY DISTRICT

By _____

Tony Sandoval, President

I, Moises Cardenas, Heber Public Utility District Board Secretary, do hereby certify that the foregoing Resolution No. 2022-23 was duly and regularly adopted at a regular meeting of the Heber Public Utility District, held on the 15th day of December, 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

ATTEST:

By _____

Moises Cardenas, Board Secretary

HEBER PUBLIC UTILITY DISTRICT
 ADMINISTRATIVE SERVICE FEE SCHEDULE
 ADOPTED VIA RESOLUTION 2022-23
 ATTACHMENT 'A'

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