



CITY OF HARRISONBURG CITY MANAGER

409 SOUTH MAIN STREET, HARRISONBURG, VA 22801
OFFICE (540) 432-7701 • FAX (540) 432-7778

TO: Eric Campbell, City Manager
FROM: G. Chris Brown
DATE: February 3, 2021
RE: Potential ordinances regarding late fees charged for the late payment of City utility bills for water, sewer, solid waste disposal.

Summary: Council requested that staff explore options regarding penalties or late fees for the late payment of City utility bills for water, sewer, and solid waste disposal. Staff has prepared four options for Council's consideration. Staff recommends that Council adopt the ordinance set forth as Option 3 below. This option represents what is happening currently with late fees for utility payments. As described below, staff is also beginning a new push to publicize financial assistance available to those customers feeling a financial burden due to COVID-19, including initiating a program to call all customers with outstanding balances to inform them of potential help available.

Background: Council asked staff to review options related to late penalties currently required by Section 7-4-3(b) of the City Code for city utility bills (water, sewer, solid waste collection) including the possible waiver of the late fees. Working with the Public Utilities staff and Director of Finance, the City Attorney has prepared four options for Council's initial review and consideration. Staff previously provided Council with an excel spreadsheet prepared by Public Utilities showing some financial data related to the number and amount of delinquent accounts and the amount of accrued late fees compared over the past 3 years.

Last spring Council passed an ordinance allowing a waiver of late fees for any business or individual who suffered a substantial economic hardship due to the COVID-19 shutdown ordered by the Governor. Few customers took advantage of this waiver. As of the end of January 2021 COVID-19 related late fees waived were \$2,870.

The spreadsheet previously provided shows that the number of delinquent accounts has remained relatively stable for the last several years, but the total amount of accounts receivable jumped significantly in FY 2021 (from about \$155,000 in FY2020 to \$265,083 in



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FY2021). This indicates that those customers who were delinquent at the time the pandemic started are still delinquent but in greater amounts.

Public Utilities has about \$93,000 in CARES Act funding to help those in financial distress from the pandemic. Customers who need financial assistance have been slow to contact Public Utilities. We don't know if this is due to lack of knowledge of the resources available, pride, or some other reason. To address this issue, Public Utilities is planning on recalling laid off employees to contact the holders of outstanding accounts to determine if financial assistance is available and to waive late fees if possible.

Below is a summary of the initial options staff has prepared. After staff receives input from Council other options can be developed as necessary.

Option 1 suspends the current late penalty of 10% thru the earlier of June 30, 2021 or the end of the declared Local Emergency. Council can revisit the issue near the end of the fiscal year if the pandemic is still with us. Option 1 provides for a waiver of any late penalty which accrued between March 30, 2020 and the date of the option 1 ordinance for any business, nonprofit, or individual who was adversely affected by COVID-19 in some way. If any late fees have been paid, the customer can get a credit for one late fee on the customer's next bill. The customer must ask for the waiver. Staff's concern with this option is that completely eliminating the late penalty may result in some customers who are able to pay deciding to withhold payment. Also, by requiring that the customer contact the Public Utilities billing office to receive the late fee waiver, staff will have an opportunity to discuss financial assistance potentially available to the customer.

Option 2 is identical to option 1 except for the highlighted changes. Option 2 reduces the late fee to 2.5% in order to provide a disincentive to customers to merely avoid paying because there is no late fee.

Option 3 maintains the late fee as is but allows for the waiver described in Option 1. This reflects what is happening now and is Public Utilities preferred option.



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Option 4, like Options 1 and 2, suspends the late fees until June 30 or the end of pandemic, and automatically waives late fees which accrued since March 30, 2020 and which remain unpaid. As of January 1, 2021, \$22,303 late fees were outstanding. There will be some more late fees which accrue in January and February, which will be somewhere between \$10,000 and \$20,000.

Key Issues: 1. Eliminate or reduce late fees for the late payment of City Utility bills (water, sewer, solid waste disposal and collection).

Environmental Impact: None

Fiscal Impact: The Public Utilities Department assumes a certain amount of collection of late penalties each year during the budgeting process. Depending on the amount of fees waived, a small increase in water and sewer rates may be necessary to offset the late fee write offs.

Prior Actions: Council previously passed an emergency ordinance permitting any business or individual directly affected by the Governor's Executive Order 53 closing or restricting businesses to receive a waiver of late fees.

Alternatives:(a) Enact one of the options provided by staff,
(b); request staff provide additional options,
(c) or take no action.

Community Engagement:

Recommendation: For the reasons set forth above, staff recommends that Council enact option 3.



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Attachments:

Review:

The initiating Department Director will place in Legistar, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda. The completion of review only addresses the readiness of the issue for Council consideration. This does not address the recommendation for approval or denial of the issue.

