



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

City Finance Office

300 Sixth Street

Rapid City, South Dakota 57701

605-394-4143

TO: Council Members
 FROM: Jim Preston
 SUBJECT: Resubmitting automatic deductions
 DATE: December 27, 2005

We have received a request to investigate the possibility of resubmitting NSF Sure Pay water billing payments a second time as a courtesy to the public.

I do have some concerns with resubmitting these automatic deductions when there are not sufficient funds available to cover the deduction. The City does not run NSF paper checks through a second time. If we submitted NSF Sure Pays through twice, to be fair, the City should resubmit NSF checks as well. This would cost the City an additional amount because we pick up NSF checks at the bank with cash to avoid paying a fee to the bank to charge back our account.

We charge \$12 to process NSF checks or NSF Sure Pay. The amount would be higher if we had to pay the additional bank service fees that would be incurred by resubmitting bad checks/electronic payments. In fact, the \$12 fee that we do charge has not been changed for some time and should be increased. On the infrequent occasions where the bank has made an error, and notifies us accordingly, the fee is waived.

Furthermore, each time a check or automatic payment is submitted and if there are insufficient funds, the bank charges the account holder a minimum of \$20. By rights, the City should collect the \$12 fee for each NSF check or automatic payment as well, which would cost the account holder \$32 for each NSF transaction. This can be done up to three times. I would have to assume that people would be upset to receive \$96 in fees for a \$40 water bill.

Resubmitting will most likely affect our delinquency schedule to include mailings and shut off times, which would require some reprogramming to our water billing system. Additionally, the software changes to allow us to resubmit these transactions will cost about \$600.

Sure Pay notices are mailed to the account holder ten days before the deduction is made from the bank account. This lead time should allow the individual to have the required amount available in his account to make the payment. I would recommend that anyone concerned about overdraft fees consider automatic overdraft protection offered by most financial institutions.

Cc: Mayor Shaw, Coleen Schmidt, John Wagner, Doug Aldrich



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