



April 17, 2023

The Honorable Tracy O. King
Chair, House Committee on Natural Resources
P.O. Box 2910
Austin, Texas 78768

Re: Opposition of HB 2787 relating to late payment fees charged by a municipally owned water utility.

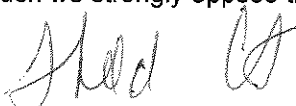
Dear Chairman King:

The City of Houston strongly opposes the passage of House Bill 2787, authored by Gary Gates. HB 2787 would pass two policies that would disrupt the current business practices of the City of Houston.

Firstly, the proposed bill would give appellate authority of all late payment fees charged by a municipality to the Utility Commission, with the burden of proof resting on the municipality charging the fee. This would create an additional burden on the City of Houston, requiring additional staffing to ensure all late penalties could be defended in an appellate review. This additional staffing requirement would impede the municipalities' abilities to financially sustain the resources required to provide services to the public as detailed below. The City of Houston would also be concerned of any situation where the Utility Commission would differ from Texas Administrative Code, which in turn would lead to dramatic changes in procedure on our end.

Second, the bill mandates that a municipality may not charge a late payment fee more than the greater of: (1) \$5; or (2) two percent of the amount past due, not to exceed \$500. Currently, the City of Houston along with many other municipalities allows for a charge of ten percent of the amount past due. The proposed bill would drastically limit the City of Houston's ability to collect delinquent charges, thus limiting the available resources required to maintain city services. Further, imposing a cap of \$500 would benefit the City's larger commercial customers at the expense of smaller residential ones, as many larger consumers could potentially not pay due to lower punitive impacts.

The overall financial impact to the City of Houston would be substantial, albeit difficult to calculate. As we would not know the total number of appellate cases, we would not be able to estimate the staffing requirement needed. In addition, current City of Houston practices allow for the waiving of late fees for a variety of reasons, usually to encourage customers to set up payment plans. As such, we do not know what the specific financial impact would be should this bill pass, though we can assume it would be considerable. These increased costs would ultimately be passed on to the City's customers, and as such we strongly oppose this bill's passage.


Sheldon Avant,
Assistant Director
Customer Account Services