

Basics of Other Water Rates and Charges

NCAWWA-WEA Finance & Management Committee
Rate Setting 101

Presented by
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May 9, 2012



Company Background

- Local Government and Utility Solution Provider
 - ❖ Consulting
 - ❖ Software
 - ❖ Training
 - ❖ Implementation
- Based in Raleigh, North Carolina
- In business since 1973
- 145 customers in 11 states



Individual Background

➤ Gary Sanders

- ❖ Senior Consultant at Logics, LLC
- ❖ Worked with local government software since 1979
- ❖ Founding partner of original Logics in 1983
- ❖ Worked with over 100 utilities and local governments
- ❖ Publish a blog and bi-weekly e-mail newsletter – garysanders.wordpress.com

Fees

What is the first thing that comes to mind when you think of “fees”...?

Fee noun \ˈfeɪ\

2 a : a fixed charge

b : a sum paid or charged for a service

www.merriam-webster.com

Where are fees charged?

Besides your utility, where else are fees charged?



User Fees

“A fee charged for the use of a product or service. Unlike a tax (rates) which is imposed upon the general population, the user fee is charged to an individual only when that individual uses the product, service, or commodity.”

www.businessdictionary.com

Utility Fees

- Recover cost of providing a service
 - ❖ Tap fees
 - ❖ Reconnect fees
- Punitive
 - ❖ Late fees
 - ❖ Meter tampering

GFOA Best Practice

"The full cost of a service encompasses all direct and indirect costs related to that service. Direct costs include the salaries, wages, and benefits of employees while they are exclusively working on the delivery of the service, as well as the materials and supplies, and other associated operating costs such as utilities and rent, training and travel. Likewise, they include costs that may not be fully funded in the current period such as compensated absences, interest expense, depreciation or a use allowance, and pensions. Indirect costs include shared administrative expenses within the work unit and in one or more support functions outside the work unit (e.g., legal, finance, human resources, facilities, maintenance, technology)."

GFOA Committee on Governmental Budgeting and Fiscal Policy's
Best Practice for Measuring the Cost of Government Service



Impact Fees and Tap Fees

➤ Impact Fees

- ❖ System development charges
- ❖ Customer pays for the impact they will have on system capacity
- ❖ Non-operating Revenue

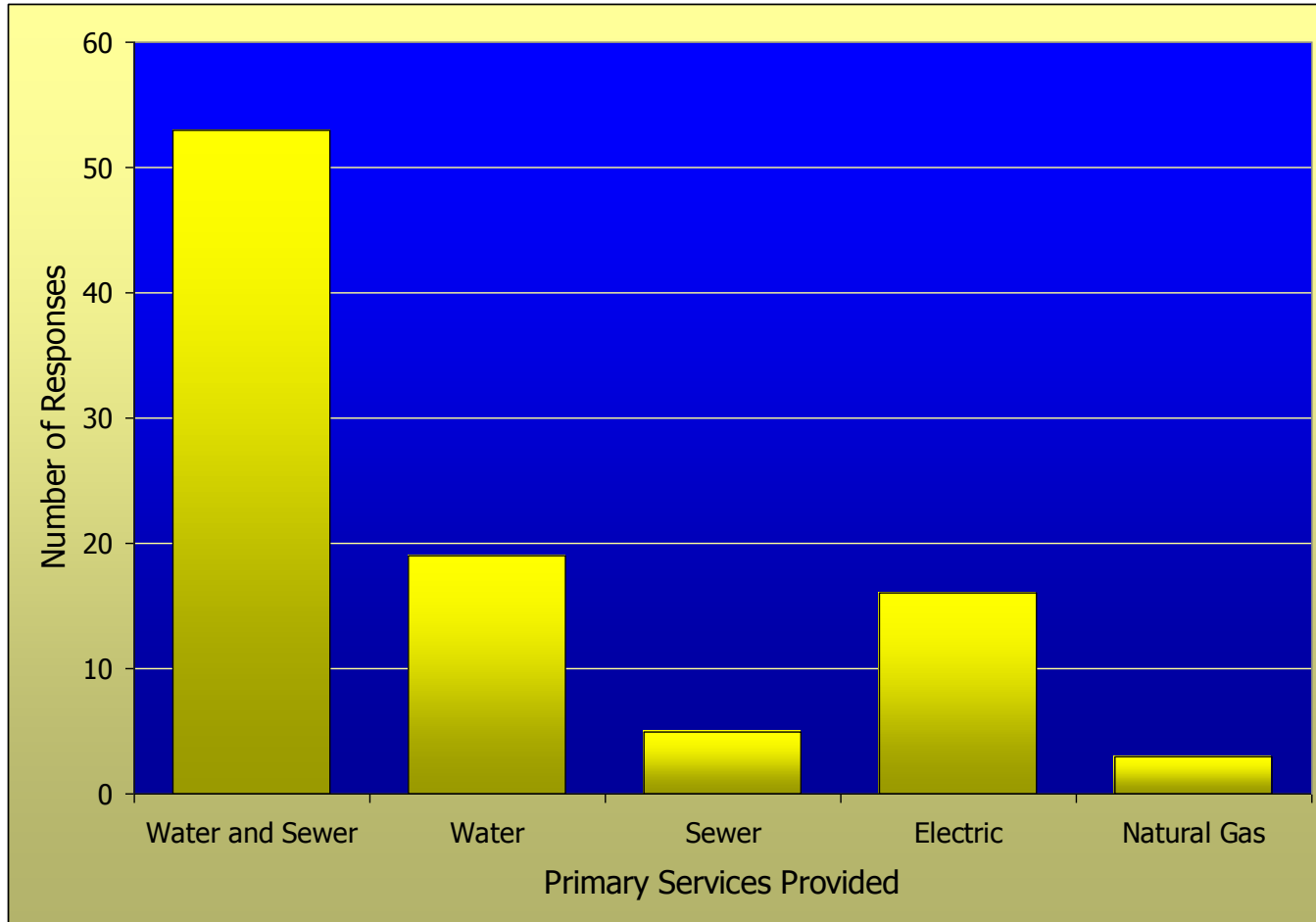
➤ Tap Fees

- ❖ Cost to connect to system
- ❖ Recover labor and material costs
- ❖ Operating revenue

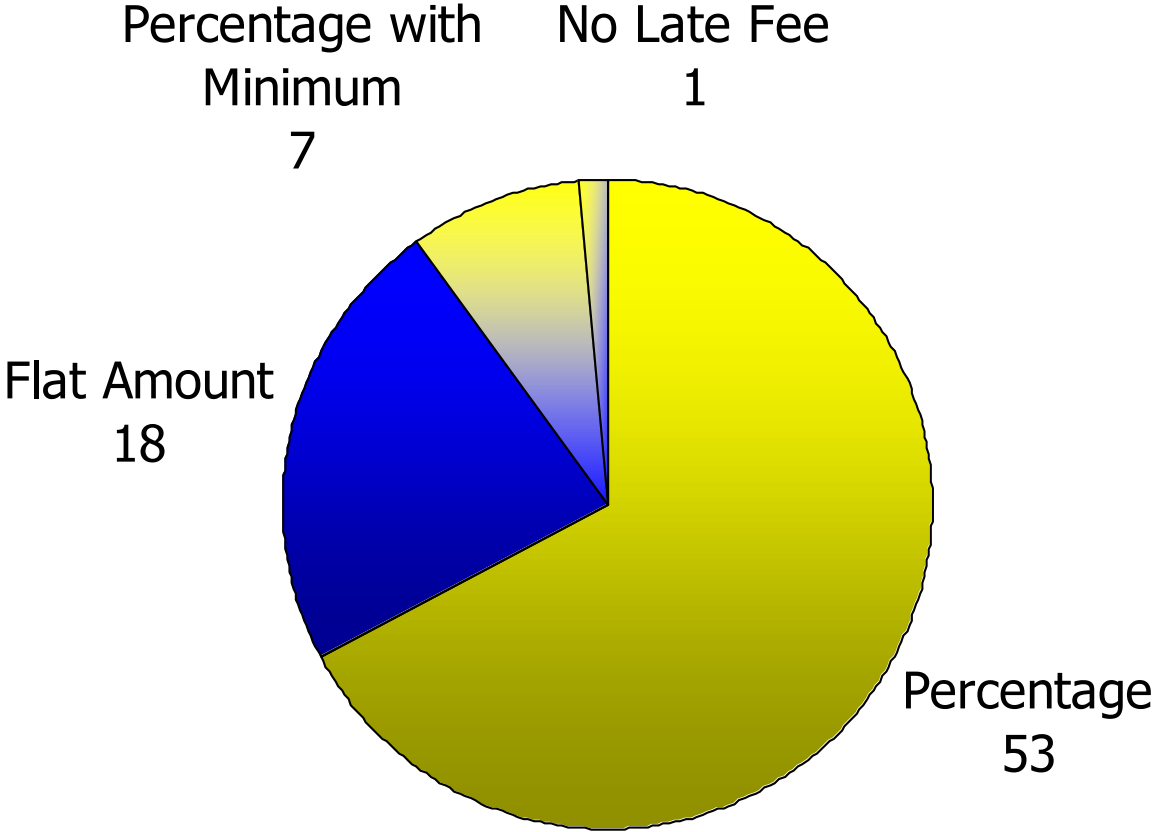
Utility Fee Survey

The next several slides are from an on-line Utility Fee Survey I am conducting. The responses are from 79 utilities in 15 states ranging in size from 200 to 168,500 active accounts.

