

Subject: Water Arrears Collection Update**Recommendation:**

BE IT RESOLVED THAT Council receive Report #2021-0193 Water Arrears Collection Update, for information;

AND THAT Council direct a \$25.00 administrative fee for the transfer of arrears balances to property tax be included in the 2022 User Fees and Charges;

AND THAT Council direct staff to review and update the Water Management By-law in 2022.

Background:

Staff have reviewed current water and wastewater billing collection practices to ensure efficient use of staff time and collection of balances in arrears. The Town Water Management By-law 3815 (2016) has been reviewed and local area municipalities were surveyed to determine practices commonly used throughout the Niagara Region. By-law 3815(2016) allows the Treasurer to use discretion in determining whether water shut-offs are used as a collection method, however this report is being provided to Council for information, as staff plan to permanently change the water arrears collection procedure.

Analysis:

Section 10(b) of by-law 3815 (2016) states that where a water bill remains unpaid for more than 15 days after its due date, the Treasurer may disconnect the water supply and it shall not be restored until all arrears are paid.

The practice that was followed with respect to water shut-offs, prior to the COVID-19 pandemic was as follows:

1. After the water due date passed, a monthly penalty of 1.25% was added to the water account at the beginning of each month until paid.
2. When an account was left unpaid for more than 60 days following the due date, a

reminder notice was mailed.

3. When the account was still unpaid two weeks following the reminder notice, a shut-off notice was sent requesting payment within one week.

4. If payment was not received within one week of the shut-off notice, no further notice was given and the Water Clerk scheduled the Public Works Department (Public Works) to shut-off the water. A fee of \$70.00 for both the disconnection and reconnection together, was added to the account. If reconnection occurred outside of Public Work's operating hours, additional cost recovery fees would apply. The water connection was not restored until payment had been made.

In the past, approximately 6-10 water shut-offs occurred every two months. These shut-offs resulted in additional staff time required to coordinate the shut-off and reconnection between the Water Clerk, Public Works and the property owner. The time required by Public Works for each disconnection and each reconnection was approximately 15 minutes per property.

In response to the COVID-19 pandemic, the Town halted water shut-offs for overdue accounts, because access to reliable clean water is essential during a pandemic for health and sanitation reasons.

Since that time, there has been a slight decline in the aging of water and sewer receivables, and penalties and interest have increased. Overdue receivables in October as a percentage of the most recent billing were 8.7% in 2019, 11.1% in 2020, and 15.2% in 2021, with the most significant increase in the arrears over 122 days. As of November 2021, penalties for water and sewer are above \$21,500 compared to a budget of \$11,800. There are approximately 75 accounts with an arrears balance over \$200 out of 5,300 accounts (1.4% of accounts), so overall collections are still strong. The Water Clerk has been sending out reminder letters about arrear balances, however, the Town needs to increase efforts to collect overdue balances.

Local area municipalities that provide water services were consulted with the following results:

- 7 out of 10 are permanently eliminating water shut-offs and instead adding water arrears to property taxes;
- 1 out of 10 is temporarily adding water arrears to property taxes;
- 1 out of 10 is continuing to perform water shut-offs;
- 1 out of 10 did not provide a response.

Staff plan to permanently discontinue water shut-offs, and instead water accounts with balances over \$200 that are in arrears more than 60 days will be notified and if unpaid, be added to the owner(s)' property tax account. In addition, it is

proposed that a \$25 administration fee will be added to the property tax account to offset the cost of the staff time and resources required to process this transfer. Penalties and interest of 1.25% monthly will still apply for balances outstanding in water or property taxes.

As per the *Municipal Act*, 2001 fees and charges for the supply of a public utility (such as water) may be collected in the same manner as taxes and added to the tax roll of the property where the public utility was supplied. Paragraph 10(c) of by-law 3815(2016) provides that where the Treasurer exercises discretion not to shut the water off, the property owner is liable for all charges accrued, and owner liability is confirmed in paragraph 9(h). Paragraph 10(g) provides that an amount payable by the owner of lands "is a lien and charge upon the lands in the same manner and to the same extent as municipal taxes upon the land". This is authorized by section 398 of the *Municipal Act*, 2001.

By permanently discontinuing water shut-offs, the Town will be able to eliminate Public Works involvement in this process and streamline water administration practices. This also means that if there is a tenant in a property, the owner will be responsible for payment if the account is in arrears. The change will ensure that ultimately the Town receives all outstanding monies, as property taxes must be paid prior to sale, change of title, inheritance or any other transaction.

In conclusion, staff recommend that the Water Management By-law be updated in 2022 to reflect current practice.

Financial Considerations:

By permanently eliminating water shut-offs it is expected that the number of unpaid accounts will increase, resulting in a slight decline in aging of receivables and additional interest and penalty revenue. However, the balances will still be collected in the same manner and to the same extent as municipal taxes. It is recommended that a \$25 administrative fee be added to the property tax account to offset the staff costs associated with the administration of overdue water accounts. Assuming current data trends continue, the proposed fee would be applied to approximately 75 accounts per year, which at \$25 would generate an estimated \$1,875 per annum.

Alternatives Reviewed:

The Town could return to the practice that was followed prior to the COVID-19 pandemic with respect to water shut-offs. Staff are not recommending this alternative as it involves considerable staff time and resources to coordinate water

shut-offs and reconnections between the Water Clerk, the Public Works Department and the property owner. In addition, the COVID-19 pandemic has highlighted the essential need for access to reliable clean water for both health and sanitation reasons.

Strategic Plan Relationship: Risk Management

By moving water bills to property taxes, the Town is essentially guaranteeing itself payment for outstanding accounts, as property taxes must be paid before a property can be sold or inherited. This addresses the municipal corporation's financial risk and ensures efficient use of staff time, while also reducing health risks to residents who might otherwise not have access to water.

Consultation:

Local area municipalities were informally surveyed.

The Town Water Clerk was consulted.

The Town Solicitor and CAO were consulted.

Other Pertinent Reports/Attachments:

None.

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