



DATE: July 17, 2018

TO: Mayor and City Council

FROM: Director of Utilities & Environmental Services

SUBJECT: Report and Special Assessment for Delinquent Sewer Bills and Water Bills Incurred by Property Owners

RECOMMENDATION

That Council adopts the attached resolution (Attachment II) confirming the report and assessment for delinquent water bills and sewer bills and authoring the delinquent charges to become a special assessment against the properties if not paid by August 1, 2018.

SUMMARY

The City provides water and sewer services to almost all residents and businesses within the City limits. In addition to in-City customers, Hayward provides sewer service to about 900 “sewer-only” customers, mainly located in unincorporated Alameda County. Overall, customers pay their water and sewer bill in a timely manner; however, there are some past due accounts that become subject to collection. In November 2012, Council approved collection of delinquent water service and sewer service charges by way of special assessments on property tax rolls. Historically, this method of cost recovery has been an effective tool, benefiting both the City and rate payers. This report presents delinquent water bills and sewer bills for calendar year 2017 and the amounts that are to be placed as a special assessment on the property tax rolls.

BACKGROUND

The City provides water and sewer services to almost all residents and businesses within the City limits. The exceptions are a small number of properties that receive water service from the East Bay Municipal Utility District or sewer service from Oro Loma Sanitary District. In addition to in-City customers, Hayward provides sewer service to about 900 “sewer-only” customers, mainly located in unincorporated Alameda County, as well as water or sewer service to a number of other customers outside of the City limits. Hayward issues bimonthly billings for water and sewer service, after the service has been provided. The Hayward Municipal Code states that responsibility for water and sewer bills lies with the person or entity that requested service, i.e., the account holder of record. For sewer-only accounts, however, ultimate responsibility rests with the property owner, regardless of the name on the account.

While the vast majority of customers pay their water and sewer bills in a timely way, there are some past due accounts that become subject to collection, including late notices and fees. The most effective collection measure available to the City is to discontinue water service for unpaid charges. However, the City has no ability to shut off water to sewer-only customers, since, by definition, water service is not provided by the City, and it is not feasible to discontinue sewer service. With respect to multi-family customers where the landlord is the responsible party on the bill, discontinuing water service would leave tenants without water, in most cases through no fault of their own. On November 27, 2012, Council approved ordinances allowing for the collection of delinquent water and sewer bills as special assessments on property tax bills. The ordinances apply to accounts that are at least sixty days in arrears as of March 1st and provides the City with a strong tool to collect delinquent charges from property owners that receive sewer service only from the City and from owners of multi-family properties. The ordinances are intended for use as a last resort, in addition to remedies that already exist.

DISCUSSION

Delinquent water and sewer service charges that would be placed on the property tax rolls are comprised of all charges in arrears by sixty days or more as of March 1, 2018, a fifty-dollar administrative fee charged by the City, and a 1.7% administrative fee charged by the Alameda County Assessor's Office. As of the date of this writing, a total of fifty affected property owners, some with multiple accounts in arrears, owe a total of \$34,699.72 in unpaid water and sewer charges, plus an additional \$2,500 in administrative fees to the City and \$3,712.60 in administrative fees to the County, as listed on Attachment III. If not paid by August 1, 2018, the unpaid charges and administrative fees will become a special assessment against the property and will appear on each property owner's tax bill later this year. By comparison, at this time last year, fifty-eight property owners owed a total of \$52,544.69, and the previous year, forty-six property owners owed a total of \$46,310.62, including all fees. As in previous years, last year, some property owners paid off their delinquent balance after the City Council action, so that the final list transmitted to the County Assessor included forty-seven properties owing a total of \$48,927.12.

Staff mailed three separate formal notices in March, April, and May to each affected property owner. Property owners were provided with an opportunity to schedule an administrative hearing if they disagreed with the charges or their responsibility for paying them, but no requests for hearings were received.

To give the Council a sense of the impact of the ordinance, the first formal letter was sent to 141 account holders, with total delinquent charges of \$98,376.07. The attached list includes fifty parcels, with charges totaling \$34,699.72, which means that \$63,676.35, or nearly two-thirds of the original amount, has been collected that otherwise may not have been paid. Based on the experience of prior years, it is expected that the final list should include fewer properties owing less money.

ECONOMIC IMPACT

The properties that are affected by this action are summarized in the following table:

Number of Parcels	Amount Owed
43	Less than \$500
4	\$500 - \$1000
0	\$1,000 - \$2,000
2	\$2,000 - \$10,000
1	More than \$10,000
Total:	50
	\$34,699.72

To the extent that the City recovers and discourages delinquencies, all rate payers will benefit from slightly less overall future rate increase requirements.

FISCAL IMPACT

There is no negative fiscal impact to the City as cost recovery occurs through administrative fees. Recovery of these outstanding charges improves the fiscal health of the Water and Wastewater Operating Funds, which benefits all rate payers.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

PUBLIC CONTACT

In addition to the three notices sent directly to property owners, a notice of the City Council's scheduled confirmation of this report was published in *The Daily Review* on July 6, 2018.

NEXT STEPS

The City will continue to accept payments until August 1, 2018. After that date, the list will be finalized and forwarded to the Alameda County Assessor's Office by August 10, in accordance with the County's schedule.

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Recommended by: Alex Ameri, Director of Utilities & Environmental Services

Approved by:



Kelly McAdoo, City Manager