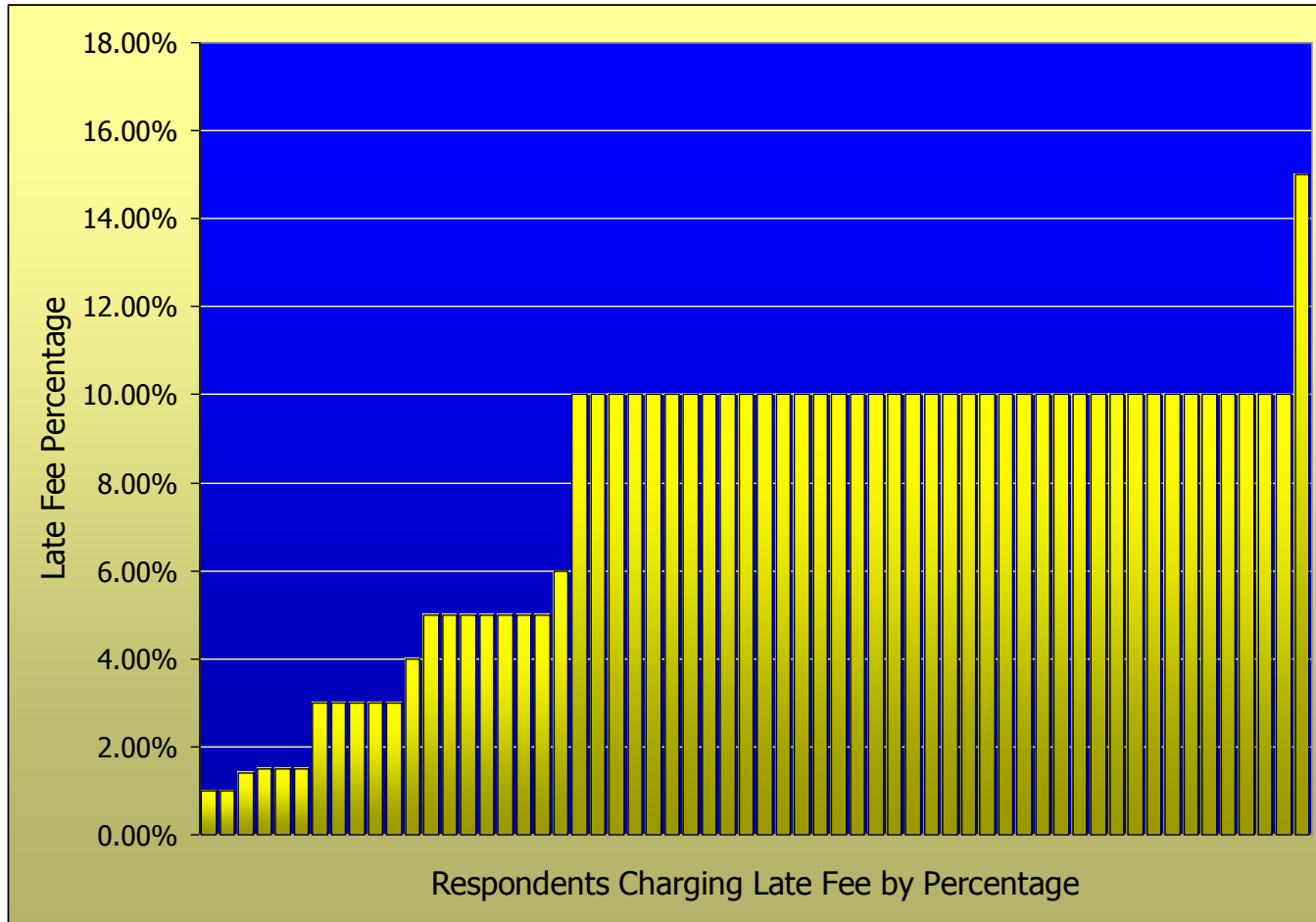
Services Provided by Respondents



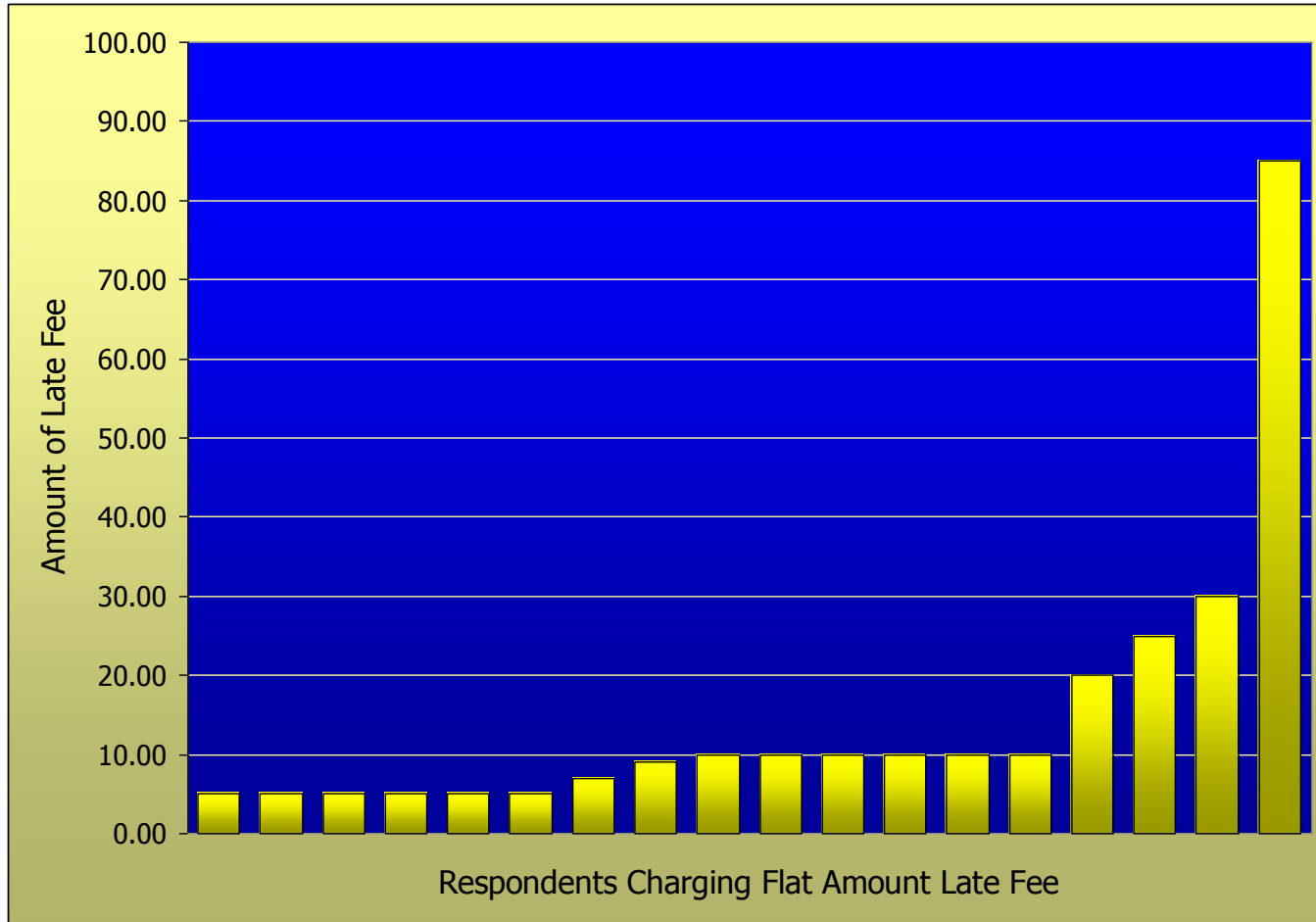
Late Fee – Flat Amount or Percentage?



