



CITY COUNCIL AGENDA ITEM STAFF REPORT

MEETING DATE:	July 24, 2017
TITLE:	Amendment to Municipal Code, Chapter 13.04, "Water Service System", enacting a new Section 13.04.055, "Liability for charges"
DEPARTMENT:	Administration
PROJECT MANAGER:	Mitchell Bair, AICP, City Manager
REQUESTED ACTION:	Adoption of Ordinance
STRATEGIC PLAN GOAL(S):	Goal #7: "Financial Stewardship & Sustainability"
ATTACHMENTS:	Public Information Sheet: Water Account by Owner Status Draft Ordinance

EXECUTIVE SUMMARY:

The recommended amendment to the Municipal Code will establish the liability for water charges to reside with the property owner. Currently the City does not have this requirement in place which places the liability with whomever owns the account (not the property). A significant majority of delinquent water accounts occur with non-owner occupied water accounts (69.4%) where these accounts only make up 22% of water accounts. The adoption of this requirement will significantly reduce delinquent water account charges that are directly related to non-owner occupied properties thereby resulting in a positive financial impact to the City.

BACKGROUND & HISTORY:

The City currently does not have an ordinance that establishes the liability for water account fees with the owner of the property. Absent ordinance language that establishes this responsibility with the property owner the City experiences, and has experienced historically, a disproportionately higher number in account delinquencies associated with non-owner occupied water accounts. The absence of this language does not permit an owner from establishing the account in their name rather than that of the tenants, but this is the exception rather than the norm and these accounts are not those that become delinquent. Should owner occupied accounts become delinquent the City has an effective method for reclaiming those delinquent funds through placing a lien on the property. However, when these delinquencies occur on non-owner occupied accounts these delinquencies are difficult, if not impossible to reclaim. The result is the other rate payers are forced to subsidize this inequity in a completely unfair manner. Consider the following:

- ✓ The City has 11,447 water accounts and of those 23% are classified as non-owner occupied. This does not mean the City is only 23% rental rather that is the number of water accounts that are not in the same name as the property owner.
- ✓ Out of a total delinquent amount of \$185,038.73 non-owner occupied delinquencies amount to more than \$128,376.10 or fully 69.4% of those delinquencies.
- ✓ Disconnections, in both total number (50.9%) and dollar cost (50.4%) are disproportionately related to the percentage of water accounts for non-owner occupied vs. owner occupied.

This is an alarmingly high cost that is associated with these non-owner occupied accounts requiring consideration and action by the City.

STAFF REVIEW & ANALYSIS:

Staff has reviewed this policy and has identified the disproportionate occurrence of delinquency in non-owner occupied water accounts when compared to owner occupied accounts. Enactment of the requirement that establishes liability for water account delinquencies with the property owner of record will substantially reduce the level of delinquency while increasing the collections of any delinquent accounts. A conservative estimate puts savings of at least \$70,000 if the delinquency occurrence is reduced to a level commensurate with that of the owner occupied level. This requirement would not eliminate owners from allowing their tenants to place the water account in their name, rather should those accounts go delinquent they would be the liability of the property owner. This requirement is standard operating procedure in many other municipalities, in fact some municipalities require the account to be in the name of the property owner to which staff is not recommending at this time.

FINANCIAL IMPACT:

Enactment of the ordinance and requirement will have a positive financial impact of the City by increasing the amount recovered on delinquent accounts to a level proportionate with those of owner occupied conservatively estimated at \$70,000. However, staff believes this level would be greater than the \$70,000 in savings. An additional financial impact is expected to be a reduction in disconnections and associated costs.

ALTERNATIVES:

The alternative available to the City Council is to maintain the status quo thereby maintaining a disproportionate burden upon property owners and users of the water system to subsidize delinquencies occurred by non-owner occupied accounts.

PROS & CONS:

The pros associated with enacting this requirement are as follows:

1. Liability for delinquent water accounts will rest upon the property owner;
2. Reduced level of water account delinquency;
3. Increased level of delinquency recovery;
4. Substantial elimination of owner occupied accounts subsidizing non-owner occupied delinquencies; and
5. Less time and money required by the City to recover delinquencies.

There are no cons associated with enacting the requirement from the standpoint of the City.

RECOMMENDATION:

Staff recommends the City Council enact the ordinance placing the liability of delinquent water account costs with the property owner of record.

CONCLUSION:

Staff concludes that the City Council should enact the legislation placing the liability for delinquent water accounts onto the property owner of record. This legislative act will reduce the amount of water account delinquencies, increase the collections for delinquent accounts, and reduce the costs of service disconnections.