

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

August 24, 1993

To: Board of Directors (Executive Committee--Action)  
(Finance and Insurance Committee--Action)

From: General Manager

Subject: Administrative Code Provisions for Automated Clearinghouse  
Transfers and Payments

Report

Section 4507 of the Administrative Code provides procedures for monthly invoicing and payment by member agencies for water delivered by the District. Certain additions to subsection (a) of Section 4507, as described below and shown on Attachment A, are proposed to streamline payment procedures and permit payments to be made by automated clearinghouse (ACH) transfer for those member agencies desiring to take part in the program.

First, staff proposes that the contents of each invoice (as described in Code Section 4507(a)) be modified as shown in Attachment A to specify the date on which the payment requested in the invoice becomes delinquent. This addition is suggested to avoid confusion on the rare occasions when the last business day of the month is a District holiday but not a holiday for a member agency, and is consistent with common billing practices in the industry.

Second, staff proposes that subsection (a) be modified to specifically authorize payment by ACH transfer, subject to the condition that the member agency authorize the District in writing to initiate ACH transfers.

This amendment also specifies the timing of such transfers. Under this proposal, the District will draw down on the member agency's account, via the ACH system, **two business days prior to the business day on which the payment will become delinquent.** In the event that the ACH transfer fails, this should allow the member agency a second chance to make the payment before the payment is considered delinquent and a late payment penalty is incurred.

An amendment to Code Section 5102 is also proposed, to clarify the Treasurer's authorization to instruct the District's depository banks as necessary to institute funds transfer and electronic payment services relating to transfers from and payments to the District's accounts maintained with such banks.

The proposed revisions are shown by underscoring and strikeouts on Attachment B.

Board Committee Assignments

This letter is referred for action to:

The Finance and Insurance Committee, pursuant to its jurisdiction under Administrative Code Section 2441(c) with respect to disposition of funds; and

The Executive Committee, pursuant to its jurisdiction under Administrative Code Section 2417(e) regarding policies and procedures to be considered by the Board.

Recommendation

**FINANCE AND INSURANCE AND EXECUTIVE COMMITTEES FOR ACTION.**

It is recommended that Sections 4507(a) and 5102 of the Administrative Code be amended to read as shown in Attachment A.



John R. Wodraska

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Attachments

**ATTACHMENT A**

**§ 4507. Billing and Payment for Water Deliveries.**

(a) Except as noted hereinbelow, invoices shall be mailed not later than the tenth day of the month following delivery to a member public agency. Each such invoice shall indicate the date of mailing and the date on which the payment thereunder becomes delinquent and shall show the total amount of water delivered for each class of service, the charges for water sold and delivered for each class, and the total amount due and owing for water sold and delivered, all as determined by the General Manager. The amount due for entire annual scheduled interruptible in-lieu groundwater replenishment and reservoir storage deliveries shall be invoiced in equal amounts over the first ten months of the fiscal year and included on the regular monthly invoices. If an agency's schedule of interruptible deliveries is reduced during the first ten months of the fiscal year due to loss of an alternative water supply on which the agency had planned to rely to meet its interruptible obligation or for other reasons, the billings for each of the remaining months of the first ten months of the fiscal year will invoice in equal increments the difference between the new annual total of interruptible deliveries and the scheduled interruptible deliveries invoiced to date. The last two months of the fiscal year shall be used for any other adjustments needed to reflect actual deliveries. Payments of the amount shown on any such invoice shall be due on the last business day of that month and shall be delinquent if not received by the Treasurer of the District before the close of crediting activity on the last business day of the first month following such date of mailing. When making any such payment the member public agency shall specify the invoice or invoices to which the payment shall be credited by the District.

(1) For purposes of Section 4507(a), "business day" shall mean any day other than a Saturday, a Sunday, or a Holiday (as defined in Section 1106).

(2) For purposes of Section 4507(a), "received by the Treasurer of the District" shall mean receipt either (1) in the office of the Treasurer or (2) by crediting pursuant to advance agreement with the Treasurer to the District's general demand account at the District's principal depository bank, in such form that the funds are immediately available for investment or other use or disposal by the District.