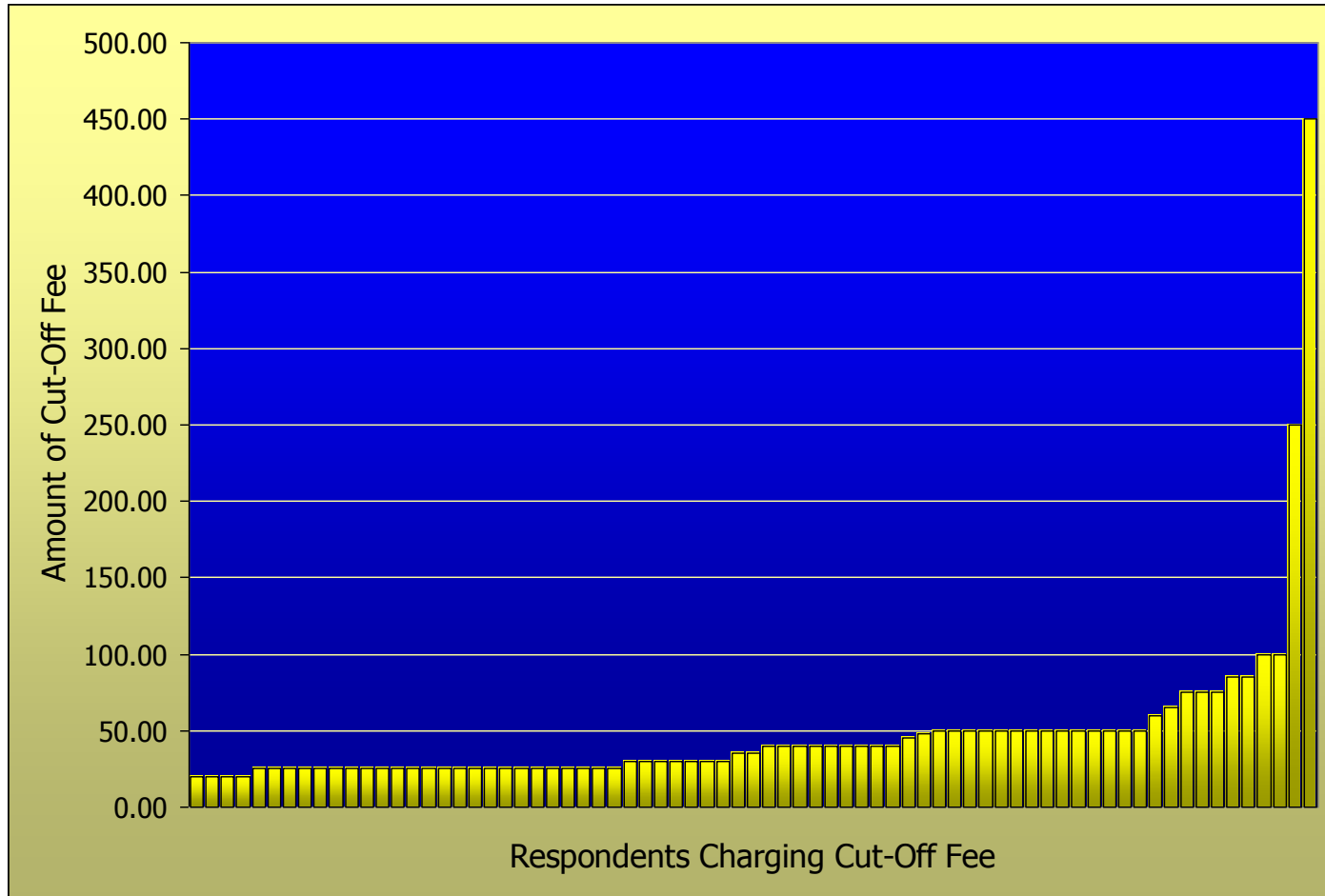
Late Fee Percentages



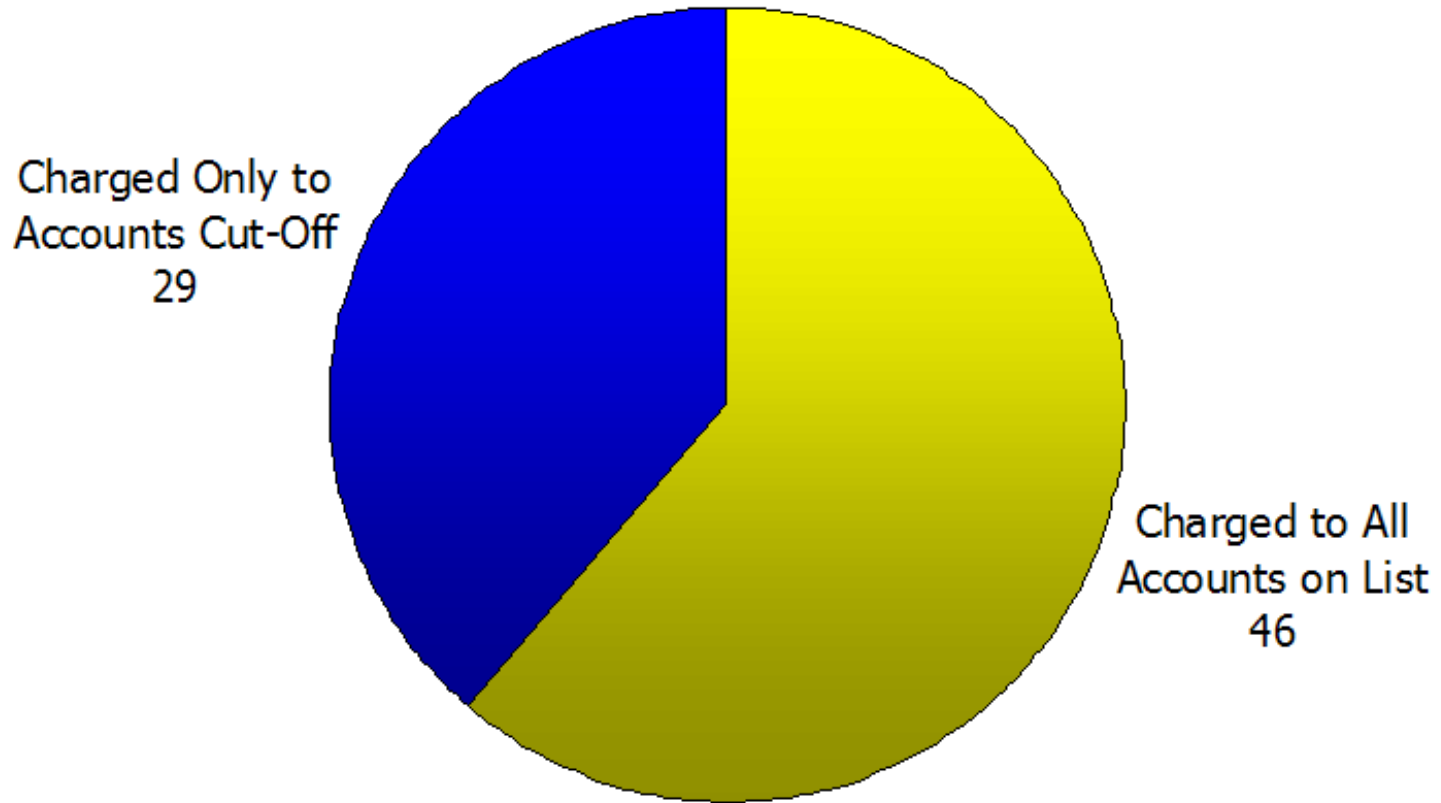
Late Fee Flat Amounts



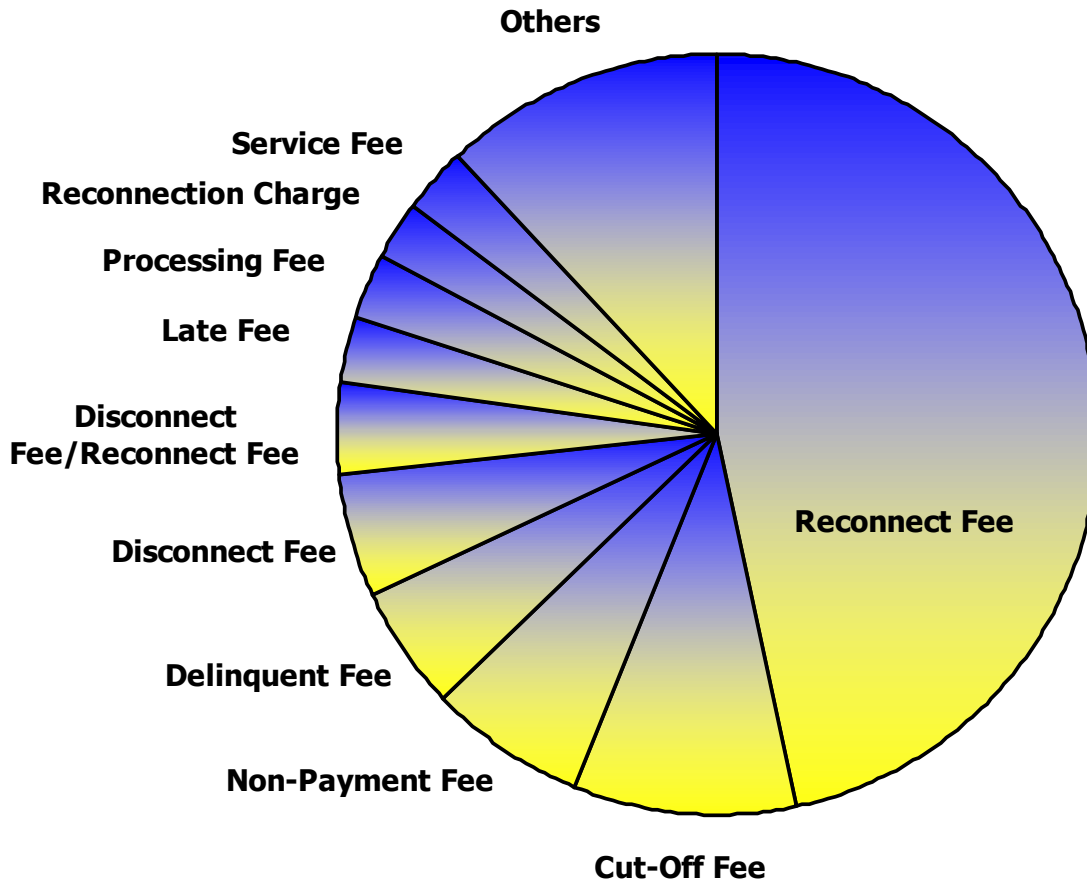
Cut-Off Fees



Cut-Off Fee Charged to All Accounts?

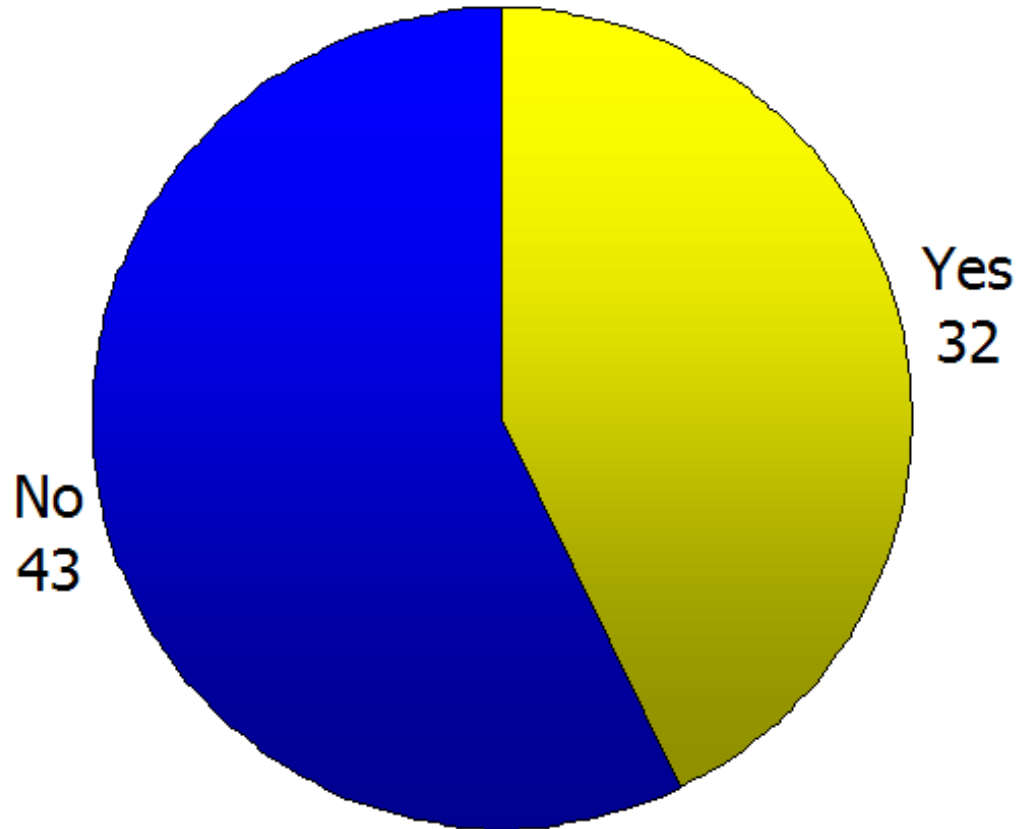


Cut-Off Fee Terminology

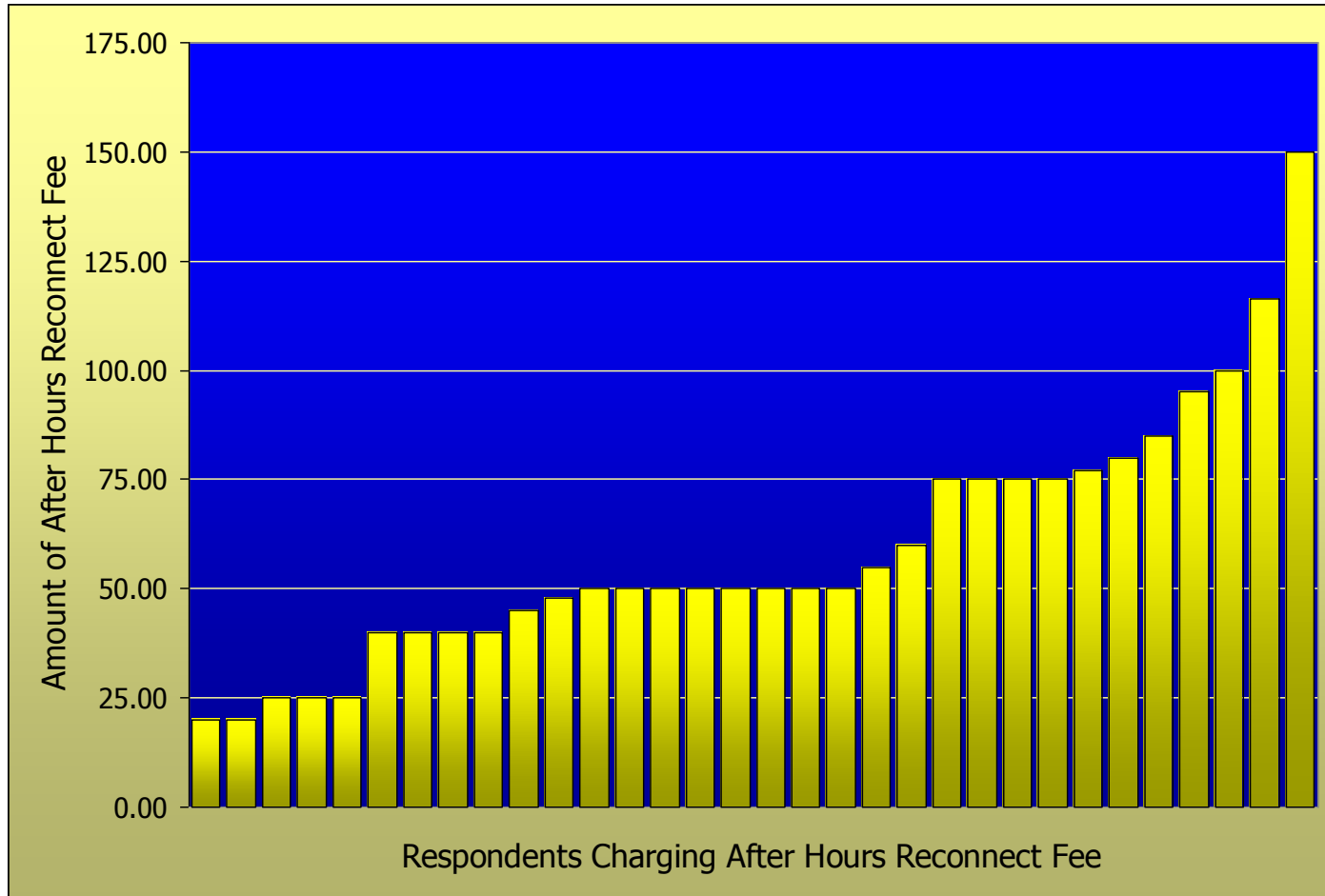


Description	Number of Responses
Reconnect Fee	35
Cut-Off Fee	7
Non-Payment Fee	5
Delinquent Fee	4
Disconnect Fee	4
Disconnect Fee/Reconnect Fee	3
Late Fee	2
Processing Fee	2
Reconnection Charge	2
Service Fee	2
Delinquent Turn-on Fee	1
Lock Out Charge	1
Reinstatement Fee	1
Second Penalty	1
Shut off/Turn on Charge	1
Suspension Fee	1
Turn On Fee	1
Turn On Fee/Turn Off Fee	1
Water Shut-off Fee	1

