



DATE: July 18, 2017

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 the City Council adopts the attached draft resolution (Attachment II) confirming the report and assessment for delinquent water bills and sewer bills, and authorizing the delinquent charges to become a special assessment against the properties if not paid by August 1, 2017.

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 several 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 water service is not provided by the City, and it is not feasible to discontinue sewer service. With respect to multi-family customers, discontinuing water service would leave tenants without water, in most cases through no fault of their own. In November 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 1, 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, 2017, 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-eight affected property owners, some with multiple accounts in arrears, owe a total of \$52,544.69 in unpaid sewer and water charges, plus an additional \$3,944.26 in administrative fees, as listed on Attachment III. If not paid by August 1, 2017, 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, forty-six property owners owed a total of \$46,310.62, and the previous year, forty-one property owners owed a total of \$32,072.78, 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 thirty-eight properties owing a total of \$40,517.51.

Staff mailed three formal notices to each affected property owner in April and May. 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 130 account holders, with total delinquent charges of \$112,376.93. The attached list includes sixty parcels, with charges totaling \$52,544.69, which means that \$59,832.24, or more than half of the original amount, has been collected that otherwise may not have been paid. Based on the experience of the past few 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 |
|-------------------|--------------------|
| 49 | Less than \$500 |
| 5 | \$500 - \$1000 |
| 2 | \$1,000 - \$2,000 |
| 3 | \$2,000 - \$10,000 |
| 1 | More than \$10,000 |
| Total: 60 | \$52,544.69 |

To the extent that we recover and discourage delinquencies, all rate payers will benefit from slightly lower 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.

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 7, 2017.

NEXT STEPS

The City will continue to accept payments until August 1, 2017. 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