(3) For purposes of Section 4507(a), "crediting activity" shall mean either (1) 2:00 p.m. if payment is delivered to the office of the Treasurer or (2) the cutoff time for crediting by the District's principal depository bank of

that day's transactions if payment is initiated by wire transfer, automated clearinghouse transfer, interbranch transfer, direct deposit, or by other means pursuant to advance agreement with the Treasurer.

If, under advance agreement with the Treasurer, a member agency has authorized payment of any invoice by automated clearinghouse transfer initiated by the Treasurer, the Treasurer shall initiate such transfer for processing two business days prior to the business day on which such payment shall be delinquent. Failure of such transfer shall not relieve such member agency from liability for such payment or charges in the event such payment should become delinquent, except as specifically provided under advance agreement with the Treasurer.

**§ 5102. Facsimile Signature re Banks; Authorization for Electronic Funds Transfers.**

Any state or national bank designated by the Treasurer as an official depository for funds of this District (including their respective correspondent banks) may be requested, authorized and directed to honor all checks, drafts or other orders for the payment of money drawn in this District's name on its accounts (including those drawn to the individual order of any person whose name appears thereon as signer) when bearing the facsimile signature of the Treasurer, the Assistant Treasurer, or a Deputy Treasurer, and the said banks (including their respective correspondent banks) shall be entitled to honor and to charge this District for all such instruments, regardless of by whom or by what means the actual facsimile signature thereon may have been affixed thereto, if such facsimile signature is identical to one of the specimen facsimile signatures filed with the said banks. Each of said banks shall also be entitled to honor instructions for funds transfers or electronic payments given in accordance with the security procedures set forth in an agreement for electronic payments services between such bank and the Treasurer, and the Treasurer, the Assistant Treasurer, any Deputy Treasurer and any other person designated by the Treasurer pursuant to such an agreement is authorized to initiate, amend, cancel, confirm or verify the authenticity of such instructions.

ATTACHMENT B

§ 4507. Billing and Payment for Water Deliveries.

(a) Except as noted hereinbelow, invoices shall be mailed not later than the tenth day of the month following delivery to a member public agency. Each such invoice shall indicate the date of mailing and the date on which the payment thereunder becomes delinquent and shall show the total amount of water delivered for each class of service, the charges for water sold and delivered for each class, and the total amount due and owing for water sold and delivered, all as determined by the General Manager. The amount due for entire annual scheduled interruptible in-lieu groundwater replenishment and reservoir storage deliveries shall be invoiced in equal amounts over the first ten months of the fiscal year and included on the regular monthly invoices. If an agency's schedule of interruptible deliveries is reduced during the first ten months of the fiscal year due to loss of an alternative water supply on which the agency had planned to rely to meet its interruptible obligation or for other reasons, the billings for each of the remaining months of the first ten months of the fiscal year will invoice in equal increments the difference between the new annual total of interruptible deliveries and the scheduled interruptible deliveries invoiced to date. The last two months of the fiscal year shall be used for any other adjustments needed to reflect actual deliveries. Payments of the amount shown on any such invoice shall be due on the last business day of that month and shall be delinquent if not received by the Treasurer of the District before the close of crediting activity on the last business day of the first month following such date of mailing. When making any such payment the member public agency shall specify the invoice or invoices to which the payment shall be credited by the District.

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(2) For purposes of Section 4507(a), "received by the Treasurer of the District" shall mean receipt either (1) ~~by~~ in the office of the Treasurer at ~~District headquarters~~ or (2) by crediting pursuant to advance agreement with the Treasurer to the District's general demand account at ~~the headquarters office of the District's principal depository bank,~~ in such form that the funds are immediately available for investment or other use or disposal by the District.

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principal depository bank of that day's transactions if payment is initiated by wire transfer, automated clearinghouse transfer, interbranch transfer, direct deposit, or by other means pursuant to advance agreement with the Treasurer.

If, under advance agreement with the Treasurer, a member agency has authorized payment of any invoice by automated clearinghouse transfer initiated by the Treasurer, the Treasurer shall initiate such transfer for processing two business days prior to the business day on which such payment shall be delinquent. Failure of such transfer shall not relieve such member agency from liability for such payment or charges in the event such payment should become delinquent, except as specifically provided under advance agreement with the Treasurer.

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