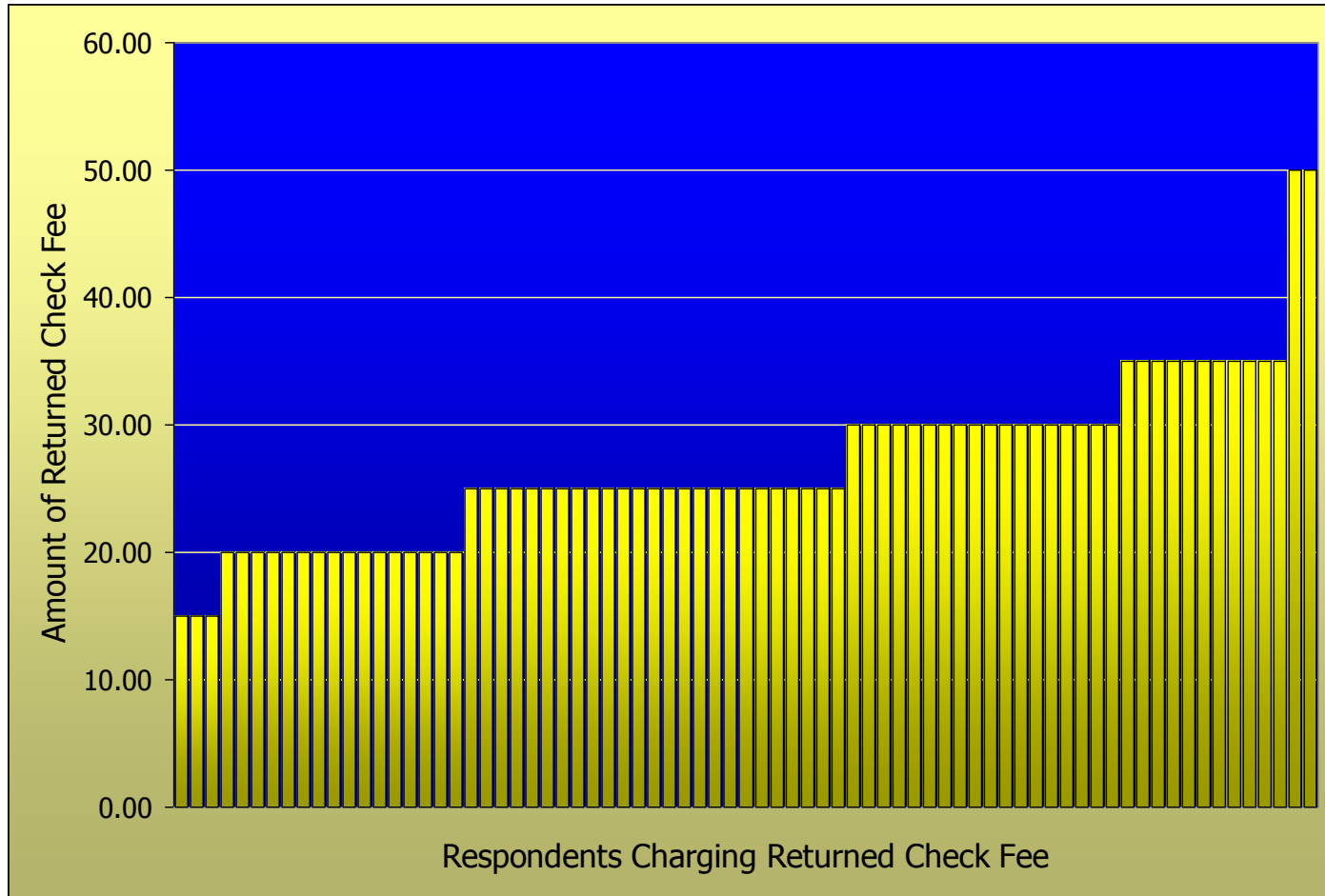
After Hours Reconnect Fee?



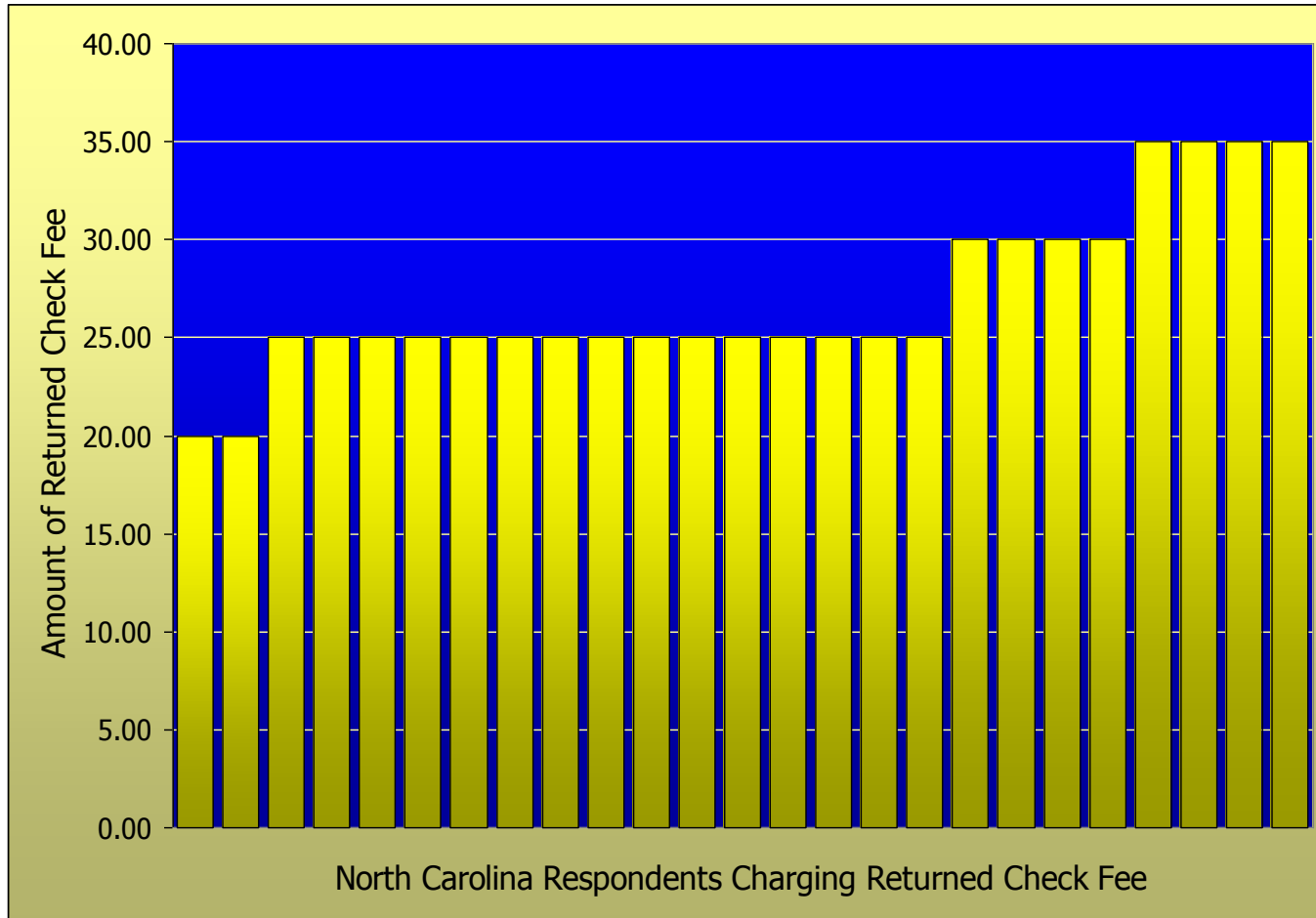
After Hours Reconnect Fees



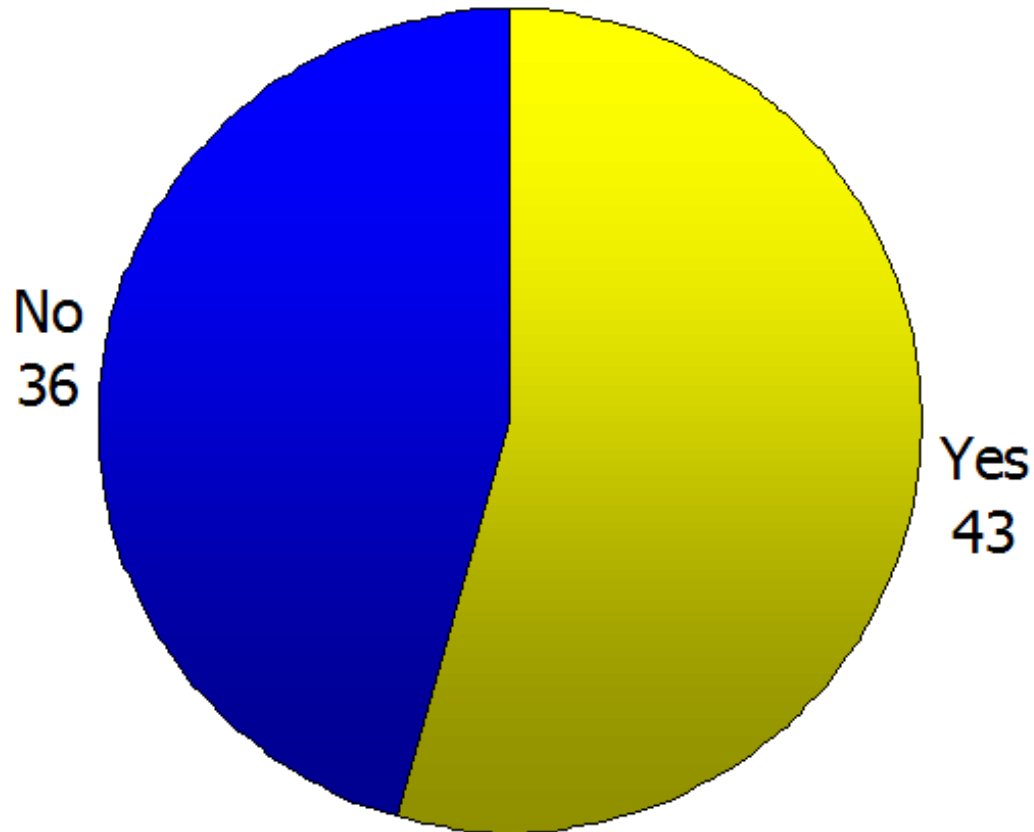
Returned Check Fees



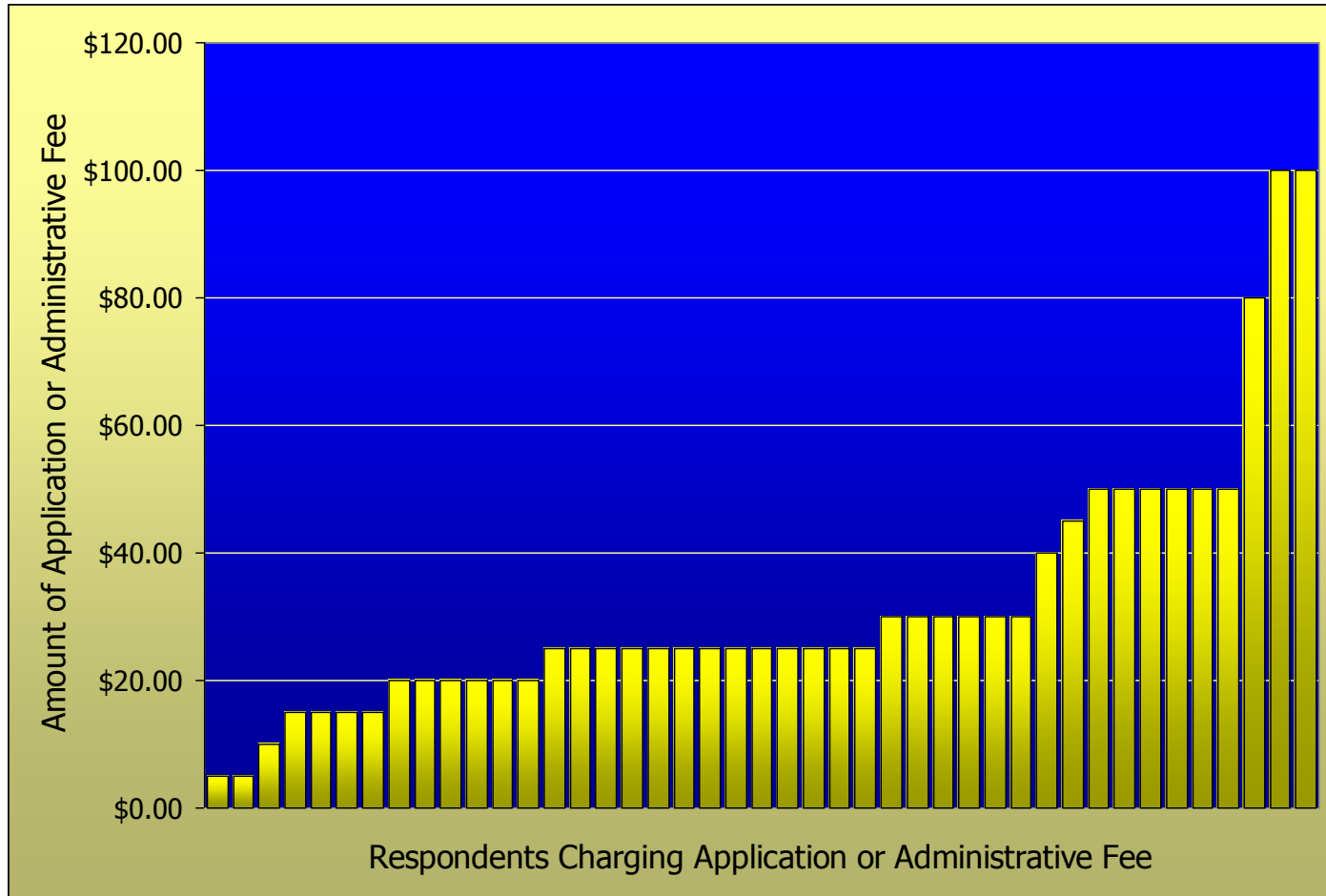
North Carolina Returned Check Fees



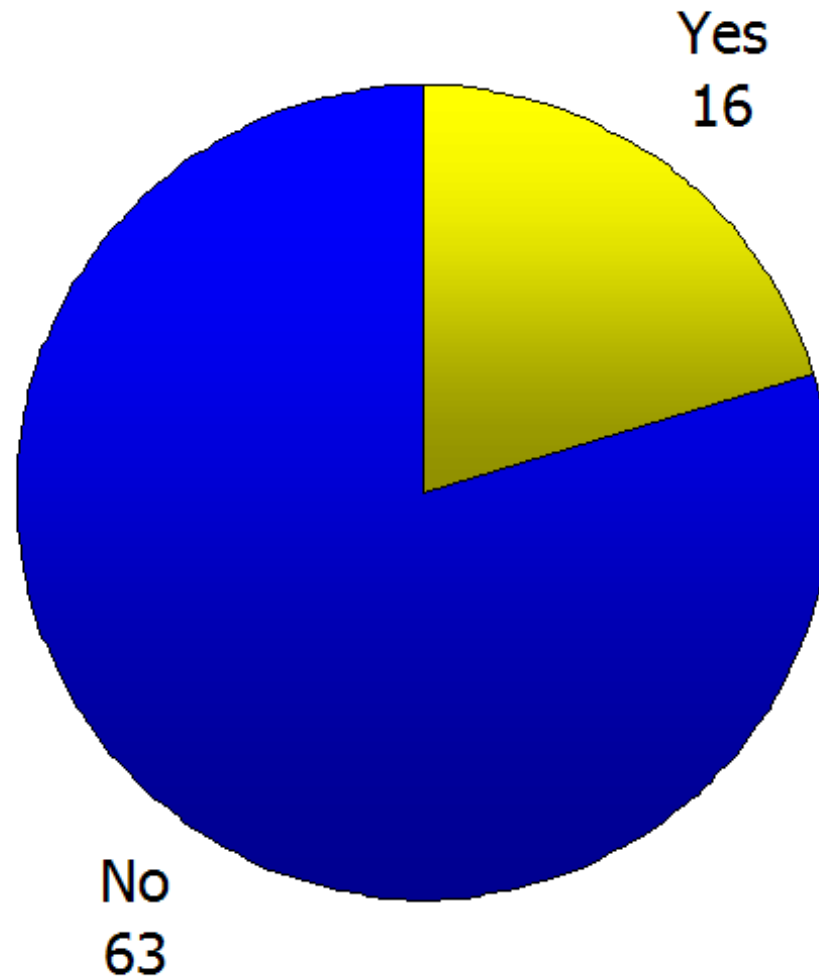
Application Fee?



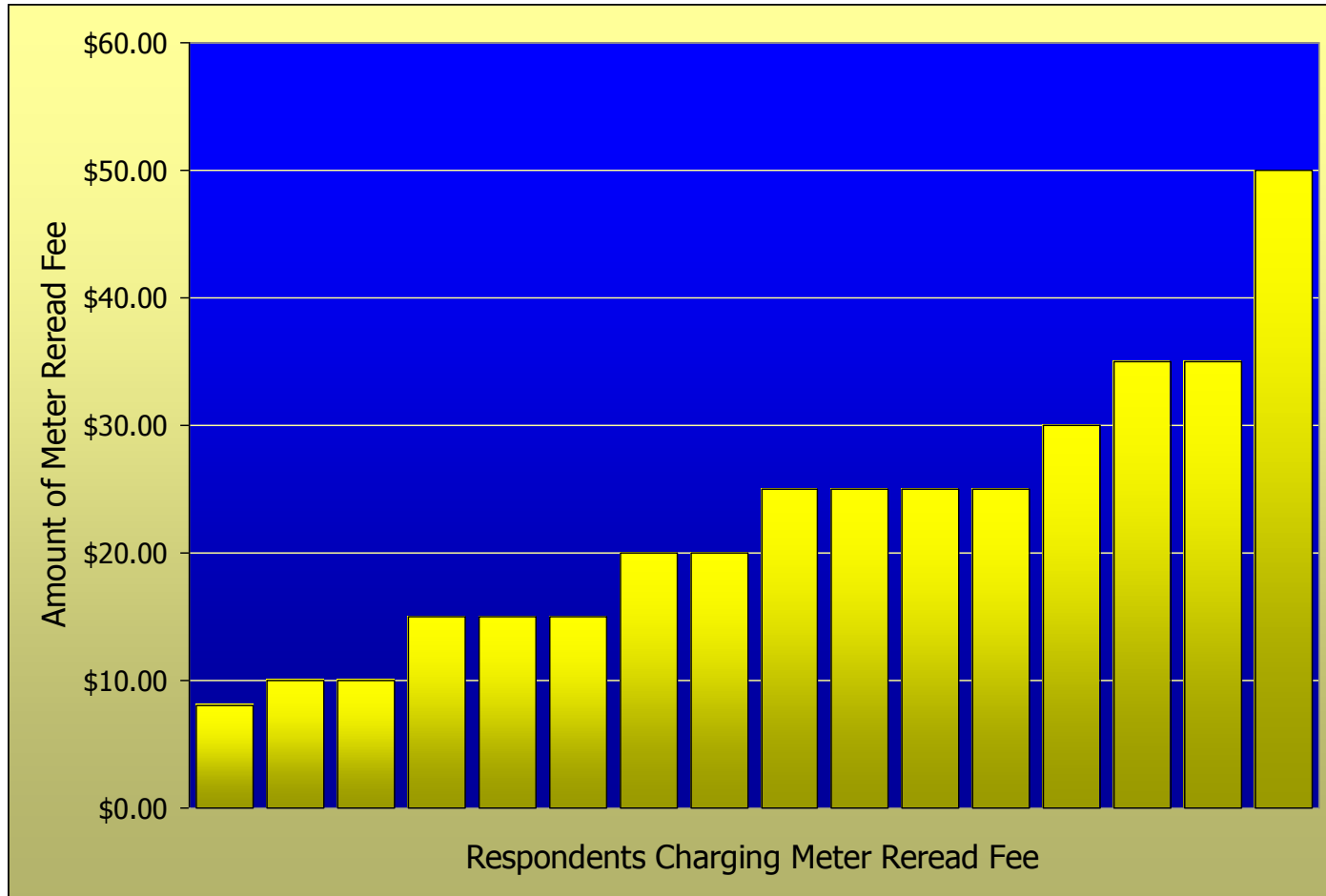
Application Fees



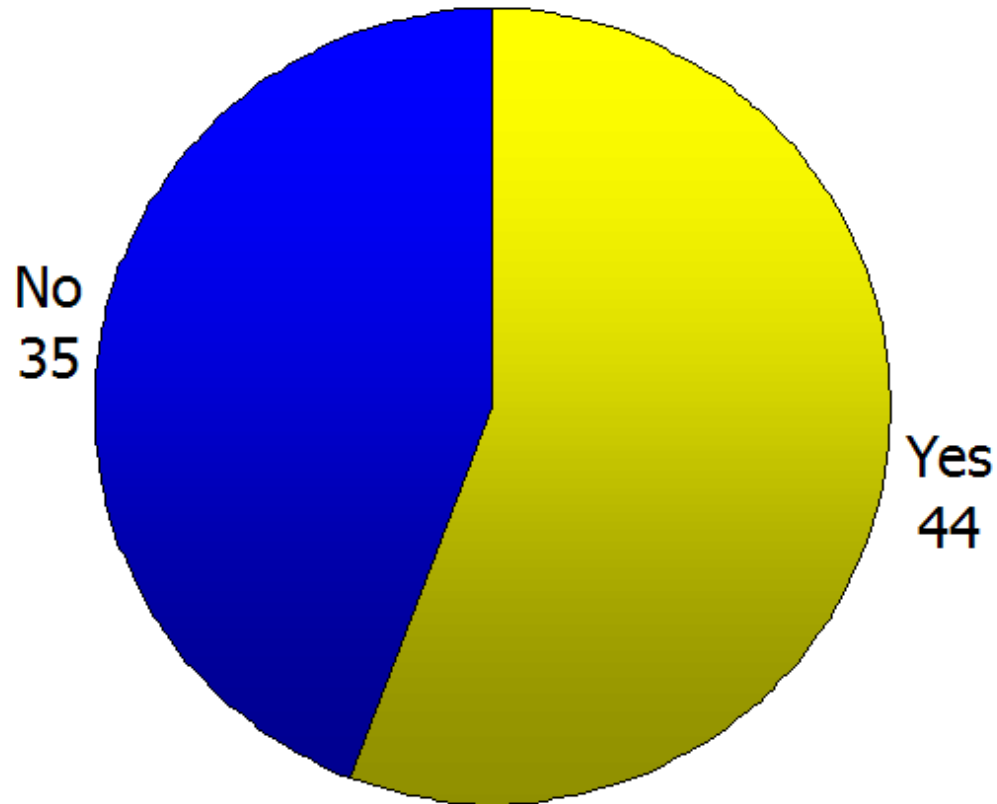
Meter Reread Fee?



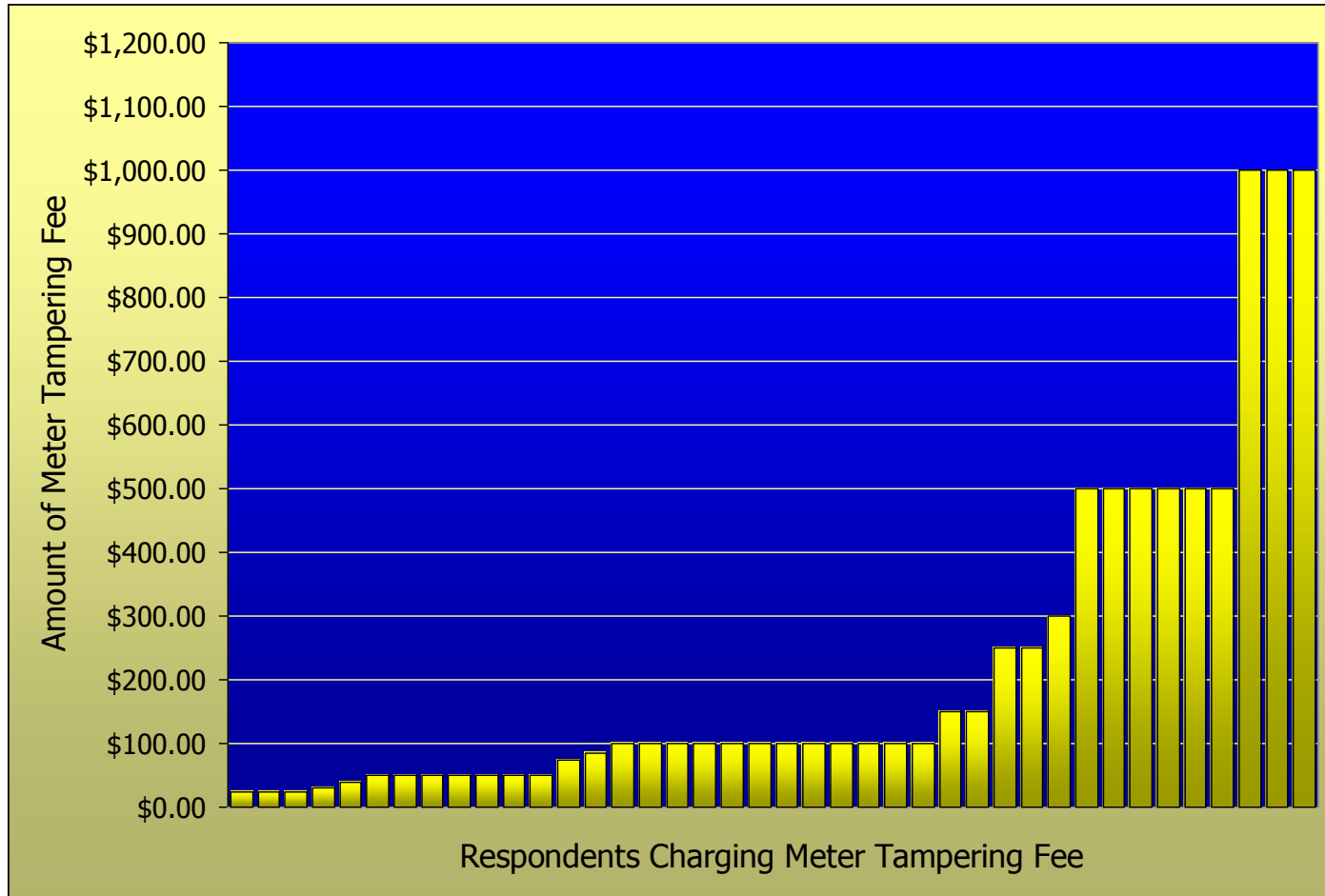
Meter Reread Fees



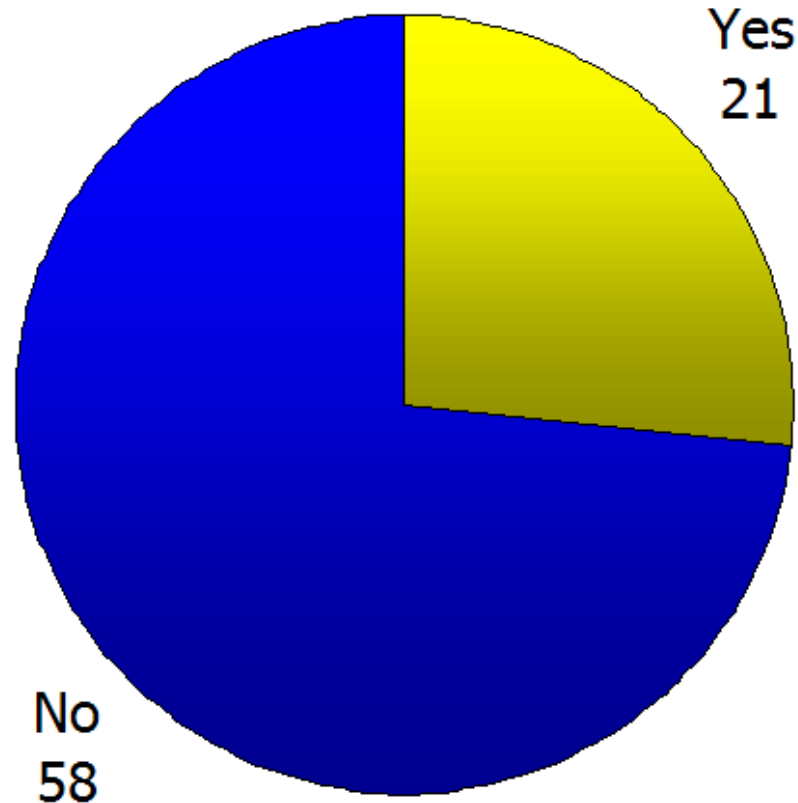
Meter Tampering Fee?



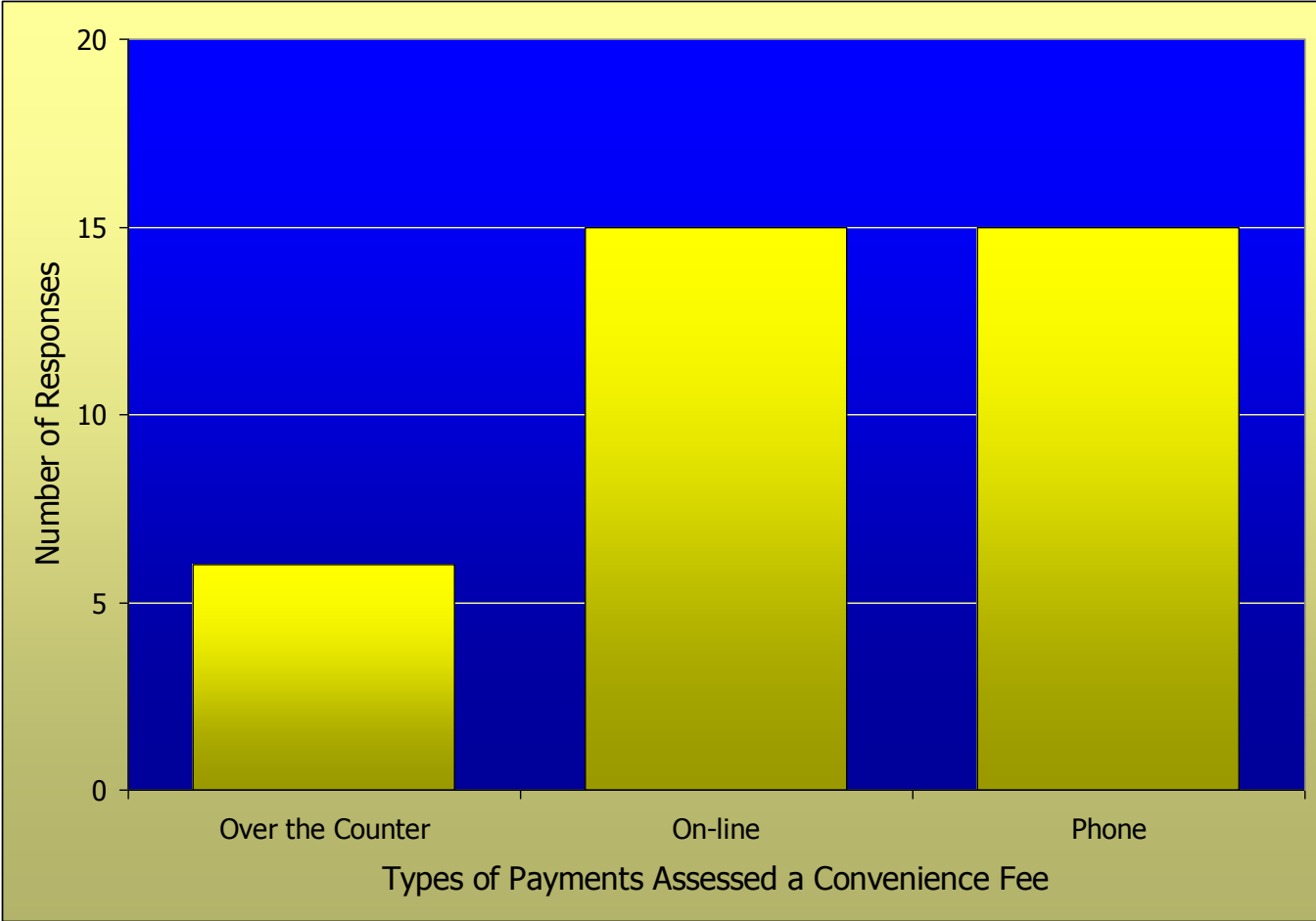
Meter Tampering Fees



Credit Card Convenience Fee?



Credit Card Convenience Fees



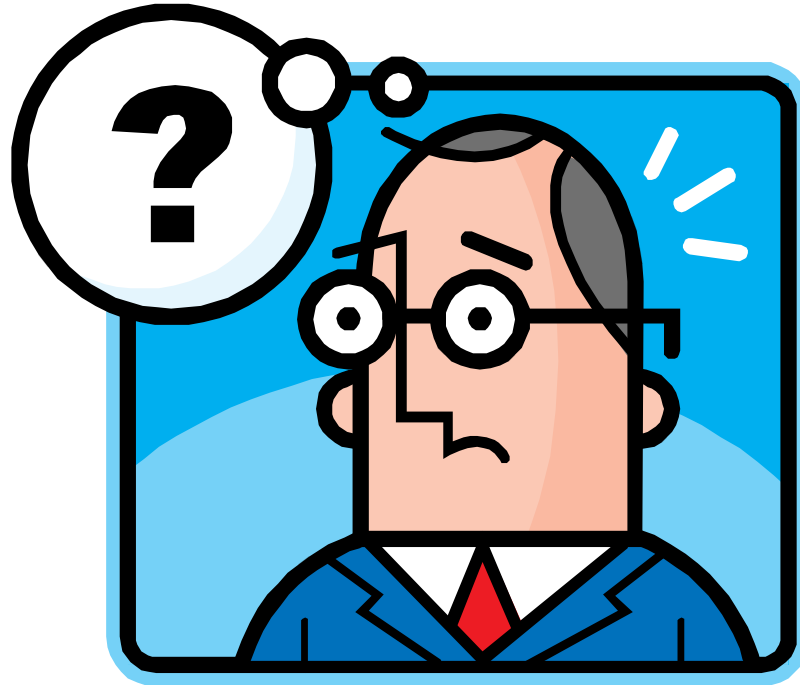
Participate in the Utility Fee Study

<https://www.surveymonkey.com/s/UtilityFeeSurvey>

Questions for Reflection

- When did you last review your fee schedule?
- Are you charging all the fees you could be?
- Do each of your fees fully recover the cost of providing the service?

Questions?



For more information...

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